

QUARTERLY TASK
ORDER PROGRESS AND
COST REPORT No. 5

LOCAL GOVERNMENT
WATER SERVICES
PROJECT

PROJECT YEAR 2

OCTOBER TO
DECEMBER 2001

Prepared for



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

Prepared by

Bennett Parton
Chemonics International

Edward Mazuroski
The Urban Institute



THE URBAN INSTITUTE
2100 M Street, NW
Washington, DC 20037
(202) 833-7200
www.urban.org

December 2001
UI Project 06967-004

A

TABLE OF CONTENTS

	<u>Page No.</u>
Table of Contents	i
I. CONTRACTOR'S NARRATIVE	3
1.1 Introduction	3
II. EXPECTED RESULTS, OUTPUTS & PERFORMANCE	4
2.1 Administrative	4
2.2 Task A – Assistance to 20 PDAM to Achieve Full Cost Recovery And Increased Water Connections	4
2.2.1 Sub-Tasks A1-A12	4
A 1- Establish Local Government, Community, and PDAM Commitment for Achieving Full Cost Recovery	4
A2 - Select Eight Additional Local Governments/PDAM for Targeted Assistance	5
A3 - Establish Measurement Baseline for Key Indicators	6
A4 - Help Address Customer Satisfaction Surveys	7
A5 - Help Develop and Implement Public Relations Campaign and Develop Mechanisms for Incorporating Citizen Input	8
A6 - Support for More Autonomous PDAM Operations	8
A7 - Support Adoption of Open and Transparent Accounting Measures	10
A8 - Assist with the Development of and Updating of Recovery and Business Plans	11
A9 - Identify Options for Sustainable Financing	12
A10 - Assist Targeted Local Government/PDAM to Implement Quality Control Procedures	12
A11 - Assist Up to Ten PDAM Annually	14
A12 - Coordinate with CLEAN Urban Project and the Advisory Committee	14
2.3 Task B – Assistance to Water Service Providers to Improve Professionalism Accountability, and Service Delivery	15
2.3.1 Sub – Tasks B1-B8	15
B1 - Professional Skills of Managerial and Operational Staff of Water Utilities	15
B2 - Open and Transparent Budgeting and Accounting Practices	16
B3 - Support for Full Cost Recovery, Service Expansion and PDAM Reforms	16
B4 Technical Efficiency and Environmental Quality	17
B5 - Development and Dissemination of Best Practices	17
B6 - Institutional Support for Perpamsi	18

TABLE OF CONTENTS (Continued)

	<u>Page No.</u>
Task B - continued	
B7 - PDAM Rescue and Recovery Program	19
B8 - Conduct Training Seminars and Workshops	19
2.4 SUMMARY OF TASKS	20
2.5 FIELD VISITS	21
III. LEVEL OF EFFORT AND FINANCIAL REPORT	21
Appendix I - Base Line Indicators	
Appendix II - Field Trip Activity Reports	
Appendix III - LGWS Training Schedule for 2001/02	

LOCAL GOVERNMENT WATER SERVICES

YEAR 2

QUARTERLY PERFORMANCE REPORT NO. 5

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

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

Reporting Period: October 1 – December 31, 2001

Report Number: Quarterly Progress Report No. 5

I. CONTRACTOR'S NARRATIVE

1.1 Introduction

The Local Government Water Services (LGWS) Project is providing direct financial, managerial, 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 will also provide remedial financial planning and technical assistance up to 10 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 also 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 first Quarterly Performance Report during the Project's Second Year and is submitted to USAID in compliance with the Contract's expected outputs and deliverables. This Report covers LGWS' activities for the period October 1 – December 31, 2001. It follows our Year 2 Work Plan, who was submitted to USAID in October 2001.

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:

- As we reported in our Year 2 Work Plan, the number of PDAM targeted for LGWS assistance has been increased from 20 to 24 PDAM. Details are provided in sub-tasks A1 and A2.
- With the lifting of the State Department's International Travel Restrictions, we have rescheduled our TDY-related Training Consultants for January – February 2002. Details of each function have been submitted to USAID under separate cover, and are discussed in sub-tasks B4 and B8.
- USAID is currently considering a contract modification to accomplish the increase in scope. To achieve this increased scope we expect to promote three locally hired LGWS staff members to Team Leaders, hire three new staff members, and secure additional office space. We anticipate receiving USAID a request for proposed modification in early 2002.
- Mr. Firly Kusuma Jaya, LGWS Project Accountant has submitted his resignation, effective December 31, 2001, in order to pursue a private sector career opportunity. Pak Firly contributed much to the success of both the WET Project and LGWS, and all LGWS team members wish him success in his career move. LGWS will hire a replacement Project Finance Specialist in the 2nd quarter.

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

In Year 1 of the LGWS Project, 12 Memorandum of Understanding (MOU) were executed with our client PDAM. In October, LGWS assistance to PDAM Lampung Tengah was terminated because of their local government's decision to split-up the PDAM.

As we begin Year 2 of the Project, our 11-client PDAM and their designated Field Team continue as previously reported except that Team C was forced to suspend assistance to PDAM Lampung Tengah. Continued assistance to PDAM Lampung Tengah was

contingent upon the three municipalities served by this PDAM agreeing to remain united in servicing their water needs. During the Project's first year, that likelihood was placed in doubt as the DPRDs could not reach agreement on the form of cooperation. LGWS informed PDAM Lampung Tengah that it would suspend assistance until an agreement for cooperation could be achieved. At December 31, 2001, no agreement had been achieved and a split between the municipalities appeared likely.

The assistance to PDAM Lampung Tengah was substantial prior to suspension. LGWS had prepared virtually all material needed to forward an executed Corporate Plan. However, because LGWS feared if Corporate issued it would be invalid shortly after issuance and would not be in keeping with the spirit of our agreement with USAID, Bappenas or Perpamsi. If not agreement is reached shortly LGWS will forward a formal letter terminating our assistance and request return of computers provided to them by the Project.

The Project's Scope of Work initially stated that 8 new PDAM would be added, 4 each in Year 2 and Year 3 of the Project. As discussed and approved by USAID in June 2001, LGWS will now add 6 PDAM each in Year 2 and 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. MOUs to be distributed in January 2002.

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

As indicated in our Annual Report and Second Year Work Plan, we are increasing 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 will assist 6 PDAM in addition to continuing assistance to our initial cohort. To determine which PDAM to assist, Perpamsi and Bappenas provided LGWS with a list of 12 potential PDAM candidates. From this list and with the concurrence of Bappenas and Perpamsi we will select 6 PDAM for intensive assistance.

In support of this sub-task we have executed initial financial and technical assessments of the 12 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 12 PDAM examined by LGWS are listed below in Table 1.

We also completed our evaluation of each of these PDAM to determine their eligibility for further in-depth LGWS assistance. Each of these 12 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*

Table 1. Assessments Completed for 12 PDAM.

<i>PDAM</i>	<i>Province</i>	<i>Total Connections</i>	<i>Total Population</i>
Kota Pangkal Pinang	Bangka-Belitung	5,343	131,700
Kota Bitung	North Sulawesi	10,787	120,718
Kota Banjarmasin	South Kalimantan	45,211	575,000
Kota Samarinda	East Kalimantan	50,557	660,000
Kab Kutai	East Kalimantan	12,258	812,733
Kota Pontianak	West Kalimantan	42,584	513,977
Kota Sukabumi	West Java	11,984	2,053,700
Kota Palangkaraya	Central Kalimantan	7,282	183,300
Kab Gunung Kidui	Di Yogyakarta	15,068	735,714
Kab Jayapura	Papua	21,105	373,857
Kota Bandarlampung	Sumatra	27,257	992,500
Kab Pangkajene	South Sulawesi	5,246	268,700

Source: Perpamsi Directory 2000.

Evaluation criteria are included in Table 2. While not necessarily a key part in 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.

Table 2 - PDAM Evaluation Criteria

**LGWS II
PDAM EVALUATION CRITERIA**

NO	CRITERIA	WEIGHT	DESCRIPTION
1	DEMAND PROFILE	5	Demand level to PDAM's water of the communities
2	TECHNICAL POTENTIAL/OPPORTUNITY	4	Ability to increase the revenue with minor investment
3	NRW	3	Ability to increase the revenue through meter replacement
4	QUALITY OF MANAGEMENT	3	Company has a strong understanding of PDAM's business
5	POSITIVE POLITICAL/ENVIRONMENTAL	2	Are stakeholders supportive of PDAM?
6	RECEIVABLE TURNOVER	2	Total days sales in accounts receivable
7	FINANCIAL OBLIGATION	1	Outstanding debt per customer
		20	

Selection Criteria	Score	Information
1 Demand Profile	5 4 3 2 1	No water alternative except PDAM Alternatives available but more than 50% prefer PDAM Alternatives available approx. HALF prefer PDAM Alternatives available fewer than 40% prefer to PDAM MOST prefer alternative water
2 Technical Potential/Opportunity	5 4 3 2 1	Transdist. lines available with abundant idle capacity Some transdist. lines available with significant idle capacity Transdist. lines not available with idle capacity Transdist. lines available but no idle capacity Transdist. lines not available and no idle capacity
3 NRW	5 4 3 2 1	$\geq 20\%$ $15\% \leq x < 20\%$ $10\% \leq x < 15\%$ $5\% \leq x < 10\%$ $\leq 5\%$
4 Quality of Management	5 4 3 2 1	All directors understand the water business Dir1 and one director understand the water business Both Dir1 and Dir2 are capable, but Dir1 is POOR or Dir1 is capable but both directors are POOR Only one director understands the water business All management has limited business sense
5 Positive Political Environment	5 4 3 2 1	Supportive populace, Bupati/Wali and DPRD Supported only by Bupati/Wali and DPRD Supported only by populace and DPRD or Bupati/Wali Supported only by Bupati/Wali Very little community support
6 Aging Receivable (Total days Receivable Turnover)	5 4 3 2 1	< 30 days $30 \leq x < 60$ days $60 \leq x < 90$ days $90 \leq x < 120$ days > 120 days
7 Financial Obligation - Debt per connection (Total Long term debt / Total Connections)	5 4 3 2 1	< Rp 250,000 Rp 250,000 - Rp 500,000 Rp 500,000 - Rp 750,000 Rp 750,000 - Rp 1,000,000 > Rp 1,000,000

Table 3 and 4 below details 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 28,458 connections versus an average of 10,734 connections for our original 12-client PDAM. Two of the proposed PDAM are also located in the USAID target territories of East Kalimantan and West Java.

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

EXPECTED OUTPUTS:

1. Select 6 new PDAM.
2. Draft Memorandum of Understanding prepared for the final 6 PDAM.

**Table 4 -
PDAM Selection (Based on Scoring System)**

No.	PDAM	Province	Demand Profile			Technical Potential			Broken Meter			Quality of Management			Positive Political Envr.			Receivable Turnover			Financial Obligation			Grand Total
			Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	
1	Banjarmasin, Kota	Kalsel	5	5	25	4	4	16	3	3	9	3	3	9	2	5	10	2	1	2	1	1	1	72
2	Bitung, Kota	Sulut	5	3	15	4	2	8	3	3	9	3	2	6	2	2	4	2	1	2	1	2	2	46
3	Jayapura, Kabupaten	Papua	5	3	15	4	3	12	3	4	12	3	2	6	2	2	4	2	1	2	1	3	3	54
4	Pangkal Pinang, Kota	Babel	5	4	20	4	3	12	3	5	15	3	3	9	2	5	10	2	1	2	1	2	2	70
5	Samarinda, Kota	Kaltim	5	4	20	4	4	16	3	2	6	3	4	12	2	4	8	2	3	6	1	5	5	73
6	Kutai, Kabupaten	Kaltim	5	1	5	4	3	12	3	4	12	3	1	3	2	3	6	2	4	8	1	5	5	51
7	Gunung Kidul, Kabupaten	Yogyakarta	5	4	20	4	2	8	3	4	12	3	3	9	2	4	8	2	1	2	1	5	5	64
8	Pangkajene, Kabupaten	Sulsel	5	4	20	4	4	16	3	4	12	3	1	3	2	2	4	2	1	2	1	2	2	59
9	Pontianak, Kota	Kalbar	5	5	25	4	2	8	3	1	3	3	5	15	2	5	10	2	4	8	1	2	2	71
10	Sukabumi, Kota	Jabar	5	3	15	4	2	8	3	5	15	3	4	12	2	5	10	2	1	2	1	1	1	63
11	Palangkaraya, Kota	Kalteng	5	2	10	4	5	20	3	1	3	3	3	9	2	3	6	2	1	2	1	2	2	52
12	Bandarlampung, Kota	Lampung	5	3	15	4	1	4	3	3	9	3	3	9	2	3	6	2	4	8	1	1	1	52
13	Kapuas, Kabupaten	Kalteng	5	5	25	4	3	12	3	5	15	3	5	15	2	5	10	2	4	8	1	5	5	90
14	Tuban, Kabupaten	Jatim	5	4	20	4	4	16	3	1	3	3	4	12	2	5	10	2	4	8	1	5	5	74

*) 13 and 14 are additional candidates taken from previous WET evaluation which potentially accept the LGWS II assistance

**Table 4 -
PDAM Selection (Based on Scoring System)**

No.	PDAM	Province	Demand Profile			Technical Potential			Broken Meter			Quality of Management			Positive Political Envr.			Receivable Turnover			Financial Obligation			Grand Total
			Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	Weight	Score	Total	
1	Banjarmasin, Kota	Kalsel	5	5	25	4	4	16	3	3	9	3	3	9	2	5	10	2	1	2	1	1	1	72
2	Bitung, Kota	Sulut	5	3	15	4	2	8	3	3	9	3	2	6	2	2	4	2	1	2	1	2	2	46
3	Jayapura, Kabupaten	Papua	5	3	15	4	3	12	3	4	12	3	2	6	2	2	4	2	1	2	1	3	3	54
4	Pangkal Pinang, Kota	Babel	5	4	20	4	3	12	3	5	15	3	3	9	2	5	10	2	1	2	1	2	2	70
5	Samarinda, Kota	Kaltim	5	4	20	4	4	16	3	2	6	3	4	12	2	4	8	2	3	6	1	5	5	73
6	Kutai, Kabupaten	Kaltim	5	1	5	4	3	12	3	4	12	3	1	3	2	3	6	2	4	8	1	5	5	51
7	Gunung Kidul, Kabupaten	Yogyakarta	5	4	20	4	2	8	3	4	12	3	3	9	2	4	8	2	1	2	1	5	5	64
8	Pangkajene, Kabupaten	Sulsel	5	4	20	4	4	16	3	4	12	3	1	3	2	2	4	2	1	2	1	2	2	59
9	Pontianak, Kota	Kalbar	5	5	25	4	2	8	3	1	3	3	5	15	2	5	10	2	4	8	1	2	2	71
10	Sukabumi, Kota	Jabar	5	3	15	4	2	8	3	5	15	3	4	12	2	5	10	2	1	2	1	1	1	63
11	Palangkaraya, Kota	Kalteng	5	2	10	4	5	20	3	1	3	3	3	9	2	3	6	2	1	2	1	2	2	52
12	Bandarlampung, Kota	Lampung	5	3	15	4	1	4	3	3	9	3	3	9	2	3	6	2	4	8	1	1	1	52
13	Kapuas, Kabupaten	Kalteng	5	5	25	4	3	12	3	5	15	3	5	15	2	5	10	2	4	8	1	5	5	90
14	Tuban, Kabupaten	Jatim	5	4	20	4	4	16	3	1	3	3	4	12	2	5	10	2	4	8	1	5	5	74

**) 13 and 14 are additional candidates taken from previous WET evaluation which potentially accept the LGWS II assistance

STATUS:

1. Selection of 6 new PDAM awaiting Bappenas' approval.
2. Distribution of MOU in January 2002.

A3. Establish Baselines for the Key Indicators.

All baseline indicators have been identified and formatted for our client PDAM. We will add baseline data for the 6 newly added PDAM once final agreement has been reached.

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.

We are very pleased to announce that PDAM Jember is the first LGWS assisted PDAM to achieve full cost recovery. Full cost recovery was achieved in record time and is a testament to the quality of their management and the hard work of our excellent local staff.

This is a significant achievement considering that last year, PDAM Jember's tariffs only covered 88% of its full production cost, and in roughly 8 months the PDAM has managed to achieve this goal.

PDAM Jember's management's achievements and commitment have not gone unnoticed. In November 2001, the National Civil Service Board identified it as the best managed PDAM in Indonesia, and it was honored for its leadership and management capabilities by the presentation of an award by President Megawati in late November. We congratulate PDAM Jember on its success.

Data to August 21, 2001 indicates that many of the PDAM we have assisted are nearing full cost recovery. PDAM Kendari has achieved 85% of its full cost, PDAM Asahan is at 84% of full cost, and PDAM Batang has achieved 75% of its full cost. Details of each PDAM are included in Appendix I, which provides the performance indicators for all 12 PDAM. The data will be updated at the end of the 2nd quarter, 2002. The data will include comparative results for yearend financial performance. We will also include the PDAM chosen in our second cohort.

EXPECTED OUTPUT:

1. Baseline data established for 18 PDAM.

STATUS:

1. Task Completed for 12 PDAM.
2. Task awaiting final selection of additional PDAM.

A4. Help Conduct Customer Satisfaction Surveys and Address Identified Weaknesses

Execution of this sub-task awaits selection of the additional Year 2 PDAM. We intend to use the same methodology, and in the same successful manner in which we completed Customer Satisfaction Surveys (CSS) for the 12-original client PDAM.

In January, our Field Teams will discuss the purpose and methodology of each CSS with the second cohort PDAM and distribute CSS-related forms and information packets. We anticipate that in January and 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. 6.

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.

STATUS:

1. In progress – Surveys to begin in 2nd Quarter.
2. In progress – Surveys to begin in 2nd Quarter.
3. In progress for 12 PDAM. Complete report for second cohort PDAM to be included in Corporate Plans.
4. To be scheduled with the selection of the last 6 PDAM.
5. In progress for 12 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 second 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 Jember's accomplishments 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.

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.

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 completed the second-half of a training seminar for 29 President Directors, and developed a training seminar schedule for Year 2.

In addition, our LGTS is developing a Customer Service and Management seminar specifically for 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 12 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 Year 1.

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 1 for the 12 initial PDAM.

At the appropriate time, we also plan on providing training for the staff of second 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, and we expect to complete the site in early February.

Our Site will provide information about LGWS activities; LGWS assisted PDAM and provide links to Perpamsi, USAEP/AID, the Urban Institute, and Chemonics International. The site will also provide individual web pages for our 12-client PDAM, and be expanded to include the 12 additional 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 in progress and will be completed by the middle of January 2002.**
- 2. Procurement and installation in 2nd – 3rd quarters.**
- 3. Training activities in 2nd – 3rd quarters.**
- 4. Program components in progress, task completed for 12 PDAM.**

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

Each LGWS Field Team has successfully assisted the 12 initial client PDAM in preparing and completing their Corporate Plans. This particular activity was derived in part from the results of sub-tasks A3-A5.

In our last QPR, we reported that preparation of the Belitung Corporate Plan was delayed resulting from the appointment of a new President Director. Drs. Ir. Rusdie Sale was appointed in August 2001. LGWS began assistance to prepare the Corporate Plan during the 4th Quarter 2001. The Corporate Plan was completed in late November. The Corporate Plan calls for certain minor investments, increased connections and a modest tariff increase. Finalization of the Plan is pending a review by the PDAM's newly appointed President Director. The review was delayed resulting from the holidays in December. LGWS plans a visit to discuss the Plan early in the 1st Quarter 2002.

In 2001 we reported that we suspended assistance to PDAM Lampung Tengah,, pending final decision on the fate of PDAM Lampung Tengah. The three local governments under which the PDAM operates are considering splitting up the PDAM in either two or three separate units. The local governments have decided to examine this path despite LGWS having recommended against this action. Prior to having been informed of this action LGWS had prepared substantially all information needed to execute a Corporate Plan for the PDAM to act as a single entity. Any move to split up the PDAM would invalidate all the efforts of LGWS. We will continue to monitor this situation and report on whether LGWS will cancel our involvement or continue under the unified organization.

While we regret the delays in fulfilling our commitment, local government decisions beyond our control and/or influence can negatively impact a PDAM's ability to perform and achieve LGWS stated goals necessitates this action.

As we begin Year 2 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 second cohort PDAM Corporate Plans as soon as their Customer Satisfaction Surveys are completed.

In QPR-3, we reported 20,423 new connections in six months or a total of 61,681 new connections since inception. More than 370,000 beneficiaries of USAID assistance through both WET and LGWS were achieved. Since January 2000, the 12 LGWS assisted PDAM have added 16,815 new connections. More than 100,000 people in those communities now receive a supply of clean piped water where they had none previously. All of this has been achieved in a period of severe economic distress. We intend to report more fully on all activities to yearend 2001 at the end of the 2nd quarter.

EXPECTED OUTPUTS:

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

STATUS:

1. Task Completed for 12 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-1 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.

PDAM Asahan received an unsolicited proposal from a contractor to build on a BOT basis several new wells. While the proposal has some merit it requires substantial discussion before it can be determined that it fulfills the needs of PDAM. LGWS has scheduled a visit to Asahan early in the 1st Quarter 2001 to review this proposal with PDAM Asahan.

EXPECTED OUTPUTS:

1. Identify funding options for 18 PDAM.

STATUS:

1. Task on-going for 12 PDAM and monitoring will continue. Funding options will be reviewed with execution of Corporate Plans for new PDAM.

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

Each of the 12 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 2nd – 4th quarters.

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

EXPECTED OUTPUTS:

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

STATUS:

1. Task Completed for 12 PDAM and in progress for 6 PDAM.
2. Task Completed for 12 PDAM and to be completed for 6 PDAM.
3. To be completed after 6 PDAM sign MOU in Year 3.

A11. Assist up to 10 PDAM Annually.

In Year 1, LGWS visited and assisted the 13 PDAM shown below. Copies of all Field Reports have been sent to Bappenas, Perpamsi and USAID.

Kota Bandarlampung
Kota Banjarmasin
Kota Bitung
Kab Kutai
Kota Palangkaraya
Kota Pontianak
Kota Sukabumi

Kab Bangli
Kab Banjar Baru
Kab Gunung Kidul
Kota Jayapura
Kab Pangkajene
Kota Samarinda

Early in 2002, we will 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.

We also plan on having similar discussions with representatives from the USAID funded Perform and BIGG projects that may have PDAM interested in working with LGWS under this sub-task.

EXPECTED OUTPUTS:

1. Field Trip Reports for PDAM assessed.

STATUS:

1. Task Completed - 13 Assessments Performed.
2. February discussions to identify new PDAM for assistance.

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

In Year 1, we had 12 meetings with representatives from CLEAN Urban and ICMA. Regular information exchanges also occurred during the monthly Chief of Party meetings organized by USAID's Office of Decentralized Local Government, and 6 informal sessions arranged directly by the various COPs.

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. In October 29 PDAM President Directors participated in the second half of a functional training certification program in Jakarta.

Our LGTS has also programmed 6 executive level training courses in Water Supply Management in Year 2 for PDAM President Directors and Director-level staff. For details of these courses and other training related activities please refer to our activities under sub-tasks B6 and B8, which are designed to support this particular sub-task.

EXPECTED OUTPUTS:

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

STATUS:

1. Task Completed.
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 12-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 PDAM 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 July 2001 we hosted a Management Retreat for senior PDAM managers and Mayor(s). Our common retreat theme and individual team sessions were used to reinforce the concepts of full cost recovery, service expansion and performance, and other customer service initiatives, in support of the corporate plans.

All participants considered the retreat a major success. The major themes were hammered home to local government and demonstrated the strong professional skills of PDAM Managers.

To build on this success, we have scheduled a follow-up retreat to review performance against Corporate Plans in Year 2 of the Project, and hold a similar retreat for senior managers from our new client PDAM. 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 18 PDAM.
2. Average 30% improvement from baseline in P &L Statements.

STATUS:

1. Task Completed – 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.

We have scheduled two seminars under this sub-task for Year 2. The first is scheduled for mid-January and is entitled, "Supply System Optimization", and the second entitled "Water Quality Management", is scheduled for the 3rd quarter. A complete summary of 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. Workshops are scheduled.

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

In Year 1, we identified and reported on 5 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, and
5. Automated Switching & Shut-Off Equipment – PDAM Kabupaten Jember.

In addition to developing these Models, we met with representatives from Thames Water and Modern Asia Environmental to discuss possible best practice seminars that may be incorporated into LGWS' workshop schedule for Year 2. 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 2 and Year 3.

Having achieved the Expected Outputs of this sub-task, we plan to continue identifying and disseminating Best Practices through Perpamsi. We have suggested that our Five Best Practices be published in Perpamsi's Quarterly Journal, "Air Minum". Perpamsi plans to make this a regular feature by requesting all PDAM forward a write up of their Best Practices. In so doing, LGWS and Perpamsi will have a continuing source of best practices to disseminate to PDAM throughout Indonesia. Perpamsi has also agreed to select two Best Practices for annual commendation.

When our Web Site is available 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 establish regional vocational training centers in Medan and Makassar. Details on these centers will be reported in the next QPR.

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.

Consultants from the Asian Development Bank (ADB), developing a terms of reference under the Water Supply and Sanitation Sector loan, visited Indonesia. The aims of this technical assistance mirror the efforts of the World Bank funded PRRP. LGWS provided extensive comments and documents for their use in preparing their terms of reference. LGWS also met another group of ADB officials when their mission arrived in June.

In May 2001, LGWS also met with ADB loan officers and provided input into activities that ADB is currently developing. Unfortunately, issues such as sovereign debt for local government, guarantees and funding institutions continue to plague accessibility to funding. LGWS has provided copies of its reports, summaries of on-going activities and results of specific analyses for ADB use in developing a sector support package.

On September 25, 2001 we participated in a follow-on meeting with the ADB representatives to discuss further coordination for their proposed Water Supply and Sanitation Sector loan. As mentioned in sub-task A-9, we will continue to monitor these activities. In December 2001 ADB issued a terms of reference aimed at supporting the Water and Sanitation sector. LGWS will assist the consultants hired to execute that TOR once they are hired.

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.

LGWS is preparing and scheduling the following Year 2 training activities. Appendix III provides a detailed schedule of all LGWS, Perpamsi and YPTD training activities. In all 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 2002, a short-term technical and operations expert will prepare basic water operations training modules and conduct in two TOT workshops.

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. In progress, training activities will exceed requirements.
2. In progress, training activities will exceed requirements.
3. Task Completed – An On-Going Activity. Our LGTS and ALGTS are assigned to Perpamsi and YPTD offices.

2.4 Field Visits

During this first quarter, our staff made a total of 18 field trips. These included 9 trips to meet with their client PDAM, 6 trips to perform or review financial and technical assessments of new PDAM, and 3 training evaluation trips. We also hosted one meeting in Surabaya that was attended by representatives from PDAM Jember, PDAM Pacitan, USAID and LGWS. Appendix II provides the Activity Reports for each visit.

III. LEVEL OF EFFORT AND FINANCIAL REPORT

To Be Completed by Urban Institute with appropriate w/Financial Report on following pages.

APPENDIX I

LGWS PROJECT INDICATOR DATA

Insert indicator data on following pages

**Financial & Technical Baseline for 12 PDAM
Team A**

No.	Description	Asahan				Belitung				Jember				Banjar			
		Year Period				Year Period				Year Period				Year Period			
		1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
I.	Financial Details				June'01				June'01				Aug.'01				June'01
1	Cashflow (Million)	592	204	26	306	6	10	23	34	369	590	1,113	1,347	267	433	48	156
2	Net Profit / Loss (Million)	(831)	(1,138)	(1,285)	159	(326)	(331)	(279)	(240)	(692)	(393)	75	332	(517)	(1,297)	(767)	(842)
3	Operating Ratio	81%	65%	60%	84%	55%	60%	54%	63%	74%	87%	88%	102%	0.63	0.51	0.64	61%
4	Liquidity Ratio	718%	54%	50%	37%	186%	123%	299%	299%	33%	39%	44%	47%	137%	74%	49%	49%
5	Quick Ratio	696%	44%	48%	35%	183%	93%	93%	93%	31%	37%	42%	47%	97%	61%	34%	34%
6	Debt / Equity	105%	188%	178%	110%	2%	3%	3%	21%	0.85	3.32	3.52	2.94	1.31	2.15	3.72	3.72
7	Debt Service / Cashflow	0.07	1.89	1.04	1.44	0	0	0	0	6.03	4.21	1.22	3.68	0	0	28.4	28.4
8	A-R Turnover / Days	85	105	96	77	112	55	86	86	53	38	45	48	62	57	70	70
9	Average Tariff / M ³	549	567	570	776	531	567	642	1,305	444	504	577	679	801	816	808	836
10	Full Production Cost	770	984	957	921	1,075	977	1,196	2,061	651	646	657	667	1,287	1,613	1,271	1,379
11	Last Tariff Increase - Year	1995 (Rp.350)				1996 (Rp.370)				1996 (Rp.220)				1995 (Rp.350)			
12	Precent Tariff Increase				April' 62%				Jan' 62%				May' 48%	April' 30%			Oct' 70%
13	Number of Connections	14,009	14,350	14,614	14,850	3,095	3,632	4,050	4,230	18,577	18,999	19,851	20,222	9,141	9,656	11,125	11,934
14	Usage / Connection (M ³)	20	20	20	22	17	17	18	18	19	21	22	23	18	19	18	18
15	Common Issues	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	High Cost	Low Tariff	Low Tariff	Low Tariff	Debt Service	Low Tariff	Low Tariff	Low Tariff	Low Tariff
II	Technical Issues																
1	Supply Assets	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
2	Insufficient Cistomer Base	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
3	Low Maintenance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
4	Non - Revenue Water	No	No	No	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes
5	Broken Meters / Master Meters	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
6	Storage Capacity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Public Taps	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
8	Balance System / Zoning	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
III	Financial Issues																
1	Low Tariffs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
2	Negative Cashflow	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes
3	High Staff / Connection Ratio	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes
4	Poor A-R Collection	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes
5	Low A-R Turnover	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes
6	Meter Reading Problems	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes
7	Cash Management	Yes	No	No	Yes	No	No	No	No	No	Yes	Yes	Yes	No	No	No	No

2011

Financial & Technical Baseline for 12 PDAM
Team B

No.	Description	Kab. Karangasem				Kota Kendari				Kab. Pacitan				Kota Sawahlunto			
		Year				Year				Year				Year			
		1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
1	2	3	4	4	5	6	7	8	9	10	11	12	13	14	14	14	
I	Financial Details			Dec-00	Jun-01			Dec-00	Jun-01			Dec-00	Jun-01			Dec-00	Jun-01
1	Cashflow (Million)	22	412	305	227	110	565	1,103	700	9	27	7	17	24	10	11	12
2	Net Profit / Loss (Million)	(564)	(131)	(516)	(105)	(679)	199	(529)	(122)	(290)	(197)	(118)	(10)	(261)	(282)	(189)	(31)
3	Operating Ratio (%)	72%	62%	69%	72%	85%	88%	80%	85%	43%	54%	61%	68%	52%	59%	58%	66%
4	Liquidity Ratio	2.44	0.97	0.67	1.1	5.12	0.42	0.37	0.90	0.29	0.36	0.42	0.80	1.43	0.28	0.27	0.40
5	Quick Ratio	1.15	0.96	0.65	0.9	3.72	0.3	0.30	0.87	0.20	0.51	0.36	0.70	0.80	0.22	0.21	0.29
6	Debt / Equity (%)	38%	54%	35%	44%	80%	98%	105%	123%	27%	29%	22%	20%	37%	39%	42%	25%
7	Debt Service / Cashflow	6.95	0.69	0.47	0.45	3.46	0.83	0.38	0.43	0.00	0.00	0.00	0.00	0	0	0%	0%
8	A-R Turnover / Days	72	70	43	40	102	52	33	35	100	89	71	57	30	30	30	30
9	Average Tariff (Rp./m ³)	382	504	593	618	781	992	1,250	1,308	525	590	601	726	469	631	736	896
10	Full Production Cost (Rp.)	726	811	854	856	900	1,281	1,564	1,538	1,218	1,083	986	1,067	894	1,246	1,261	1,357
11	Last Tariff Increase - Year		1999				1999			1998		2000	2001%		1999	2000	2001
12	Percent Tariff Increase		44%				67%					0%	25%		33%	50%	50%
13	Number of Connections	11,317	12,162	13,465	13,947	10,894	12,071	12,890	13,807	5,826	5,986	6,068	7,884	2,307	2,351	2,664	3,608
14	Usage / Connection (m ³ /mo./con.)	21	19	20	20	23	26	26	26	8	10	12	11	18	20	19	19
15	Common Issues	Low Tariff	Low Tariff	Low Tariff	Low Tariff	High Cost	High Cost	High Cost	High Cost	System Manual	System Manual	System Manual	Low Tariff	System Manual	System Manual	System Manual	High cost
II	Technical Issues																
1	Supply Assets	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Insufficient Customer Base	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Low Maintenance	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No	No	Yes	Yes	Yes	Yes
4	Non - Revenue Water	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes
5	Broken Meters / Master Meters	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Storage Capacity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Public Taps	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8	Balance System / Zoning	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
III	Financial Issues																
1	Low Tariffs	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
2	Negative Cashflow	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
3	High Staff / Connection Ratio	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Poor A-R Collection	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
5	Low A-R Turnover	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No
6	Meter Reading Problems	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Cash Management	Yes	No	No	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

18-B

Financial & Technical Baseline
Team C

No.	DESCRIPTION	BATANG				JOMBANG				HULU SUNGAI TENGAH				LAMPUNG TENGAH			
		Year Period				Year Period				Year Period				Year Period			
		1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
I.	General Profiles			30-Sep	30-Jun			31-Oct	30-Jun			31-Aug	30-Jun			30-Sep	30-Jun
1	Cash balance (Million)	118	252	327	999	85	68	82	78	9	13	15		21	30	9	
2	Net Profit / Loss (Million)	(56)	(126)	474	743	(1,019)	(1,074)	(935)	(515)	(892)	(585)	(456)	(129)	(2,332)	(1,646)	(909)	(660)
3	Operating Ratio	52%	67%	91%	75%	41%	41%	41%	44%	34%	45%	40%	69%	28%	43%	57%	55%
4	Liquidity Ratio	8.05	49.14	NA	10.84	17	8.72	12	5	0.93	3.78	3.00	3.00	0.39	0.48	0.48	0.3
5	Quick Ratio	7.97	48.87	NA	10.71	10	8.65	7	4.45	0.81	3.58	3.00	2.75	0.35	0.43	0.43	0.3
6	Debt / Equity	54%	54%	54%	31%	60%	60%	67%	70%	1%	1%	1%	1%	24%	27%	27%	27%
7	Debt Service / Cashflow	0	0	0	2.53	0	0	0	0	0.00	0.00	0.00	0.00	0	0	0	0
8	A-R Turnover / Days	58	45	45	37	50	58	60	60	60	70	60	60	119	83	80	80
9	Average Tariff / M ³	323	511	569	568	400	400	400	380	685	640	610	916	669	872	1,141	1,141
10	Full Production Cost	620	759	627	762	1,019	970	971	868	2,015	1,420	1,560	1,323	1,643	1,920	2,009	2,064
11	Last Tariff Increase - Year	1993	1999	1999	1999	1993	1993	1993	1993	1994	1994	1994	2001	1995	1999	2000	2001
12	Percent Tariff Increase	NA	66%	NA	NA	NA	NA	NA	NA	NA	NA	NA	15%	NA	46%	23%	NA
13	Number of Connections	7,466	8,363	10,183	11,064	9,160	9,172	9,192	10,815	4,095	4,541	4,847	5,273	10,625	10,710	10,887	11,194
14	Usage / Connection (M ³)	15	17	17	20	17	20	21	20	14	14	14	15	12	12	12	12
15	Common Issues	Exes Capa	Exes Capa	Exes Capa	Exes Capa	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	Low Tariff	NA	Low Tariff	Exess Cap	Exess Cap	Exess Cap
II.	Technical Issues																
1	Supply Assets	no	no	no	no	no	no	no	no	yes	yes	no	no	no	no	no	no
2	Insufficient Customer Base	yes	no	no	no	no	no	no	no	no	no	no	no	yes	yes	yes	yes
3	Low Maintenance	no	no	no	no	no	no	no	no	yes	yes	yes	no	no	no	no	no
4	Non - Revenue Water (%)	yes	yes	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
5	Broken Meters / Master Meters	yes	yes	yes	no	no	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
6	Storage Capacity (m3)	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	no	no	no	no
7	Public Taps	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no	no
8	Balance System / Zoning	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
III.	Financial Issues																
1	Low Tariffs	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	no	yes	no	no	no
2	Negative Cashflow	yes	yes	no	no	yes	yes	yes	yes	no	no	no	yes	yes	yes	yes	yes
3	High Staff / Connection Ratio	yes	yes	yes	no	no	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes
4	Poor A-R Collection	yes	yes	yes	no	yes	yes	no	no	yes	yes	yes	yes	yes	yes	yes	yes
5	Low A-R Turnover	yes	yes	yes	no	yes	yes	no	no	yes	yes	yes	yes	yes	yes	yes	yes
6	Meter Reading Problems	yes	no	no	no	yes	yes	no	no	yes	yes	yes	yes	yes	yes	yes	yes
7	Cash Management	yes	no	no	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

18-c

Appendix II

LGWS PROJECT
Local Government Water Services
 United States Agency for International Development

PDAM Activity Report

PDAM Asahan

Date of Visit	Activities	Actions
October, 17-19	To instructed technical staff PDAM how to operate distribution program (LOOP program).	PDAM Asahan will send accurate number of connections each zone.
November, 28-30	<p>To met Technical director and Technical staff discussed about the result simulation of existing distribution network. Part of distribution network had negative pressure therefore PDAM has to installed parallel of new pipe.</p> <p>Location of installed new pipe as follow :</p> <ul style="list-style-type: none"> • Between node 1002 up to node 5, pipe has to installed 3" length 1500 m. • Between node 3001 up to node 196, pipe has to installed 6 " length 3100 m. • Between node 198 up to node 233, pipe has to installed 3 " length 1100 m. • Between node 270 up to node 271, pipe has to installed 3 " length 1200 m. <p>Distribution network divided two zone, therefore PDAM Asahan has to installed new gate valve (5 units). Service area of zone 1 was served by treatment plan Katarina</p>	<p>Technical director will propose distribution rehabilitation program to president director or PEMDA.</p>

Date of Visit	Activities	Actions
	(capacity 100 LPs) and service area zone 2 was served by treatment plant Rembung (capacity 10 LPs) (detail see attached the drawing)	

LGWS PROJECT
Local Government Water Services
United States Agency for International Development

PDAM Activity Report

PDAM Belitung

Date of Visit	Activities	Actions
17-19 October 2001	Discussed about the preparation of Corporate Plan with the New Director and all staff	The end of December, LGWS Team will sent the draft of CP.

LGWS PROJECT
Local Government Water Services
 United States Agency for International Development

PDAM Activity Report

PDAM Kota Kendari

Date of Visit	Activities	Actions
11/14-15/01	<p>LGWS met: PDAM: Dirut, Dirtek, Dirum, Chiefs Sections of: Cust. Relation, Accounting, General.</p> <p>BPK (Gov't Audit Body) Cabang Sulsel & Sultra: Bpk. Tamrin (Ketua), Bpk. Budi, Ibu Surya, & Ibu Yuli (Anggota)</p> <p>Corporate Plan:</p> <ul style="list-style-type: none"> - Copies of CP have been delivered to Walikota, DPRD (several members), & Badan Pengawas (all 3 members), and particularly with Badan Pengawas, CP has been discussed thoroughly concluded with some revision PDAM presently incorporating - Along with result of CSS, CP has been effectively used to justify tariff adjustment <p>Tariff Adjustment:</p> <ul style="list-style-type: none"> - Proposal being looked into by DPRD members before endorsing prior to its enactment - Walikota has already given his agreement on the proposed tariff increase 	<ul style="list-style-type: none"> - PDAM together with LGWS to incorporate any modification/ change/ revision deemed necessary into the CP - PDAM to deliver and discuss its CP with Bappeda and "Project Offices" too to avoid any overlapping and to improve coordination - PDAM to keep pushing DPRD to agree the soonest otherwise PDAM's cash would be quickly stripped out as the electricity cost has significantly increased

Date of Visit	Activities	Actions
	<p>Computerized Billing & Accounting System</p> <ul style="list-style-type: none"> - System change/ running was delayed for person in charge had been out overseas for training. LGWS assisted PDAM to keep on installing and running the new billing system. <p>Data/ Information Updates:</p> <ul style="list-style-type: none"> - Discussion on present status of: connections, waiting list of potential customer, NRW - In line with operation of booster pump at the transmission line, PDAM has started to prepare zoning in certain areas to get better pressure to customers' tap <p>BPK's</p> <ul style="list-style-type: none"> - Similar to other audit bodies, BPK 	<ul style="list-style-type: none"> - PDAM to carry on while awaiting the person in charge to come. Once this person comes, he must transfer his knowledge of the new system to his colleagues. <p>Note: PDAM could hire locally a data base programmer since the system might need minor modification</p> <ul style="list-style-type: none"> - LGWS to monitor this process continuously to ensure full operation of the system. - PDAM to better identify areas with potential demand. Until present PDAM has app. 14,000 active conn. with additional connection coming mostly from "Project Offices". - PDAM needs also to install accessories in its zones. PDAM to do careful calculation and simulation prior to physical execution. - Genset overhaul to be accelerated when once it's in operation it could save app. 20% of electricity cost. - PDAM to carry out

Date of Visit	Activities	Actions
	<p>has concluded that the accused fraud in PDAM in relation to reelection of former mayor was wrong. They confirmed that no PDAM's money was funneled for political purpose. BPK personnel had the impression that the present bookkeeping and recording was improving.</p> <p>Election of the City Mayor</p> <ul style="list-style-type: none"> - The decision on the definitive mayor was not reached yet. Since there was no clear mechanism who has the authority to install the mayor, call on or call off the process of election. <p>Note: DPRD Kota Kendari had reached agreement to reelect the former mayor for the following term. However, governor of South East Sulawesi didn't acknowledge the result and refuse to install the mayor. Instead, the governor called on DPRD to start the process again and not to include the former mayor. The elected mayor asked MOHA to endorse that the process and the result were legitimate. Yet, MOHA gave governor authority to take decision. DPRD Kota Kendari and DPRD South East Sulawesi insisted that the process and result were legitimate. To avoid vacuum of power, the governor assigned his Asisten 3 to act as care taker official with power to sign regulation.</p>	<p>recommendations given by BPK, yet several are the same as what LGWS had given earlier.</p>

LGWS PROJECT
Local Government Water Services
 United States Agency for International Development

PDAM Activity Report

PDAM Kota Karangasem

Date of Visit	Activities	Actions
<p>Scheduled for week of 26 Nov.</p>	<p>Met with Bp Pasek, Dirut and senior management to review Corporate Plan, and progress made to implement the Plan. Also discussed local tariff issues pending with Bupati and DPRD members.</p> <p>Discussed possible visit by new Ambassador and possible events Ambassador might participate in.</p>	<p>PDAM to undertake final internal review of Corporate Plan and develop a list of key DPRD members and stakeholders, and NGOs for LGWS/PDAM to discuss plan with. This effort will be part of the Public Relations Campaign.</p> <p>LGWS received Accounting System disks. PDAM chose to continue to use its software as it is linked to all operations.</p>

LGWS PROJECT
Local Government Water Services
United States Agency for International Development

PDAM Activity Report

PDAM Pacitan

Date of Visit	Activities	Actions
	-	-

LGWS PROJECT
Local Government Water Services
United States Agency for International Development

PDAM Activity Report

PDAM Sawahlunto

Date of Visit	Activities	Actions

LGWS PROJECT
Local Government Water Services
United States Agency for International Development

PDAM Activity Report

PDAM Kutai

Date of Visit	Activities	Actions
11/06-07/01	Met with Dirut and staff to explain LGWS and assessment goals. Met with financial and technical staff to obtain assessment data, and discuss the general state of affairs with PDAM.	LGWS to complete assessment report and discuss with PDAM.

LGWS PROJECT
Local Government Water Services
 United States Agency for International Development

PDAM Activity Report

PDAM Kabupaten Jombang

Date of Visit	Activities	Actions
November 1 st , 2001	<p>LGWS Team consisting Benny D and Jefry B was conducting 1-day visit to PDAM Jombang.</p> <p>The purpose of the visit was to have discussion of revised corporate plan with PDAM's direktur and staff. The discussion was taken place at PDAM's office with direktur utama and his staff, principally the PDAM's direkturs was clear and agreed to the program describing in corporate plan.</p> <p>The meeting then continued at Wakil Bupati Jombang office. PDAM direktur accompanied by LGWS was explaining the program and planning of PDAM to Wakil Bupati Jombang. It was seen that Bupati's respons was obviously acceptable and understood, he did agree to all plans and program described in corporate plan. Wakil Bupati did understand about the existing condition of PDAM and agree to bring PDAM to become a professional local entity in Jombang. He also had no objection to the tariff increase plan mentioned in corporate plan, he did realize that Rp. 300/m³ basic tariff currently is still below to the other PDAMs rate in Jawa Timur such as basic tariff at Kabupaten Nganjuk or Mojokerto which higher than Jombang, current basic tariff of both PDAM was already of Rp.600/m³.</p>	<p>The next plan was PDAM Jombang is planning to have internal meeting with stakeholders including DPRD Kab. Jombang to present the corporate plan.</p> <p>Badan Pengawas as well as Wakil Bupati would support this local presentation.</p> <p>Wakil Bupati addressed that If all stakeholders agree to the corporate plan, he would prepare the legal document in order to implement it easily.</p>

Date of Visit	Activities	Actions
	<p>The wakil bupati expected that by having clear and acceptable corporate plan, PDAM Jombang could become a health and autonomy entity in Kabupaten Jombang. He also did believe that PDAM would become a health entity if all plans are followed and implemented properly.</p> <p>Wakil Bupati also expected that PDAM Jombang could be a pilot of succeeded local government company and eventually could be replicated to the other companies in Kabupaten Jombang.</p>	

LGWS PROJECT
Local Government Water Services
 United States Agency for International Development

PDAM Activity Report

PDAM Kab. Hulu Sungai Tengah

Date of Visit	Activities	Actions
<p>November 29TH, 2001</p>	<p>LGWS Team consisting Benny D and Jefry B was conducting 1-day visit to PDAM Hulu Sungai Tengah.</p> <p>The agenda of the visit was to meet firstly with new directors. It also purposed to discuss revised corporate plan.</p> <p>PDAM HST's office has moved to the new office, its location closed to the old office. Besides having new office, PDAM HST currently has new directors who definitely appointed by Bupati on 7 November 2001. The new director of PDAM Hulu Sungai Tengah as follow:</p> <p>Bapak Ahmad Fathoni - Direktur Utama who previously led one of the local government's rental company for heavy equipment.</p> <p>Direktur Teknik has been filled by former Dirtek of PDAM Hulu Sungai Selatan, H. Amazone. Meanwhile</p> <p>Direktur Umum is filled by Taufik Noor SE-PDAM staff.</p> <p>The next agenda was then discussing the revised corporate plan. Principally the discussion was clear and understandable. PDAM hopes that the program can be started soonest in the beginning of year 2002.</p>	<p>The Bupati hoped to meet LGWS team after lebaran to discuss the program internally.</p> <p>PDAM ready to publish corporate plan internally soon.</p> <p>Obtain formal approval from DPRD or Pemda soon the publication is done.</p>

Appendix III
Training Activities Scheduled for 2002

No.	Activity	Cost
On-Site Training		
6	CSS Workshops	2,000
6	Basic Programming- Computer Skills	1,000
<u>12</u>	Subtotal	<u>3,000</u>
Direct Venue Training		
1	CSS Seminar	3,000
1	Five day workshop on Accounting & Billing	5,000
1	Two day seminar Introduction to User Guide	3,000
2	Five day workshop Improving Technical skills	10,000
2	Five day workshops Senior Financial Mgt	10,000
1	Five day workshop Environment & Operations	5,000
<u>8</u>	Subtotal	<u>36,000</u>
Management Enhancement Seminars		
3	Three day Executive Management training	15,000
3	Four day Director Level Course	18,000
1	Four day Management Retreat for 6 PDAM	15,000
1	Two day Management Retreat for 12 PDAM	15,000
1	Three day Seminar Team Dynamics & Leadership	12,000
<u>9</u>	Subtotal	<u>75,000</u>
<u>29</u>	Totals	<u>114,000</u> <u>0</u>