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January 30, 2003

Mr. Thomas Stephens
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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, October to December 2002

Dear Mr. Stephens:

Please find enclosed the *Project Year 2 and Quarterly Task Order Progress and Cost Report, October to December 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 A. Stern

Maria C. Andrade-Stern

Enclosures

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Edward Mazuroski (UI/Indonesia)
USAID Development Clearinghouse
IAC Chron File
IAC Deliverables File (06967-004)

LOCAL GOVERNMENT WATER SERVICES PROJECT

PROJECT YEAR 3

QUARTERLY TASK ORDER AND COST REPORT No. 9

OCTOBER – DECEMBER 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

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December 2002
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LOCAL GOVERNMENT WATER SERVICES

YEAR – 3

QUARTERLY PERFORMANCE REPORT NO. 9

Contractor(s): The Urban Institute
Chemonics International, Inc.

Contract Number: OUT-LAG-I-802-99-00036-00

Reporting Period: October 1 – December 31, 2002

Report Number: Quarterly Progress Report No. 9

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 ninth Quarterly Performance Report, and covers LGWS' activities for the period October 1 – December 31, 2002, and is submitted to USAID in compliance with the Contract's expected outputs and deliverables.

II. EXPECTED RESULTS, OUTPUTS & PERFORMANCE

Major accomplishments during this first 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 I. 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:

- On October 14, 2002 the State Department ordered the departure of all non-emergency personal from Indonesia. The Project's COP and DCOP, and their dependents departed Indonesia in mid-October to their safe-havens. As of this writing, the COP and DCOP remain under ordered departure at their safe-havens pending a State Department review to rescind the ordered departure.

- On December 8, 2002 the COP submitted a request to USAID for the COP and DCOP to return to Indonesia. Approval was granted for the COP to enter Indonesia for a ten-day period to attend meetings in the field to discuss tariff increases and continuing LGWS assistance. The COP entered Indonesia on December 16, 2002 departing on December 20, 2002.

- The continuing ordered departure is having an effect on the ability to achieve results under the project. Meetings to discuss tariff increases, corporate planning documents and financial projections have been delayed pending return of expatriate advisors. Permission has been granted for the COP to return temporarily on January 17, 2003. The COP will attend many of these meeting and clear the backlog of outstanding work delayed by the ordered departure. LGWS remains concerned that continuing delays in the return of expatriate staff will have material adverse effects on the progress of the project.

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

As we begin Year 3 of the Project, our 18-client PDAM and their designated Field Teams continue as previously reported.

The Project's Scope of Work - as amended and approved by USAID in June 2001 will add 6 PDAM in Year 3, bringing the total number of PDAM assisted to 24. The selection of these 6 new PDAM is discussed in sub-task A2.

EXPECTED OUTPUTS:

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

STATUS:

2. **In Progress - MOUs to be distributed in January 2003.**

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

As indicated in our Annual Report and Second Year Work Plan, we increased the number of additional PDAM for assistance from 8 to 12 for the remainder of the project. This brings the total PDAM to be assisted to 24 from the initial 20. In Year 2 we assisted 6 PDAM in addition to continuing assistance to our initial cohort. In Year 3 we will assist the remaining 6 PDAM while continuing to assist our 18 client PDAM.

To determine which PDAM to assist, Perpamsi and Bappenas provided LGWS with a list of 15 potential PDAM candidates. From this list and with the agreement of Bappenas and Perpamsi we will select 6 PDAM for intensive assistance under the Project.

In support of this sub-task we have executed initial financial and technical assessments of the 15 PDAM identified by Bappenas and Perpamsi. For each PDAM, LGWS prepared an audit evaluation report. The audit evaluation report (known as a Field Report) indicated the weaknesses found in each PDAM and recommended a series of remedial actions that could be taken in the short-run to improve performance. Furthermore, each field team made objective and subjective comments concerning a number of evaluation criteria for selection. The 15 PDAM examined by LGWS are listed below in Table A2-1.

We also completed our evaluation of each of these PDAM to determine their eligibility for further in-depth LGWS assistance. Each of these 15 PDAM was subject to an internal review that included the following evaluation criteria:

- ***Demand Profile***

- ***Technical Potential***
- ***Non-Revenue-Water***
- ***Political Environment***
- ***Management Quality***
- ***Receivable Turnover***
- ***Financial Obligations***

Evaluation criteria for the 15 PDAM are included in Table A2-2. While not necessarily a key part of our evaluation and final selection, LGWS considered PDAM with larger numbers of customer connections and PDAM located in USAID's six targeted geographical areas. Further inclusion of certain subjective criteria and recommendations of each of our three LGWS Field Teams was considered.

Tables A2-3 and A2-4 below detail our analysis of the suggested PDAM for continuing assistance. While the final selection of PDAM must be conducted with Bappenas' and Perpamsi's agreement, the preliminary analysis resulted in selecting 6 PDAM with larger customer bases. The average number of connections for the proposed PDAM is 43,580 connections versus an average of 10,734 connections for our original 12-client PDAM. Thirteen of the proposed PDAM are also located in the USAID target territories of East Kalimanten, East Java and West Java.

Assignment to Field Teams will occur after agreement with Bappenas on the PDAM to be afforded intensive assistance.

Table A2-1. Assessments Completed for 15 PDAM.

Kota Bandung	West Java	141,435	2,561,292
Kab Cirebon	West Java	16,762	663,567
Kota Cirebon	West Java	47,448	297,397
Kab Karawang	West Java	26,834	489,034
Kab Sukabumi	West Java	11,984	2,053,700
Kab Tasikmalaya	West Java	22,156	177,988
Kab Cilacap	Central Java	17,494	216,798
Kota Bukittinggi	West Sumatra	10,405	95,800

Source: Perpamsi Directory 2000.

While we had planned to prepare an assessment of PDAM and recommendations for selection of PDAM to provide future assistance unfortunately, the ordered departure of expatriate personnel has made review of material submitted by local professionals more difficult. The COP has also request the opportunity to meet certain PDAM prior to making a final recommendation to Bappenas and Perpamsi. We anticipate holding this meeting during the Quarter 10 of the project.

EXPECTED OUTPUTS:

1. **Select 6 new PDAM.**

STATUS:

1. **Selection of 6 new PDAM pending recommendation to Bappenas.**
2. **Distribution of MOU in February 2003.**

A3. Establish Baselines for the Key Indicators.

All baseline indicators have been identified and formatted for our 18-client PDAM. We will add baseline data for the six additional PDAM once final agreement has been reached on their selection.

In our First Report, QPR-1, we included a copy of baseline indicators for year-end 1998-1999 for the initial 12 PDAM. We established baseline data as of January 1, 2000 as the start-date for monitoring purposes for these 12 PDAM. These indicators are being used as the basis for measuring PDAM results against LGWS' performance targets.

Current financial data received from PDAM we are assisting indicate Banjar, Kendari and Batang are each at full cost recovery. We are disappointed that PDAM Jember no longer is performing at full cost recovery. Substantial tariff increases slated for 2002 have yet to be approved by local government.

PDAM with profitable result of operations even though not yet at full cost recovery include Jember (91%), Pangkalpinang (95%), Banjarmasin (91%), Samarinda (84%) and Sukabumi (94%)[1].

The baseline data is as of 30 September 2002. All baseline data will be revised and reported for the 12 months ended December 31, 2002 at the end of the next quarter.

EXPECTED OUTPUT:
1. Baseline data established for 18 PDAM.

[1] The percentage in parentheses is the current operating ratio. The operating ratio is the measure of results of operation to achieve full cost recovery. Full cost recovery would have an operating ratio of 100%.

STATUS:

1. **Task Completed for 18 PDAM.**
2. **Task awaiting final selection of 6 PDAM.**

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

Execution of this sub-task awaits selection of the final 6 PDAM for Year 3. We intend to use the same methodology, and execute this task in the same successful manner in which we completed Customer Satisfaction Surveys (CSS) for the 18-original client PDAM.

In late January, our Field Teams will discuss the purpose and methodology of each CSS with the third cohort PDAM and distribute CSS-related forms and information packets.

We anticipate that in February, each of these PDAM will recruit their "Numerators" from local Universities. LGWS' Field Teams will then train the Numerators. CSS results shall be reported in Quarterly Report No. 10.

EXPECTED OUTPUTS:

1. **Schedule and complete Customer Satisfaction Surveys in 6 PDAM.**
2. **Tabulate data and put into a reportable format.**
3. **Assist 18 PDAM to establish and/or upgrade Customer Service Departments.**
4. **Schedule 6 Customer Satisfaction Surveys.**
5. **Plan to address at least one deficiency in each of the 18 PDAM.**

STATUS:

1. **In progress – Surveys to begin in 2nd Quarter.**
2. **In progress – Surveys to begin in 2nd Quarter.**
3. **In progress for 18 PDAM. Complete report for third cohort PDAM to be included in Corporate Plans.**
4. **To be scheduled with the selection of the last 6 PDAM.**
5. **In progress for 18 PDAM.**

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

Public Relation efforts are on going at each of our client PDAM. As reported, many PDAM have initiated community education efforts, sponsored local athletic activities and have had media coverage of their LGWS related activities.

Our Public Relations Campaigns for the third cohort PDAM will be formulated after completion of their respective CSS.

In the 3rd and 4th Quarters more precise and well-defined PRCs will be introduced. Progress on this activity will be reported in the next quarterly report.

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. **Results expected in 2nd and 3rd Quarters.**
2. **Discussions with PEMDA on financial sustainability, local Consumer Forums, and expanded services are on going.**

A6. Support for More Autonomous PDAM Operations.

LGWS' on going dialog with senior PDAM staff, Badan Pengawas representatives, PEMDA, and DPRD officials has been very successful. These discussions are focused on PDAM finances and operations, the need for greater autonomy, and full cost recovery. All of these meetings include extensive discussions concerning each PDAM's service levels, customer service needs, CSS results, corporate plan initiatives, and recommendations for improving the overall condition of each PDAM.

As mentioned, PDAM that have achieved FCR and those of our other PDAM reflect the success of these dialogs between local government officials, PDAM management and LGWS.

As we begin the New Year, each of our client PDAM will be scheduling intensive discussions with their concerned stakeholders to promote the benefits of their Corporate Plans. LGWS activities will continue to support these efforts. We have already prepared and executed presentations for PDAMs in Banjarmasin, Pontianak, Pangkal Pinang, Sukabumi, Kapuas and Samarinda. As soon as the Corporate Plans have been presented and agreed by local government and parliament, we will officially issue these documents.

These efforts will be focused on PEMDA and DPRD officials and will be aimed at garnering support and acceptance of the goals and aspirations of each Corporate Plan. Of particular concern is ensuring that properly detailed incentive structures are introduced to make PDAM officers and staff more accountable and they are encouraged to achieve outstanding performance.

We intend to introduce these same activities for all of the newly selected PDAM, and open dialogs with their respective local government officials in the 2nd quarter. Many of these communities have already opened discussion with LGWS in early January.

We plan, to the extent possible, to leverage our efforts with local governments that are receiving assistance from other USAID funded activities.

Our LGTS and ALGTS continue their excellent work with Perpamsi and YPTD. During this quarter they developed a training seminar schedule for Year 3.

In addition, our LGTS is developing a Customer Service and Management seminar specifically for new Badan Pengawas members. This effort will result in greater advocacy for PDAM operations, and subsequently greater PDAM autonomy.

Activities under sub-task A8 are also designed and intended to promote coordinated linkages between this task and other tasks vital in achieving PDAM goals of Full Cost Recovery. Please also refer to sub-tasks B4-B8 for specific training related activities.

The field activities of each Field Team for this quarter are reported in the Activity Reports 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 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, and scheduled for 6 PDAM.**
2. **To be completed for 6 PDAM - Policies will be incorporated into their Corporate Plans.**
3. **To be completed for 6 PDAM.**
4. **Policies will be incorporated into Corporate Plans for 6 PDAM.**

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

This sub-task is related to sub-task B2. We intend to coordinate and implement this sub-task using the same methodology that we successfully employed in Years 1-2.

Our Management Information Specialist (MIS) will perform detailed needs assessment of each second cohort PDAM accounting and billing systems. Our Field Teams will then review each assessment with the respective PDAM Finance Director and senior management.

We will then identify appropriate computer hardware vendors, and procure this equipment in accordance with USAID regulations. We will likely use the same software and software vendor that we used in Year 2.

At the appropriate time, we also plan on providing training for the staff of third cohort PDAM in basic computer operations skills, and accounting software-related training (sub-task B2).

As previously reported, we began setting-up an LGWS Project Web Site in the 3rd quarter of Year 1. In developing the site, we experienced some unforeseen technical difficulties that have now been resolved.

Our Web Site provides information about LGWS activities, LGWS assisted PDAM and provides links to Perpamsi, USAEP/AID, the Urban Institute, and Chemonics International. The site also provides individual web pages for our client PDAM.

We also expect that once the site is fully operational each PDAM will "post" its financials 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. **Computer needs assessment to be scheduled and will be completed by the middle of the second quarter.**
2. **Procurement and installation in 2nd – 3rd quarters.**
3. **Training activities in 3rd – 4th quarters.**
4. **Program components in progress, task completed for 18 PDAM.**

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

Each LGWS Field Team has successfully assisted our 18-client PDAM in preparing and completing their Corporate Plans. This particular activity was derived in part from the results of sub-tasks A3-A5. Copies of all Plans will be made to USAID and Perpamsi in January.

As we begin Year 3 of the Project, we will be scheduling stakeholder and management discussions in support of each Corporate Plan, and monitor Plan implementation. We also plan to schedule a Management Retreat for senior PDAM officials, similar to the Retreat we hosted in Year 1. Please also refer to our activities under sub-tasks A3-A7 in support of this activity.

We will begin work on third cohort PDAM Corporate Plans as soon as their Customer Satisfaction Surveys are completed.

In QPR-8, we reported a 5% increase in new connections for our 18-core PDAM. This equals 51,366 new connections from the baseline for assisted PDAM, and equates to more than 308,000 new beneficiaries. All of this has been achieved during a period of economic and political uncertainty.

We will update our baseline data during the next quarter to reflect year-end 2002 results, and report those results in QPR #10.

EXPECTED OUTPUTS:

1. **Draft Business and Financial Action Plans completed for 18 PDAM. Work In Progress for 6 new PDAM.**
2. **An increase of 60,000 new beneficiaries from the baseline.**

STATUS:

1. **Task Completed for 18 PDAM, work in progress for 6 new PDAM.**
2. **Task Completed. Over 100,000 new beneficiaries of LGWS assistance.**

A9. Identify Options for Sustainable Financing.

Throughout Year-2 we met with donor agencies such as the Asian Development Bank (ADB), World Bank (WB) and private sector firms. We will continue our dialog with major donors, and continue to monitor their 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 Pacitan is planning to develop a new spring source that will provide an additional 50 l/sec to its production capacity and greatly assist the PDAM during the dry season months. LGWS has indicated its willingness to assist with the same conditions as described for PDAM Jember.

EXPECTED OUTPUTS:

1. **Identify funding options for 24 PDAM.**

STATUS:

1. **Task on-going for 18 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.

Each of the 18 original PDAM has identified their anticipated new programs and costs for environmental, maintenance, and water quality improvements and requirements in their respective Corporate Plans and Annual Budgets. Customers identified many of these issues in the completed CSS as major concerns. Examples of common issues include:

- **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 with a GTZ and Perpamsi representative 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 Kabupaten 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. LGWS is also coordinating these activities through Perpamsi and/or directly with each PDAM. Each PDAM has 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.

- **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.

Our Field Teams will be undertaking similar activities for the new PDAM, and we will report progress in the 2^{nd} – 4^{th} quarters.

In addition, our LGTS has also programmed these issues into activities designed in conjunction with Perpamsi and YPTD training activities (please see sub-tasks B4-B5 and B8).

We have also asked USAID to investigate the possibility of another round of volunteers to provide water conservation training from the AWWA's Water for People Program. The results of this activity will be reported as appropriate.

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 and to be scheduled for 6 PDAM.**
2. **Task Completed for 18 PDAM and to be completed for 6 PDAM.**
3. **To be completed after 6 PDAM sign MOU in Year 3.**

A11. Assist up to 12 PDAM Annually.

On October 1, we met with representatives from our Tim Teknis and Bappenas to finalize a list of 12 PDAM selected for assistance under this sub-task by Perpamsi. As discussed in QPR-8 , at the request of Bappenas, three additional PDAM were added. These 15 PDAM are shown in Table A11-1.

Twelve of the 15 PDAM are located in USAID's designated Local Government target geographical areas of East and West Java, and East Kalimantan.

Financial and technical assessments of each of these 15 PDAM were performed in October – November. Copies of all Field Reports will be submitted to USAID and Perpamsi in January.

LGWS is currently evaluating these 15 PDAM and will recommend 6 PDAM to Bappenas in early January for intensive assistance under LGWS.

Table A11-1. PDAM Selected for LGWS Assistance.

Kota Bandung	West Java	141,435	2,561,292
Kab Cirebon	West Java	16,762	663,567
Kota Cirebon	West Java	47,448	297,397
Kab Karawang	West Java	26,834	489,034
Kab Sukabumi	West Java	11,984	2,053,700
Kab Tasikmalaya	West Java	22,156	177,988
Kab Cilacap	Central Java	17,494	216,798
Kota Bukittinggi	West Sumatra	10,405	95,800

Early in 2003, we will also initiate discussions with Bappenas, Perpamsi and USAID concerning the selection of additional PDAM for assistance under this sub-task, and also for sub-tasks A1 and A2.

EXPECTED OUTPUTS:

1. Field Trip Reports for PDAM assessed.

STATUS:

1. **Task Completed - 15 Assessments Performed.**
2. **February discussions to identify new PDAM for assistance.**

A12. Coordinate with the CLEAN Urban Project and the Advisory Committee.

In October, we had 3 meetings with representatives from CLEAN Urban and ICMA. While the recent ordered departure situation has curtailed our monthly meetings, we continue our information exchanges via e-mail. 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 CLEAN Urban (Perform) and ICMA 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. **Monthly meetings will begin in January.**
2. **To be scheduled.**
3. **To be 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 are complete and on going.

Our LGTS is in the process of developing the Year 3 Executive Level Training Program. For details of these activities 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.**
2. **Task Completed – Activities on-going.**

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 18-original client PDAM.

As we add the remaining PDAM for intensive assistance, we will introduce the User's Guide and similar training programs to each new LGWS assisted PDAM. Please also refer to related activities under sub-task A7.

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. **To be scheduled in 3rd and 4th quarters.**

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

LGWS Project efforts continue to focus on educating PDAM management and staff, and their stakeholders - in particular PEMDA and DPRD officials - on improving the overall operating performance and the service capabilities at each of our client PDAM.

In QPR-8, we reported that we exceeded our target of a 30% improvement in the Operating Ratio of all 12 PDAM in our first cohort.

As we begin Year 3 with our 18-client PDAM and select 6 new PDAM for assistance we intend to use the same successful approach and methodology.

Subject to the availability of funding, we plan on hosting several Management Retreats for senior PDAM managers and Mayors. Our common retreat theme and individual team sessions will be used to reinforce the concepts of full cost recovery, service expansion and performance, and other customer service initiatives, in support of the corporate plans.

Please also refer to sub-tasks A4-A9, and B1 and B8 for related activities supporting this sub-task.

EXPECTED OUTPUTS:

1. **Introduce full cost recovery, service expansion & reform strategies for 24 PDAM.**
2. **Average 60% improvement from baseline in P &L Statements.**

STATUS:

1. **Task Completed for 18 PDAM– Full Cost Recovery policies incorporated into Corporate Plans.**
2. **Baseline data for first full year will be available in second project year.**

B4. Technical Efficiency and Environmental Quality.

Subject to the availability of funding, we are planning to schedule two seminars under this sub-task for Year 3. The first is scheduled for mid-March and is entitled, "Meeting Consumer Demand – A Review of Planning Needs", and the second is entitled "Water Quality Management", and is scheduled for the 3rd quarter. A complete summary of proposed LGWS training activities is provided in sub-task B8.

EXPECTED OUTPUTS:

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

STATUS:

1. **Will be presented in Second or Third Quarter 2003.**

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

In Year 1-2, we identified and reported on 10 best practice models. These consisted of the following:

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,
5. Automated Switching & Shut-Off Equipment – PDAM Kabupaten Jember,
6. Customer Friendly Payment Systems – PDAM Banjar Baru,
7. Conservation Initiatives – PDAM Kapuas,
8. Renegotiating Customer Classification with PLN - PDAM Kapuas,
9. Successful Strategies for Tariff Increases – PDAM Karangasem, and
10. A Good Non-Revenue-Water Reduction Program – PDAM Kendari.

In addition to developing these Models, we also met with representatives from Modern Asia Environmental and Thames to discuss possible best practice seminars that may be incorporated into LGWS' workshop schedule for Year 3. Examples include non-revenue-water, customer service, and sludge management. Our LGTS has scheduled follow-up discussions with these companies to explore ways to incorporate these topics into our training schedule for Year 3.

Having achieved the Expected Outputs of this sub-task, we plan to continue identifying and disseminating Best Practices through Perpamsi.

When our Web Site is completed we will also post the Best Practices on it. 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 and work plan for PERPAMSI, and YPTD. This program covers 6 specific training that consist of the following:

- 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.

Our LGTS also assisted Perpamsi staff with developing a Five-Year Business Plan for Perpamsi and YPTD. The Plan has been approved by their respective boards and is being implemented.

Our LGTS' activities under this sub-task are continuing, and are focused on assisting 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 several preliminary 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 higher than needed costs to be incurred. LGWS will continue to provide advice as and when requested to analyze costs and benefits.

EXPECTED OUTPUTS:

1. **Meet with PRRP proponents as required.**

STATUS:

1. **Task completed. Continuing Meetings As Required.**

B8. Conduct Training Workshops/Seminars.

As previously mentioned in sub-tasks A7, B2, and B4-B6, our LGTS and ALGTS, and our MIS have designed training programs and schedules for conducting a series of management and technical workshops. The intended target groups consist of:

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

Subject to funding, LGWS is preparing and scheduling the following Year 3 training activities. Appendix III provides a detailed schedule of all LGWS, Perpamsi and YPTD training activities.

In total, LGWS plans 29 training activities for 2002. These activities include 12 On-site training programs, 8 Direct Venue workshops and 9 Management Enhancement seminars. On-site training will 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.

In January 2003, a short term technical and operations expert will prepare basic water

2.4 Field Visits

During this first quarter, our staff made a total of 24 field trips. These included 6 trips to meet with their client PDAM, and 16 trips to perform or review financial and technical assessments of new PDAM. We also hosted two Customer Service Training Seminars – one in Jogyakarta and one in Bandung. Appendix II provides the Activity Reports for each visit.

III. LEVEL OF EFFORT AND FINANCIAL REPORT

Please see attached.

Appendix I
Base Line Indicators

Financial & Technical Baseline
Per September 30, 2002

No.	DESCRIPTION	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep	2002 30-Sep
I	**General Profiles**																		
1	Cash balance (Million)	348	38	1,016	442	72	928	68	511	183	10	154	4,047	750	876	219	165	3,258	6,371
2	Net Profit / Loss (Million)	(210)	(281)	46	1,187	44	3,706	(907)	669	(669)	(198)	(660)	207	(863)	412	(281)	(76)	501	919
3	Operating Ratio	92%	75%	91%	114%	95%	91%	64%	116%	41%	64%	78%	84%	75%	101%	68%	79%	94%	97%
4	Liquiditity Ratio	0.36	0.90	0.41	0.45	0.35	0.28	0.45	0.63	0.74	0.35	0.00	0.36	18.02	2.17	5.90	11.05	0.44	1.50
5	Quick Ratio	0.35	0.90	0.37	0.32	0.33	0.25	0.44	0.60	0.73	0.33	0.00	0.33	17.31	2.05	5.85	10.65	0.43	1.31
6	Debt / Equity	110%	25%	302%	167%	66%	204%	205%	81%	527%	0%	0%	-20%	5862%	31%	186%	4%	85%	63%
7	Debt Service / Cashflow	2.49	0.00	4.86	7.81	11.00	32.91	0.00	0.05	0.00	0.00	0.02	0.00	0.00	0.55	0.00	0.00	0.69	0.77
8	A-R Turnover / Days	77	74	49	59	248	101	73	67	84	53	48	55	51	47	72	86	139	58
9	Average Tariff / M3	1,219	1,430	847	1,662	1,788	2,116	810	1,976	756	1,202	1,389	1,309	1,673	578	525	963	1,295	1,886
10	Full Production Cost	1,319	1,903	930	1,463	1,874	2,320	1,258	1,668	1,847	1,866	1,780	1,563	2,238	571	777	1,216	1,371	1,949
11	Last Tariff Increase - Year	Apr 2001	Oct 2002	Aug 2002	Oct 2001	Aug 2001	Oct 2002	Jul 2002	Jan 2002	Jan 2000	Jan 2001	Apr 2002	Apr 2002	Jan 2001	Mar 2000	Oct 2001	Jan 2001	Mar 2002	May 2002
12	Percent Tariff Increase	62%	60%	67%	46%	153%	5%	108%	65%	29%	50%	52%	20%	150%	75%	50%	15%	9%	50%
13	Number of Connections	15,405	4,205	20,912	14,927	4,630	63,447	14,992	14,309	6,719	2,820	12,350	58,593	28,297	12,989	11,227	5,871	21,528	57,806
14	Number of Employees	131	61	124	84	54	316	159	147	87	36	111	310	160	68	56	58	167	341
15	Usage / Connection (M3)	17	22	22	23	22	18	16	15	9	16	14	24	9	18	19	16	18	24
16	Total Quantity Water Sold	2,605,000	654,000	4,133,000	2,408,000	911,000	12,778,000	2,599,084	2,332,736	617,168	412,126	1,935,675	14,016,962	2,531,183	2,105,450	1,948,108	851,499	3,417,941	12,488,033
17	Common Issues	Debt Service	High Cost	Debt Service	Debt Service	Debt Service	Debt Service	Low Tariff	High Cost	Low Tariff	High Cost	High Cost	High Debt	High Cost	Limt. Cap	Low Tariff	Lim. Cap.	High NRW	Lim. Cap.
II	**Technical Issues**																		
1	Supply Assets	yes	yes	no	no	yes	yes	no	yes	yes	yes	yes	yes	yes	no	no	no	yes	yes
2	Insufficient Customer Base	yes	yes	no	no	yes	yes	yes	yes	yes	yes	yes	no	yes	no	no	no	no	no
3	Low Maintenance	yes	yes	no	no	yes	yes	yes	no	yes	yes	yes	yes	no	no	no	no	no	no
4	Non - Revenue Water (%)	no	yes	no	yes	yes	yes	yes	yes	no	yes	yes	yes	yes	no	yes	yes	yes	yes
5	Broken Meters / Master Meters	yes	no	no	no	yes	no	yes	yes	yes	yes	yes	yes	yes	no	no	yes	yes	no
6	Storage Capacity (m3)	yes	yes	yes	yes	yes	yes	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	no
7	Public Taps	no	no	no	no	no	no	yes	yes	yes	yes	yes	yes	yes	no	no	no	no	no
8	Balance System / Zoning	yes	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	no
III	**Financial Issues**																		
1	Low Tariffs	yes	yes	yes	no	no	no	yes	no	yes	no	yes	yes		no	yes	yes	no	no
2	Negative Cashflow	yes	yes	yes	no	yes	yes	no	no	yes	yes	no	no		no	yes	no	yes	yes
3	High Staff / Connection Ratio	yes	yes	no	no	yes	no	yes	yes	yes	yes	yes	yes		no	no	yes	no	no
4	Poor A-R Collection	yes	yes	no	no	yes	yes	yes	yes	yes	yes	yes	yes		no	no	yes	yes	no
5	Low A-R Turnover	yes	yes	no	no	yes	yes	no	no	yes	yes	yes	yes		yes	no	yes	no	yes
6	Meter Reading Problems	yes	yes	no	no	yes	yes	no	yes	yes	yes	no	no		no	no	yes	yes	no
7	Cash Management	yes	no	yes	no	no	no	yes	no	yes	yes	yes	yes		no	yes	no	no	no

Appendix II
Field Trip Activity Reports

LGWS PROJECT

Local Government Water Services

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PDAM Activity Report

PDAM KAB. TUBAN

Date of Visit	Activities	Actions
8 Oct, 2002	LGWS Team led by Edward Mazuroski conducted 1 day-visit to PDAM Kab. Tuban. The visit's intention was to conduct assessment of PDAM Kab. Tuban as the candidate of 3rd group of LGWS assistance. LGWS was having a meeting with management of PDAM represented by Chief Section of Financial, Bpk. Slamet Riyadi and Chief Section of Technical, Bpk. Lilik, discussing present condition of PDAM Tuban in general. Bpk. Mujiono, Director, was not able to see LGWS, since he was accompanying bupati to Surabaya. Nevertheless, by phone he expressed his interest to have LGWS' assistance. The meeting in PDAM was continued at the lower management level – with financial as well as technical officers to observe the more detailed information. The preliminary findings indicated that in financial view PDAM's cash flow is positive. The operating ratio as of September 2002 is almost in FCR condition. The latest tariff increase was applied in January 2002 with Rp. 420/ m3 as base tariff. Technical aspect shows that PDAM Tuban presently is running out its idle capacity, so additional connection may be limited. Its present NRW is 32%.	The report to be prepared and finished at the end of October 2002. PDAM do hope that PDAM Tuban could be eventually chosen as the new member of LGWS.

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PDAM Activity Report

PDAM KOTA SEMARANG

Date of Visit	Activities	Actions
9 and 10 Oct., 2002	LGWS Team led by Edward conducted 2 day-visit to PDAM Kota Semarang. The visit's intention was to conduct the initial assessment of PDAM as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with President Director Bpk. Pandu, Dirum, and Dirtek, Bpk. Ir. Amin, discussing present condition of PDAM Kota Semarang globally. The meeting was also attended by Kepala Bagian of PDAM Kota Semarang. The meeting was then continued at the department level – finance as well as technical department to observe more detailed information of PDAM. The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kota Semarang. Noon time, LGWS team had an opportunity to see the newly built WTP at Kudu having installed capacity of 1,250 lps. The general information shows that currently PDAM is operated by huge idle asset, particularly Kudu plant, since its operating capacity stands only at 450 lps average.	The report to be prepared and finished at the end of November 2002. PDAM's management and staff did hope PDAM Kota Semarang can be chosen as the new member of LGWS.

Date of Visit	Activities	Actions
	The tariff was finally increased in Oct. 2002 after being proposed to walikota for approval several times since 2000. The visit was closed by presenting the summary of the PDAM's pictures of financial aspect as well as technical aspects to management of PDAM.	

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PDAM Activity Report

PDAM KAB. KAPUAS

Date of Visit	Activities	Actions
16~17 Oct., 2002	LGWS Team led by Agus conducted a 2 day-visit to PDAM Kab. Kapuas. The visit was to have discussion on corporate plan. LGWS was having a meeting with President Director Bpk. Kasiyan. LGWS presented general issues covered in the corporate plan. The meeting was then continued at Kepala Bagian level, attended by all 7 kabags. Technical and financial details of the corporate plan were discussed. This includes the necessity of PDAM to look beyond 5 year plan concerning securing a reliable supply of raw water. The discussion leads that principally the draft # 1 of the Plan was acceptable to PDAM. There was some corrections and additions needed to be put in the Plan. LGWS also asked when PDAM's office renovation work finished, since the computers LGWS giving need to be installed soon.	The correction of corporate plan to be submitted to LGWS early November, 2002. Pictures of PDAM and others are also to be sent to LGWS. PDAM to inform LGWS of its office renovation completion. Once it's finished, LGWS to coordinate with software provider to set the installation date.

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PDAM Activity Report

PDAM KABUPATEN TASIK

Date of Visit	Activities	Actions
21, 22 Oct., 2002	On the day-1 the visit was filled by having a full day meeting at PDAM's office. Initially LGWS was having a meeting with President Director Bp. Drs. H. Tjetjep K. and the other two directors. The meeting's intention was to explain the LGWS project briefly. The meeting was then continued by inviting all Kepala Bagian, Kepala Seksi as well as all Kepala Cabang. This meeting was discussing the present condition of PDAM Kabupaten Tasik globally. The participants welcomed to the LGWS team. To observe the detail information of the financial and technical condition, then the LGWS team member was directly meeting with Kepala Bagian. On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities. LGWS was also visiting PDAM's biggest system, from the spring, CO2 removal unit, until the storage. The visit was closed by presenting a preliminary findings and conclusion of the visit to the Directors, Kepala Bagian, Kepala Seksi and Kepala Cabang. The preliminary findings basically indicates that its current tariff applied has not covered all operational expenses. Its	LGWS To prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas. PDAM is really enthusiastic to have LGWS's assistance.

Date of Visit	Activities	Actions
	operating ratio is 89% in 2001 and 93% as of September 2002. The tariff increase in Jan. 2002 is the main factor of the better ratio. Its technical issue currently faced is the limited storage capacity and high NRW of 40%. PDAM needs to seek funding for construction of additional storage, so it could give a better water pressure to its customers.	

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PDAM Activity Report

PDAM KABUPATEN CILACAP

Date of Visit	Activities	Actions
23, 24 Oct., 2002	On the day-1 visit LGWS team met with the Director Teknik, Bpk. Eddi Widodo, BE, SE, and Director Umum, Ibu. Sri Handayani, and Kabag Perencanaan (Planning section head), Bpk. Bambang Yulianto for an initial discussion. The meeting was also explaining the visit intention and LGWS project briefly to PDAM. To observe the detail information of the financial and technical condition, then the team was directly meeting with Kepala Bagian (Financial and Technical Department). On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities. President Director, Bpk. Drs. Deddy Warella was present and he really welcome any questions/ request relating to PDAM. The visit was closed by presenting a preliminary findings and conclusion of the visit to the President Director, Director Teknik and Director Umum. The preliminary findings basically indicates that as of December 2001 the tariff has covered 81% all PDAM's operational expenses. In year 2002 it was predicted that this ratio would improve due to tariff increases.	LGWS to prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas.

Date of Visit	Activities	Actions
	PDAM Kab. Cilacap have computerized systems of its operation, particularly billing and accounting. The current production capacity has not been fully utilized. Its current NRW is 25%. Although there is opportunity to install new connection, PDAM stops making new connection to avoid lower water pressure at existing customers. Kab. Cilacap has just had new bupati inaugurated. As a result to PDAM, former bupati's commitment to take over PDAM's debt was pending.	

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PDAM Activity Report

PDAM KOTA BANDUNG

Date of Visit	Activities	Actions
31 Oct. ~ 1 Nov., 2002	LGWS was having a meeting with Director of Air Bersih, Ibu Ir. H. Syani, Director Umum, Bpk. Drs. H. Im Bunyamin, Kabags., Kabids, and staff. Day-1, LGWS team was having an initial discussion. The meeting was also explaining the visit intention and LGWS project briefly to PDAM. To observe the detail information of the financial and technical condition, then the team was directly meeting in department and section levels. Day-2 , the team was gathering the detailed information following the 1st day discussion. Director Air Bersih was keen on issues raised during discussion. The team also discussed the technical and financial details both for air bersih and air kotor (wastewater). PDAM manages operation of water and wastewater divisions. LGWS paid a visit to its main plant in Badak Singa with total installed plant capacity of 2,800 lps. Both plants were well operating giving treated water quality meeting the standard. The visit was closed by presenting a	LGWS to prepare field report on early December 2002. The official report to be submitted to PDAM, Walikota and Bappenas.

Date of Visit	Activities	Actions
	preliminary findings and conclusion of the visit to the Directors. The preliminary findings basically indicates that as of December 2001 the tariff has covered 98% PDAM's operational expenses. In year 2002 it was predicted that this ratio would improve mainly due to tariff increase. PDAM's current NRW is app. 50%. The figure does not quite change over past 3 years. For that, PDAM stops installing new connection to avoid worsening service.	

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PDAM Activity Report

PDAM KOTA SAWAHLUNTO

Date of Visit	Activities	Actions
27 Nov. 2002	LGWS Team conducted 1 day-visit to PDAM Kota Sawahlunto. The visit was to have discussion on progress of corporate plan. LGWS was having a meeting with President Director Bpk. Noer Idris and two other directors. LGWS confirmed progress of program covered in the corporate plan. The meeting was then continued at Kepala Bagian level. Technical and financial details of the corporate plan were discussed. This includes the project of raw water pumps installation that was pending. The project is funded by ADB.	PDAM to keep informing LGWS of progress of the project. While upon return to Jakarta, LGWS would find out what the project obstacle was, when it would continue and how PDAM could accelerate the project continuation.

LGWS PROJECT

Local Government Water Services

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PDAM Activity Report

PDAM KOTA BUKITTINGGI

Date of Visit	Activities	Actions
10 Oct, 2002	LGWS Team led by Bennett Parton conducted 2 days-visit to PDAM Kota Bukittinggi. The visit's intention was to conduct the initial assessment of PDAM Kota Bukittinggi as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with President Director Bp. Irfianda Harma SH and his assistance Dirum – Ibu Dra. Hasreni Akt. and Dirtek-Bp. Musnaeni, discussing present condition of PDAM Bukittinggi globally. This meeting was also attended by one of the Badan Pengawas members – Bp. Rinaldi S.Si. The meeting was then continued at the department level – finance as well as technical department to observe the detail information. The LGWS Team had also opportunity to see the Walikota Bukittinggi-Drs.H. Djufri explaining the project. The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kota Bukittinggi. The visit was closed by presenting the summary of the PDAM's picture financially and technically to Ibu Hasreni – Director Umum.	The report to be prepared and finished at the end of October 2002. PDAM and Walikota do hope that PDAM Bukittinggi could be eventually chosen as the new member of LGWS.

Date of Visit	Activities	Actions
	The preliminary findings indicated that in financial view PDAM's cash flow is positive. The obligation of LTD has been settled properly. The operating ratio as of December 2001 is 92% or almost in FCR condition. The latest tariff increase was applied in January 2000. In Technical aspect shows that PDAM Bukittinggi presently has limited production facilities, and its NRW is 42.3%. To expand the service coverage in future PDAM should firstly decrease its NRW and build the new plant. The meter reading system currently applied is not efficient manner. The reading is in the customer number basis, it is not based on the customer location. This system causes PDAM needs more time to read and eventually collect the billing every month has been delayed. To faster the billing collection, PDAM needs to put the reading in the right order. The reading should be the location basis rather than the customer number basis.	

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PDAM Activity Report

PDAM KABUPATEN SUKABUMI

Date of Visit	Activities	Actions
16 Oct and 17 Oct. , 2002	LGWS Team led by Benny Djumhana conducted 2 days-visit to PDAM Kabupaten Sukabumi. The visit's intention was to conduct the initial assessment of PDAM as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with President Director **Bp. Drs. Titon K. Rusmana MM**, and his assistance **Dirum – Drs. Obrik Sambas, MM.** and **Dirtek Ir. Ade Pemangku Rahmat MM.** , discussing present condition of PDAM Sukabumi globally. The meeting was also attended by all Kepala Bagian of PDAM Kab. Sukabumi. The meeting was then continued at the department level – finance as well as technical department to observe the detail information of PDAM. The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kab. Sukabumi. The general information shows that currently PDAM is operated by huge idle asset, such as the 80 LPS treatment plant in Pelabuhan Ratu. It also shows that inventory item especially distr/trans. pipes and its accessories are stored in huge amount.	The report to be prepared and finished at the end of November 2002. PDAM Kab. Sukabumi hoped eventually be chosen as the new member of LGWS.

Date of Visit	Activities	Actions
	The financial view point indicated that the operating ratio as of December 2001 is 53%. Since the tariff increased in Jan. 2002 the predicted OR for 2002 would also increase. The 91% OR is expected achieved as of December 2002. The visit was closed by presenting the summary of the PDAM's pictures of financial aspect as well as technical aspects to All Directors and Kepala Bagian PDAM's management and staff did hope can be chosen as the new member of LGWS.	

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PDAM Activity Report

PDAM KOTA SUKABUMI

Date of Visit	Activities	Actions
18 Oct. , 2002	LGWS Team led by Benny Djumhana conducted 1 day-visit to PDAM Kota Sukabumi. The visit's intention was to conduct a corporate plan discussion. LGWS was having a meeting with President Director Bp. Drs. Kostaman and his assistant-Dirum and Dirtek. The meeting was then continued at Kepala Bagian Level. It discussed the technical and financial details. It also attended by dirum and Dirtek of PDAM Kab. Sukabumi. The general discussion's result shows that principally the draft # 1 was accepted. There was some corrections and additions needed to be put. At the next session was filled by a discussion of water losses currently faced by PDAM. Kabag Perencanaan has prepared the working schedule for this task. He also was appointed as the Ketua of the Kebocoran Program.	The correction of corporate plan to be submitted to LGWS on 28 October, 2002. Pictures are also to be sent. The announcement of NRW program (socialization) to be started on 21 October 2002 for . The program to be effective 01 November 2002.
23, 24 Dec., 2002	The visit was performed by LGWS and computer programmer from CMI. The main agenda was to install billing and accounting program to PDAM Sukabumi. Its visit was also scheduled to have final discussion of corporate plan as well as water losses discussion.	PDAM to start using the program both billing and accounting in Jan. 2003. PDAM to set up the schedule for stakeholder's socialization. Meanwhile LGWS to prepare final

Date of Visit	Activities	Actions
	The 1st day visit agenda was a short explanation of the program to the PDAM's directors and staff. The corporate plan was globally discussed by a cp team. It is ready to be socialized to the stakeholders (walikota and DPRD). The progress of water losses reduction program has not showed successful goal. PDAM received few of expected customer's	draft in color printing. The 2nd socialization of water losses program would be completed in January 31, 2003. The progress report of the program would be submitted to LGWS for periodic evaluation.

LGWS PROJECT

Local Government Water Services

United States Agency for International Development

PDAM Activity Report

PDAM KABUPATEN CIREBON

Date of Visit	Activities	Actions
22 , 23 Oct. , 2002	LGWS Team C consists of Benny D, Jefry Budiman and Saiful E. conducted 2 days-visit to PDAM Kabupaten Cirebon. The visit's intention was to conduct initial assessment financially and technically. On the day-1 the visit was filled by having a full day meeting . Initially LGWS was having a meeting with President Director Bp. **Drs. H. Dartono Suriatmadja , MM.** The meeting's intention was to explain the LGWS project briefly. The meeting was then continued by inviting **Dirum – Drs. Nasir Asman Bc.Ak, MM. , Dirtek Ir. H.N. Marjulis T., MM.**, and all Kepala Bagian, Kepala Seksi as well as all Kepala Cabang. This big meeting was presenting the LGWS project comprehensively. It was also discussing the present condition of PDAM Kabupaten Cirebon globally. The participants welcomed to the LGWS team. To observe the detail information of the financial and technical condition, then the team was directly meeting with Kepala Bagian. On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities.	LGWS To prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas.

Date of Visit	Activities	Actions
	The visit was closed by presenting a preliminary findings and conclusion of the visit to the Directors, Kepala Bagian, Kepala Seksi and Kepala Cabang. The preliminary findings basically indicates that its current tariff applied has not covered all operational expenses. Its operating ratio is only 64% in 2001 and 70% as of September 2002. The high depreciation expense portion (almost Rp.2 Billion) is due to high asset in transmission/distribution pipes, this condition as a result of the service areas which are separated by its source of water. To increase this ratio PDAM could utilize high idle capacity (82%) in production facility. Hopefully by also increasing the tariff would bring PDAM Kab. Cirebon more healthy financially and technically. Its big technical issue currently faced is the high idle capacity in production plant, meanwhile the distribution and transmission lines has been maximized flowing the water to the customers. It is likely PDAM needs huge investment especially for the trans/distr. lines for Kapetakan Area (North Cirebon).	

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PDAM Activity Report

PDAM KOTA CIREBON

Date of Visit	Activities	Actions
24, 25 Oct. , 2002	LGWS Team C consists of Benny D, Jefry Budiman and Saiful E. conducted 2 days-visit to PDAM Kota Cirebon. The visit's intention was to conduct initial assessment financially and technically. On the day-1 visit LGWS team met with the **Director Teknik Ir. Sri Sularmi S, MM**, and her assistance Ibu. Ir. Carolina Kabag Perencanaan (Planning section head) for an initial discussion. The meeting was also explaining the visit intention and LGWS project briefly to PDAM. The meeting was then continued in President Director's room Bp. **Ir. H. Subakat Soehada, MM.** The meeting's intention was also explaining the LGWS project briefly and visit purpose. To observe the detail information of the financial and technical condition, then the team was directly meeting with Kepala Bagian (Financial and Technical Department). On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities. The visit was closed by presenting a preliminary findings and conclusion of the visit to the President Director, Director Teknik and **Director Umum H.M.**	LGWS To prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas.

Date of Visit	Activities	Actions
	Santoso Aman, SH.MM The preliminary findings basically indicates that as of December 2001 the current tariff has covered 111% all PDAM's operational expenses. This FCR condition was due to the tariff increase applied in January 2001. In year 2002 was predicted that this FCR would decrease due to inflation of fuel and electricity and salary increase. PDAM currently applies the billing collection by DOOR TO DOOR system. LGWS sees this is as the risk and inefficient system, the collector should come to one customer's house to another house to receive the money from them. LGWS suggested PDAM Kota Cirebon to change the system into the payment point basis. The current production capacity has been full utilized. Its current NRW is 21%. This condition has been brought PDAM Kota Cirebon stopping installing new connection for several months. To be able PDAM add the customers PDAM needs additional water production facility.	

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PDAM Activity Report

PDAM KOTA PONTIANAK

Date of Visit	Activities	Actions
30 Oct. , 2002	LGWS Team led by Benny Djumhana conducted 2 day-visit to PDAM Kota Pontianak. The visit's intention was to conduct a corporate plan discussion. LGWS was having a meeting with President Director Bp. Drs. Audi Elfi and his assistant- Dirtek. Bp. Masriatno ST. The meeting was then continued at Kepala Bagian Level. The big meeting was attended by Director Utama , Director Teknik and all Kepala bagian. LGWS presented the Corporate Plan – draft 1 globally to the participants. It also discussed the technical and financial details. The general discussion's result shows that principally the draft # 1 was accepted. There was some corrections and additions needed to be put. The tariff increase required to install the raw water transmission pipe is approximately 50% excluding the regular increase due to inflation factor.	PDAM to attend the meeting in Kimpraswil office in Jakarta on 4 Nov. 2002. The meeting result to be informed to LGWS as the new input of Corporate Plan. The other correction of corporate plan to be submitted to LGWS on 05 Nov.2002. .

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PDAM Activity Report

PDAM KABUPATEN KARAWANG

Date of Visit	Activities	Actions
19-20 Nov. 2002	LGWS Team C consists of Benny D, Jefry Budiman and Saiful E. conducted 2 days-visit to PDAM Kab.Karawang The visit's intention was to conduct initial assestment financially and technically. On the day-1 visit LGWS team met with the **Director Teknik Ir. Budhi Pribadi M.Eng**, and his assistance Bapak Yoga Kabag Perencanaan (Planning section head) and Bapak Kiki of financial department for an initial discussion. The meeting was also explaining the visit intention and LGWS project briefly to PDAM. The meeting was not attended by President Director Bp. **Dadang BI, SH** who was on long annual leave. PDAM Karawang has not had Director Umum since year 2000. On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities. The visit was closed by presenting a preliminary findings and conclusion of the visit to the President Director, Director Teknik and **Director Umum H.M. Santoso Aman, SH.MM**	LGWS To prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas.

Date of Visit	Activities	Actions
	PDAM Karawang currently services 18.3% of total population through its 33.041 connections. PDAM currently operates 12 units of production plants which include, treatment plants and wells of totally 480 LPS capacity. Total water losses is 29.7%. Approximately 20% or of the connections are currently broken. PDAM has not been able to maintain the production facility properly. The administration issue currently faced by PDAM is Director Umum's position. Due to PDAM has decided to implement the cost reduction program since year 2000 this position has not been able to be filled properly. The cost reduction program which called the stabilization program had finally to reduce some operating costs including salaries expenses. Some of the significant decisions were a termination the Director Umum, postponed regular salaries adjustment and postponed tariff increase. Operating ratio is currently 86%. This low operating ratio has been incurred for the last three years. Its average tariff of Rp.1.132/ m^3 while its operating costs is Rp. 1.415/m^3. Total long-term debt as of December 2001 is almost Rp. 4 Billion including its interest during grace. The account receivable turnover in year 2001 is 58 days. Employee-customer ratio into 7/1000 connections.	

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PDAM Activity Report

PDAM KOTA MADIUN

Date of Visit	Activities	Actions
8 Oct, 2002	LGWS Team conducted 2 days-visit to PDAM Kota Madiun. The visit's intention was to conduct the initial assessment of PDAM Kota Madiun as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with President Director Bp. Drs. Subyantor and his assistance Dirum – Ibu Dra. Tati Sutarti. and Dirtek-Bp. Ir. Sutrisno, discussing present condition of PDAM Madiun globally. The meeting was then continued at the department level – finance as well as technical department to observe the detail information.	The report to be prepared and finished at the end of October 2002. PDAM does hope that PDAM Bukittinggi could be eventually chosen as the new member of LGWS.
11 Oct, 2002	The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kota Madiun. The preliminary findings indicated that in financial view PDAM's cash flow is positive. The obligation of LTD has been settled properly. The operating ratio as of July 2002 is 120% or in FCR condition. In Technical aspect shows that PDAM Madiun presently has idle production facilities. To expand the service coverage in future PDAM should firstly decrease its idle capacity.	

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PDAM Activity Report

PDAM KOTA KEDIRI

Date of Visit	Activities	Actions
9 Oct and 10 Oct. , 2002	LGWS Team conducted 2 days-visit to PDAM Kota Kediri. The visit's intention was to conduct the initial assessment of PDAM as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with **Dirum – Drs. Sukirno** and **Dirtek Ir. Budi Rahardjo**, discussing present condition of PDAM Kediri globally. The meeting was also attended by all Kepala Bagian of PDAM Kota Kediri. The meeting was then continued at the department level – finance as well as technical department to observe the detail information of PDAM. The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kota Kediri. The general information shows that currently PDAM has idle capacity. Installed capacity 239 LPS but to operate only 40 %. The existing production capacity can serve 100 % population. The financial view point indicated that the operating ratio from 1999 84 % to 2001 68 %. The visit was closed by presenting the summary of the PDAM's pictures of the financial aspect as well as technical aspects	The report to be prepared and finished at middle of November 2002. PDAM Kota Kediri hoped eventually be chosen as the new member of LGWS.

Date of Visit	Activities	Actions
	to All Directors and Kepala Bagian PDAM's management and staff did hope that it could be chosen as the new member of LGWS.	

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PDAM Activity Report

PDAM KOTA BALIKPAPAN

Date of Visit	Activities	Actions
23-24 Oct. , 2002	LGWS Team conducted 1 day-visit to PDAM Kota Balikpapan. The visit's intention was to conduct the initial assessment of PDAM as the candidates of 3rd group of LGWS assistance. LGWS was having a meeting with **Dirum – M. Saupan SE MSi** and **Dirtek H. Suhaidi**, discussing present condition of PDAM Balikpapan globally. The meeting was also attended by all Kepala Bagian of PDAM Kota Kediri. The meeting was then continued at the department level – finance as well as technical department to observe the detail information of PDAM. The 2nd day was continued by having discussion with Director Umum and Director Teknik to obtain the other issues was currently faced by PDAM Kota Balikpapan. The general information shows that currently PDAM has idle capacity. Installed capacity 1,075 LPS but to operate only 60 % because the system transmission raw water can supply only 600 LPS. The financial view point indicated that the operating ratio from 1999 100 % to 2001 72 %. The visit was closed by presenting the summary of the PDAM's pictures of	The report to be prepared and finished at the end of November 2002.

Date of Visit	Activities	Actions
	financial aspect as well as technical aspects	

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PDAM Activity Report

PDAM KOTA SURABAYA

Date of Visit	Activities	Actions
22 , 23 Oct. , 2002	LGWS Team conducted 2 days-visit to PDAM Kota Surabaya. The visit's intention was to conduct initial assessment financially and technically. On the day-1 the visit was filled by having a full day meeting . Initially LGWS was having a meeting with President Director **Ir. Biempi Harbimaharani MSi.** meeting's intention was to explain the LGWS project briefly. The meeting was then continued by inviting **Kalit-Bang** and all Kepala Bagian, Kepala Seksi. This big meeting was presenting the LGWS project comprehensively. It was also discussing the present condition of PDAM Kota Surabaya globally. The participants welcomed to the LGWS team. To observe the detail information of the financial and technical condition, then the team was directly meeting with Kepala Bagian. On the day-2 visit the agenda was filled by observing the detail information continuing the 1st day activities. The visit was closed by presenting a preliminary findings and conclusion of the visit to the Directors, Kepala Bagian , and	LGWS to prepare field report on end of November 2002. .

Date of Visit	Activities	Actions
	Kepala Seksi The preliminary findings basically indicates that its current tariff applied has covered all operational expenses. Its operating ratio is 100% in 1999 to 2001.	

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PDAM Activity Report

PDAM KOTA MOJOKERTO

Date of Visit	Activities	Actions
315 Oct. to 1 Nov 2002	LGWS Team conducted 2 days-visit to PDAM Kota Mojokerto. The visit's intention was to conduct initial assessment financially and technically. On the day-1 visit LGWS team met with the **Director Ir. Maharto**. The meeting was also explaining the visit intention and LGWS project briefly to PDAM. The preliminary findings basically indicate that from 1998 up to the operating ratio less than 50%. Financial report 1999 and 2000 were not audit and financial report from 2001 to 2002 were not made. Currently PDAM Mojokerto serves or only 23 % of Mojokerto City's population. The actual production capability is 200 LPS. They have sufficient capacity to serve all of Mojokerto City's population. Currently NRW is too high 70,4 %. .	LGWS To prepare field report on end of November 2002. The official report to be submitted to PDAM, Bupati and Bappenas.

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PDAM Activity Report

PDAM KOTA PANGKALPINANG

Date of Visit	Activities	Actions
19 - 21 NOV., 2002	LGWS Team conducted 2 day-visit to PDAM Kota Pangkalpinang. The visit's intention was to conduct a corporate plan discussion. LGWS was having a meeting with Director Bp. Ir. Budi Dharma Setiawan. The meeting was then continued at Kepala Bagian Level. The big meeting was attended by Director and all Kepala bagian. LGWS presented the Corporate Plan – draft 1 globally to the participants. It also discussed the technical and financial details. The general discussion's result shows that principally the draft # 1 was accepted. There was some corrections and additions needed to be put. The tariff increase required to install WTP is approximately 10% excluding the regular increase due to inflation factor.	The other correction of corporate plan to be submitted to LGWS on Dec.2002. .