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July 30, 2003

Mr. Thomas Stephens
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Office of Contract Management
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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
Quarterly Task Order Progress and Cost Report, April to June 2003

Dear Mr. Stephens:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, April to June 2003*, Indonesia Local Government Water Services as required under Section F.12 of the above referenced contract.

Please direct any technical questions to Mr. Bennett Parton, CoP, at bennett@lgws.or.id. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: James Woodcock (CTO, USAID Indonesia)
Dale Gredler (CTO, USAID Washington)
Bennett Parton (CoP, Chemonics Indonesia)
Edward Mazuroski (UI/Indonesia)
USAID Development Clearinghouse
IAC Deliverables File (06967-004)

**LOCAL GOVERNMENT
WATER SERVICES
PROJECT**

PROJECT YEAR 3

**QUARTERLY TASK
ORDER AND COST
REPORT No. 11**

April - June 2003

Prepared for



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

Prepared by

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LOCAL GOVERNMENT WATER SERVICES

YEAR – 3

QUARTERLY PERFORMANCE REPORT NO. 11

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

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

Reporting Period: April 1 – June 30, 2003

Report Number: Quarterly Progress Report No. 11

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 Yayasan 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 eleventh Quarterly Performance Report, and covers LGWS' activities for the period April 1 – June 30, 2003, and is submitted to USAID in compliance with the Contract's expected outputs and deliverables.

II. EXPECTED RESULTS, OUTPUTS & PERFORMANCE

Major accomplishments during this second 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 3. 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. A summary of all sub-tasks is provided in Section 2.4.

2.1 Administrative

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

- In May we were advised by representatives from Bappenas and the World Bank that they have identified the LGWS Project as the best water sector reform project in Indonesia in the last five years and that LGWS was being used as a model of best practices in the water sector.
- As of June 30, 2003 the LGWS Project has three remaining months before it is scheduled to close at the end of September. The next QPR will combine our quarterly activities with a summary of LGWS' results and will be designated as our Final Report.
- Despite the coming closure of the project, LGWS continues to receive requests from PDAM throughout Indonesia for assistance. On June 23, 2003 for example PDAM Sumenep requested LGWS assistance in a letter addressed to Bappenas and USAID.
- LGWS has been working closely with the DPD East Java to institute a program to increase the capacity of PDAM in East Java. PDAM in this area hold regular meetings aimed at sharing techniques and training to improve performance. At the latest meeting in Surabaya, LGWS was asked to present a methodology for preparing Corporate Plans and improving performance through its adherence. LGWS' participation was extremely well received. This activity while not included in the Scope of Work, is in keeping with the overall goal to ensure sustainability through LGWS efforts. We anticipate instituting a similar program in South Kalimantan shortly.
- On their own initiative LGWS staff have been providing ad hoc technical training for PDAM staff in Banjarmasin and Banjar. The training consists of forwarding a series of technical related problems to PDAM staff concerning plant operations, plant design, distribution system operation and efficient management. The participating PDAM staff members complete and return their answers to the problems. LGWS then grades the papers and discusses the scores with each PDAM participating staff member. A total of 55 PDAM employees are taking part in this "ad hoc extension exercise".

2.2 Task A: Assistance to 24 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

Signed Memorandum of Understanding (MOU) have been received from the seven PDAM listed below. Copies have been submitted to USAID.

Team A

PDAM Kota Surabaya
PDAM Kota Madiun
PDAM Kab Tuban

Team B

PDAM Kota Semarang
PDAM Kab Tasikmalaya

Team C

PDAM Kab Cirebon
PDAM Kab Sukabumi

EXPECTED OUTPUTS:

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

STATUS:

2. Task Completed.

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

At the request of Bappenas, we are assisting the 7 PDAM listed in sub-task A1. As previously discussed, Bappenas was concerned that the PDAM we have assisted in the first two years were small to medium sized utilities. At their suggestion it was agreed that we would determine if the LGWS reform model was suitable to larger PDAM. If it could be proven a useful model - then the larger utilities would serve as further examples and demonstrate that the Full Cost Recovery formula was applicable throughout Indonesia's water supply sector.

Subsequently PDAM Surabaya (the 3rd largest water utility in the country) and PDAM Semarang (the 6th largest) were selected. In our original selection analysis presented to Bappenas, PDAM Semarang was not recommended. Bappenas however requested that we include PDAM Semarang but could not agree to drop other deserving PDAM from our list.

LGWS reluctantly agreed to assist 7 PDAM rather than the originally planned 6 PDAM without any additional new funds to cover the added travel and associated costs. We also indicated that we would continue to assist our 18-client PDAM.

EXPECTED OUTPUTS:

1. Select 6 new PDAM.

STATUS:

1. Task Completed.

A3. Establish Baselines for the Key Indicators.

Baseline indicators have been identified and formatted for all of our 24-client PDAM. Baseline data for Year-1 PDAM was established as January 1, 2000 and Year-2 PDAM as January 1, 2001. We will be using January 1, 2002 as the start-date for monitoring purposes for the final 7 PDAM in line with earlier baseline years.

Baseline indicators for all 24 PDAM are provided in Appendix I. We will update our baseline data at the end of the 3rd quarter to reflect results to June 30, 2003, and report these results in our final report.

A brief analysis of the financial performance of our 24-client PDAM for this quarter demonstrates the following:

- As of March 31, 2003 **half of all assisted PDAM have achieved profitable operations** for the three months. As of December 31, 2002 9 of the 24 were profitable. Four PDAM - PDAM Kendari, PDAM Pontianak, PDAM Semarang and PDAM Kabupaten Cirebon achieved profitable operations during the first quarter of this year. All nine previously profitable PDAM continue to operate profitably consistent with prior year results, except for PDAM Kota Sukabumi.

Profitable PDAM as at March 31, 2003		
PDAM Banjar	PDAM Jember	PDAM Semarang
PDAM Banjarmasin	PDAM Kendari	PDAM Tasikmalaya
PDAM Batang	PDAM Tuban	PDAM Kab. Cirebon
PDAM Surabaya	PDAM Pontianak	PDAM Madiun

- The average reduction in loss from the baseline for the 18-client PDAM as of December 31, 2002 exceeded 100%. As of March 31, 2003, the average reduction in loss from baseline for all 24 PDAM combined also exceeded 100%.

In addition to these successful results a number of PDAM have shown increases in their OR. All but one of our 18-client PDAM increased their OR from baseline.

Profit margins have not always kept pace as interest costs and penalties for non-payment of debt have increased losses in some instances. The increased operating ratios are a reflection of:

- adherence to each PDAM's Corporate Plan,
- continued cost cutting measures,
- improved operations,
- increased customer service focus, and
- tariff increases as needed.

PDAM Kendari recently received approval for a tariff rate increase. Its quarterly financial results are now profitable erasing a small loss for the year ended December 31, 2002.

Other client PDAM that we expect to achieve profitable operations and FCR include:

- Kota Pangkalpinang (85%)¹,
- Kota Asahan (93%),
- Kota Samarinda (84%)
- Kab Sukabumi (88%)

Very high levels of non-revenue water (NRW) continue to hamper PDAM Pangkal-pinang's ability to achieve FCR. In late 2002, PDAM Pangkalpinang instituted a NRW reduction program that is yielding significant results. NRW has already fallen 10% system wide and as further programs are introduced this year even greater results are anticipated. We fully expect greater operating efficiencies and higher water sales in 2003 that will lead to FCR.

Similarly, PDAM Sukabumi is implementing a NRW reduction program. The results of the effort have not been as encouraging as experienced in Pangkalpinang. LGWS will be visiting Sukabumi later in the year in an effort to assess and comment on its progress. We will report results as we proceed.

Four PDAM have published financial results that have been disappointing. Those PDAM include PDAM Belitung, PDAM Pacitan, PDAM Sawah Lunto and PDAM Karang Asam. Below we provide explanations and a discussion of efforts to intensively assist each of these PDAM.

While we had high hopes for PDAM Belitung, which had substantial increased tariffs in 2002 and better system management, the very severe effects of the dry season has caused major disruptions that have contributed to lower revenues than first anticipated. During the dry season PDAM Belitung was only able to operate their plant two hours a day for a period of more than three months. Saline intrusion in one system forced PDAM to curtail service for a period of several weeks. As a result, their ability to achieve satisfactory results was hampered. We fully expect a return to financial health in 2003 provided weather factors remain in the normal range.

Over the last 10 months PDAM Pacitan has seen its operating ratio drop from 85% to less than 47%. It recently received approval for a 50% tariff increase that went into effect in April 2003. The delay in obtaining the tariff increase is partially a consequence of hiring a replacement President Director. Local Government decided, somewhat unwisely, to wait for the replacement and allow him time to review the PDAM's performance. Once having done that the new President Director requested a tariff increase in line with LGWS' recommendation.

Tariffs for Pacitan had not been increased in almost two years. With the increased tariff we are projecting that by the end 2003 they will still be at a loss. LGWS project the loss to be substantially reduced from Rp 568 million in 2002 to Rp 75 million in 2003.

PDAM Sawah Lunto and Karang Asam have been major disappointments. Both PDAM Karang Asam and Sawah Lunto have not had tariff adjustments in more than two years. Karang Asem's last rate increase was in 1999 and that effort only after 11 months of negotiation with the former Bupati.

¹ Figures in parentheses indicate Operating Ratio at March 31, 2003.

Repeated assurances by both PDAM and their local governments were unfilled. Their costs, particularly power and chemical purchases, have surged upward. Our field teams met repeatedly with PDAM management and local government representatives in an effort to resolve these tariff issues. Despite this constant attention these local governments are unwilling to approve recommended and much needed tariff increases at this time.

Time permitting we plan to offer a more intensive review of each PDAM's performance during the remainder 2003. In the next quarter we will report the results of that review. We also intend to forward a memorandum to Bappenas and Local Government in an effort to review and resolve any outstanding objections to needed tariff increases.

One last indicator worth noting is the dramatic reduction in days it takes to collect Accounts Receivable. When LGWS began, it took on average 235 days to collect funds invoiced for the 12 PDAM. It now averages only 55 days for 18 PDAM. This has had the effect of significantly increasing cash flows from current operations.

EXPECTED OUTPUT:

- 1. Baseline data established for 24 PDAM.**

STATUS:

- 1. Task Completed for 26 PDAM* & On-Going for 25 PDAM.**

* Please refer to Section 2.4 – Summary of Tasks, and the corresponding Tables in that section on individual PDAM assisted by this project.

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

LGWS has successfully assisted its 7 new client PDAM conduct their Customer Satisfaction Surveys (CSS). Table A4-1 provides details of each CSS.

Each CSS reviewed and measured the following factors in each community:

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

Table A4-1. Customer Satisfaction Surveys for Year 3 PDAM.

Kota Surabaya	256,637	5,000	9.0
Kab Tuban	15,682	400	2.0

Kab Tasikmalaya	22,156	950	6.5
Kab Sukabumi	11,984	452	2.8

Our Field Teams provided each PDAM with assistance and training in enumerator selection, enumerator monitoring, administration, and data entry. Locally recruited University students performed each CSS.

Population samples of each PDAM were determined using the same methodology we employed in Year 1. The confidence level was targeted at a 95% with a level of accuracy of + or - 3%. Our on-going data analysis also employs the same software we used in Year 1.

Each CSS employed 4 types of questionnaires designed for specific respondents:

1. Households currently connected to PDAM.
2. Households not connected to PDAM.
3. Businesses connected to PDAM, and
4. Businesses not connected to PDAM.

The 7 CSS generated 9,036 questionnaires and resulted in an average total survey of 2.86% of all PDAM customers. Each PDAM was instructed in how to input results for analysis.

At the present time LGWS staff are continuing to analyze the CSS data. Our analysis of the 7 CSS will be completed in early July. At that time we will prepare detailed reports for each CSS. Once all PDAM are completed we will provide Perpamsi and USAID with a CSS summary report.

Following our analysis of the 7 CSS, we have scheduled follow-up meetings with each PDAM to review and discuss the individual results with stakeholders, and shall begin to formulate strategies for addressing their specific customer responses.

The CSS will also be used to develop strategies for the PDAMs' Public Relations Campaigns (sub-task A5) and Corporate Plans (sub-tasks A6 and A8).

EXPECTED OUTPUTS:

1. Schedule and complete Customer Satisfaction Surveys in 7 PDAM.
2. Tabulate data and put into a reportable format.
3. Assist 18 PDAM to establish and/or upgrade Customer Service Departments.
4. Plan to address at least one deficiency in each of the 18 PDAM.

STATUS:

1. Task Completed.
2. Task Completed.
3. Task Completed.
4. In progress for 18 PDAM and to be completed for the 7 PDAM.

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

Public Relations efforts are on going at each of our 18-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.

During this quarter, Team B's discussions with Bp A. Musakkir Mustafa, Wakil Walikota Kota Kendari, DPRD representatives and PDAM Kendari were aired on TVRI-Kendari as part of the evening's local news program.

Our Public Relations Campaigns for the 7 new PDAM will be formulated after completion of their respective CSS.

Over the next 2 months we will be introducing a more precise and well-defined PRC for each of the 7 new PDAM. Progress on this activity will be reported in QPR-12.

EXPECTED OUTPUTS:

- 1. Public Relations Campaigns designed and completed for 7 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 3rd Quarter.**
- 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 our final quarter, 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.

To date, we have prepared and executed presentations for PDAM in Banjarmasin, Kendari, Pontianak, Pangkalpinang, Sukabumi, Semarang, Kapuas and Samarinda.

Our efforts will continue to focus 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 3rd quarter. Many of these communities have already opened discussions with LGWS.

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 to achieving 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 7 PDAM.**
- 2. To be completed for 7 PDAM - Policies will be incorporated into their Corporate Plans.**
- 3. To be completed for 7 PDAM.**
- 4. Policies will be incorporated into Corporate Plans for 7 PDAM.**

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

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

Our Management Information Specialist (MIS) has performed a detailed needs assessment of each new PDAM's accounting and billing system. Our Field Teams reviewed each assessment with the respective PDAM Finance Director and senior management.

We are currently procuring appropriate computer equipment in accordance with USAID regulations. We are using the same software and hardware that we introduced in Year 2.

In June we conducted training for PDAM staff of the third cohort PDAM in basic computer operations skills and accounting software-related training (sub-task B2).

As previously reported, the LGWS Project Web Site is currently in operation. Our Web Site provides information about LGWS activities; LGWS assisted PDAM and provide links to Perpamsi, USAEP/AID, the Urban Institute, and Chemonics International. The site also provides individual web pages for our client PDAM. We are hopeful that 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. The web site will be updated in July.

EXPECTED OUTPUTS:

- 1. Procurement of computer components and software for 7 PDAM.**
- 2. Installation of computer systems in 7 PDAM.**
- 3. Completion of training component for computers in 7 PDAM.**
- 4. Establish functional computerized accounting systems in 18 PDAM.**

STATUS:

- 1. In Progress.**
- 2. Procurement and installation in 3rd quarter.**
- 3. Task Completed.**
- 4. Task Completed for 18 PDAM - In progress for 7 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. We continue to monitor their progress and as required meet with each PDAM to support their respective FCR goals.

As CSS results are now available we will be scheduling stakeholder and management discussions in support of each Corporate Plan, and monitor Plan implementation. Assuming funds are available we 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.

In QPR-10 we reported that our 18-client PDAM had increase their total connections by 60,212. This equates to a total of 361,272 new beneficiaries receiving piped water who had not in the past.

We will update our baseline data at the end of the 3rd quarter to reflect ¾ year-end 2003 results, and report these results in our final report.

EXPECTED OUTPUTS:

- 1. Draft Business and Financial Action Plans completed for 18 PDAM. Work progressing at 7 new PDAM.**
- 2. An increase of 700,000 new beneficiaries from the baseline.**

STATUS:

- 1. Task Completed for 18 PDAM - In progress for the 7 new PDAM.**
- 2. Task Completed for 18 PDAM - In process for the 7 new PDAM. Over 360,000 new beneficiaries from LGWS assistance for the first 18 PDAM.**

A9. Identify Options for Sustainable Financing.

Financing options for PDAM continues to remain an enormous challenge. To the extent that the banking and business climate remains mired in technical and credit-related problems funding PDAM lending demands will remain unchanged.

We have been encouraging most PDAM to fund projects with their own resources and internally generated cash flows. PDAM Jember is an example of one such PDAM.

During 2002 PDAM Jember embarked on a project to add needed water supply to their community. The project includes a new treatment plant that will provide an additional 20 l/s of supply. PDAM has a target of increasing connections by approximately 3,000. The plant is currently using the existing distribution system to transmit the water produced by the new plant. The existing distribution pipe is insufficient to achieve the level of coverage anticipated. PDAM Jember is currently installing new pipe that will be able to supply the anticipated new connections. The new pipeline will be completed by end of September 2003.

PDAM Jember self-funded its land acquisition, plant design and construction of the intake structure. Construction is progressing and being funded through internally generated cash flows. The cost savings from self-design, land acquisition and project supervision make this development extremely attractive. PDAM Jember estimates that the plant costs less than half that of similar plants funded through traditional sources.

Almost all PDAM have been able to fund new connections and distribution system expansion through internal resources; examples include:

- PDAM Banjar Baru and PDAM Banjarmasin were able to make major plant re-fits without external financing,
- PDAM Batang, with the assistance of local government, executed a major distribution system expansion, and
- PDAM Semarang's on-going strategy to resolve its raw water supply for its Kudu Water Treatment Plant.

We understand that the World Bank and ADB are looking at adding funds for infrastructure development. ADB is currently sponsoring technical assistance to the Coordinating Ministry for Economy and Investment in an effort to resolve debt collection from BUMD throughout Indonesia.

We also met with representatives from Aquatec-Maxcon, an Australian firm that is partnered with Brisbane Water. They are only interested in negotiated bulk water supply operations and stated that they have no appetite for tendered projects. Their Queensland Government representative – who set-up the meeting was referred to our CTO at USAID for additional information on LGWS activities.

Furthermore, in Manado, British and Dutch private sector firms are seeking to offer partnership arrangements with the PDAM. As these funding activities progress we will continue our dialog and continue to monitor their water supply financing related activities. As the balance sheets of our client PDAM become more positive and transparent we anticipate renewed investment interest from the private sector, particularly for those PDAM that have achieved FCR.

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 the 7 new PDAM.**

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

Each of our 18-client PDAM has identified their anticipated new programs and costs for environmental, maintenance, and water quality improvements and requirements and incorporated these 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 is 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 40% for the 18 PDAM. PDAM prepared and are implementing programs designed to reduce NRW to 25% or lower levels. In particular, we are encouraging PDAM to implement household meter replacement and repair programs. These programs are incorporated in their Corporate Plans.
- **Conservation and Customer Outreach:** We have initiated discussions with PDAM and PEMDA concerning the need to incorporate water conservation measures in all aspects of PDAM operations. This issue is also included in the previously mentioned PRC for each PDAM. PDAM Kapuas has introduced the most aggressive conservation program and copies have been made available to Perpamsi for an article and distribution to other PDAM.

Our Field Teams will be undertaking similar quality reviews at the 7-selected PDAM, and we will report progress in QPR-12. In addition, our LGTS has programmed these issues into training activities designed in conjunction with Perpamsi and YPTD (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 7 additional PDAM.**

STATUS:

- 1. Task Completed for 18 PDAM – In progress for the 7 PDAM.**
- 2. Task Completed for 18 PDAM – In progress for the 7 PDAM.**
- 3. In Progress.**

A11. Assist up to 12 PDAM Annually.

As a prelude to the selection of the 7 new PDAM for Year-3 under sub-tasks A1-A10, we completed 15 preliminary financial and technical assessments of PDAM listed in Table A11-1. Copies of all Field Reports were submitted to USAID and Perpamsi. It should be noted that our field teams were able to complete all 15 reviews - 3 more than originally anticipated within a rather tight time frame without any additional cost.

Added to this was the problem of expatriate project managers having been under the evacuation order during the 1st quarter. Despite these difficulties all field trip reports were completed and an analysis of findings was presented to Bappenas and Perpamsi for their review and agreement.

As previously mentioned, these 15 PDAM were far further along on the road to full cost recovery than any previous group assessed by LGWS. While this is a very fortunate development, we believe it reflects the on-going emphasis we have placed on bringing PDAM to financial health.

The 15 PDAM were however eager to join the group of PDAM that would be assisted. It is comforting to note that the consistent approach of LGWS coupled with the training, improved financial management, technical assistance and management focus is a very sought after commodity by most PDAM and their local government partners.

An example of the efforts some local governments go to soliciting LGWS' services - the Walikota of Semarang personally called the head of Bappenas to ask for our assistance to his PDAM. We also received copies of letters sent to Bappenas, from Tasikmalaya, Kediri and Cirebon requesting LGWS assistance.

We are both proud and very pleased that LGWS' efforts and assistance has been widely accepted and the services we provide are perceived to have such high value.

Table A11-1. PDAM Provided with 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

Finally, we feel that these achievements are a testimony to the efforts and capabilities of our outstanding staff of Indonesian water professionals whose efforts are the backbone of our project.

EXPECTED OUTPUTS:

- 1. Field Trip Reports for PDAM assessed.**

STATUS:

- 1. Task Completed - 15 Assessments Performed in Year 3 - providing a total of 42 Financial and Technical Assessments of PDAM by LGWS.**

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

During this quarter, we had 4 meetings with representatives from the CLEAN Urban and ICMA Projects. 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. We also participated in an AID management retreat and continue to organize and participate in the informal COP Monthly Coffee.

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. Task Completed - Monthly meetings are on-going.**
- 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 organizing Year 3 Executive Level Training Program for managers from the 7 PDAM selected for intensive assistance. 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 are 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. A financial management-training program was completed last quarter. This training consisted of a two-week program geared at increasing the knowledge of participants in general accounting, financial analysis, tariff rate setting and project finance. We will introduce the User’s Guide and similar training programs to each of the 7 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 quarter.

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

LGWS Project efforts continue to focus on educating PDAM management and staff, and their stakeholders, including PEMDA and DPRD officials, on improving the overall operating performance and the service capabilities at each of our 18-client PDAM.

During this 2nd quarter we continue to use the same successful approach and methodology for our 7 new PDAM.

We had planned on hosting a Management Retreat for senior PDAM managers and Mayor(s). 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. However, in light of the evacuation that occurred in late 2002 and early 2003, we are uncertain if LGWS funds are sufficient to accomplish this program. We are currently reviewing our budget to determine resource needs.

Table B3 -1 shows the Baseline Profit and Loss for each of our 24-client PDAM - as of March 2003.

Table B3-1. Profit Comparison for 24 PDAM through March 2003.

Kab Asahan	(1,138)	(636)	(209)
Kota Banjarmasin	(10,426)	4,350	2,937
Kab Belitung	(331)	(281)	(101)
Kab Jember	(393)	280	64
Kab Kapuas	(503)	(57)	(140)
Kota Kendari	(529)	(144)	115

Kota Pangkal Pinang	(622)	(253)	(75)
Kota Samarinda	(4,243)	(2,252)	(257)
Kota Sukabumi	149	211	(220)
Kab Tuban	103	362	100
Kab Sukabumi	(2,293)	(1,305)	(124)
Kab Cirebon	(1,816)	(2,037)	481
Total	(31,513)	(5,243)	15,835

From the table above it is evident that as of March 31, 2003, half of all LGWS assisted PDAM are now profitable. As of December 31, 2002 losses had been reduced on average by 84%. This result would have been even greater if the loss for PDAM Semarang was eliminated.

These results are for 24 PDAM and do not include PDAM Gunung Kidul. As we previously reported, assistance to Gunung Kidul would be limited but could revert to full assistance provided that it exhibited evidence of compliance with LGWS recommendations. In our opinion Gunung Kidul has failed to substantially comply with those recommendations.

Our projections indicate that continued cost controls coupled with proactive management and where scheduled, tariff increases, will move the majority of those PDAM having a Loss onto a positive footing by year-end. Additional indicator data is available in Appendix I.

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 100% improvement from baseline in P & L Statements for the first Cohort, 70% for the second and 30% for the third**

STATUS:

- 1. Task Completed for 18 PDAM– Full Cost Recovery policies incorporated into Corporate Plans – In Progress for 7 PDAM.**
- 2. Year 1 and 2 target achieved. Third cohort in progress.**

B4. Technical Efficiency and Environmental Quality.

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

On June 25th three members of our staff also participated as Guest Speakers in a GTZ sponsored Indonesian Communication Forum on Drinking Water Quality Management (FORKAMI) Seminar that was held in Jakarta. Their topic was re-rating of water treatment plants.

EXPECTED OUTPUTS:

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

STATUS:

1. Subject to the availability of funds - scheduled for the 3rd quarter.

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

As previously mentioned, the 6-month ordered departure severely limited and restricted field time devoted to this particular sub-task. As such we are delaying the reporting on Best Practice Models until all other critical sub-tasks – A3-A10- are completed for Year 3.

Also – because of the perceived confusion associated with this sub-task we have provided a summary of previously reported efforts related to this sub-task – beginning with **Year 1** –

- In QPR-1 we identified and reported on two Best Practice models from PDAM Jember – these included its improved customer payment methods, and its community awareness initiatives. We subsequently incorporated PDAM Jember's Invoicing and Collection methods as a Best Practice – referencing this as a model in QPR-2.
- In QPR-2 we identified and reported on all 5 Best Practice models – these included -
 1. Invoicing and Collection – PDAM Kab Jember,
 2. Electronic Meter Reading - PDAM Kab Bandung,
 3. Third Party Meter Reading – PDAM Kab Sawah Lunto,
 4. Cisterns for households – PDAM Kab Bangli, and
 5. Automated Switching & Shut-Off Equipment - PDAM Kab Jember.

While we completed this sub-task, we agreed to continue identifying and disseminating Best Practices. **Year 2** activities included -

- In QPR-7 we highlighted:
 1. PDAM Banjar Baru's newly inaugurated "Customer Friendly Payment System", and
 2. PDAM Kapuas's Conservation initiatives.

In QPR-7, we stated that PDAM Banjar had reorganized its payment procedures eliminating the typical 1-4 hour wait that customers were subjected to just to receive their monthly bill. We also reported that PDAM Kapuas had developed a very simple conservation flyer and has distributed this to its customers.

- In QPR-8, we reported the following – “In this last quarter we introduce three additional Best Practices” -
 1. PDAM Kapuas’s successful efforts in negotiating its customer reclassification with PLN from an Industrial User to a Social User,
 2. PDAM Karangasem’s successful efforts in obtaining a 98% tariff increase, and
 3. PDAM Kendari’s Non-Revenue-Water (NRW) reduction program.

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

We also reported that after 11 months of political debate, PDAM Karangasem’s persistent and tenacious efforts resulted in a long over due tariff increase. The last tariff increase was in 1999.

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

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

Year-3

- In QPR-9 we stated that - In Year 1-2, we identified and reported on 10 best practice models. These consisted of the following:
 1. Invoicing and Collection – PDAM Kab Jember,
 2. Electronic Meter Reading - PDAM Kab Bandung,
 3. Third Party Meter Reading – PDAM Kab Sawah Lunto,
 4. Cisterns for households – PDAM Kab Bangli,
 5. Automated Switching & Shut-Off Equipment – PDAM Kab 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 included 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.

Unfortunately the ordered departure has force us to cancel all planning for the above-mentioned seminars. This effort has not been reactivated due to funds availability and time constraints imposed by the ordered departure on current activities.

The first 9 Best Practices are posted on our Web Site. In the current quarter we will add the remaining models. 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:

1. Task Completed.

B6. Institutional Support for PERPAMSI.

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

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

Our LGTS also assisted Perpamsi staff with developing their Five-Year Business Plan for both Perpamsi and YPTD. These Plans were also approved by their boards and are currently being implemented.

As a result of our LGTS's efforts, Pak Purwoko was appointed to the position of Secretary to the Board of Directors for YPTD, a role he continues to actively serve in.

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

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

EXPECTED OUTPUTS:

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

STATUS:

- 1. Task Completed.**
- 2. Task Completed – All Activities Are Being Implemented or Are Programmed.**

B7. PDAM Rescue and Recovery Program (PRRP)

The PRRP was being implemented under the guidance of the Ministry of Finance. To date we have not heard of any significant news or success in implementing the program. LGWS remains however ready to have discussions with consultants working on this and any other project related to assisting PDAM Management.

At the end of June 2003 we were advised by CLGI that they had met with a team of consultant under an ADB TA. Those consultants were working under the guidance of the Coordinating Ministry for the Economy and Investment. We plan to meet with these consultants in July 2003.

Currently, the main thrust of assistance to PDAM is through Department Kimpraswil, which is funding a program to encourage regulation of PDAM and a Water Enterprise Reform Program. We have had several meetings with each of these projects but we have not seen reports or results from those programs.

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.

We also understand that donor funding may be available in the coming year for infrastructure development including Water Supply. While this is welcome news we remain cautious that investments take into account the need to improve management, maximize benefits from all investments and improve the operating efficiency of local staff.

In particular, any new investment should demonstrate a payback period consistent with cost of the investment. Furthermore, local governments must be aware of the need to ensure efficient and productive operations to allow for water supply expansion that is both needed and affordable.

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, ALGTS, and 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 6 training activities for Year 3. Table B8-1 identifies these activities. As shown, we have successfully completed 3 training sessions and have programmed the remaining 3 sessions.

LGWS continues to provide ad hoc assistance to many PDAM. This assistance while outside the scope of the project is significant nonetheless. As we indicated above, we are providing assistance to DPD East Java as periodic instructors for their quarterly meetings. At these meetings we advise PDAM on how to prepare Corporate Plans and how to improve performance through adherence to the plan.

Table B8-1. Year 3 Training Activities.

1	Accounting & Finance	Jakarta	Apr	18	10
2	Technical - Operations	Bandung	Jun	14	5
3	FNFN ¹	Yogya	Aug	26	3

¹ Finance for Non-Financial Managers

We will shortly be conducting similar assistance to DPD South Kalimantan. We will prepare a similar short course training exercise for six PDAM in close proximity to Banjar Masin. We will report on the results of this exercise in our next quarterly report.

In addition, on the initiative of our local engineering staff, we are providing direct technical training to staff of PDAM Banjar and PDAM Banjar Masin. Our staff has prepared a list of technical training questions in areas covering plant operations, plant design, distribution operations and maximizing efficiency. Participants in each PDAM then answer the questions in open book format to be graded by LGWS engineers.

EXPECTED OUTPUTS:

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

STATUS:

- 1. Task Completed.**
- 2. Task Completed.**
- 3. Task Completed – An On-Going Activity. Our LGTS and ALGTS are assigned to Perpamsi and YPTD offices.**

2.4 Summary of Tasks

Table 2.4-1 provides a summary of all LGWS sub-tasks from October 1st, 2000 - June 30th, 2003. As indicated, a number of sub-tasks have been completed and where identified these activities will continue in support of LGWS goals.

Table 2.4-1 Summary of LGWS Task Progress.

Task	Status
A1	Task completed for 26 ¹ PDAM.
A2	Task completed for 26 PDAM.
A3	Task Completed for 26 PDAM & On-Going for 25 PDAM.
A4	Task Completed for 25 PDAM - Results of the 7 new PDAM will be incorporated into Corporate Plans.
A5	Task Completed for 18 PDAM - With on-going activities - In progress for the 7 new PDAM.
A6	Task Completed for 18 PDAM - With on-going activities - In progress for the 7 new PDAM.
A7	Task Completed for 19 ² PDAM - In progress for the 7 new PDAM.
A8	Task Completed for 17 PDAM - With on-going activities - In progress for the 7 new PDAM.
A9	Task Completed for 18 PDAM - With on-going activities - In progress for the 7 new PDAM.
A10	Task Completed for 19 PDAM - With on-going activities - In progress for the 7 new PDAM.
A11	Task Completed - 42 Assessments Performed since October 2000.
A12	Task Completed - Meetings on-going and scheduled as needed.
Task B	
B1	Task Completed - Training activities continue under B8.
B2	Task Completed for 19 PDAM- In progress for the 7 new PDAM.
B3	Task Completed for 17 PDAM - Efforts on-going as reported - In progress for the 7 new PDAM.
B4	Task Completed - Training activities on-going as reported.
B5	Task Completed - 10 Best Practices identified and disseminated to Perpamsi - activities to continue as reported.
B6	Task Completed - Support activities on-going as reported.
B7	Task Completed - Monitoring on-going as reported.
B8	Task Completed - Training activities on-going as reported.

¹ Includes PDAM Lampung Tengah - which was dropped by LGWS in Year 1, and PDAM Gundun Kidul receives limited non-corporate planning assistance and training.

² PDAM Gundun Kidul only received Accounting & Billing software.

Table 2.4-2 lists the 26 PDAM referenced above and in sub-tasks A-1-A3.

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Table 2.4-2 LGWS Assisted PDAM & Current Status with LGWS Project.

LGWS Assisted PDAM		Current Status
Year 1 -		
1	Kab Asahan	Active – All Sub-Tasks Completed
3	Kab Jember	Active – All Sub-Tasks Completed
5	Kab Karang Asem	Active – All Sub-Tasks Completed
7	Kab Pacitan	Active – All Sub-Tasks Completed
9	Kab Batang	Active – All Sub-Tasks Completed
11	Kab Hulu S Tengah	Active – All Sub-Tasks Completed
Year 2 -		
13	Kota Banjarmasin	Active – All Sub-Tasks Completed
15	Kab Gundun Kidul	Active – Limited Assisted Only
17	Kota Pontianak	Active – All Sub-Tasks Completed
19	Kota Sukabumi	Active – All Sub-Tasks Completed
21	Kab Tuban	Active – Sub-Tasks in Progress
23	Kab Sukabumi	Active – Sub-Tasks in Progress
25	Kab Cirebon	Active – Sub-Tasks in Progress

2.5 Field Visits

During this third quarter, our staff made a total of 22 field trips. These included 14 trips to meet with the 7 new client PDAM to initiate the Customer Satisfaction Surveys - 5 visits to client PDAM, and attendance at 3 training events. Appendix II provides the Activity Reports for each visit.

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PDAM Activity Report

PDAM KOTA BANJARMASIN

Date of Visit	Activities	Actions
<p>22 – 24 April 2003</p>	<p>LGWS Team led by Ahmad Rosyid conducted 2 day-visit to PDAM Kota Banjarmasin. The visit's intention was to monitor the Corporate plan, reduction water losses program and discussion greater Banjarmasin program.</p> <p>First day, we discussed about progress of corporate plan and reduction water losses program as follow :</p> <ol style="list-style-type: none"> 1. Rehabilitation transmission pipe dia. 630 mm PVC length 1.000 m from intake Bilu to WTP A. Yani has finished. 2. Rehabilitation WTP Pramuka and WTP A. Yani through to change filter media (sand) and chemical feeding system has finished. 3. Up to march 2003, PDAM Banjarmasin has repaired water meter customer around 2000 units and target of 2003 as 6.000 units. 4. Increased customer up to March 2003 (during 7 months) was 8.000. 5. We discussed with NRW Team about program and target reducing NRW. The Team explained that target reducing NRW during 4 years (2003 to 2006) 9 % (from Januari 2003 34% to 25% 2006) and total cost Rp. 4,2 Billion. <p>Conclusion that PDAM Banjarmasin will complete all the program 2003 following corporate plan.</p>	<p>PDAM Banjarmasin would continue to implement what CP Program.</p> <p>NRW Team will analyze 20 block on 2003 and reducing water losses 1 %.</p>

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PDAM Activity Report

Date of Visit	Activities	Actions
	<p>Second day, we had meeting with PDAM Banjarmasin, PDAM Batola and PDAM Banjarbaru. We discussed about greater Banjarmasin program. PDAM batola explained about to need 20 LPS clean water. PDAM Banjarbaru explained that service area Kertakhanyar currently was supplied by deep well Ulin. Capacity deep well was limited therefore the customer on that area received clean water less than 6 hours per day. PDAM Banjarbaru requested to PDAM Banjarmasin supply clean water about 50 LPS to this area.</p>	

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PDAM Activity Report

PDAM KOTA MADIUN

Date of Visit	Activities	Actions
<p>29 April to 02 May, 2003</p>	<p>The two days visit to PDAM Kota Madiun was intended to provide the CSS presentation to the Directors and Staff of PDAM. This also provided a short training of CSS processing data to the PDAM staff. The visit was also filled by having a discussion of Vision and Mission for corporate plan preparation.</p> <p>PDAM's directors and staff were very interested to the result of CSS in PDAM Madiun. The CSS's result basically provides an outstanding satisfaction of PDAM 's service. More than 90% customers mention that they are satisfied enough by a services currently provided by PDAM.</p> <p>The next agenda of the 1st day visit was filled by providing training of SPSS (statistical software) to the staff of PDAM. This was attended by all staff from different department in PDAM who are incharged in SKP. The training was basically succeeded</p> <p>Second day, A discussion of vision and mision. This discussion was attended by all technical director, financial director and all kepala bagian including kepala cabang which totally 12 staff. PDAM's staff were very enthusiasm involving in this discussion.</p> <p>This was a fully day meeting which conducted until afternoon.</p>	<p>PDAM would complete the SWOT information. The Tim would also provide SWOT one of materials in next meeting/visit.</p> <p>Lgws to analyze the SWOT and determine the appropriate program for the future years</p>

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PDAM Activity Report

PDAM KABUPATEN TUBAN

Date of Visit	Activities	Actions
<p>06 to 09 May, 2003</p>	<p>The two days visit to PDAM Kabupaten Tuban was intended to provide the CSS presentation to the Directors and Staff of PDAM. This also provided a short training of CSS processing data to the PDAM staff. The visit was also filled by having a discussion of Vision and Mission for corporate plan preparation.</p> <p>PDAM's directors and staff were very interested to the result of CSS in PDAM Madiun. The CSS's result basically provides an outstanding satisfaction of PDAM 's service. 56% customers mention that they are satisfied enough by a services currently provided by PDAM.</p> <p>The next agenda of the 1st day visit was filled by providing training of SPSS (statistical software) to the staff of PDAM. This was attended by all staff from different department in PDAM who are incharged in SKP. The training was basically succeeded</p> <p>Second day, A discussion of vision and mision. This discussion was attended by 1 director and all kepala bagian including kepala cabang which totally 10 staff. PDAM's staff were very enthusiasm involving in this discussion. This was a fully day meeting which conducted until afternoon.</p>	<p>PDAM would complete the SWOT information. The Tim would also provide SWOT one of materials in next meeting/visit.</p> <p>Lgws to analyze the SWOT and determine the appropriate program for the future years</p>

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PDAM Activity Report

PDAM KOTA PANGKALPINANG

Date of Visit	Activities	Actions
12 to 14 May, 2003	<p>LGWS Team led by Ahmad Rosyid conducted 2 day-visit to PDAM Kota Pangkalpinang. The visit's intention was to monitor the NRW reduction program currently in place and computerized of accounting and billing system.</p> <p>The NRW Reduction program has started by replacing broken meter in customer's house. The tim expected that this would bring PDAM able to provide better service to the customers.</p> <p>LGWS also monitored the computerization program which currently run by PDAM. Mostly the requirements of the program such as hardware has been almost completed. A Small corrections were still required either for the accounting or billing system.</p>	<p>PDAM would continue implementing the NRW reduction program by replacing or installing water meter at customer's houses. PDAM would report the progress of the program immediatedly.</p>

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PDAM Activity Report

PDAM KABUPATEN JEMBER

Date of Visit	Activities	Actions
20 to 21 May, 2003	<p>LGWS Team led by Ahmad Rosyid conducted 1 day-visit to PDAM Kabupaten Jember. The visit's intention was to teach EPANET and monitoring CP.</p> <p>Agenda of the 1st day visit was filled by providing training of EPANET (distribution software) to the staff of PDAM. This was attended by all staff from technical department in PDAM. The training was basically succeeded</p>	

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PDAM Activity Report

PDAM KAB. KAPUAS

Date of Visit	Activities	Actions
<p>31 Mar.-1 Apr., 2003</p>	<p>LGWS had meetings with director and 7 kabags of PDAM. Discussion focused on fund acquired from revision of local budget that need to be incorporated into the corporate plan. LGWS also brought 2 computers for PDAM. This had been postponed since PDAM's office renovation work took for about 6 months to complete from Sep. 2002.</p> <p>Most fund from DAU would be allocated for rehabilitation and expansion of new distribution piping system to improve service to existing customer and increase coverage. Timing of program in CP need to be adjusted accordingly.</p> <p>LGWS also assisted accounting and customer relation sections to prepare data required for installation of softwares. It was revealed that several transactions had not been posted properly, ie purchase of piping posted under maintenance expenses, and several had not been offset with contra account. This would lead to imbalance results.</p> <p>Office renovation work was completed, yet space allocation was not final. Area for computers need to be determined. Also cabling for interconnecting computers.</p> <p>Maintenance staff need reference materials on M/E such as pumps since they need a better comprehension on what they dealing with everyday.</p> <p>Updates of financial & technical information were obtained.</p>	<p>CP needs to be revised, upon its completion PDAM would disseminate to stakeholders in local government.</p> <p>PDAM would keep completing/ adjusting data needed for the accounting and billing softwares. For accounting, initially they need to prepare: list of suppliers, account codes, initial balance. LGWS to assist this remotely from Jakarta office.</p> <p>LGWS to seek reference materials particularly related to M/E equipment operational procedures.</p> <p>PDAM to inform LGWS layout for the computers including its cabling system.</p>

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PDAM Activity Report

PDAM KABUPATEN TASIKMALAYA

Date of Visit	Activities	Actions
1~2 May 2003	<p>LGWS had meetings with PDAM and CSS Team led by a senior lecturer from Universitas Siliwangi. The meetings were mainly discussing results of CSS. Signed MOU was also obtained.</p> <p>Generally results of CSS were not as PDAM had expected. For some parameters, like quality of water, it turned out to be satisfactory to most respondents, while PDAM had expected that this parameter would be not favorable.</p> <p>As follow up, actions to resolve issues revealed from CSS need to be determined. This would be part of input for the corporate plan.</p> <p>Since in coming months LGWS would hold trainings, PDAM was asked to pick its personnel competent to attend the trainings.</p> <p>Corporate plan team need to be assigned to start working with LGWS.</p>	<p>PDAM and LGWS to prepare actions need to be taken to resolve issues revealed from CSS.</p> <p>PDAM to pick its staff for the trainings.</p> <p>CP team to gather input from PDAM internally on main issues of the plan, ie. vision & mission.</p>

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<p>Jun. 3~4 – 2003</p>	<p>LGWS met with directors, kabags, kacabs to discuss several issues mainly related to preparation of corporate plan.</p> <p>PDAM internally has agreed on vision, mission, strategy, and programs. The process of gathering those has been more bottom up. Thus, it grows the sense of belonging of PDAM's personnel to the plan.</p> <p>PDAM was being approached by a private entity to enter an agreement with a water enterprise that would operate on provincial scale-PAJB (Perusahaan Air Bersih Jawa</p>	<p>PDAM to go on with a more detailed programs that would be incorporated into corporate plan. Until next visit, LGWS would gather and put together any development of the plan remotely from LGWS' office.</p> <p>PDAM to pick its personnel for the training to be held soon.</p>
	<p>Barat). As far as LGWS understands this enterprise would control and manage most PDAMs in the province. As a return, bupati or walikota as legal owner of PDAM would have shares of about Rp. 500 million in the enterprise.</p> <p>In a few days, a team from Bappenas, provincial Kimpraswil and Dinkes would pay a visit to Tasikmalaya, kabupaten and kota-including both DPRD, for two main issues:</p> <ul style="list-style-type: none"> - make sure that division of administrative region of Kabupaten and Kota Tasikmalaya would not divide PDAM - take a closer look at areas proposed by PDAM for development <p>LGWS informed that a technical training would be held soon. Also a team would come to PDAM to assess its computer systems-hardware and software. The team would consist of personnel from software provider and/ or LGWS personnel.</p>	<p>LGWS advised that proposal for any development plan in the area should be beneficial not only to community but also to PDAM-that is financially feasible.</p> <p>PDAM to prepare data, financial-accounting and billing, prior to visit of software vendor.</p>

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PDAM Activity Report

PDAM KOTA SAMARINDA

Date of Visit	Activities	Actions
May 6~8, 2003	<p>LGWS met with PDAM's Directors, Chiefs Sections, & staff discussing mainly CP and development of private party participation.</p> <ul style="list-style-type: none">- Additional fund from Pemkot of more than Rp. 10 billion obtained. The fund to be allocated mainly for distribution and production facility improvement.- PSP scheme was reached and would be in operation soon.- Accounting system provided by LGWS was still having some minor problems. Communication with software provider kept on going.- Loan reschedulling started to give hope for approval both from MOF and WB. Assigned personnel many times go back and forth to Jakarta to accelerate the process.- FRAP being reviewed by PDAM & World Bank would be completed soon after the reschedulling approved.	<ul style="list-style-type: none">- PDAM to send LGWS latest FRAP that would incorporate reschedulled loan, new targets, etc.- LGWS to monitor completion of software installation.- Execution of private participation to be carefully assessed particularly during initial operation.- Details of additional fund allocated from DAU (local budget) to be obtained.

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PDAM Activity Report

PDAM Kota Semarang

Date of Visit	Activities	Actions
May 21~22, 2003	<p>LGWS met with all three directors, kabags, and staff to discuss mainly result of CSS. Also progress on Kudu facility utilization.</p> <p>MOU signed with some minor modifications. LGWS represented by Edward.</p> <p>Although not final, result of CSS shows that the service level is not equally received by PDAM's customer. And the result also lead to necessity to increase production capacity.</p> <p>LGWS urged that problems related to Kudu capacity to be resolved immediately. A study to fully utilize Kudu plant was underway.</p> <p>Team for loan reschedulling were working together with Pemkot prior to submission to MOF.</p> <p>In closing, LGWS also asked PDAM to set up a team for corporate plan.</p> <p>LGWS informed that a technical training would be held mid July.</p>	<p>Final data entry to be sent to LGWS soon. At the same time PDAM's CSS team would try to run its statistical program.</p> <p>PDAM to select its staff for technical training.</p> <p>PDAM to inform any development of study on Kudu utilization plan.</p>

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PDAM Activity Report

PDAM KOTA KENDARI

Date of Visit	Activities	Actions
<p>11~12 Jun. 2003</p>	<p>LGWS met with directors of PDAM, wakil walikota, DPRD Komisi C. The visit was mainly to discuss present condition of PDAM, required development plan, also tariff adjustment. Local TV was also present. PDAM was under scrutiny, wakil walikota had just paid a visit to PDAM's production facility, since he wanted a better service.</p> <p>A proposal for tariff adjustment had been submitted to mayor's office and DPRD. Yet decision has not been made. The mayor and DPRD wanted PDAM to improve its service first.</p> <p>PDAM's management was about to change. Former dirut had completed her term. A committee was set up to assure a fit and proper test for new dirut. LGWS handed over a reference guide (Bakuan Kompetensi) to Wakil Walikota to assess capability of candidate for dirut.</p> <p>World Bank's offer to finance parallel raw water transmission line was pending. As per WB's officer's information, no decision had been reached from central government whether or not the Bank could channel the fund directly to city or regency or PDAM.</p>	<p>PDAM to inform any development related to approval of tariff adjustment.</p> <p>LGWS to prepare schematic diagram of Pohara system to be completed with actual data from PDAM. Upon its completion LGWS would do a calculation of the system's performance.</p> <p>LGWS to monitor change of top management.</p>

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	<p>SIA (accounting software) provided by LGWS had been in operation, while SIP (billing software) still needed minor adjustment. Two personnel from PDAM had attended a training in Palu, Central Sulawesi, earlier to implement the software.</p> <p>Irregularity of raw water pumps at Pohara may be caused by uneven pumps head, less available head, and or chocking of piping.</p> <p>Bushing of high lift pumps had been replaced with original ones purchased from Singapore.</p> <p>Latest updates of financials and technicals were obtained.</p>	
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PDAM Activity Report

PDAM KABUPATEN SUKABUMI

Date of Visit	Activities	Actions
30 April – 1st May 2003	<p>The two days visit to PDAM Kabupaten Sukabumi was intended to provide the CSS presentation to the Directors and Staff of PDAM Kab. Sukabumi and provide a short training of CSS processing data. The visit was also filled by having a discussion of SWOT analysis for corporate plan preparation.</p> <p>PDAM's directors and staff were very interested to the result of CSS in PDAM Kab. Sukabumi. Globally the CSS's result does not provide yet the great satisfaction of the customers to the PDAM 's service.</p> <p>The next agenda of the the 1st day visit was filled by providing training of SPSS (statistical software) to the staff of PDAM. This was attended by 7 staff from different department in PDAM. The training was basically succeeded.</p> <p>A discussion of SWOT condition was the next agenda of the second day visit. This discussion was attended by all kepala bagian including kepala cabang which totally 10 staff. PDAM's staff was very enthusiasme involving in this discussion. This was full day meeting which completely conducted until afternoon.</p>	<p>PDAM would complete the SWOT information.</p> <p>The Tim would also provide a Mission and Vission statement for one of materials in next meeting/visit.</p> <p>Lgws to analyze the SWOT and determine the appropriate program for the future years.</p>

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PDAM KABUPATEN SUKABUMI

Date of Visit	Activities	Actions
27, 28 ,29 May 2003	<p>The three days visit to PDAM Kabupaten Sukabumi was intended to continue discussing and preparing the information for a corporate plan. This visit was also filled by a computer identification task conducting by Ida.</p> <p>The team on the 1st day had a discussion a visit agenda with the cp team of PDAM. LGWS overviewed the whole process of preparing cp. This was intended to make sure that PDAM understand preparing cp and enabled them to do it in the future. The meeting was then filled by a discussion to formulate the vision and mission of PDAM. PDAM staff was enthusiasme discussing this vision and mission formulation. The vision of PDAM Kab. Sukabumi is “ Menjadikan PDAM Kabupaten Sukabumi Andal Dan Terpercaya Dalam Pelayanan”. The meeting also resulted the mission has to be achieved by PDAM for 5 years plan.</p> <p>On the second day the LGWS and cp team continued the agenda to discuss the strategy for five year plan. This was also an enthusiasme discussion, all team</p>	<p>PDAM would complete the program’s budget especially for technical issues.</p> <p>LGWS to prepare a cp draft and discuss it with directors and staff of PDAM.</p>

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Date of Visit	Activities	Actions
	<p>involved in this discussion. This was also attended by Direktur Teknik. To close the 2nd day agenda, the meeting's agenda was identifying the program should be put in the corporate plan.</p> <p>On the 3rd day the agenda was filled by continuing program determination. Based on the existing system condition PDAM needs to deal with mostly with the technical issues. The NRW reduction program is the essential program has to be focused.</p>	

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PDAM KOTA SUKABUMI

Date of Visit	Activities	Actions
2 May, 2003	<p>LGWS Team led by Benny Djumhana conducted 1 day-visit to PDAM Kota Sukabumi. The visit's intention was to monitor the NRW reduction program currently in place and computerized of accounting and billing system.</p> <p>PDAM Kota Sukabumi has conducted the reorganization of the staff successfully . The new Kabag transmission/distribution was previously incharged in Perencanaan Teknik who is also incharged as a Kepala Tim in NRW reduction program. The program has started by replacing broken meter in customer's house. The tim expected that this would bring PDAM able to provide better service to the customers.</p> <p>LGWS also monitored the computerization program which currently run by PDAM. Mostly the requirements of the program such as hardware has been almost completed. A Small corrections were still required either for the accounting or billing system.</p>	<p>PDAM would continue implementing the NRW reduction program by replacing or installing water meter at customer's houses. PDAM would report the progress of the program immediatedly.</p> <p>PDAM would launch the new program of accounting and billing in the end of May 2003. The hardware would be bought to be installed in cashier department.</p> <p>Before launching the programs, CMI would fix the small errors in the program and continue joining PDAM for program launching at the end of May , 2003.</p>

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PDAM KABUPATEN CIREBON

Date of Visit	Activities	Actions
<p>May 13 and 14, 2003</p>	<p>The two days visit to PDAM Kabupaten Cirebon was intended to provide the CSS presentation to the Directors and Staff of PDAM. This also provided a short training of CSS processing data to the PDAM staff. The visit was also filled by having a discussion of SWOT analysis for corporate plan preparation.</p> <p>PDAM's directors and staff were very interested to the result of CSS in PDAM Cirebon. The CSS's result basically provides an outstanding satisfaction of PDAM 's service. More than 80% customers mention that they are satisfied enough by a services currently provided by PDAM.</p> <p>The next agenda of the the 1st day visit was filled by providing training of SPSS (statistical software) to the staff of PDAM. This was attended by all staff from different department in PDAM who are incharged in SKP. The training was basically succeeded</p> <p>A discussion of SWOT condition was the</p>	<p>PDAM would complete the SWOT information. The Tim would also provide a Mission and Vission statement for one of materials in next meeting/visit.</p> <p>Lgws to analyze the SWOT and determine the appropriate program for the future years</p>

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Date of Visit	Activities	Actions
	next agenda of the second day visit. This discussion was attended by all kepala bagian including kepala cabang which totally 15 staff. PDAM's staff were very enthusiasm involving in this discussion. This was a fully day meeting which conducted until afternoon.	

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PDAM KABUPATEN CIREBON

Date of Visit	Activities	Actions
4,5, and 6 May 2003	<p>The three days visit to PDAM Kabupaten Cirebon was intended to continue discussing and preparing the information for a corporate plan. This visit was also filled by a computer identification task conducting by Ida. LGWS also accompanied the Programmer of CMI to have a preliminary identification of existing system in Kabupaten Cirebon.</p> <p>On the 1st day The LGWS had a discussion of visit agenda with the cp team of PDAM. LGWS overviewed the whole process of preparing cp. This was intended to make sure that PDAM understand preparing cp and enable them to prepare a cp later in the future. The meeting was then filled by a discussion to formulate the vision and mission of PDAM. PDAM staff was enthusiasme discussing this vision and mission formulation. The vision of PDAM Kab. Cirebon is “ Menjadikan PDAM yang dapat dibanggakan dibidang air minum”. The meeting also resulted the mission has to be achieved by PDAM for 5 years plan.</p> <p>On the second day the LGWS and cp team</p>	<p>PDAM would complete the program’s budget especially for technical issues.</p> <p>LGWS to prepare a cp draft and discuss it with directors and staff of PDAM.</p>

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Date of Visit	Activities	Actions
	<p>continued the agenda to discuss the strategy for five year plan. This was also an enthusiasme discussion, all team involved in this discussion. To close the 2nd day agenda, the meeting's agenda was identifying the program should be put in the corporate plan.</p> <p>On the 3rd day the agenda was filled by continuing program determination. The focus of development for 5 years is optimizing the idle capacity of production plan in Kumpul Kusta. PDAM has also to focus on its development program to build additional distribution line to enable the water sold to new customers.</p>	
