

Aan:
de voorzitter en leden van
Provinciale Staten van Drenthe

Assen, 13 oktober 2016
Ons kenmerk 41/2.3/2016004267
Behandeld door de heer L.C.M. Evers (0592) 36 55 59
Onderwerp: Tussentijdse informatie over de Waterleidingmaatschappij Drenthe

Geachte voorzitter/leden,

Op 13 oktober vond een extra Algemene Vergadering van Aandeelhouders (AvA) van de WMD plaats. Deze AvA is voor ons mede aanleiding u tussentijds te informeren over de ontwikkelingen bij de WMD.

Allereerst komen wij terug op de toezegging die wij u bij monde van gedeputeerde Bijl in de vergadering van uw Staten op 28 september jongstleden hebben gedaan. Ter uitvoering van die toezegging ontvangt u bij deze brief als bijlagen de volgende toegezegde stukken:

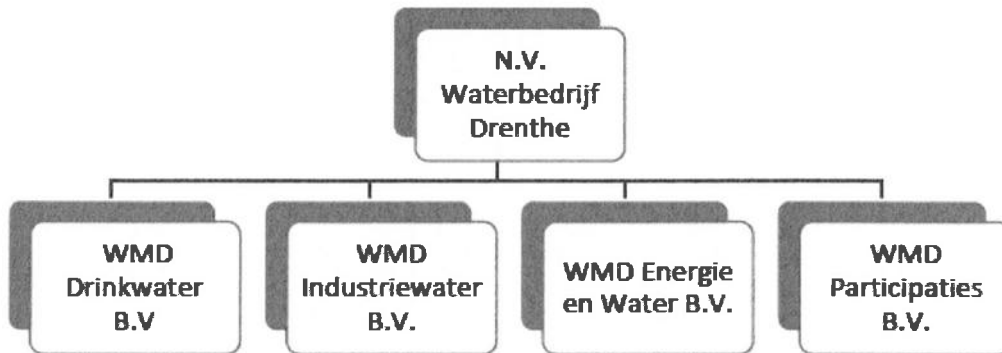
- Mid term review P3SW Waterprojecten Indonesië (ministerie van BuZa);
- Eindevaluatie P3SW Waterprojecten Indonesië (ministerie van BuZa);
- Brief van minister Ploumen over de evaluatie P3SW;
- Reisverslag SWOI van het bezoek aan de waterprojecten Indonesië.

Wij voldoen daarbij aan de vraag van de SP om de rapportages van het Ministerie van Buitenlandse Zaken en aan de vraag van de PVV om het reisverslag van de SWOI. Bij een eerdere gelegenheid hebben wij u al het eindrapport van Commissie De Boer 'Helder water, helder bestuur' toegezonden. Dat rapport voegen wij bij deze brief nogmaals toe.

Mede in het kader van de uitvoering van de aanbevelingen van Commissie De Boer hebben wij tijdens de AvA van de WMD op 13 oktober 2016 met de aandeelhouders van de Waterleidingmaatschappij Drenthe ingestemd met een juridische splitsing van de WMD. Hierbij wordt een zuivere juridische scheiding aangebracht tussen de drinkwateractiviteiten en de niet-drinkwateractiviteiten van de WMD.



Het bedrijf bestaat dan uit een holding, waarbij WMD Drinkwater BV als dochterbedrijf het drinkwaterbedrijf met de wettelijke taken wordt en waarbij de andere drie dochterbedrijven de niet-wettelijke activiteiten uitvoeren. De Indonesische activiteiten vallen dan onder het dochterbedrijf WMD Participaties BV. De eindstructuur na de splitsing zal er begin 2017 als volgt uitzien:



Onze instemming met de nieuwe juridische opzet van het bedrijf wordt mede ingegeven door de opvatting, dat deze bijdraagt aan een gezond drinkwaterbedrijf binnen een meer transparante structuur van het bedrijf, een duidelijker invloed van de aandeelhouders en een gang van zaken die geheel voldoet aan de eisen die de Drinkwaterwet en het Drinkwaterbesluit stellen.

Daarbij is voor ons een belangrijk argument dat door de invoering van de nieuwe juridische structuur het mogelijk wordt voor 2016 een goedkeurende verklaring van de accountant te verkrijgen voor het drinkwaterbedrijf.

Tevens zijn wij van mening dat de nieuwe juridische structuur past binnen de uitvoering van de aanbevelingen van de Commissie De Boer in het Rapport 'Helder water, helder bestuur'.

Voor verdere toelichting op de juridische splitsing verwijzen wij naar de bij deze brief gevoegde toelichtende notitie van de directeur van de WMD.

Tijdens de AvA van 13 oktober is ook aandacht besteed aan de voortgang in de verschillende dossiers, zoals het rapport van Ernst & Young over het feitenonderzoek rond het Final Evaluation-rapport en het eindverslag van het onderzoek door prof. dr. De Waard. Wij hebben helaas moeten constateren dat de beide rapporten nog niet afgerond zijn. Belangrijkste reden is dat deze onderzoeken zorgvuldig uitgevoerd moeten worden en dat een hoor-wederhoor-procedure enige tijd vraagt. Wij hebben onze teleurstelling uitgesproken en wederom aangedrongen op een spoedige, doch zorgvuldige afronding.

Op 18 november 2016 is de volgende AvA van de WMD gepland met als agendapunten de tarieven en het financieel plan voor 2017. Daarnaast worden ook de definitieve afhandeling van de aanbevelingen van het rapport van Commissie De Boer op het gebied van Corporate Governance verwacht en het feitenonderzoek van Ernst & Young.

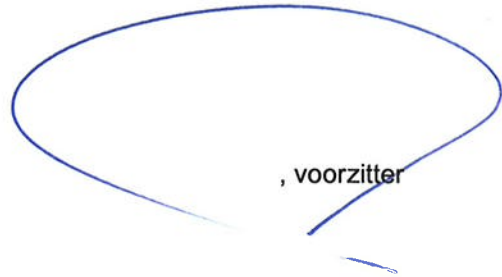
Als er tussentijdse ontwikkelingen zijn dan zullen wij u daarover informeren.

Hoogachtend,

Gedeputeerde Staten van Drenthe,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

, secretaris

A handwritten signature in blue ink, featuring a large, wide oval loop at the top and a long horizontal stroke extending to the right.

, voorzitter

FINAL REPORT

MID TERM REVIEW

P3SW Public Private Partnership

Pilot Programme for Pekanbaru and East Indonesia

On joint operations between Indonesian and Dutch Water Companies in regional Indonesia



Kerjasama operasi antara Perusahaan Air Minum Indonesia dan Belanda

RWS/DELTA RES
DGIS
May 2009

MID TERM REVIEW

P3SW Public Private Partnership

Pilot Programme for Pekanbaru and East Indonesia

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RINGKASAN EKSEKUTIF, KESIMPULAN DAN REKOMENDASI UTAMA

Umum

Secara umum tujuan Program Percontohan Kemitraan Pemerintah-Swasta di Sektor Air Bersih (atau *P3SW* dalam singkatan berbahasa Belanda) adalah, untuk mempelajari cara bagaimana kemitraan antara inisiatif publik (yakni Pemerintah) dan swasta (yakni utilitas air bersih) di Belanda bisa berhasil memberikan kontribusinya dalam memenuhi kebutuhan mobilisasi sumberdaya yang besar di sektor air bersih internasional; kemitraan untuk mengkonsolidir, meremajakan dan memperluas infrastruktur air bersih bagi populasi perkotaan yang meningkat cepat. Di saat yang sama, tujuan lainnya adalah untuk memberikan kontribusi bagi pencapaian Tujuan Pembangunan Milenium (MDG).

Pelaku utama dari Belanda adalah Kementerian Luar Negeri / Kerjasama Pembangunan, yang diwakili oleh *DGIS*, dan Kementerian Transportasi, Pekerjaan Umum dan Pengelolaan Air, yang diwakili oleh "*Rijkswaterstaat*" (*RWS*).

Tujuan khusus Program Percontohan *P3SW* meliputi:

- Peningkatan dan perluasan sistem air bersih,
- Peningkatan kinerja, termasuk ketahanan finansial, dari perusahaan air bersih di negara-negara berkembang melalui bantuan teknis, dukungan manajemen, peningkatan kapasitas dan pelatihan,
- Investasi campuran dana publik dan swasta untuk dikembalikan dalam waktu 15 tahun melalui skema "kerjasama operasi" sistem air bersih, agar memungkinkan Dana Bergulir yang digunakan untuk program pendukung yang sama lainnya, dan
- Mengembalikan perusahaan air bersih yang beroperasi dengan baik dan sehat kepada pemerintah daerah pada akhir masa kerjasama.

Setelah "proses seleksi" ("beauty contest") yang dilakukan di Belanda melalui kompetisi terbuka untuk konsep KPS (Kemitraan Pemerintah-Swasta) yang inovatif di sektor air bersih di seluruh dunia, yang menghasilkan beberapa pemenang, dua perusahaan swasta mendapatkan hibah dari *DGIS/RWS* dalam bentuk disposisi subsidi, untuk proyek KPS di Indonesia.

Untuk awalnya, pembelanjaan gabungan dana publik dan swasta ini bernilai € 7 juta (€ 5,1 juta + €1,9 juta) di Pekanbaru dan € 10 juta (€ 7,5 juta + € 2,5 juta) di Indonesia Timur. Di masa lalu, proyek di Indonesia Timur telah menerima pinjaman senilai € 2 juta dari Dutch SNS Bank, dan € 3,5 juta dari Kedutaan Belanda di Jakarta. Selain itu, WMD (pihak swasta pelaksana proyek percontohan di Indonesia Timur) telah menyediakan € 1 juta untuk program ini. Dengan kata lain, seluruh nilai anggaran *P3SW* yang langsung "tersedia" adalah € 23,5 juta, suatu nilai anggaran yang besar.

Khususnya di Indonesia Timur, kondisi ekonomi secara umum dan status operasi air bersih adalah sedemikian rupa sehingga kemauan dan komitmen WMD untuk membantu peningkatan operasi air bersih yang masih belum layak secara komersial, dengan memakai dana dari Program Percontohan *P3SW*, dianggap sebagai kesempatan unik yang tidak mudah untuk diikuti oleh perusahaan-perusahaan swasta lain tanpa adanya dana seperti ini.

Program Percontohan *P3SW* membawa dana untuk sektor air bersih dari pihak pemerintah dan swasta, yakni dari Kementerian Luar Negeri / Kerjasama Pembangunan Belanda dan beberapa perusahaan air bersih individual dari Belanda.

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Secara umum hasil evaluasi dalam Kajian Paruh Proyek (MTR) untuk Program Percontohan P3SW, menunjukkan bahwa program ini berpotensi memberi manfaat secara struktural bagi perusahaan air bersih lokal yang tidak sehat dan bagi pelanggan yang kurang terlayani di wilayah layanan, yakni di Pekanbaru, ibukota Propinsi Riau di Sumatera, dan beberapa kota di Indonesia Timur.

Kedua proyek percontohan ini mempunyai beberapa karakteristik penting: I) filosofi “bukan untuk keuntungan, tapi juga bukan untuk rugi,” dan (ii) pembentukan dan operasi dari Dana Bergulir dimana pinjaman akan diperpanjang untuk PDAM dan perusahaan-perusahaan swasta (PT). Dana Bergulir ini diambil dari bunga dan pembayaran pinjaman yang diberikan pihak Belanda agar PDAM dan perusahaan swasta bisa membiaya berbagai layanan dan investasi. Pada awalnya hal ini akan meningkatkan hutang. Namun, jika langkah-langkah peremajaan dan peningkatan kinerja sudah berakar, maka perusahaan air bersih secara bertahap bisa membayar hutangnya dan berkembang menjadi perusahaan yang handal dan sehat dari segi keuangan. Seiring waktu, Dana Bergulir ini akan tersedia bagi PDAM lain yang kinerjanya rendah.

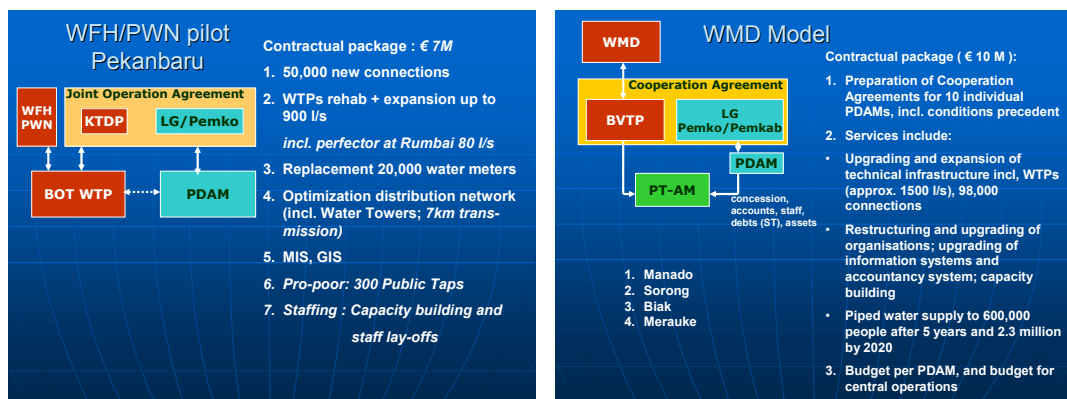
Program tersebut sekarang sudah berjalan tiga tahun, dari 15 tahun yang dijadualkan untuk operasi bersama, dengan investasi untuk program percontohan ini terjadi utamanya untuk 5 tahun pertama dari program. Tampaknya sekarang menjadi saat yang tepat untuk mengkaji kemajuan dan menangani kelemahan dan kekurangan.

Status Saat Ini: Fakta dan Angka

1. Target utama untuk proyek percontohan P3SW Pekanbaru adalah 50.000 sambungan baru yang melayani 250.000 jiwa, 300 keran umum yang melayani 30.000 jiwa tambahan melalui kebijakan khusus pro warga miskin, serta peningkatan kapasitas dan pelatihan. Ciri utamanya adalah kontrak BOT untuk pasokan air curah ke pihak swasta lainnya, KTDP dan Perjanjian Operasi Bersama dengan pemerintah daerah untuk peningkatan dan perluasan PDAM.

Target utama untuk proyek percontohan P3SW Indonesia Timur adalah 98.000 sambungan baru yang melayani 600.000 jiwa dan tambahan sebesar 2,3 juta jiwa hingga 2020. Ciri utamanya adalah tipe Perjanjian Kerjasama konsesi dengan pemerintah daerah dan PDAM, melalui pembentukan PT dalam bidang air minum yang bertanggung-jawab atas operasi perusahaan air bersih selama 15 – 30 tahun. Rencana ini mengarah pada pemakaian “model WMD” di sepuluh kota di Indonesia Timur.

2. Dalam 3 tahun terakhir ini dapat dilihat adanya usaha keras dan keuletan untuk membuat program P3SW dan percontohnya sukses. Periode awal dilaksanakan dengan penuh semangat dengan penekanan pada studi, perencanaan, penyusunan program, penyiapan kontrak dan perjanjian kerjasama, serta program mendesak teknis, finansial dan administratif.



- Setelah program berjalan 3 tahun, kemajuan hingga hari ini bisa dirangkum sebagai berikut:

Pekanbaru

Pilihan strategis untuk membatasi pekerjaan rehabilitasi dan peningkatan; difokuskan pada restrukturisasi mitra lokal yang terlilit hutang dan menciptakan lingkungan yang memberdayakan. Tampaknya hal ini mulai membuahkan hasil; pengembangan di tahun 2009 akan sangat penting artinya. Hingga saat ini, Operator WFH/PWN telah membelanjakan sekitar € 3,6 juta atau sekitar 50% dana PSSW yang tersedia, dengan rincian sebagai berikut: bantuan teknis 16%, restrukturisasi hutang KTDP (yang sangat erat kaitannya dengan investasi infrastruktur) 34%, investasi infrastruktur 47%, lainnya 3%.

Indonesia Timur

Pada awalnya banyak waktu dan sumberdaya yang dipakai untuk menyusun Perjanjian Kerjasama dan membentuk PT; "Model WMD" sekarang sudah operasional di 4 dari 10 kota yang semula dijadwalkan; saat ini pekerjaan rehabilitasi dan perluasan WTP dan jaringan distribusi sedang dijalankan, dengan penekanan khusus pada Program Blok Renovasi di semua PT. Hingga saat ini, Operator WMD telah membelanjakan sekitar € 11,4 juta atau sekitar 114% dana yang tersedia, dengan rincian sebagai berikut: bantuan teknis 56%, investasi infrastruktur 36%, lainnya 8%.

- Pada bulan November 2008, WMD menerima alokasi lagi sebesar € 3.5 juta dari Kedutaan Belanda (RNE). Pada saat yang sama dicapai kesepakatan bahwa WMD akan mengembalikan aset yang ada ke masing-masing PDAM di 4 kota. Pengaturan ini disepakati pada tanggal 31 Agustus 2008, dan akan diselesaikan dari segi hukum dan administratif pada tanggal 31 Desember 2009.
- WFH/PWN telah lama menahan diri untuk tidak berinvestasi di Pekanbaru, untuk mendorong agar sejumlah perubahan dan keputusan yang diperlukan segera dibuat demi menciptakan lingkungan yang memberdayakan bagi peningkatan kinerja PDAM. Baru-baru ini unsur penting yang pertama yang disebut "rencana penyelamatan" telah disepakati dengan Pemerintah Daerah, yakni penunjukkan direktur pengelola baru dan disetujuinya tarip air yang baru.

Kesimpulan Utama dan Rekomendasi

- Target awal yang utama dari kedua proyek percontohan, sebagaimana dijelaskan dalam butir 1) di atas, telah menunjukkan sama sekali tidak realistis dan tidak dapat dicapai dalam kurun waktu dan biaya yang ditetapkan. Hasil dari yang disebut sebagai "quick scan" di Indonesia Timur kualitasnya buruk dan telah memberikan gambaran yang salah mengenai kondisi nyata dan kebutuhannya. Efeknya berlanjut memberikan dampak negatif terhadap percontohan. Mirip dengan itu KTDP ternyata tidak menjadi titik masuk seperti yang diperkirakan dalam Kerjasama Operasi tersebut pada saat adanya kebutuhan dana dan bantuan teknis.
- Mempertimbangkan perkembangan saat ini, sebagaimana disebutkan dalam butir 4) dan 5) di atas, direkomendasikan untuk memperpanjang perioda Fase 1 dari Program Percontohan P3SW sampai dengan 1 Juli 2013, sedemikian rupa untuk kompensasi kehilangan waktu. Alasan untuk ini adalah bahwa komitmen yang belum terlaksana dalam fase 1 tidak mungkin dapat dipenuhi pada tanggal 1 September 2010, batas akhior formal dari Program Percontohan P3SW. Untuk Fase 1 nampaknya tidak ada lagi alokasi anggaran P3SW untuk percontohan WMD di Indonesia Timur.
- Pemangku kepentingan percontohan di Pekanbaru telah meminta dukungan tambahan anggaran investasi sebesar kurang lebih € 3 juta. MTR memperkirakan bahwa realisasi target Fase 1 membutuhkan kurang lebih € 2,2 juta, dan memberikan rekomendasi untuk persetujuan alokasi tambahan sebesar kurang lebih € 1 juta dari dana bilateral Kedutaan Besar Belanda untuk Pekanbaru. Transfer actual dari alokasi ini, yang dijadwalkan tidak lebih cepat dari awal tahun 2010,

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direkomendasikan untuk dibuat tergantung pada kontribusi sejumlah yang sama dari Pemerintah Daerah sebagai rekan yang sejajar dalam Perjanjian Kerjasama Operasi, dan pada pencapaian beberapa "milestones" yang sudah ditetapkan pada akhir 2009.

9. Sampai saat ini kewajiban dari WMD dan output keseluruhan Fase 1 dari percontohan P3SW, termasuk tambahan alokasi subsidi dari Kedutaan Besar Belanda di Jakarta, belum didefinisikan secara mencukupi. Berdasarkan analisis Master Plan untuk PT dan harga satuan yang terkait, Team MTR telah mengusulkan tambahan kewajiban dan output dari WMD, termasuk jumlah sambungan rumah untuk setiap PT yang harus direalisasikan pada akhir Fase 1 P3SW. Team MTR mengusulkan untuk menetapkan target output utama menyeluruh sebanyak 88.000 sambungan baru di 4 kota percontohan.
10. Dengan mempertimbangkan berkurangnya dana awal P3SW untuk 4 kota yang sekarang ini masuk ke dalam percontohan di Indonesia Timur, direkomendasikan untuk tidak memperluas percontohan ke PDAM lain, juga tidak selama periode perpanjangan Fase 1.
11. Penyesuaian utama yang direkomendasikan untuk Program Percontohan P3SW dapat diringkas sebagai berikut:

Pekanbaru

- a. Implementasi mendesak dari "rencana penyelamatan"
- b. Menugaskan 2 ahli secara penuh (fulltime) oleh WHF/PWN/KTDP untuk jangka waktu awal selama 2 tahun, yang terdiri dari seorang ahli internasional dalam jaringan distribusi, dan seorang ahli lokal (Indonesia) dalam Manajemen Perubahan (Change Management)
- c. Implementasi Program Blok Renovasi yang mencakup seluruh jaringan yang ada saat ini, ditujukan untuk NRW keseluruhan < 40 %
- d. Mencapai kesepakatan dengan Pemerintah Daerah bahwa dibutuhkan perannya sebagai pemilik saham yang terikat (kewajiban), dan mengurangi peran sehari-hari sebagai manajer umum PDAM
- e. Implementasi mendesak sambungan publik / hidran umum untuk masyarakat miskin yang dikelola secara mandiri (pro-poor community managed public taps)
- f. Menyiapkan rencana kerja dan jadwal untuk menyelesaikan semua kewajiban kontrak Fase 1 (yaitu 50.000 sambungan baru) pada 1 Juli 2013.

Indonesia Timur

- a. Pengembalian asset sesuai jadwal yang disepakati, berdasarkan proses konsultasi yang memadai dan diskusi dengan pemangku kepentingan
 - b. Gunakan kesempatan ini untuk penyesuaian Perjanjian Kerjasama, dan kemungkinan "Model WMD", dengan bantuan dari seorang ahli dari luar yang independen
 - c. Meningkatkan kemampuan dari seluruh tim manajemen PT dengan menunjuk Direktur-Direktur yang berkualifikasi; stimulasi kepemilikan dan penguatan tim manajemen PT
 - d. Tingkatkan Program Blok Renovasi, dengan menyiapkan zona permanent secara cerdas terutama di Manado; jalankan program sambungan baru dalam skala besar (untuk mencapai NRW < 40 %)
 - e. Perencanaan mendesak dan implementasi air bersih untuk masyarakat miskin (pro-poor water supply) oleh PT pada area yang tidak disentuh oleh ESP
 - f. Siapkan rencana kerja dan jadwal untuk pencapaian semua kewajiban kontrak Fase 1 (yaitu 88.000 sambungan baru) pada 1 Juli 2013
 - g. Meningkatkan system pelaporan, kualitas laporan, dan transparansi biaya layanan
12. Dalam konteks pengembangan Kemitraan Pemerintah – Swasta (KPS) membutuhkan kemampuan spesifik dan pendekatan-pendekatan karena al ini dioperasikan sebagai bagian dari hubungan antar

pemerintah (Pemerintah – Pemerintah). Lebih lanjut hal tersebut membutuhkan transparansi, dapat direplikasi, kesetaraan, dan kesetiaan penuh pada kerangka kerja institusi dan hukum. Pihak-pihak pelaksana wajib memiliki kapasitas penuh untuk mengelola dan menerbitkan kewajiban khusus serta tanggung jawab.

13. Indonesia memiliki kerangka kerja hukum yang mengatur KSP untuk utilitas public. Kondisi KSP dalam Undang-Undang dan peraturan seringkali tidak diformulasikan secara cukup jelas. Hal yang sama dapat dikatakan tentang hubungan setara antara Undang-Undang dan peraturan. Direkomendasikan perbaikan/peningkatan dari perangkat aturan ini.
14. Model keuangan dan analisis untuk percontohan di Pekanbaru dan Menado menunjukkan bahwa kedua perusahaan air minum ini pada saat selesainya Fase 1 dari P3SW belum mencapai posisi yang cukup kuat yang akan memampukan mereka sendiri untuk menarik modal dari luar. Hanya pada skenario terbaik, dengan investasi lebih lanjut dan peningkatan berlanjut dari parameter kinerja penting, akan diperoleh perusahaan air minum yang kuat dan sehat secara keuangan.
15. Percontohan P3SW, secara khusus implikasi jangka panjang dari Perjanjian Kerjasama Operasi Bersama (Pekanbaru), Perjanjian Kerjasama (di Indonesia Timur) dan kontrak-kontrak lain (BOT di Pekanbaru) adalah sangat rumit untuk melakukan monitoring dan control, oleh ahli keuangan dari Belanda (DGIS/RWS), seorang diri. Diusulkan untuk membentuk Monitoring & Control Team (D-MCT) yang terdiri dari 3 orang, seorang mewakili Pemerintah Belanda, seorang mewakili pihak swasta, dan seorang lagi merupakan penasihat ahli independent dalam bidang KPS (yang dipilih oleh kedua pihak pertama). D-MCT akan mencatat pengalaman dan “lesson learned” yang akan tetap tersedia untuk kegiatan sejenis.
16. Sejalan dengan Monitoring & Control Team di Belanda, diusulkan membentuk sebuah kerjasama Indonesia-Belanda Monitoring & Control Team untuk implementasi selanjutnya dari P3SW, kemungkinan di bawah koordinasi Kedutaan Besar Belanda. Perwakilan dari Belanda sebaiknya seseorang dari D-MCT (lihat butir 13 di atas). Sejak saat terjadinya kesepakatan antara DGIS/RWS dan Kedutaan Besar Belanda dimana Kedutaan Besar Belanda mengambil alih seluruh tugas manajemen GOM (program P3SW), D-MCT dapat di “resolve”.

I-MCT kemudian dapat digabungkan dengan “Oversight Body”, yang pernah diusulkan sebelumnya dalam diskusi antara Pemerintah Indonesia dengan Kedutaan Besar Belanda, dalam kaitannya dengan percontohan di Indonesia Timur. Perwakilan Pemerintah Daerah seharusnya menjadi anggota I-MCT.

Dengan asumsi bahwa dalam waktu dekat operasai di bawah percontohan P3SW akan berada di bawah “Badan Pengatur Lokal/Pusat” team monitoring bersama (joint monitoring team) dapat melakukan kajian secara regular tentang berfungsinya Badan Pengatur tersebut, dan kinerja dari rekanan KPS terkait dengan kelanjutan investasi, kecukupan biaya manajemen dan diterapkannya prinsip pemulihan biaya (full cost recovery), peningkatan kapasitas dan pelatihan, sesuai dengan Undang-Undang dan peraturan yang berlaku, dan memadainya manajemen kepemilikan dan issue pemberdayaan.
17. Perusahaan-perusahaan air bersih dari Belanda telah merencanakan untuk memperkenalkan layanan sanitasi di tahap selanjutnya sebagai bagian dari proyek yang sedang berjalan. Sebaiknya air bersih dan sanitasi harus jalan beriring untuk mendapatkan manfaat kesehatan maksimum. Namun, sangat disarankan bahwa perusahaan air bersih WFH/PWN dan WMD memberikan kontribusinya agar timbul kondisi yang mendukung untuk memulai, misalnya dengan mencantumkan pentingnya sanitasi yang memadai dalam program sosialisasinya, sambil membiarkan pengembangan aktual layanan sanitasi dilakukan oleh pihak lain yang mempunyai kualifikasi lebih baik untuk ini (misalnya konsultan spesialis

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yang menggunakan CSS yang diadopsi oleh Pemerintah Indonesia sebagaimana dikembangkan dalam program ISSDP yang dibiayai pemerintah Belanda).

18. Sanitasi diharapkan menarik banyak perhatian dan kemungkinan besar mendapatkan bagian pendanaan yang besar dari pemerintah dalam 5 tahun kedepan, agar sektor sanitasi bisa menyusul dan sesuai dengan target MDG Pemerintah Indonesia.

Sektor air bersih tidak bisa dibiarkan tertinggal; sektor ini harus memakai kapasitas pendapatannya secara lebih efisien agar bisa menghadapi tantangan ke depan. MTR merekomendasikan operator Belanda mempertimbangkan apakah dengan dana dari apa yang disebut "pengaturan 1 %" dapat diformulaikan dan diimplementasikan program peningkatan yang lebih holistic.

19. Diarahkan oleh Kerangka Acuan Kerja (KAK), team MTR telah membuka topic yang relevan dan potongan-potongan dari program yang kompleks. Beberapa subjek membutuhkan studi lebih lanjut dan lebih mendalam, seperti kelayakan selanjutnya untuk menarik modal investasi untuk PT, opsi untuk pengembangan lebih lanjut dari Perjanjian Kerjasama di Indonesia Timur, dan manfaat dari percontohan P3SW dibandingkan dengan KPS lainnya di Indonesia, MTR merekomendasikan untuk melakukan studi lebih lanjut.
20. Beberapa bab dalam laporan MTR ini membahas dan menyarankan serangkaian peningkatan untuk percontohan P3SW yang sedang berjalan. Tim MTR berharap agar semua pemangku kepentingan mewujudkan percontohan ini, terutama pemerintah daerah, PDAM dan pihak WFH/PWN/KTDP dan WMD, serta pejabat penasehat dari pemerintah pusat, demi perkembangan yang sudah berjalan menarik selama 3 tahun terakhir dan kepercayaan yang siap mereka berikan satu sama lain.

PETIKAN DARI LAPORAN KAJIAN PARUH PROYEK (MTR)

1. Paragraf 4.3: "Temuan dan observasi mengenai pelaksanaan Program Percontohan P3SW"

Temuan dan observasi tertentu yang menarik mengenai peran berbagai pemangku kepentingan dalam penyusunan dan pelaksanaan Program Percontohan P3SW, disajikan dalam bagian berikut.

Pihak Pemerintah Belanda: DGIS, RWS

1. Pada awalnya P3SW melalui beberapa tahap persiapan yang rumit, dan menghadapi tantangan prosedural menurut peraturan dan perundang-undangan Belanda. Akhirnya, pemberian subsidi ke pihak swasta, dengan persyaratan terbatas dan prosedur yang tidak cukup diperinci, disepakati antara Kementerian Luar Negeri / Kerjasama Pembangunan (DGIS) dan Kementerian Transportasi, Pekerjaan Umum dan Pengelolaan Air (RWS).
2. Perusahaan Air Bersih Belanda memperoleh penugasan untuk Program Percontohan P3SW, melalui "proses seleksi" di Belanda. Pihak Belanda mengikat perjanjian satu sumber dengan pemerintah daerah yang bertanggung-jawab atas PDAM terkait, menawarkan pinjaman lunak dengan persyaratan lunak yang menarik. Hal ini telah menimbulkan keprihatinan bagi pemangku kepentingan di Indonesia, terkait dengan 5 model KPS yang sesuai peraturan perundang-undangan untuk sektor air bersih, karena pemberian kontrak mungkin memerlukan atau tidak memerlukan prosedur pelelangan khusus. Indonesia mempunyai sendiri peraturan perundang-undangan mengenai kerjasama antara utilitas publik dan perusahaan swasta, misalnya mengenai persyaratan pelelangan dan kepemilikan versus hak kepemilikan aset dalam berbagai skema KPS. Setelah ditimbang kembali, tampak jelas bahwa peraturan perundang-undangan di negara penerima telah menjadi isu pengarah yang lebih menonjol dalam evaluasi proposal, pemberian kontrak atau subsidi, atau pelaksanaan percontohan.

3. Dari dokumentasi yang ada, tim MTR menyimpulkan berikut ini terkait dengan pemberian subsidi ke pihak swasta terpilih:

Dari sudut formalitas, kewajiban dan harapan masing-masing pihak antara pemerintah Belanda dan pihak swasta tidak diatur oleh perjanjian kontrak yang dirinci dengan jelas dan pasti. Hal ini dianggap sebagai sifat dari Pemberian Subsidi. Di satu sisi ini bisa berarti memberikan kepastian, dan memang mungkin diharapkan, keleluasaan bagi pihak yang terlibat untuk memberikan pemecahan yang bersifat tidak ortodok. Di sisi lain, ini bisa menimbulkan kerumitan jika pihak swasta tidak mendokumentasikan secara mencukupi rencana dan investasinya dalam konteks ketentuan Pemberian Subsidi. Hambatan yang mirip mungkin terjadi saat usaha dilakukan untuk mengukur kemajuan dan kinerja.

4. Walau begitu dalam Perjanjian Subsidi (tahun 2005), DGIS/RWS telah menerima proposal WMD yang menyajikan metode dan model peremajaan dan peningkatan kinerja PDAM Indonesia, dan bukan satu set kewajiban serta tonggak-tonggak pencapaian yang jelas dan “cerdas” serta kewajiban investasi. Dalam kenyataannya, hanya alokasi anggaran total per kota yang disajikan, disertai target umum dalam jumlah terbatas.
5. Perjanjian kontrak yang terbatas ini memang menimbulkan kerumitan dalam pemrosesan rencana dan laporan, juga transfer subsidi terkait, dalam percontohan di Indonesia Timur. Sementara beberapa ketidak-sepakatan belum terpecahkan, tidak ada satu pun pihak memberitahu pihak lainnya bahwa kegiatan dan pengeluaran harus ditangguhkan untuk menunggu kejelasan perjanjian mengenai aspek prosedural yang penting.
6. Tim MTR mengamati bahwa DGIS dan RWS telah menunggu terlalu lama untuk campur tangan dan mengajukan pengaturan yang bisa diterima oleh pihak-pihak yang terlibat.
7. Pada intinya, skema KPS yang dipelajari adalah antara DGIS sebagai pihak Pemerintah dan perusahaan air Belanda sebagai pihak Swasta. Dalam KPS ini, pihak Pemerintah membatasi perannya pada pendanaan, pemantauan dan pengendalian (yang dalam prakteknya dikontrakkan keluar).
8. Percontohan di Indonesia Timur termasuk rumit untuk berbagai sebab. Mempertimbangkan pencapaian hingga hari ini, pengeluaran yang dilakukan hingga kini menurut pra-pembiayaan oleh WMD, serta kewajiban masing-masing pihak Pemerintah dan Swasta menurut ketentuan Pemberian Subsidi, maka diusulkan untuk mencairkan nilai subsidi yang disepakati untuk tahun 2007 dan 2008, dengan syarat WMD harus menerima dua ketentuan tambahan dalam Perjanjian Pemberian Subsidi. Disarankan ketentuan tambahan ini mencakup: (i) penyerahan rencana investasi dan rencana bisnis terkait untuk setiap PT (Manado, Sorong, Biak, Merauke) berdasarkan dana yang ditetapkan dan disediakan, dan (ii) keterlibatan kontraktor dan konsultan untuk menyiapkan rencana dan melakukan pekerjaan di PT berdasarkan rencana multi-tahun dan rencana tahunan yang disepakati bersama serta anggaran tahunan, dan berdasarkan pada peraturan dan prosedur tender yang umum berlaku di Indonesia. Pencairan nilai final subsidi (2009) harus ditentukan oleh pemenuhan ketentuan tambahan tersebut.
9. Pengalaman hingga kini menunjukkan bahwa para pihak dalam Kerjasama Pemerintah-Swasta ini perlu menetapkan operasi bersamanya secara lebih rinci untuk mencegah masalah (seperti aspek politis dari transfer aset, prosedur untuk transfer subsidi) yang ditemui dalam program percontohan saat ini. Penetapan tujuan rinci, skema atau modalitas dan persyaratan seperti ini sangat penting artinya, mengingat niat Perusahaan Air Bersih Belanda dalam jangka panjang untuk memberikan banyak kontribusi dalam pencapaian target DGIS yang terkait dengan MDG dalam operasi bersama selanjutnya.

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Pihak swasta Belanda dan Indonesia: WFH/PWN, WMD, KTDP

10. Tampaknya WMD tidak sepenuhnya mematuhi kewajiban dalam perjanjian Pemberian Subsidi, yakni menyusun dan menyerahkan rencana investasi dan rencana usaha terkait (spesifikasi yang pantas tidak disebutkan untuk mendasarkan rencana-rencana ini pada dana-dana yang tersedia).
11. Ini menimbulkan kerumitan dalam proses persetujuan rencana dan anggaran tahunan, juga transfer subsidi terkait, di percontohan Indonesia Timur. Sementara ketidak-sepakatan ini belum terselesaikan, WMD tetap melanjutkan pelaksanaan proyek tanpa memberitahu Pemantau Program, bahwa kegiatan dan pengeluaran harus ditangguhkan hingga kesepakatan sudah jelas mengenai aspek prosedural yang penting.
12. Pihak swasta telah menerima KPS dan dukungan finansial terkait, sesuai yang mereka ketahui bahwa pihak Pemerintah dalam kerjasama KPS mempunyai hubungan Pemerintah-ke-Pemerintah dengan Indonesia dan harus menahan diri untuk tidak mengambil sikap tertentu terkait dengan politik internal di Indonesia, seperti isu desentralisasi terkait, otonomi daerah dan paradigma pusat-daerah. Mempertimbangkan posisi pihak Pemerintah, juga dari segi historis, ini bisa menyiratkan bahwa pihak Swasta harus melangkah lebih jauh untuk internalisasi seluruh keterbatasan kerjasama KPS ini.
13. Pihak swasta seharusnya bisa bertindak lebih banyak untuk memberitahu dan melibatkan pihak Pemerintah dan Kedutaan Besar Belanda di Jakarta (RNE), untuk kebaikan mereka sendiri selama proses dan pengembangan program.
14. Perjanjian Kerjasama WMD tidak mencantumkan bagian mengenai "kewajiban setiap pihak" atau kewajiban investasi oleh WMD. PT lokal juga mengajukan pertanyaan mengenai apa yang mereka benar-benar bisa harapkan dari kerjasama ini. Karena Perjanjian Kerjasama memerlukan penyesuaian akibat pengembalian aset yang ada ke PDAM, isu mengenai kewajiban para pihak dan kewajiban investasi oleh WMD (dan oleh pemerintah daerah sebagai pemangku kepentingan pendamping) bisa dicantumkan dalam versi baru perjanjian.
15. Selain kondisi lokal yang tidak mendukung, percontohan Pekanbaru bisa menderita karena keterbatasan kapasitas WFH dalam menanggung risiko, WFH sebagai wahana kecil khusus untuk 5 operator Belanda yang mengharapkan WFH bisa mencegah risiko dan kerugian. Karena itu disarankan bahwa WHF dan PWN, salah satu penyandang dana dari WFH, perlu mengkaji ulang pengaturannya untuk percontohan Pekanbaru. Pada intinya, WFH dan PWN beroperasi layaknya sebagai perusahaan pendamping dalam percontohan Pekanbaru, dimana masing-masing mempunyai pengaturan sendiri sendiri dengan KTDP sebagai pemegang kontrak JOA. Disarankan untuk mengubah pengaturan ini menjadi satu wahana tunggal yang mencerminkan niat dan kesediaan Operator Air Bersih Belanda untuk melibatkan diri secara lebih langsung dalam operasi pasokan air bersih yang menantang di Pekanbaru.
16. Penempatan KTDP dalam konteks Perjanjian Operasi bersama tidak dipahami sepenuhnya oleh Tim MTR. JOA (Pasal 15) menetapkan dengan jelas bahwa KTDP boleh meminta penyesuaian tariff yang pantas pada tahun 2006. Tidak jelas mengapa yang dipilih justru menimbulkan kerugian yang lebih besar bagi PDAM dan KTDP.

Koordinator / Pemantau Program Percontohan P3SW

17. Koordinator Program Percontohan P3SW sekarang sedang mengemban tugas yang menantang dalam mengkoordinir format program yang baru ini untuk pihak Pemerintah Belanda, dengan tanggung-jawab atas (i) pemantauan berkala kemajuan, (ii) pengkajian dan persetujuan rencana

usaha/tahunan dan laporan, dan (iii) pemrosesan tagihan dan transfer subsidi. Kejadian yang tak terduga dan pengeluaran terkait sebagian besar bisa diselesaikan. Dalam kasus percontohan WMD di Indonesia Timur, beberapa isu mengenai rencana tahunan dan pengeluaran terkait untuk layanan dan pekerjaan, tampaknya belum sepenuhnya diselesaikan dan menimbulkan kerumitan dan keterlambatan dalam pemrosesan tagihan dan transfer subsidi ke WMD.

18. Walau ketidak-sepakatan antara Pemantau dan WMD belum diselesaikan, Pemantau tampaknya tidak memberitahukan ke Klien dan WMD bahwa kegiatan dan pengeluaran harus ditangguhkan sampai kesepakatan menjadi jelas mengenai aspek prosedural yang penting.
19. Pada awalnya, Pemantau melakukan kunjungan lapangan dan pelaporan kemajuan terkait dua kali per tahun. Sejak pertengahan 2007, ini dikurangi menjadi satu kunjungan per tahun. Mempertimbangkan kerumitan proyek percontohan ini, maka diusulkan bahwa pemantauan, kemungkinan besar dalam bentuk yang telah direvisi – lihat di bagian lain dalam laporan ini – perlu dibuat tetap dua kali per tahun.

Kedutaan Besar Belanda di Jakarta

20. Tim MTR mencatat dan memuji pertalian antara alokasi anggaran tambahan untuk WMD dan kesepakatan antar para pihak mengenai pengembalian aset yang ada ke PDAM pada tanggal 31 Desember 2009. Pengaturan ini pada intinya akan menyelesaikan isu yang sudah lama ada. Tapi untuk mengetahuinya perlu pembuktian. Pengaturan ini harus diselesaikan tepat waktu agar memuaskan semua pihak.
21. Alokasi anggaran tambahan dari Kedutaan Besar Belanda ke WMD telah dilakukan dalam format pemberian subsidi yang mengacu ke proposal yang diserahkan oleh WMD untuk alokasi tambahan ini. Status hukum dan pertalian antara proposal ini dengan proposal semula (dilampirkan dalam perjanjian pemberian subsidi semula di Belanda) tidak jelas bagi Tim MTR. Diasumsikan bahwa komitmen apapun yang diberikan dalam proposal ini adalah tambahan pada, bukan berasal dari, komitmen semula.
22. Perjanjian Pemberian Subsidi menyatakan bahwa aset yang ada untuk tiga PT harus dikembalikan paling lambat tanggal 31 Desember 2009. Saat ini aset yang ada dialihkan ke PT di 4 kota. Tim MTR berasumsi bahwa pengembalian aset harus diselesaikan untuk 4 PT.

Pemerintah Pusat dan Daerah Indonesia, PDAM

23. Tampaknya dalam tahap penyusunan Perjanjian Kerjasama untuk percontohan Indonesia Timur, beberapa instansi Pemerintah Pusat telah sangat menyarankan dalam bentuk tertulis (lihat Lampiran 9) beberapa aspek dalam kerjasama yang diusulkan antara WMD dan PDAM (antara lain Depdagri, Bapekin, Bappenas). Sepanjang yang diketahui Tim MTR, korespondensi seperti ini belum dikirimkan atau disalinkan untuk Kedutaan Besar Belanda dan/atau misi penyiapan Program Percontohan P3SW. Tidak diketahui apakah PDAM sudah mengirmkannya ke WMD atau konsultan hukumnya dari Indonesia.

Disarankan, di masa mendatang hal ini harus dilakukan untuk memperjelas posisi dan mencegah kerumitan yang mungkin timbul dalam pelaksanaan Perjanjian Kerjasama (CA), dan sekarang dalam hal pengembalian aset.

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24. Instansi dan tatanan hukum Indonesia untuk KPS menjadi semakin transparan dan tidak rancu/membingungkan, dengan dikeluarkannya UU, peraturan dan keputusan baru selama 3 - 4 tahun terakhir, bersamaan dengan penyusunan konsep dan tahap awal program percontohan *P3SW*. Namun daerah abu-abu masih ada, dan nantinya percontohan Belanda akan menemui daerah abu-abu ini, atau mungkin melampaui batas kerangka hukum Indonesia yang semakin matang. Selama para pemangku kepentingan mencamkan bahwa sifat utama program percontohan ini mengasumsikan ada "wilayah yang belum dikenali (*terra incognita*)" yang harus disurvei dan diuji, dan selama semua pemangku kepentingan siap bertukar pendapat dan pengalaman, atau mengubah sikap dan pandangan jika ini memang bisa meningkatkan kinerja proyek percontohan, maka tujuan umum program percontohan benar-benar tertangani.
25. Dicatat disini bahwa proyek-proyek yang dikaji menjalankan program pemantauan berkala untuk tujuan pembelajaran dan inovasi, khususnya KPS dengan kota dan PDAM yang tidak mungkin menjadi target operator sistem air bersih untuk kepentingan komersial sepenuhnya, seperti halnya di Indonesia Timur. Karena itu, percontohan harus berjalan dalam batas-batas hukum, kecuali masing-masing pihak yang berhak menentukan dan menerima penyimpangan sepakat untuk melakukannya demi menguji pengaturan yang baru. Sampai sejauh mana Pemerintah Indonesia boleh dan akan melibatkan dirinya dalam proyek-proyek yang sudah berjalan, akan tergantung pada perkembangan dan kualifikasi percontohan Indonesia Timur sebagai inisiatif bisnis-ke-bisnis atau pemerintah-ke-pemerintah.

2. Paragraf 5.7: "Penyesuaian yang diinginkan untuk meraih target"

Indonesia Timur

Di Indonesia Timur, nilai investasi sesuai Fase 1 Rencana Induk untuk masing-masing dari 4 PT yang saat ini menjadi bagian percontohan, meningkat secara kebetulan mencapai sekitar nilai total anggaran yang tersedia menurut Fase 1 Program *P3SW*.

Bisa disimpulkan bahwa, dari anggaran semula, sekitar 43.500 sambungan rumah baru bisa dipasang sesuai program investasi Fase 1 untuk 4 kota, bukan 98.000 sambungan baru di 10 kota seperti dijadualkan semula.

Jika alokasi tambahan dari Kedutaan Besar Belanda (€ 3,5 juta), tambahan kontribusi dari WMD sendiri (€ 1 juta), dana dari SNS (€ 2 juta), dan kontribusi pelanggan baru untuk sambungan baru (Rp. 1 juta per sambungan) ditambahkan, maka jumlah total sekitar $43.500 + 45.000 = 88.500$ sambungan baru bisa dicapai menurut ketentuan pendanaan yang diperluas. Ini sekitar 10% dibawah komitmen semula dari WMD untuk *P3SW*, atau dengan kata lain masih dalam batas.

Dengan asumsi bahwa ikhtisar ini bisa dipakai sebagai acuan untuk MWD, maka target umum dan kondisi pembatas untuk Fase 1 Program Percontohan *P3SW* yang diperluas bisa ditetapkan sebagai berikut: 88.500 sambungan baru atau sekitar 531.000 jiwa tambahan terlayani, anggaran total anggaran sebesar € 22,4 juta, dan perpanjangan periode percontohan Fase 1 dari 2005 – 2013. Satu set target untuk WMD bisa dikumpulkan dari masing-masing Fase 1 beberapa Rencana Induk, perjanjian tambahan antara WMD dan Kedutaan Besar Belanda untuk bantuan senilai € 3,5 juta, dan diskusi lebih lanjut dengan WMD termasuk TID dan PT.

Pengaturan seperti ini menimbulkan perspetif lain untuk percontohan Indonesia Timur: kita sekarang mengarah ke pertengahan Fase 1 dan sekarang sekitar 50% dari total anggaran tampaknya telah dibelanjakan, yang menyiratkan bahwa masih ada sekitar € 11 juta untuk diinvestasikan untuk meraih target Fase yang diganti. Pada prinsipnya, anggaran yang diperlukan sudah ada dari beberapa sumber

internasional, dan dari pelanggan yang memasang sambungan baru. Kelayakan bagian ini perlu dievaluasi lebih lanjut.

Pekanbaru

Pencapaian target Fase 1 walau agak lambat, dalam 2 – 3 tahun, dianggap cukup layak jika pihak JOA bisa mengatur dana tambahan senilai sekitar € 3 juta. Di bawah pengaturan JOA seperti ini diusulkan untuk membaginya rata ke Pemerintah Kota dengan WPK. Dengan asumsi kontribusi WPK senilai 25% (€ 375K) dari dana tambahan P3SW ini, Tim MTR menyarankan agar sponsor P3SW mencadangkan dana (€ 1,125 juta) untuk kontribusi yang mungkin diberikan pada tahun 2010. Tim MTR sangat menyarankan bahwa para pemangku kepentingan perlu membuktikan tahun ini menjadi tahun yang memberdayakan dan yang memberikan desakan untuk segera melakukan penggiliran keberhasilan percontohan P3SW. Hanya setelah tonggak-tonggak pencapaian tertentu diraih, dana tambahan P3SW bisa diberikan.

Penyesuaian lain yang diinginkan: pengamatan oleh Tim MTR

MTR menambahkan beberapa penyesuaian berikut ke:

1. Ke Program P3SW:

- i. Lakukan tindakan yang diperlukan agar Program Percontohan P3SW menjadi bagian dari arus utama inisiatif KPS di Indonesia
- ii. Lakukan tindakan yang diperlukan agar pengaturan formal bersama BPP SPAM terwujud, yang menyiratkan kepatuhan pada peraturan perundang-undangan KPS sektor air bersih di Indonesia
- iii. Ubah kegiatan pemantauan saat ini menjadi tim pemantauan gabungan Indonesia-Belanda, lebih bagus kalau dikoordinasikan oleh Kedutaan Besar Belanda (lihat paragraf 5.8)
- iv. Ciptakan platform untuk perluasan operasi bersama oleh perusahaan air Indonesia dan Belanda, dan berikan kontribusi pada perumusan pedoman termasuk peraturan perundang-undangan mengenai kerjasama seperti ini di masa depan, diterima oleh seluruh pemangku kepentingan, dan dalam konteks kebijakan pembangunan Pemerintah Belanda / DGIS jika melibatkan pemakaian dana Pemerintah Belanda / DGIS (contoh bagus adalah inisiatif yang sudah berjalan di Aceh, sebagai turunan dari percontohan SAB-SAS dan P3SW).

2. Ke percontohan P3SW:

- i. Selama periode terakhir, percontohan Pekanbaru telah mengalami proses restrukturisasi yang penting. Kesepakatan mengenai perubahan fundamental, seperti perubahan struktur kepemilikan KDTP dan penempatan WFH/PWN terhadap PDAM, juga direktur pengelola yang baru dan perkembangan Selatan-Selatan antara PDAM Tirtanadi dan PDAM Tirta Siak yang sedang dikerjakan dan diselesaikan bersamaan dengan saat pemantauan. Penyesuaiannya sudah cukup jauh dan memberikan indikasi kearah yang baik. Disarankan perkembangan dipantau secara ketat. Selain penyesuaian yang sudah dijadualkan dalam Rencana Tahunan 2009, dan yang baru-baru ini dilakukan oleh WPK terkait dengan penempatan dua konsultan penuh waktu di Pekanbaru (satu ahli jaringan distribusi (internasional), dan satu pengelola perubahan (Indonesia), untuk sementara ini tidak perlu melakukan penyesuaian lagi.
- ii. Untuk percontohan Indonesia Timur, beberapa penyesuaian penting sedang dilakukan, yakni pengembalian aset yang ada ke PDAM dan perubahan yang terkait dengan CA. Pengembalian aset di Indonesia Timur merupakan peluang penting untuk meningkatkan komunikasi dengan tingkat daerah dan pusat seperti PU, BPP SPAM, Bappenas, Depdagri, dan untuk menciptakan pemahaman bersama, penghargaan dan dukungan, dengan catatan bahwa prosedur pengembalian aset yang harus diikuti akan dengan para pihak yang memiliki tanggung jawab langsung ataupun tidak langsung dengan aset dan pengelolaan aset.

MTR menyarankan peningkatan dan penyesuaian berikut untuk percontohan Indonesia Timur:

1. Segera lakukan peremajaan dan peningkatan manajemen PT
2. Pelimpahan tugas dan tanggung-jawab pengelolaan PT ke tim manajemen PT, termasuk target kinerja, kriteria, tonggak pencapaian, dll, dengan sasaran kepemilikan dan pemberdayaan lokal
3. Di tingkat lokal penyusunan rencana investasi, rencana tahunan, anggaran tahunan; ditujukan untuk menumbuhkan rasa kepemilikan, pemberdayaan, komitmen, kesesuaian dan inisiatif; pelaksanaan pekerjaan untuk PT di Indoensia Timur harus lebih sistematis berdasarkan perencanaan investasi multi tahun sesuai dana yang tersedia dan dijanjikan. Pekerjaan ini dan investasi terkait harus ditentukan dalam Perjanjian Kerjasama (CA), yang menawarkan gambaran yang transparan dari rencana, persyaratan dan kewajiban untuk kedua belah pihak.
4. Pengurangan staf konsultan permanen di beberapa PT; ini urusan yang membutuhkan banyak biaya dan memunculkan organisasi yang sejajar
5. Layanan bantuan TID perlu dibagi secara lebih tepat antara Menado dan Papua: pertimbangkan penempatan koordinator TID dari pusat di Papua
6. Sempurnakan model WMD lebih jauh dengan segala akibatnya: sampaikan dokumen terkait ke anggota Dewan Komisaris, lakukan pertemuan formal berkala dengan mereka, atur pelaporan resmi dari Manajemen PT ke Dewan Komisaris, tentukan pembagian tugas terkait pelaporan PT ke pemerintah daerah, DPRD dll.
7. Pengembalian aset mungkin membawa dampak besar pada Perjanjian Kerjasama, dan membutuhkan perundingan panjang. Merupakan sebuah opsi untuk mempertimbangkan beberapa perubahan pada CA setelah pengembalian aset yang ada. Contohnya, mempelajari apakah badan hukum lain, misalnya BLU dan bukan PT, atau hanya PDAM saja, lebih cocok atau tidak untuk organisasi yang kecil (katakanlah untuk menangani 10.000 sambungan). Menurut peraturan perundang-undangan saat ini, format PT mempunyai kelemahan yang jelas terkait dengan eligibilitas (keadaan memenuhi persyaratan) untuk mendapatkan bantuan pemerintah. Mungkin studi lain perlu dilakukan karena bagaimanapun juga perubahan diperlukan sekarang.
8. Ambon adalah isu lain yang memerlukan perhatian. Saat ini, Ambon mempunyai dua perusahaan air yang sebenarnya belum mapan. Lebih baik kedua perusahaan ini, PDAM Ambon dan PT DSA (yang disponsori oleh WMD), digabung sebelum dana P3SW atau dana turunannya diinvestasikan di Ambon.

3. Paragraf 7.2 : “Pelajaran yang ditarik seperti yang diidentifikasi oleh/untuk Tim MTR”

Percontohan P3SW yang rumit dan menantang memberikan beberapa pelajaran (lesson learned). Ringkasan sebagai berikut ini.

1. Kurangnya persiapan percontohan P3SW, termasuk “quick scans”, dan rendahnya kinerja dalam membangun kerjasama yang sebenarnya pada tahap awal percontohan, telah memberikan dan masih terus mengakibatkan efek negative dari implementasi percontohan.
2. KPS dalam konteks pembangunan membutuhkan kemampuan spesifik dan pendekatan karena hal ini merupakan bagian dari hubungan antar pemerintahan. Dibutuhkan transparansi, replikasi, kesetaraan, dan ketaatan terhadap kerangka kerja hukum dan peraturan. Pihak pelaksana harus

memiliki kemampuan penuh untuk mengelola dan memenuhi kewajiban tertentu serta tanggung jawab.

3. Memiliki saham di perusahaan air bersih Indonesia tidak memberikan, walaupun sebagai pemilik saham mayoritas, kecukupan pengaruh untuk meningkatkan operasi dalam waktu yang terbatas. Perusahaan air bersih Indonesia mempunyai kultur organisasi tersendiri dengan banyak kepentingan dan agenda yang berjalan dalam waktu yang bersamaan. Rekanan akan menyampaikan apa yang mereka anggap ingin anda dengar, atau anda akan mendengar apa yang sebenarnya ingin anda dengar. Fakta dan kebenaran mungkin merupakan sebuah cerita lain.
4. karena dibutuhkan waktu dan usaha sebelum peningkatan kinerja dapat dikonsolidasikan, dan modal investasi dari luar untuk pengembangan lebih lanjut dapat diperoleh, KPS mungkin bukan merupakan suatu langkah cepat dan aman untuk penyediaan air bersih yang bersifat "pro-poor" dalam skala besar, sebagai salah satu kebijakan DGIS, dan satu dari alasan untuk mendanai P3SW.
5. Berdasarkan referensi dari teori "Kingdom Curve", waktu untuk intervensi dalam percontohan P3SW mungkin terlampaui cepat dalam pemahaman kurangnya kemauan dan komitmen untuk restrukturisasi. Hal ini mungkin menjadi penyebab lamanya negosiasi dan menimbulkan sikap menaham diri and antagonis, yang pada gilirannya akan menimbulkan kerumitan dan memakan waktu dalam pengaturan kontrak serta institusi dari percontohan.
6. Struktur kontrak dan kepemilikan di percontohan sangat rumit dan menghambat manajemen dan pekerja untuk berhubungan dengan organisasi dan bisnisnya. Kondisi semacam ini sangat tidak kondusif untuk membangun kepemilikan local dan komitmen, yang menjadi dasar untuk operasi yang sukses.
7. Indonesia memiliki kerangka legal yang lengkap mengenai KPS untuk utilitas public. Kondisi KPS dalam Undang-Undang dan peraturan seringkali tidak diformulasikan secara jelas. Hal yang sama dapat dikatakan tentang hubungan yang setara antara Undang-Undang dan peraturan. Peningkatan peraturan direkomendasikan.
8. Operator Belanda mungkin perlu bertanya kepada dirinya sendiri berapa jauh mereka ingin pergi di sepanjang jalan ini, Dari tinjauan institusi mereka memiliki pengambilan dan potensi risiko kecil. Beberapa usaha telah dilakukan untuk mengurangi risiko dalam usaha untuk tetap berjalan sesuai dengan mandatnya. Pada saat yang bersamaan manajemen risiko itu sendiri menciptakan pengaturan yang rumit dan dinamika yang baru yang mungkin menimbulkan lebih banyak masalah.
9. Tingkat kepandaian dan pendidikan formal dari mayoritas pegawai perusahaan air bersih, yang sejak lama bukan merupakan lapangan pekerjaan yang paling menarik, lebih menyulitkan transfer pengetahuan dan keterampilan seperti juga pengertian dan internalisasi dari rencana induk dan laporan bisnis lain yang penting. Isu ini membutuhkan perhatian lebih, juga terkait dengan kepemimpinan, pemberdayaan dan isu kepemilikan.
10. Tukar menukar pengetahuan dan kemauan bekerjasama, untuk identifikasi pertukaran dan menerima kekurangan dan kesalahan, merupakan ramuan yang penting dari program percontohan agar dapat belajar dan meningkatkan diri, dan membangun kepercayaan, rasa hormat dan perasaan memiliki kesamaan misi diantara rekanan. Hal-hal itu juga merupakan awalan yang penting untuk pembelajaran organisasi, mampu beradaptasi dan merubah arah sesuai dengan penalaman dan "lesson learned".

EXECUTIVE SUMMARY, MAIN CONCLUSIONS AND RECOMMENDATIONS

General

The overall objectives of the Pilot Programme for the Public Private Partnership in the Water Sector (with the Dutch Acronym "P3SW") are to investigate how partnering between public (i.e. Government) and private (i.e. water utilities) initiatives in the Netherlands can successfully contribute to the tremendous need for mobilization of resources in the international water sector, in order to consolidate, upgrade and expand water supply infrastructure for the rapidly expanding urban population. At the same time the objective is to offer a contribution to the Millennium Development Goals (MDGs).

Main players on the Dutch side are the Ministry of Foreign Affairs/Development Cooperation, represented by DGIS, and the Ministry of Transport, Public Works and Water Management, represented by "Rijkswaterstaat" (RWS).

More specifically the objectives of the P3SW Pilot Programme include:

- upgrading and expansion of water supply systems,
- performance improvement, including financial resilience, of water enterprises in developing countries through technical assistance, management support, capacity building and training,
- investing a mix of public and private funds to be recuperated during a 15 year period of "joint operation" of water supply systems, so as to replenish a Revolving Fund to be utilized for similar support programmes, and
- return of well operating and healthy water enterprises to the local government at the end of the cooperation period.

Following a "beauty contest", organized in the Netherlands as an open competition for innovative PPP concepts in the water sector world wide that could yield several winning parties, two private parties obtained grants from DGIS/RWS, in the format of subsidy dispositions, for PPP projects in Indonesia.

The combined initial financial outlays of the public and private funds amount to € 7 million (€ 5.1M + €1.9M) in Pekanbaru and € 10M (€ 7.5M+€ 2.5M) in East Indonesia. In the past period the project in East Indonesia has obtained a € 2M loan from the Dutch SNS Bank, and a € 3.5M grant from the Netherlands Embassy in Jakarta. Besides, WMD (the executing private party for the East Indonesia pilot) has committed another € 1M for the programme. In other words the immediate overall "virtual" P3SW budget amounts to € 23.5M, a sizeable budget indeed.

In particular in East Indonesia the general economic conditions and status of water supply operations are such that the willingness and commitment of WMD to assist in the upgrading of commercially not yet viable water supply operations, using the funds of the P3SW Pilot Programme, may be considered as a rather unique opportunity that may not be easily followed by other private parties without such funding.

The P3SW Pilot Programme brings funds into the water sector from public and private parties, i.e. the Netherlands Ministry of Foreign Affairs/Development Cooperation and individual water supply companies from the Netherlands.

The overall assessment of the Mid Term Review (MTR) Team for the P3SW Pilot Programme, is that the programme has the potential to bring about structural benefits to the ailing regional water enterprises and

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poorly served consumer communities in the areas covered, i.e. Pekanbaru, the capital of the Province of Riau on Sumatra, and various towns in East Indonesia.

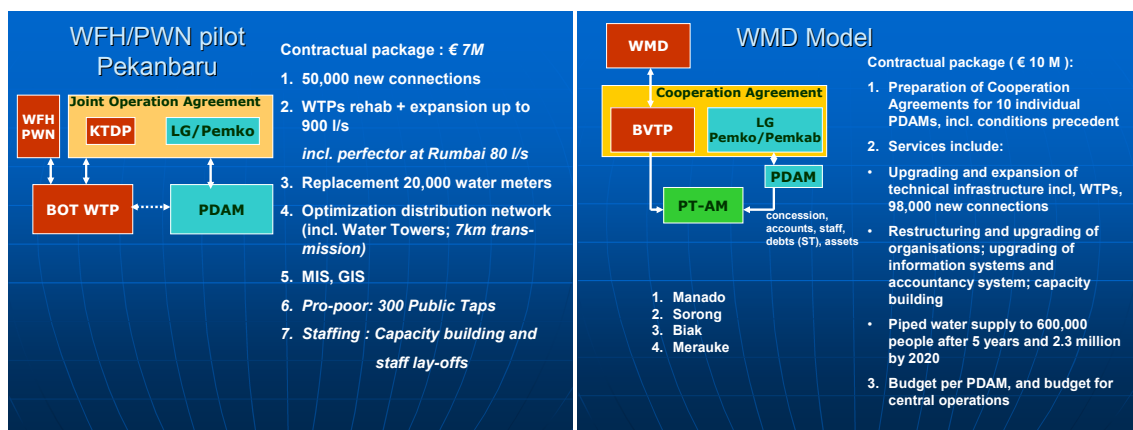
Both pilots have as salient characteristics: (i) a “not for profit, not for loss” and a “full cost recovery” philosophy, and (ii) establishment and operation of a Revolving Fund from which loans will be extended to PDAMs and PTs. The Revolving Funds will be replenished from the interests and refunds of loans extended by the Dutch parties to enable the PDAMs and PTs to finance various services and investments. This will initially lead to increasing debts. Once the upgrading and performance improvement measures take root, the water enterprises will gradually be able to pay back the debts incurred and develop into dependable and financially healthy companies. Overtime the revolving funds will become available to other under-performing PDAMs.

The programme is now about 3 years underway out of the scheduled period of 15 years of joint operations, with investments under the pilot programme mainly taking place during the first 5 years of the programme. It seems the right moment to review the progress to date and address flaws and shortcomings.

Current status: facts and figures

1. Main targets for Pekanbaru P3SW pilot project include 50,000 new connections serving an additional 250,000 people, 300 public taps serving an additional 30,000 people under a specific pro-poor policy, and capacity building and training. Main feature is a BOT contract for bulk water supply to another private party, KTDP, having a Joint Operation Agreement with the local government for the upgrading and expansion of the PDAM.

Main targets for the East Indonesia P3SW pilot include 98,000 new connections serving an additional 600,000 people by 2010 and an additional 2.3 million by 2020. Its main feature is a concession type of Cooperation Agreement with local government and PDAM, creating a PT-AM that will be responsible for water operations during a period of 15-30 years. The plan foresees application of the “WMD Model” in ten towns in East Indonesia.



2. The past three years have seen a lot of efforts and perseverance to make the P3SW programme and its pilots successful. The start-up period was energetic with emphasis on studies, planning, programming, preparation of contracts and cooperation agreements, as well as technical, financial and administrative crash programmes.

- The progress to date after about three years into the programme can be summarized as follows:

Pekanbaru

Strategic choice to limit rehabilitation and upgrading works; focus on restructuring of debt ridden local partner and creating an enabling environment. This seems to start paying off now; developments in 2009 will be essential. To date the Operators WFH/PWN have spent about € 3.6M, or approx 50% of available P3SW funds, distributed as follows: technical assistance 16%, debt restructuring KTDP (substantially related to infrastructure investments) 34%, infrastructure investments 47%, others 3%.

East Indonesia

initially much time and resources devoted to set up of Cooperation Agreements and PTs; the “WMD Model” is now operational in four out of ten towns originally scheduled; at present major rehabilitation and expansion works of WTPs and distribution networks are ongoing, with particular attention for Block Renovation Programmes in all PTs. To date operator WMD has spent about € 11.4M, or 114% of available funds, distributed as follows: technical assistance 56%, infrastructure investments 36%, others 8%.

- In November 2008 WMD has received a further allocation amounting to € 3.5M from RNE. Concurrently agreement was reached that WMD will return the existing assets to the respective PDAMs in the four towns. The arrangements are to be agreed upon by 31st August 2008, and to be completed in legal and financial-administrative terms by 31st December 2009.
- WFH/PWN have for a long time refrained from investing in Pekanbaru in order to push for a number of required changes and decisions required to create an enabling environment for performance improvement of the PDAM. Recently the first essential elements of a so-called “rescue plan” were agreed upon with Local Government, i.e. appointment of a new managing director and endorsement of new water tariffs.

Main conclusions and recommendations

- The initial main targets for both pilot projects, as described in point 1 above, have proven to be totally unrealistic and not attainable within the set time and budgets. The so-called quick scans in East Indonesia were of poor quality and have provided a wrong picture of actual conditions and requirements. The effects continue to impact negatively on the pilots. Similarly KTDP has turned out not to be the anticipated suitable point of entry in an existing Joint Operation in need of funds and technical assistance.
- Considering the recent developments, as mentioned in points 4 and 5 above, it is recommended to extend the period of Phase 1 of the P3SW Pilot programme up to 1st July 2013, so as to compensate for time losses. The rationale for this is that the yet outstanding commitments under Phase 1 can in no way be completed by 1st September 2010, the formal end of Phase 1 of the P3SW Pilot Programme. Under Phase 1 no further P3SW budget allocations are foreseen for the WMD pilot in East Indonesia.
- The Stakeholders in the Pekanbaru pilot have requested for an additional investment budget support of approx. € 3M. MTR estimates that realisation of Phase 1 targets will require approx. € 2.2M, and recommends approving an additional allocation amounting to approx. € 1M from RNE’s bilateral funds to Pekanbaru. The actual transfer of this allocation, to be scheduled not earlier than the beginning of 2010, is recommended to be made dependent on a similar contribution by the local government as equal partner in the Joint Operation Agreement, and on attainment of a number of predefined milestones by the end of 2009.

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9. To date the obligations of WMD and their overall output for Phase 1 of the P3SW pilot, including the additional subsidy allocation from the Netherlands Embassy in Jakarta, are insufficiently defined. Based on analysis of Master Plans for the PTs and related units costs, the MTR Team has proposed amended obligations and output for WMD, including numbers of new connections per PT to be realised at the completion of Phase 1 of P3SW. The MTR Team proposes to set the main overall output target at a total of 88,000 new connections in the four towns of the pilot.
10. Taking into account the depletion of the initial P3SW funds for the four towns now included in the East Indonesia pilot, it is recommended not to expand the pilot to other PDAMs, also not during the proposed extension of the Phase 1 time period.
11. Main adjustments recommended for the P3SW pilot Programme can be summarized as follows:

Pekanbaru:

- a. urgent implementation of the "rescue plan"
- b. deployment of two fulltime experts by WHF/PWN/KTDP for a period of initially two years: one international distribution network expert, and one senior Indonesian Change Management expert
- c. implementation of a thorough Block Renovation Programme (BRP) covering the entire existing network, aiming at overall NRW < 40%
- d. reach understanding with local government that it takes more the role of engaged shareholder, and less of day-to-day general manager of the PDAM
- e. urgent implementation of scheduled pro-poor community managed public taps
- f. set-up of work plan and timetable to complete all contractual obligations under phase 1 (a.o. 50,000 new connections) by 1st July 2013

East Indonesia:

- a. return of assets as per agreed schedule, on the basis of adequate consultations and discussions with stakeholders
 - b. take this opportunity to adjust the Cooperation Agreements, and possibly the "WMD Model", with assistance of an external independent expert
 - c. improve capabilities of all PT Management Teams through appointment of new qualified directors; stimulate ownership and empowerment of PT Management Teams
 - d. intensify considerably the Block Renovation Programme, with intelligent permanent zoning in particular in Manado; embark upon a large scale new connections programme (having overall NRW < 40%)
 - e. urgent planning and implementation of pro-poor water supply in PTs not covered by ESP
 - f. set-up of work plan and timetable to complete all contractual obligations under phase 1 (a.o. 88,000 new connections) by 1st July 2013
 - g. improve reporting system, quality of reports, and transparency of costing of services
12. Public Private partnering in the development context requires specific capabilities and approaches as it operates as part of Government-to-Government relations. It moreover implies transparency, replicability, equality, and full adherence to applicable institutional and legal framework. The executing parties shall have the full capacity to manage and discharge particular obligations and responsibilities.
 13. Indonesia has a comprehensive legal framework governing Public-Private-Participation for public utilities. The PPP conditions in these laws and regulations are not always formulated clear enough. The same can be said about the mutual relation between these laws and regulations. Improvement of the legislation is recommended.
 14. Financial modelling and analyses for the pilots in Pekanbaru and Manado shows that the these two water utilities will at the completion of Phase 1 of P3SW not reach a sufficiently resilient position that will enable them to attract external investments independently. Only in the best case scenario, with

further investments and continued improvement of essential performance parameters, ultimately a financially healthy and resilient water utility will emerge.

15. The P3SW pilots, in particular the long-term implications of Joint Operation Agreement (Pekanbaru), Cooperation Agreements (various in East Indonesia) and other contracts (a.o. BOT in Pekanbaru) are too complex to assign monitoring and control, for the financier GON (DGIS/RWS), to one single person. It is proposed to establish a Monitoring and Control Team (D-MCT) of three persons, one representing GON, one representing the Private parties, and one as an independent expert advisor in PPPs (and selected by the two first parties). The D-MCT will also document experiences and lessons learned and keep these available for similar initiatives.
16. Parallel to the Monitoring and Control Team in the Netherlands a joint Indonesian-Dutch Monitoring and Control Team (I-MCT) for the further implementation of P3SW is proposed, preferably under coordination by the RNE. The Dutch representative should preferably be one of the members of the D-MCT (see 13, above). From the moment that agreement is reached between DGIS/RWS and RNE that RNE takes over all GOM management tasks re. the P3SW programme the D-MCT may be resolved.

The I-MCT could further coincide with the “Oversight Body” that was proposed earlier in discussions between GOI and RNE in relation to the East Indonesia pilot. A representative for local governments should also be a member of the I-MCT.

Assuming that the in the near future the operations under the P3SW pilots will be subject to a local and/or central Regulatory Body, the joint monitoring team could review on a regular basis the functioning of the Regulatory Body, and the performance of the PPP partners regarding continued investments, adequate cost management and application of full cost recovery principles, capacity building and training, concurrence with applicable laws and regulations, and adequate management of ownership and empowerment issues.

17. The Dutch water companies have planned to introduce sanitation services at a later stage as part of the ongoing projects. Preferably water supply and sanitation shall indeed go hand-in-hand to obtain maximum health benefits. It is however strongly recommended that the water supply companies WFH/PWN and WMD contribute to the right starting conditions, e.g. by incorporating the importance of proper sanitation in their socialization programmes, while leaving the actual development of sanitation services to other parties better qualified for this (e.g. specialist consultants applying the GOI adopted City Sanitation Strategy as developed by the Dutch funded ISSDP project)
18. Sanitation is expected to take much of the attention, and most likely also a majority share of the available government funding, during the next five years in order to have the sanitation sector catch up, and comply with the Indonesian MDGs related targets.

The water sector cannot stay behind; it will have to use its income generating capacity much more efficiently in order to face the challenges ahead. MTR recommends the Dutch Operators to consider whether with the funds from the so-called “1% - arrangement” not a more holistic water supply sector improvement programme can be formulated and implemented.

19. Guided by its TOR, the MTR Team has pursued to cover many relevant topics and cross sections of this complex programme. Several subjects require further and more in-depth study, such as the future feasibility of attracting investment capital for the PTs, the options for the further development of the Cooperation Agreements in East Indonesia, and the outcomes of the P3SW pilot programme in comparison to other PPPs in Indonesia. MTR recommends to undertake such further studies.

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20. The various chapters of this MTR Report review achievements and progress to date, and suggest a series of improvements for the ongoing P3SW pilots. The MTR Team wishes to commend all stakeholders that make these pilots possible, in particular the local governments, the PDAMs, the private parties WFH/PWN/KTDP and WMD, and the advising officials from central government, for the interesting developments during the past three years and the trust that they are ready to offer each other.

1 INTRODUCTION

1.1 P3SW – General

P3SW-PPP

The “P3SW”, a Dutch acronym for a “Public Private Partnership” Programme in the water sector was established in 2002. The Ministry of Foreign Affairs/Development Cooperation (represented by DGIS), the Ministry of Transport, Public Works and Water Management (represented by the Programme Bureau Partners for Water, and the Netherlands Water Partnership (NWP) joined forces to prepare a batch of pilot projects for public private partnerships in the water sector in developing countries. Its objectives were to investigate how partnering between public and private initiatives in the Netherlands could successfully contribute to the tremendous need for mobilization of resources in the international water sector in order to consolidate, upgrade and expand water supply infrastructure for the rapidly expanding urban population. At the same time the objective was to offer a contribution to the MDG's.

A call for tenders (as a kind of a beauty contest) was conducted in 2003 and ultimately two pilot projects were selected, both in Indonesia, and both in the format of cooperation between the Dutch Government (the public party) and one or more Dutch Water Supply Companies (the private party). As parties could propose projects in a wide range of countries, no prior MoU was concluded beforehand with a particular country.

Dutch water enterprises

Dutch Water Companies are publicly owned companies that operate on commercial and entrepreneurial concepts of private business. Due to the ownership structure the water companies in the Netherlands are associated with the public sector, and by law public water supply is a public affair.

Abroad a Dutch water company may within the limits of applicable Dutch legislation, and under particular conditions of its Board of Commissioners, operate as a private company. Drivers for this include (i) translation of Corporate Social Responsibility into concrete action, and (ii) taking the challenge to use the available resources to contribute to MDG's and water supply development worldwide.

The short description above may suggest certain sensitivities on the activities, obligations and responsibilities in which a Dutch Water Supply Company may engage itself in international operations. And this is indeed the case. At times questions are raised in the Dutch parliament. A central issue for the Boards of Commissioners and the Boards of Directors of international operating water companies is risk identification, management and mitigation.

Water supply in Indonesia

Understandably this is not different in the Indonesian setting where public private partnerships and privatization in the water sector have been introduced since the mid nineties. The sector got a serious blow during Asia's financial crisis in the late nineties. In fact the sector is still in a slump and has difficulty to recover from that dramatic drawback. In that context it is not surprising that the Government of Indonesia (GOI) at different levels is monitoring, and at times guiding and steering, the developments in the public-private interface.

1.2 Background of Midterm Review

The start-up of the “P3SW” (PPP) Pilot Programme [1] for water supply in Indonesia was originally foreseen in 2003, with a first phase of five years from 2003-2008 and a midterm review in 2006. For various reasons the programme suffered delays. After additional missions [2,3] and a change-over of partnering organization for one of the two parallel initiatives (i.e. Pekanbaru), the programme got really going in 2005. The subsidy dispositions [4,5] were concluded late 2005 with the initial phase running from 2005-2010, and the midterm review in 2008.

As per Terms of Reference the Midterm Review [6] is to review whether the objectives of the P3SW (PPP) Pilot Programme can and will be obtained, and which adjustments to the programme are needed in order to reach the objectives. It is to address both the P3SW-PPP Programme setting as well as the particular implementation modalities in Pekanbaru and East Indonesia. The latter will be referred to as the “Projects”.

The Programme Review concerns the overall set-up of the P3SW-PPP programme, the roles of the various stakeholders on the Dutch and Indonesian sides incl. programme coordination and monitoring by RWS/Deltares, the institutional support base, and the characteristics, advantages and constraints regarding the PPP models and strategies opted for by the private parties WFH, later joined by PWN, and WMD. WFH is a limited company owned by five Dutch Water Supply Companies (including PWN and WMD). PWN stands for “NV PWN Water Supply Company North Holland”, and WMD for “Waterleiding Maatschappij Drenthe”, both are Dutch Provincial Water Supply Companies.

At project level the review will focus on the progress and results to date of WFH’s pilot scheme in Pekanbaru, and the active Cooperation Agreements in WMD’s pilot scheme in East Indonesia.

1.3 Midterm Review procedure

As per Terms of Reference the Midterm Review will address the following issues:

1. Define original targets of the P3SW projects
2. Describe and compare the two P3SW PPP models in Pekanbaru and Eastern Indonesia.
3. Describe to what extent original plans are still followed, where deviations occurred and why
4. Compare intermediate results of both pilots with original planning
5. Have assumptions underlying original plans proven correct regarding
 - a. Technical, financial and organizational state of the water enterprise(s)
 - b. Cooperation with local partners
 - c. Support from local, provincial and national government
 - d. Acceptance of pro-poor policy
6. Define adjustments to plans made during project implementation to date
7. Feasibility of attaining a sustainable water enterprise providing the required level of service (quality, quantity, pressure, 7*24) when continuing the programme
8. Name technical, financial, institutional success and risk factors for the approach followed in each of the pilots
9. Recommend desired adjustments re. set-up, priorities, implementation approach for P3SW in order to reach defined targets
10. Main lessons learned

The MTR’s Terms of Reference suggested that the review was to be split up in two phases. In short, phase one was to review the achievements, results, constraints and lessons learned to date, and phase two was

to focus on the financial and economic feasibility of the modalities under the pilots, as well as the possible adjustments required to the selected approaches and strategies.

The TOR specified that the MTR was to assess in more detail the pilot components in Pekanbaru, and Manado. At least three other locations were to be visited and reviewed in order to get sufficient insight too in developments in smaller water companies involved in the pilot.

1.4 MTR Implementation

The first phase of the MTR was carried out in December 2008 with visits to Pekanbaru, Manado and Sorong, including meetings with PDAMs and PTs, Dutch private parties, and members of Boards of Commissioners. In addition a visit was paid to Tomohon, and discussions with officials from Biak were held in Jakarta.

Meetings were held with various central government Ministries and institutions in Jakarta; with the Netherlands Embassy in Jakarta; and with the various stakeholders in the Netherlands, including DGIS, RWS/Deltares, WFH, PWN, WMD.

A draft report was circulated between mid January and beginning of February to all parties involved in MRT's first phase. Central Government Ministries and Institutions in Indonesia received copies through the Netherlands Embassy. The Dutch private parties were requested to distribute copies to their field teams, local government, and water utilities.

Due to limited preparatory time, the phase 1 activities were undertaken by international consultants. Prior to phase 2 Indonesian experts were selected to further strengthen the team during the phase 2 activities.

The MTR-Team consisted of:

- Ir. Jan Oomen (DHV, Team leader), Public Health Engineer and Institutional Expert
- Dr. Ismeth Abidin, (University of Indonesia), Organisation and institutional expert
- Ir. Amir Susanto MPH (Trisakti University), Public Health Engineer and Institutional Expert
- Ir. Rik Dierx MBA (DHV), Water Supply and Sanitation Expert
- Dr. Werner Brenner (Independent Consultant), Economist
- Dra. Poppy Wijaya (Independent Consultant), Financial Expert

Under phase 2 the team of Institutional Experts paid visits to Pekanbaru, Biak, Merauke, and Manado, of which the latter three were visited by a team of two, i.e. Amir Susanto and Jan Oomen.

The team of the Economist and Financial Analyst visited Pekanbaru and Manado.

At the completion of the field work for phase 2 a half day workshop was organised at the premises of the Netherlands Embassy in Jakarta to present and discuss preliminary findings, and to provide a platform for further discussion and information exchanges between the various stakeholders of the P3SW pilot programme.

Institutional and legal issues are discussed in Chapter 2. An introduction to the pilots and description of the main features is presented in Chapter 3. The methodology of the Mid Term Review and the main finding and observations of the MTR team regarding the implementation of the P3SW programme in general, and pilots in particular, are described in Chapter 4. Particular P3SW aspects as per TOR are discussed in Chapter 5. The financial models and analyses are elaborated in Chapter 6, Finally, Chapter 7 summarizes the lessons learned.

2 INSTITUTIONAL AND ORGANISATIONAL FRAMEWORK IN INDONESIA

2.1 Brief country profile: political, economic and legal setting

Indonesia has introduced Public Private Partnership in the nineties. In the late nineties during Asia's economic crisis that also seriously impacted on Indonesia, several contracts and plans involving international water services operators got into serious financial problems. Consequently, the privatisation was seriously set back.

In the same period the political and administrative setting of Indonesia went through a period of change and adjustment, following the end of the Suharto era of strong centralized government and leading towards the development and implementation of new policies on decentralization and regional autonomy. This had a large impact on the distribution of resources with considerable implications for public services provided. A new balance had to be found between central and regional policies, allocation and distribution of resources and decentralization and devolution of legislative and executive powers.

It is in this setting of rapid changes that the Dutch water companies had to prepare and implement the early stages of the P3SW (PPP) Pilot Programme. After a non-responsive first round of a "beauty contest" for PPPs in the water sector by the Netherlands Ministry of Foreign Affairs/Development Cooperation in 2002, in support of the MDGs, a second "beauty contest" in 2003 resulted in the selection of two parties, WMD and WFH. Each of them obtained a subsidy disposition from DGIS in 2005.

Both parties had submitted plans for a pilot PPP programme in Indonesia. As the pilot programme was new for the Dutch stakeholders, and projects were situated in an Indonesia coming to terms with the dynamics of decentralization and regional autonomy, further preparation of planning and programming appeared necessary. The preparatory stages of the P3SW (PPP) Pilot Programme run say between 2003 and 2005. Numerous discussions were held with various stakeholders at central, regional and local levels in Indonesia, lawyers were hired, different interpretations of applicable laws and regulations were reviewed, second opinions were sought and offered, and various drafts for cooperation agreements and joint operation contracts were formulated.

Based on several consultations between Dutch and Indonesian parties at policy and operational level, as well as at local and central government level, the subsidy dispositions were issued by the Dutch Ministry of Transport, Public Works and Water Management, with funding from the Dutch Ministry of Foreign Affairs/Development Cooperation through a covenant between said two Ministries, in September 2005. The selected Dutch parties, WFH and WMD, continued in cooperation with Indonesian partners, discussions leading to Letters of Intent, Memoranda of Understanding and ultimately Cooperation Agreements with Conditions Precedent.

At the same time the Indonesian Government took initiatives to revise its legislation for the water sector, as partly restructured during the early stages of the decentralization and regional autonomy, also taking into account the challenges ahead with a growing urban population and commitments towards MDGs. Options of Public Private Partnerships in the water sector received renewed attention. Further expansion of PPP was actively promoted through new laws and regulations as well as the establishment of a sector regulator. Public Private Partnerships in the water sector are considered as a means to attract additional resources to the sector for both investments and improvement of services and performance of water supply companies.

As the MTR team has the impression that the P3SW parties may not have been alert enough on developing and adjusting their models within the existing and changing legal environment, and developing relationships and consultations at national level, some relevant issues are briefly reviewed below.

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Reference is also made to a recent study by Bart Teeuwen [7], commissioned in October 2008 by RWS/Deltares in the context of the P3SW (PPP) Pilot programme.

For the legal framework the following recent laws, Government Regulations and Presidential Decrees are relevant:

1. Law No. 7, dated 2004 on Water Resources ("Law 7/2004") [8]
It is focusing on the provision of sustainable water resources, and the management of water supply and wastewater. It addresses the participation of the private sector, cooperatives and the community in development, management and operation of facilities.
2. Government Regulation No. 16, dated 2005 on The Development of Water Supply System ("PP16/2005") [9]
This Government regulation addresses the upgrading and extension of the water supply sector through a series of Articles on the development of water supply systems. It pays particular attention to participation of the private sector, and public private partnerships. In particular the Articles 37-41 and 64 are relevant in the context of the Dutch P3SW-PPP pilot programmes.
3. Presidential Decree No. 67 dated 2005 on Cooperation between Government and Business Entities in provision of Infrastructure. [10]
It defines the roles, responsibilities, rules and procedures on how Local Government will manage water supply and wastewater systems and how the private sector participates in the water supply development.

These laws and regulations replace the old water law of 1974 (Law No. 11/1974). In theory the old law was an integrated law for all types of water resources, but in fact the law was dominantly an irrigation law. There was only little attention for operation and maintenance and other management aspects. The law was a typical development law and not a management law.

Another relevant law that is still applicable is law No. 5/1962 [11] on Regional Enterprises. This law used to be one of the more relevant laws that governed the functions and operations of the PDAMs in the eighties and nineties. The law is under review at present and the replacing law may pass in the first half of 2009.

Several other laws, decrees and regulations are referred to in discussions and documents. These include Government Regulation No. 26/2007, on managing local assets, Ministerial Regulation No. 23/2006 (Ministry of Home Affairs), on Water tariffs setting (based of principle of full cost recovery, reasonable rate of return, indexation), Ministerial Decree No. 43/2000, on cooperation between PDAM and Third Party (Private Sector). With the context of the current MTR these references have not been reviewed in further detail.

PPP and Regional Autonomy have contributed to the introduction of the new laws and regulations mentioned above. More laws are under preparation. The Government is embarking o a wider fabric of reforms to accelerate infrastructure development and support Public Private Partnerships. An important role in this process is played by the Water Supply Development Supporting Agency, BPPSPAM [12] that was established as part of presidential Decree 67/2005.

Other important developments include: the Law on Local Government-owned Enterprises (UU BUMD), and the PDAM Restructuring and Recovery Program based on principles of good corporate governance and full cost recovery, with emphasis on customer oriented services and conservation of water resources. Presidential Decree No. 67/2005 offers a "general philosophy" in case various laws and regulation as mentioned above do not cover a particular situation in full detail: "any business initiative that impacts on the interest of the public at large will require mechanisms to safeguard the interest of the public".

Bart Teeuwen has already made an analysis of the relevant PPP legal framework in October 2008 (7). We refer here to his report. He describes various grey areas and discrepancies in the current PPP related legislation, in particular the mutual relation between the several laws and regulations, the requirement of a public tender, and the transfer of assets. He correctly concludes that a public tender is required and that transfer of assets isn't in accordance with the philosophy of the water legislation. In case of doubt about the clearness of the law/regulation, the general principles of good governance should prevail. We agree with his recommendation to improve the involved PPP legislation, especially the government regulation about the development of the water supply system.

This principle is also to be observed by the P3SW Pilot Programme if parties involved wish to make it a fully and mutually agreed Indo-Dutch pilot programme. At the same time the pilot nature of the P3SW (PPP) Pilot Programme may also offer opportunities to experiment more liberally with innovative institutional and legal alternatives, providing that these are discussed and agreed upon with the responsible central and local Indonesian authorities and stakeholders prior to implementation. The "Oversight Body" (discussed elsewhere in this document) may play an important role in this respect.

2.2 Main privatisation options in water supply and parties involved

As to PPP (or "KPS" in Indonesian) essentially five basic formats are distinguished under Indonesian laws and regulations [12]: three in relation to public investment options, i.e. O&M contract, Management contract, Lease contract, and two in relation to private investment, i.e. BOT contract and concession contract. The divestiture model (with transfer of assets to the private party, ref. UK set-up) is not a legally supported option in Indonesia.

The Indonesian laws, regulations, Presidential and Ministerial Decrees prescribe for each of the options the actors, roles, conditions, (feasibility) studies, (business) plans, documents, (periodical) reports etc. to be provided so as to be compliant.

A concession contract for example needs to distinguish and specify in sufficient detail not only the arrangements between the owner of infrastructure at local government level and the concessionaire, but also the respective roles, rights and obligations of the parties the concessionaire maintains contractual relations with: sponsor, funder, operator, contractors, suppliers, and buyers.

In a recent article "Safeguarding water contracts in Indonesia" M.M. Al Afghani [13] offers a useful description of the current roles of various players in the Indonesian PPP setting. Considering the relevance for the pilot programme under review this description is quoted here, with minor adjustments:

- Due to regional autonomy, the *key players* in the privatisation process in Indonesia are the *regional governments*. The central government does have a role in giving licenses for water investments. However, when it deems that the regional government is able to exercise its authority, the law enables regional government to administer licenses. The second reason why regional governments are key players is because they have shares in regional enterprises, which engage in drinking water provision agreements with private operators.
- The second player involved is the *local private operator*, a subsidiary company incorporated in Indonesia. Oftentimes, foreign investors form an alliance with Indonesian partners which in turn invest a substantial amount of shares in the subsidiary company and provide political protection. The private operator obtains its assets through capital injection from shareholders and through loans. In some cases the shareholders could be individuals or foreign companies incorporated in foreign jurisdictions. This is where the problem becomes more complex, as both the private operators and its shareholders though legally distinct can actually be the same economic entity.

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- The *central government* plays a vital role in supervising the regional governments in conducting the privatisation for two reasons. First, because they can be dragged into international arbitrations by the private operator's shareholders. Secondly, the central government is a party to judicial review of the water law before the Constitutional Court. The Court has declared that a new judicial review is possible if the water law's regulatory instruments are not consistent with the Court's recommendations. Thus, the central government must supervise regional governments so that their rules comply with the Court's decisions.
- *Lenders* are important players as well. Their interest in safeguarding their investments must be put in line with stakeholder's interests. Lenders normally have special privileges to enforce their rights in the event of default. This prerogative must be exercised in a way that will not jeopardize the continuity of water services.
- The last — and the most important institution — are *customers and other stakeholders*. The position of the customer in the above structure will depend on the type of privatisation model. A concession gives a private operator responsibility not only for the operation and maintenance of assets but also for financing and managing investments. The difference between the private operator in concessions and in divestitures is that the former does not own the infrastructure assets, while the latter does. Since the infrastructure assets are owned by private parties, divestiture schemes may not be consistent with the Constitution.

The extent to which joint ownership of the operator, by the government and a private party, is consistent with the Constitution depends on how control is exercised in the decision making and price determination processes. The maximum capital ownership of the foreign investor is 95 per cent.

In the context of the ongoing pilot programme the most important players at central government level are Bappenas (The National Planning Board), Ministry of Finance (a.o. conditions for debt restructuring), PU/CK (Ministry of Public Works), and BPP SPAM (water sector agency/regulator offering guidance in PPP).

PERPAMSI plays an important role as it assists its members in PPP related activities, offers guidance and assistance in reviewing draft joint operation agreements, etc. It does so through its regional and national representations.

On the Dutch side the principal parties, apart from the utility operators, are DGIS, the lender (grants in this case), RWS/Deltares, the monitoring organization representing DGIS, and the Royal Netherlands Embassy (RNE).

During the initial stages the role of RNE was limited, a.o. due to the fact that at that time the water and environment sector specialist had rather an environmental than a water supply orientation (for DGIS one of the reasons to keep the monitoring and coordination function in The Netherlands). Some of the required support inputs were performed by RNE's sector specialist, others by DGIS at The Hague.

The MTR Team notes that recently initiatives were taken to return the assets back to the PDAMs in East Indonesia. This is a result of the periodical discussions between RNE's water sector specialist and Bappenas. The decision on this was taken in September 2008, and the process is to be completed by 31 August 2009.

This arrangement has not only given a more active and more appropriate role to the RNE, but also resulted in a GOI suggestion to establish a joint "Oversight Body", consisting of Indonesian and Dutch officials, to monitor and if required adjust the pilot programme.

The more pronounced role of the RNE, and also the consideration for establishment of the "Oversight Body", concur with the new development policy of the Netherlands towards Indonesia, i.e. more emphasis on "equal" partnerships in various sectors. For more details on the Oversight Body see Chapter 5.

Bappenas is considering to qualify the pilot programme as a business-to-business (B2B) type of venture, implying some relaxation of obligations that are applicable under government to government business (such as registration in GOI's "Blue Book" for projects in planning pipeline, etc.).

2.3 Relevance of local dynamics for P3SW pilot projects

As set out above the setting and context in which the P3SW pilots were prepared and have taken root have changed over time. Central Government is showing increasing interest in developments and achievements in the regions. The interpretation of laws and regulations has become less ambiguous.

Conditions and criteria formulated and adopted at the start of the programme are being subjected to renewed scrutiny. As a result, for example, it was agreed recently that for the pilot in East Indonesia the earlier transfer of assets from the PDAM to the PT may not have been the right choice. Transfers will be undone in the coming year. The return of the (existing) assets is scheduled to be fixed by August 2009 and fully completed in administrative and fiscal terms by December 31st 2009. A remarkable adjustment and an appropriate decision in the context of a pilot programme.

Bappenas indicates that with the changing legal environment the qualification of the P3SW Pilot Programme as B2B business may be risky to a certain extent. Newly elected mayors may use the ambiguous set of laws and regulations as an argument to take distance from earlier agreements.

2.4 Basic investment criteria from MDG plans in Indonesia

From the Central Government's overall budgeting for the attainment of the MDGs in Indonesia the following key data can be derived regarding water resources and capital cost requirements [3]:

Average water consumption (or allowance)	:	70 l/c/d
Number of persons supplied per l/s	:	1250
Number of connections per l/s	:	200
Average consumption per connection	:	13m ³ /connection/month
Cost of WTP per l/s	:	€ 10,000 or Rp 150 million
Cost of water intakes/transmission/storage per l/s	:	€ 15,000 or Rp 225 million
Cost per new house connection (net)	:	€ 100 or Rp 1.5 million
All-in system costs per connection	:	€ 220/connection or Rp 3.3 million (incl. all system components)
All-in system cost per capita	:	€ 37 or Rp 550,000 (incl. all system components)

These figures will be used for easy reference when estimating the investment requirement in the pilot programme. Note that these figures are applicable at water consumption (or water allowance) level of 70 l/c/d. If for urban agglomerations average water consumption of 150 l/c/d is applied the investment figures need to be doubled.

3 BUSINESS CONCEPTS P3SW PILOT PROGRAMME

3.1 General

General business concepts for the P3SW pilots were developed, presented, discussed and reviewed during the bidding stage, initial meetings between future partners, discussions with central government organizations and agencies in Jakarta. Further refinement of approaches and options were implemented at the start of the cooperation programme.

This chapter describes the current business concepts and operational models adopted in the two pilot projects in Pekanbaru and East Indonesia after some three years of cooperation. Apart from institutional set-up considerable attention will be paid to the various contract arrangements, such as a “Joint Operation Agreement” (JOA) and “Cooperation Agreement” (CA) concluded between the various stakeholders in Indonesia and the private parties from the Netherlands, as these contracts will to a great extent determine the operations and activities of the main players in the pilots.

These descriptions, in separate paragraphs for Pekanbaru and East Indonesia, will be followed by a comparative analysis and assessment of the business models and concepts. The actual performance and impacts of the models will be further discussed in Chapter 4.

3.2 Pekanbaru

The P3SW proposal by WFH [14] started to a certain extent as a last minute diversion from an earlier proposal for Bogor. As an ultimate deal with Bogor appeared not very likely Pekanbaru, one of the towns that featured on PU’s list for privatisation at that time, was selected as the new partner.

WFH had gained experience with the JVC Tirta Sumut and its REOT contract with PDAM Tirtanadi. This offered a good background for similar BOT services in Pekanbaru.

An earlier concession contract between Pekanbaru’s Town Administration (“Pemko”) and operator Cascal had run into difficulties at the time of Asia’s financial crisis at the end of the 1990s. Pemko then entered into a new Joint Operation Agreement (JOA) with a company called PT KTDP that started as a subsidiary of Perpamsi.

KTDP had entered the promising market of renewed public private cooperation initiatives after the fallout of the financial crisis had somewhat settled. In the initial stages of joint operation between KTDP and the PDAM it had become apparent that the parties were not up to the challenges ahead and cooperation with WFH was welcomed. For all stakeholders the combination of the ongoing JOA with the opportunity provided by WFH’s P3SW initiative appeared an attractive way forward. This was further confirmed by a mission [3] from the Programme Office of the Partners for Water Programme, also responsible for the P3SW programme.

WFH is in fact an association of five water companies in the Netherlands that combined forces to undertake overseas projects. At the time of the call for tenders for the P3SW programme WFH, as well as its individual members, had previous experiences in cooperating with Indonesian water companies, a.o. through twinning in the nineties and through a unique service provided by WFH’s subsidiary PT MTI to pre-finance and contract the implementation of new connections for PDAMs. This new approach appeared very successful and to date some 75,000 additional new connections were realized through PT MTI in the past eight years.

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The essence of the WFH's approach for the Pekanbaru P3SW set-up is the realization of new connections, through PT MTI, and bulk water supply delivery, through a newly established PT Tirta Riau, to the existing Joint Operation Agreement partners. The upgrading and expansion of PDAM's services was essentially vested in the existing Joint Operation Agreement (JOA) between PDAM and KTDP, and its was decided to continue that set up as the Walikota (Mayor) made it clear that he wanted to adhere to that JOA.

Over time the financial problems of KTDP proved more dramatic than anticipated. In consultation with RWS/Deltares it was decided to bring in one more party from the Dutch side in support of WFH. N.V. PWN Water Supply Company North Holland, at the same time also a member of WFH, stepped in as a separate financier parallel to the budgets channelled through WFH.

The then resulting model for operations is well reflected in the diagramme presented in Figure 3.1 that features in each of the reports of this pilot.

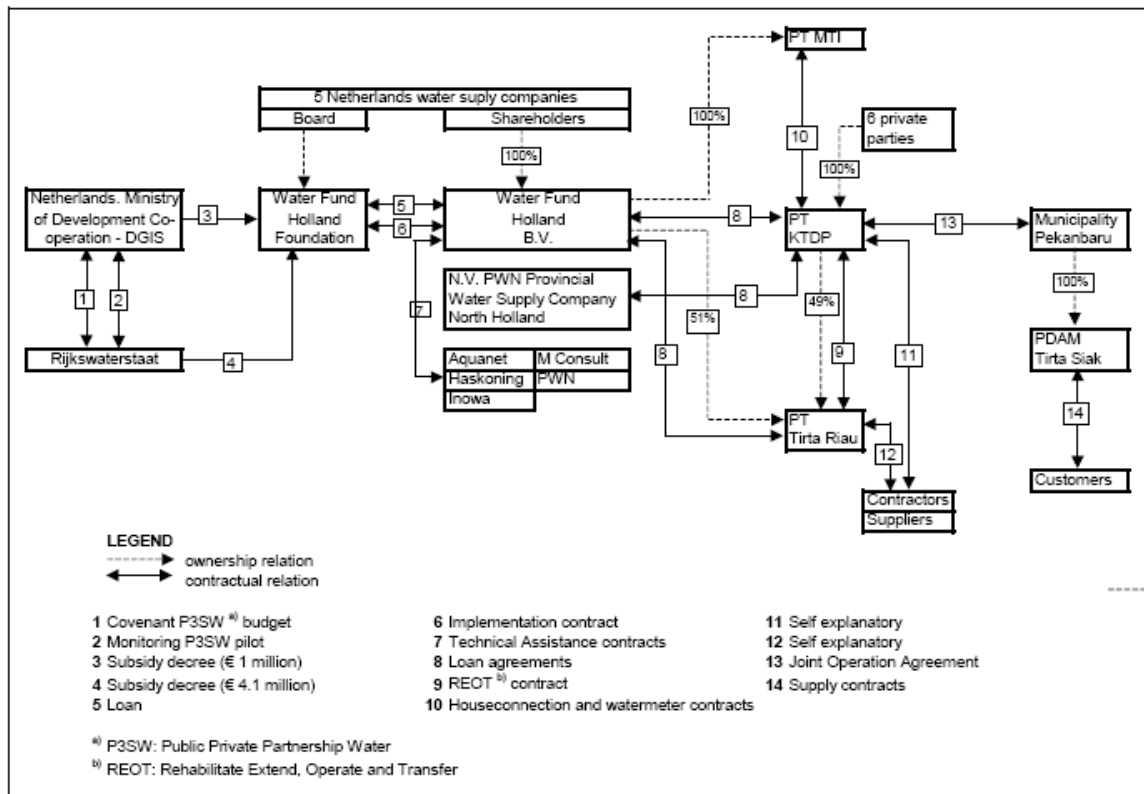


Figure 3.1 Institutional arrangements for the PPP for water supply development in Pekanbaru

Salient details of the business model for the pilot programme in Pekanbaru include:

1. The basis for the upgrading and expansion of services by the PDAM (PDAM Tirta Siak) is the "Joint Operation Agreement" (JOA) signed in 26 June 2003 between the Local Administration for Kota Pekanbaru (Pemko), as the legal owner of the PDAM, and KTDP as Operator/Investor.
2. That JOA, valid for a period of 14 years or up to June 2017, stipulates that KTDP is to invest Rp 50 billion (now valued at € 3.75M) for the upgrading of the treatment capacity up to 600 l/s, and instalment of 20,000 new connections.
3. Existing assets remain with the PDAM Tirta Siak and new assets are the property of KTDP until the end of the JOA agreement, at which date the assets are to be transferred to the PDAM without costs. Existing assets were to be appraised within three months from the effective date of the JOA.

4. A first substantial increase of the water tariffs (30%) is scheduled to be effectuated in the 3rd year of the JOA, providing that investments and services by KTDP are in accordance with plans.
5. Contractors for various works are to be contracted from among local parties based in Pekanbaru, and require prior approval by Pemko.
6. PDAM and KTDP run a joint revenue account where all clients' revenues are administered.
7. KTDP receives a fixed interest of 11.5% per annum on all its investments in the PDAM.
8. Profits are shared as follows: 60% for PDAM and 40% for KTDP, whereas losses are shared as follows: 40% for PDAM and 60 for KTDP%. Payment priorities to creditors, in periods without profits, are defined, but only in general terms.
9. In 2005 when KTDP had run into problems to obtain further funds from creditors, WFH stepped in with the P3SW funding. In March 2006 the investment by KTDP were audited to amount to Rp 26.7 billion.
10. WFH 's position in relation to the JOA parties is defined by an Amendment to that Agreement with the following stipulations:
 - a. The Partnership Agreement dated 26 may 2005, signed by Minister van Ardenne, the Mayor of Pekanbaru and representatives from WFH, KTDP and RWS/PB-PfW, serves as umbrella and connecting document between the P3SW Subsidy disposition for Pekanbaru and the existing JOA through a specific Addendum to the JOA.
 - b. Objectives in the Partnership Agreement [17]: to contribute to the MDG7 on poverty eradication and environmental sustainability. The strategic purpose of the PPP is to provide healthy and affordable piped water to the residents of the PDAM supply area in order to improve public health and support economic development.
 - c. In observation of the additional funds made available under the subsidy disposition the Addendum specifies that the obligations regarding infrastructural works will be uplifted to: reduction of NRW down to 27%, further increase of water production capacity (Tampan from 540 l/s to 780 l/s, and Rumbai from 40 l/s to 120 l/s), transmission mains from Tampan WTP to existing reservoirs (7km), 50,000 new connections instead of earlier specified 20,000, replacement of 20,000 water meters, installation of 300 public taps as part of a specific pro-poor programme, and capacity building and training aimed at management, GIS, MIS, and Computerized Billing System.
 - d. WFH will bring in two local subsidiary companies for this redefined upgrading and expansion programme: PT MTI and PT Tirta Riau. PT MTI pre-finances the stock of spares for house connections and organizes actual construction of the connections once planning and deal making with customers is completed by the PDAM. PT MTI offers similar services for the replacement of water meters. PT Tirta Riau will upgrade and expand the treatment plants and provide bulk water to the PDAM
 - e. Total additional funding amounted initially to €8.9M (DGIS subsidy of €5.1M and own contribution by WFI/PT MTI and KTDP totalling to € 3.8M). After PWN joined as a separate entity and provided a loan of € 1.4M directly to KTDP, the total budget increased to € 10.3M for upgrading and expansion of the system. In addition, PWN rendered in the period 2006-

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2008 various support services amounting to a total of €125,000 from its own means. To date this contribution seems not be included in the overall figures.

Funds used for technical assistance, capacity building and training will be part of the investment costs.

- f. Total investments by KTDP are to be increased from Rp 50 to 100 billion. Obligations of KTDP remain otherwise as defined in the JOA. KTDP will realize these obligations through loans from WFH/PWN and contractual cooperation with PT MTI and PT Tirta Riau.
- g. WFH and its subsidiaries, and PWN, receive compensation for their funding and services through amongst other the following mechanisms:
 - i. PT Tirta Riau is entitled to receive a monthly subscription Fee and a volumetric Fee. These Fees are based on provisions in the “Rehabilitate Extend Operate Transfer” (REOT) contract and include cost of rehabilitation and extension of installation as well as operating expenditures. PT Tirta Riau will prepare monthly invoices to the PDAM.
 - ii. Upon commissioning of house connections, public taps, and water meters PT MTI is reimbursed for the costs which are calculated in accordance with the provisions of the supply and installation contract.
Note: Under the JOA/Amendment 1 the invoices of PT Tirta Riau and PT MTI, see (i) and (ii) above, are considered as Opex.
 - iii. WFH/PWN will receive interest on loans extended to PT KTDP and PT Tirta Riau, See Figure 3.1. Loans are in Indonesian Rupiahs with an interest rate of 11%, and payback period is 11 years.
Note: payback of investments financed through KTDP is considered as Capex.
- h. The director of WFH’s subsidiary PT Riau will become part of the management structure for the joint operation of the revenue account.

As part of the DGIS Subsidy disposition, WFH has committed itself to make this an undertaking based on the principles of “full cost recovery” and “no profit no loss”. Moreover it has established a Foundation WFH (registered in the Netherlands) that will manage the P3SW funds in such a way that a revolving fund will be created, enabling funding of further expansions to Pekanbaru, as well as other water supplies in Indonesia, in future in a similar way. Therefore all services and investments are fully accounted for, and the P3SW and own funds are offered on a loan with interest basis to the other parties. After a grace period the pay back instalments and (part of) interest are transferred to the Foundation to replenish the revolving fund.

The latest plan, dating back to end of 2007, concerning KTDP is a debt restructuring plan which will result in a 51% participation of WFH/PWN in KTDP and a 49% participation in KTDP by present creditors (accepting 25% pay out for their credits extended to KTDP and a swap of 75% of their extended credits against shares). This arrangement is currently in the process of execution and not yet included in the structure presented in Figure 3.1.

Realization of this set up implies that when successful 49% of the profits of KTDP will be transferred to the private shareholders that own KTDP together with WFH and PWN.

The pilot programme’s utilisation of resources for capital expenditures (Capex), including Technical Assistance and infrastructure investments, as well as for minor operational expenditures (Opex), is summarized in Attachment 6. This Attachment also includes general data on rates and procedures applied by WFH and PWN.

3.3 East Indonesia

WMD had water supply operations in part of the city of Ambon’s urban area running for several years when the call for tenders for the P3SW programme appeared. In fact the experiences with the PT Dream Sukses Airindo (“PT DSA”) provided the idea for up-scaling of that experience and constituted the background of WMD’s proposal [15] for a similar programme for 10 Joint Venture Companies in East Indonesia.

After the bidding process and during the subsequent processing of the subsidy disposition the composition of the list of 10 towns changed several times, mostly due to changes in Indonesia: Manokwari became the capital of the West Papua Province and would get funding from other sources, and two regions in Maluku were removed from the list. As Minahasa Region in North Sulawesi was administratively split into four new administrative entities, with ongoing split-up of the PDAM into four smaller PDAMs (!), in principle the reshuffling could result in again 10 target water companies to associate with.

The central element of the business model of WMD for East Indonesia is the establishment of a Joint Venture Company (JVC) between three parties, i.e. the local administration (“Pemko”), the PDAM and WMD’s subsidiary for the particular region (Tirta Sulawesi BV, Tirta Maluku BV or Tirta Papua BV). The type of local administration is normally that of a “Kota” headed by the Walikota. As the legal representative of the Kota Administration the Walikota is the formal owner of the concession of the PDAM for water supply operation in the administrative area.

The subsidiary of WMD is a company registered in the Netherlands under Dutch law and part of an umbrella company, Tirta Drenthe BV, also registered in the Netherlands.

As an example the positioning of the JVC for Kota Manado, “PT Air Manado” (PTAM), in the overall set-up of WMD’s company structure is presented in Figure 3.2.

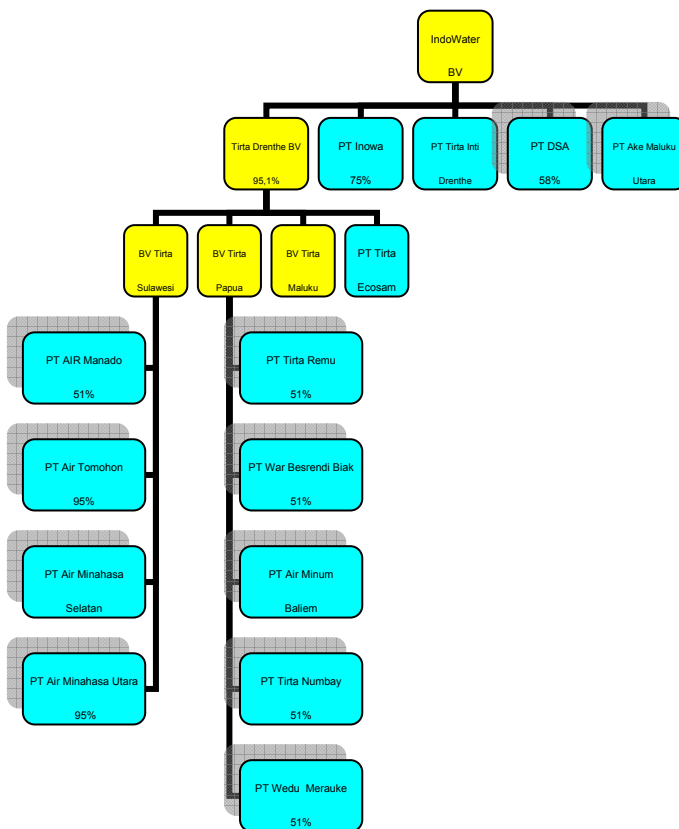


Figure 3.2. PT Air Manado as JVC between WMD, Pemko Manado and PDAM Manado

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As WMD's Holding BV is ultimately the majority owner of the various BV's in the structure, for ease of reference we will use "WMD" most of the time, rather than the names of the various subsidiaries, except when this is of particular relevance.

Characteristic elements of the JVC arrangement between WMD, Pemko and PDAM include (figures provided below are applicable for Manado in particular; for other JVC's and related CA's other figures and arrangements will be applicable):

1. Under the JVC-type Cooperation Agreement (CA) the concession is transferred to the PT for water supply for a period of 30 years
2. The Cooperation Agreement is initially for a period of 15 years. The period of 15 years is relevant for the loan and asset valuation and revaluation clauses under the CA.
3. The PDAM's (existing) assets are transferred to the PT. A valuation of these assets is prepared by an independent Auditor. Last November it was agreed to reverse the transfer of assets. Procedures and impacts are yet to be elaborated and this may take a major part of 2009.
4. Objectives of the PT are formulated as:
 - a. To improve the services to the community by improving and developing the water supply in the supply area by upgrading efficiency and organization of the water supply system, achieving a comprehensive rehabilitation in the production and distribution network of water supply, reducing the quantity of un-accounted for water in the supply area, and constructing new water supply plants;
 - b. To upgrade the customer service in the supply area by increasing the service coverage ratio in the supply area by accelerating the number of new connections for clean water to customers and by striving for 24-hour water supply in the supply area;
 - c. To comply in due course with the standards of the World Health Organization for clean water and drinking water in the supply area;
 - d. To improve and develop operational performance, enhance managerial capability and personnel performance by training in both domestic and overseas Training Centres, technology transfer and general improvement of the skills of the employees working, and develop operational and technological procedures;
 - e. To support economic and social development in [Kota Manado] through the development of water infrastructures in the supply area.
5. At the establishment of the JVC the split in shares is 95% for Tirta Sulawesi BV (BVTS, a WMD company) and 5% for PDAM and/or Pemko. Upon the transfer of assets the share distribution is adjusted to 51% for BVTS and 49% for PDAM and/or Pemko.
6. During the first five years a total of € 10M (€ 2.5M own contribution from WMD and € 7.5M subsidy from DGIS channelled through RWS, and transferred in five annual instalments by RWS to a separate Foundation established by WMD) will be invested for upgrading and expansion of the systems. Funds used for technical assistance, capacity building and training will be part of the investment costs. Following the principle of full cost recovery all services and investments will be fully accounted for, and the P3SW and own funds are offered on a loan with interest basis to the PT's to enable them to pay for these services and investments after a grace period. The pay back instalments and (part of) interest are transferred back to the Foundation ("Stichting Watervoorziening Oost Indonesië", SWOI) to replenish the revolving fund that can then be used to upgrade other water supplies in Indonesia in a similar way.

7. The technical infrastructure to be realized under the P3SW Pilot Programme includes: 98000 new connections, covering a total population of approx. 600,000 people, upgrading and expansion of water production facilities amounting to a total of approx. 1500 l/s, and all transmission and distribution infrastructure related to it. These investments and works should be realized during the first five years of programme assistance.

Said targets and output are in WMD's proposal for the P3SW Pilot programme formulated as overall targets and output. They are, however, not subdivided in targets and output per town or PT. The individual CAs for the PTs do not define specific obligations, in terms of investments or infrastructure, to be realised as output under the Phase 1 of the P3SW Pilot Programme.

8. WMD provides additional funding to the JVC through transfer of share capital, and extension of a loan to the PT for financing of its share capital in the JVC. Moreover loans are extended to the PTs to enable payments for services and investments under the full cost recovery approach.
9. WMD provides Technical Assistance (TA), incl. capacity building and training, to realize the objectives, targets and related activities of the JVC under the pilot programme. This technical assistance is partly offered directly by WMD staff or staff from its partners in the Netherlands, partly by its local TA subsidiary PT "Tirta Inti Drenthe" (TID), and partly by its TA subsidiary PT INOWA. See also Figure 3.2.
10. During the first 15 years from the effective date the JVC will not pay dividend.
11. WMD and its subsidiaries receive compensation for their funding and services through amongst other the following mechanisms (the overview applies in particular to Manado, for other PT's the set-up is comparable):
 - a. WMD's costs for services based on time inputs and related cost by its staff and associates from the Netherlands are charged to a fixed annual budget, that is charged to the P3SW account
 - b. Interest payments by the water enterprises ("PTs Air Minum", here abbreviated as PT-AMs) on loans (loans are in Indonesian Rupiahs, and extended by SWOI to WMD at 11%, and by WMD to PTs at 13%)
 - c. So-called "contribution payment" to BVTS amounting to Rp 1.5 billion/year during the first five years from the effective date (also Pemko will receive a contribution amounting to Rp 2.1 billion/year during the first five years). For the year (s?) after that period of five years the annual contribution will be renegotiated between the parties
 - d. Services by TID, INOWA and other parties are compensated through a handling fee of 25% applied to all investments in a particular PT (to be verified; mechanism not fully clear and understood yet).
 - e. BVTS receives on annual basis a 10% margin on the total volume of salary payments by the PDAM, and
 - f. At the scheduled completion of the contract after 15 years WMD receives in principle a 51% pay-out of the balance of the accrued historic value of assets and liabilities (goodwill is excluded in the CA). After full pay back of loans (i.e. replenishment of the Revolving Fund), compensation of the own contribution to the pilot and other costs incurred, the remaining balance of profits will be at the disposal of WMD for other use.

Note: This package may change substantially following the agreed undoing of assets transfer (replacing it by "right of use"). In the new set-up investments shall essentially be recovered from reimbursements of extended loans (from the water revenues).

WMD's narrative description from document "In close cooperation"

Our approach

WMD's activities in East Indonesia are based on partnership, autonomy for the water utility, transparency and accountability. As water supply is a long term activity, knowledge from WMD should be transferred to the partners. Financial resources are limited, so investments should be made strategically, continuously strengthening the water supply chain as a whole. A leverage model has been developed in order to secure future financial demands. Overall, our approach is based on simple economic reasoning, backed financially by a government that realizes the risks involved.

Public-private partnership

At the invitation of the local parties WMD will take over local management and operations through cooperation agreements with the original water supply utility and responsible authorities that allow for the establishment of joint venture companies.

In order to guarantee sufficient autonomy and safeguard the possibility of introducing full cost-recovery operating structures, tariff settings and management development, WMD will own the smallest possible majority in this company, or 51 % of the joint venture shares.

This joint venture PPP is no plain business deal. It is a development program based on general economic principles. As already stated, the 51% is necessary to guarantee autonomy. The 51% is not meant to allow WMD unilateral decision making. Master plans and business plans for the joint venture will be determined annually in close cooperation with the local authorities, based on the local priorities, financial, technical and human capacity and the local acceptance of changes and improvement. Targets and goals are mutually determined, on an annual basis. As there are no unilateral targets; there will be no unilateral penalties. All positive results will be reinvested.

After 15 years WMD will leave the joint venture through a buyout at net book value. No commercial price will be calculated. Positive results will be used for development projects in the region or elsewhere. At the request of the local partners the cooperation can be extended by 5 years.

Capacity building

During the cooperation, our main focus will be on building local capacity in all aspects of drinking water supply. With Dutch and Indonesian partners we will organize and facilitate training of staff at all levels, on the spot, through regional training centers or in the Netherlands. Management of the utilities will remain in local hands. We will provide long-term supervision and assistance. Whenever possible, local and Indonesian staff will be called upon.

Integrated approaches

Within the project, we focus on urban water supply. We would like to function as an anchor for related matters such as sanitation, health care (water-borne diseases), integrated water resources management, rural water supply, and awareness & education-programs.

Our policy is to link into existing initiatives and invite new ones wherever possible or desired and to create strong partnerships at local and national levels.

Reallocation and restructuring of liabilities

After restructuring the accounts receivable and numerous existing debts, the Joint Venture Company (JVC) will take over the existing liabilities of the original water utility. In cooperation with the local parties and sector representatives WMD will negotiate with the national government regarding re-conditioning or re-scheduling excessive debts of the original utility to central government in Jakarta. Interest payments and penalties will have to be subordinated and restructured.

Leverage

It is estimated that total rehabilitation of the 11 PDAM's in the region will require up to or beyond 100 million \$US over a 10–15 year period. This money cannot come from donor funding only. At the moment, WMD and the Dutch government have created a fund of euro 10 million. This will be invested during the first five years to secure participation by private banks and IFI's in phase two of the project. By increasing reliability and efficiency of the utilities involved, by gaining sufficient autonomy, by introducing full transparency on day to day activities and

accountability of international standards, WMD seeks ways to draw the financial community towards the financial needs in water supply.

Transparency and accountability

Transparency, accountability and planning are key issues when dealing with the rehabilitation of public utilities in a privatized setting, especially towards governments and customers. In addition, the Dutch government wants to make sure that experiences gained from this project and the approach can be used to foster interest in the development of water supply related PPP/PSP processes.

Further to this, the approach is focused towards creating interest from financial parties to invest in the water sector. Informing these potential future partners is an important point for special attention.

Feedback

The project is exposed to a whole spectrum of risks and developments, be it from a political, religious, social or plain financial source. By means of functional reporting and monitoring, all stakeholders will be informed and involved and kept informed regarding any successes and setbacks that occur during the project.

12. After 15 years the cooperation will in principle be terminated. The PT may continue its existence or be resolved. In principle the PT may exercise the concession for another 15 years. Provisions in the CA define that PDAM or WMD can obtain all the shares against costs based on the PT's value accretion of the assets (based on "net book value" as per historic prices and excluding good will) through revaluation by an Independent Auditor. Additional provisions regulate sales of shares to a third party in case the second party is not able or willing to purchase the shares.

WMD's utilisation of the pilot programme's resources for capital expenditures (Capex), including Technical Assistance and infrastructure investments, as well as for minor operational expenditures (Opex), is summarized in Attachment 7. This Attachment also includes general data on rates and procedures applied by WMD.

3.4 Comparative analysis

From assessments and experiences in the field, various documents, and the above summary descriptions of the two models the following observations can be made.

General

1. Both pilots are undertaken by Dutch water supply companies that operate in the Dutch setting as publicly owned private businesses. In the case of Pekanbaru PWN has at a later stage joined WFH, this latter being a limited liability company owned by five Dutch water supply companies. These companies have the liberty to act internationally as private operators within the limits of applicable Dutch laws and conditions set by the Boards of Commissioners of these companies.
2. Both pilots have adopted the principle to operate on the basis of the following concepts: "full cost recovery" and "no profit no loss".
3. In both pilots the Dutch grant(s) are deposited in a Foundation (registered in the Netherlands) and then forwarded as loans to the executing parties. Loan reimbursements and (part of) interest on the loans to the PDAMs and/or PTs are deposited back in the Foundation that will manage these funds as a revolving fund for similar project in Indonesia in the future. In the case of WFH the "WFH" Foundation is fully controlled by WFH, in the case of WMD the "SWOI" Foundation is set up as a separate entity with representation of WMD in the Foundation's Board of Governors. During the first 10 years copies of the Annual Reports of the Foundations are to be submitted to RWS. Note: PWN, that joined later, offered a loan directly to KTDP.
4. Both pilots can also be characterized by complicated contractual arrangements for which the financial implications require further study in order to get full understanding and be able to come to conclusions with regard to a comparative analysis.
5. Initial plans of WFH focused on bulk supply of water, basically a BOT type of business, and new connections, basically through a form of stock pre-financing, to the PDAM through an intermediate (KTDP) that has a Joint Operation Agreement (a mix of management contract and concession type contract) with Pemko to upgrade and expand the services of the PDAM. At the moment WFH is completing a major change in set-up which involves a majority share of WFH in KTDP. WMD establishes a new PT between the existing PDAM and itself, with transfer of concession, staff and assets to the new PT, and exercises direct interventions in the performance and further upgrading of the new PT on a daily basis.

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WFH – Pekanbaru

1. To date WFH/PWN has no direct role in or access to the overall management of the PDAM as related tasks are with KTDP under the JOA between Pemko and KTDP. KTDP is basically bankrupt for several years now. Formally the relations of WFH/PWN with KTDP are limited to provision of loans and provision of goods and services in the format of connections and water meters (PT MTI), bulk water (PT Tirta Riau), and technical assistance (PWN). Soon WFH/PWN will have a majority stake in KTDP at the completion of a complicated debt restructuring plan, with a shares-for-debt swap arrangement.
2. KTDP has a Joint Operations Agreement with Pemko in which the PDAM appears to be a recipient, not a principal actor who will ultimately take ownership again over its own business.
3. To date WFH's model is essentially an "indirect participation" model, whereby WFH stays at arm length of the PDAM and has as an operator so far limited direct interaction and cooperation with the PDAM. Substantial studies, support services and works have been undertaken to date but these have mostly been provided through contracted Consultants or the subsidiary PT's of WFH (PT MTI and PT Tirta Riau). Particular services provided by PWN, such as technical assistance in expanding the transmission system and assessing the distribution network by a network model, come closest to interaction on the work floor and sharing of common challenges.
4. The many actors in the direct vicinity of the PDAM, each taking ownership of parts of the water supply business in Pekanbaru may alienate the PDAM from its mission and hamper it to take charge again in due course. Sense of ownership by the PDAM, well defined mutual expectations, an entrepreneurial division of tasks and responsibilities between local government on the one hand and PDAM and "concessionaire" on the other hand, as well as commitment and support by Pemko are of crucial importance.
5. The psychology of the set-up is also illustrated by the complicated institutional arrangements in Figure 2.1. In fact it is all about strengthening the PDAM Tirta Siak, but it figures only somewhere at the right hand edge of the set-up.
6. WFH acts mainly as a project manager. We have the impression that this situation has developed due to the unfavourable starting position with the existing JOA and the gradual drowning of KTDP in ever deeper financial problems. In hindsight it is clear that upfront risk analysis has been insufficient. The now scheduled debt restructuring for KTDP and the participation of WFH in the ownership structure of KTDP may improve the conditions. Risks remain however substantial and permanent close monitoring will be required.
7. Actual situation in Pekanbaru is at a point of essential change. The above description is however still valid for the historical record of the build-up of the case. Through a shares-for-debt swap WFH will soon take 51% ownership in KTDP, with the present creditors of KTDP taking 49%. WFH will then have direct control of KTDP, and become a direct partner of Pemko Pekanbaru in the JOA.

WMD – East Indonesia

1. WMD has clearly opted for a direct interventional and participatory model. Once the Cooperation Agreement becomes effective WMD has, through its regional BV subsidiary, a controlling vote and basically takes over the water enterprise through the newly formed PT. The concession, staff, accounts receivable, accounts payable and short term debts, as well as assets are transferred

from PDAM to PT-AM. WMD's technical assistance entity PT TID and in-house consultant Inowa have a controlling impact on the day to day operations of the PT.

2. An apparent drawback of the WMD model is the transfer of assets, from PDAM to PT, which has caused confusion, resistance and time consuming discussions. The recent decision to discontinue this part of the model, and undo the transfers of assets already realized to date, may significantly enhance the acceptance of this model with Indonesian parties.
3. Implications of various contractual arrangements on financial flows appear complicated; for example the level and rate of built up of debt will need regular attention of the pilot's monitor.
4. Valuation of new assets, and intended sharing in overall value accretion at the end of the contract is another issue that will require regular attention of the pilot's monitor. The adjustments to be made to the CAs in relation to the return of the assets provide also an opportunity to review the overall set-up of the CA's in terms of transparency and equality in arrangements.

4 P3SW PILOT PROGRAMME EXECUTION

4.1 Methodology Mid Term Review

In essence the rather open assignments, from the Dutch perspective defined “only” by the general objectives of the P3SW programme, the proposals of the private parties, and the Subsidy Dispositions, are aimed at:

- upgrading and expansion of water supply systems,
- performance improvement, including financial resilience, of the water enterprises through technical assistance, management support, capacity building and training,
- investing a mix of public and private funds to be recuperated during the 15 year period of “joint operation” so as to replenish a Revolving Fund to be utilized for similar support programmes
- return well operating and healthy water enterprises to the local government at the end of the cooperation period

Strictly speaking no contracts exist between DGIS/RWS and the Dutch private parties, just Subsidy Dispositions with specific conditions. So, references and criteria for review are rather limited on the Dutch side.

The Dutch parties have entered into Joint Operation or Cooperation Agreements (in the case of Pekanbaru through private party KTDP) with public Indonesian parties, i.e. Local Governments and PDAMs, at the time that decentralization and increased regional autonomy in Indonesia were further taking shape.

Under Indonesian legislation PPP projects require specific PPP model formats and documents such as amongst others a Feasibility Study for the Water Supply System, a Business Plan with regular updates, and Annual Plans and Reports. The MTR will include review of the compliance of the pilot projects with the Indonesian legislation, and regulations.

The execution of the programme to date will be reviewed along the lines of the “Service Management System” as developed by R. Normann [16]. The diagram in Figure 4.1 presents this Service Management System and includes also elements of J. Martin [17].

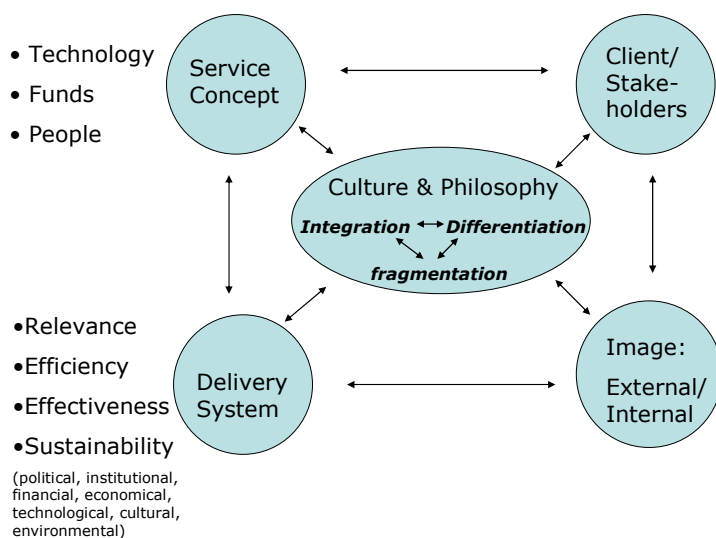


Figure 4.1 Service Management System (after R. Normann , 2002, and J. Martin, 2002)

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This Service Management System addresses the main components relevant for implementation of a programme such as P3SW-PPP: **Client/Stakeholders**, **The Service Concept** or Plan of Operations, **The Delivery System** producing output and outcome, **The Image**, both externally and internally of the service provider, and **The Culture and Philosophy** defining the contextual setting in which the service is delivered.

General aspects of each of the components, applicable in both Pekanbaru and East Indonesia, are discussed in par. 4.2.

Particular findings and observations of the MTR Team regarding the P3SW programme management and execution are summarized in paragraph 4.3 by actor and stakeholder.

Specific issues for Pekanbaru and East Indonesia are reviewed in more detail in Attachment 4, again applying the SMS presented in Figure 4.1.

Overall findings and observations on the ongoing implementation of the pilots are summarized in paragraph 4.4 in the sections General, Pekanbaru and East Indonesia.

Other relevant cross sections of the pilot programme, answering to the specifications in the Terms of Reference, such as realised inputs and results to date, adjustments made to the pilots, intermediate results compared to planning, validity of assumptions, similarities and differences between the two pilots, risk and success factors, assessment of continuity and maintainability of improved services, sustainability issues, attainability of programme's objectives and desirable adjustments, further monitoring and evaluation of the programme, and lessons learned to date by the main actors, are presented in Chapter 5.

That Chapter also includes observations from stakeholders and actors of government institutions both in Indonesia and the Netherlands.

4.2 General observations

In this section the overall set-up of the P3SW Pilot Programme will be reviewed by passing step by step through the elements of the Service Management System, starting with Client/Stakeholders and moving through the model elements counter clockwise. General observations will be followed by one or more concluding observations, labelled G1, G2 etc., and printed in italics.

The Client/Stakeholders

The customers are the ultimate client or target group. The immediate client is the PDAM. It has the (delegated) ownership of the assets, and it has the long term tasks and responsibilities to provide the customers with a dependable water supply at reasonable costs. The challenge to the temporary P3SW partners is to undertake interventions, guidance and assistance, investments, rehabilitation and expansion, institutional restructuring, adjustments and changes to systems and procedures in such a way that sense of ownership and sense of belonging are further fostered and embedded in the PDAM organization.

Stakeholders include Local Government (LG), and the Government of the Netherlands (GON). The parties representing GON are the Ministry of Foreign Affairs/Development Cooperation, represented by DGIS, and the Ministry of Transport, Public Works and Water Management, represented by "Rijkswaterstaat" (RWS). The Central Government of Indonesia (GOI) is another important stakeholder, or say target group, as it sets and changes the institutional and legal environment for water supply operations.

On the GON side the obligations between the actors are laid down:

1. In a covenant between DGIS and RWS, with as main reason that RWS could provide framework and instrumentation for PPP type of projects between the Government and private parties for the selection of executing parties (in this document referred to as “beauty contest”), whereas DGIS did not have instrumentation other than public tender, which it could not apply for the PPP programme it wished to implement between GON and the Dutch private sector.

2. In subsidy dispositions between RWS and the private parties WFH and WMD separately.

Review of P3SW formulation documents, reports of preparatory missions, projects proposal and plans, as well as subsidy disposition leads to the following remarkable observations:

G1. Neither the call for the beauty contest and its criteria for award, nor the subsidy disposition define procedures and criteria with regard to:

- a. The amount of private (leverage) funds the private parties shall make available in order to obtain the DGIS PPP Grant (say in % of the PPP Grant)*
- b. The equity provisions, Investment (Capex) and/or Recurrent (Opex) Expenditures for which the private leverage funds and the PPP Grant may and/or shall be used*
- c. The percentage of DGIS PPP grant, and/or total of private funds and DGIS PPP Grant, that may be used for various technical assistance services incl. capacity building and training, and related costs, as well as applicable unit rates for such services*
- d. The procedures for the ultimate recovery of the invested funds, both the grant funds and the private funds (e.g. reference to standard Indonesian procedures applicable for the PPP model opted for, or other)*

Client/Stakeholders issues on the Indonesia side are discussed in the respective sections for Pekanbaru and East Indonesia (Attachment 4).

The Service Concept

The two pilots differ in essence in the choice of “technology”, i.e. the PPP model applied. The concepts regarding use of funds and people with the required expertise and experience are comparable, although WMD has obviously employed a much larger support team than the WFH/PWN/KTDP combined group.

In principle the WFH technology set-up in Pekanbaru is that of the BOT model, combined with pre-financing of the stock of spares for new connections. WMD refers to its approach in East Indonesia as the “WMD Model”. Essentially it is a concession model with elements of divestiture, i.e. partial transfer of existing assets to the operator. Divestiture is excluded under Indonesian PPP legislation for water supply services.

G2. The “beauty contest” did not prescribe any particular models. It was left to the participants to come up with proposals. Testing of options and learning by doing, in the framework of the challenging MDGs and the related specific GON targets, were given high importance. The more or less obvious prerequisite that the PPP pilots would have to adhere to applicable laws and regulations was not specifically mentioned.

An essential principle of both pilots under the P3SW pilot programme is “full cost recovery”. As a consequence the Dutch Grants under P3SW are translated into interest bearing loans that are to be reimbursed from the revenues from water sales. In both pilots a grace period for the reimbursements is applicable. The loans are provided to KTDP, PDAM and the PTs to enable them to pay for investments and technical assistance services under the P3SW programme.

The loan reimbursements enable on the one hand the establishment and replenishment of the Revolving Fund, and may on the other hand result in build up of considerable debt in the PDAM (Pekanbaru) or PTs (East Indonesia). The loan providing party has a controlling stake in the PTs and therefore a prime

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influence in the reimbursement of the loans, and/or increase of debts of the PTs in case the water revenues are not sufficient to cover all operational costs and capital cost.

G3. The loans provided by the P3SW funds may complicate the financial position of a PT-AM, and its related water supply system development and operations. Sufficient checks and balances are required that investments, technical assistance services, and also water tariffs, are in conformity with applicable unit costs in the market, and based on a well elaborated and regularly updated business plan. These mechanisms, and possibly required additional regulating arrangements (e.g. maximum debt that may be taken by a PT-AM under the arrangements, and early/unforeseen termination of CA for various reasons), need to be addressed in more detail during phase 2 of the MTR.

An essential part of the subsidy disposition to the private parties is the set-up of a Revolving Fund, for which the private parties have each established a Foundation that in fact receives the Grant from RWS, lends it on to the private party that lends it on to KTDP, PDAM, and PT-AMs, and will ultimately receive from the private party the loan reimbursements and (part of) interest so as to replenish the Fund. Objective is to reuse the revolving fund for further upgrading and expansion of the P3SW water utilities and/or upgrading of other water enterprises in Indonesia.

G4. The Revolving Fund is occasionally mentioned in discussion and documents exchanged with the Indonesian parties, but it is not a formal part of the contractual agreements. Although the Revolving Fund concept has yet to prove its feasibility in the difficult circumstances under which the private parties have to implement their contracts, it would certainly add to the status and promotion of the P3SW pilots if said Revolving Fund forms part of a more formal arrangement.

Both pilots can be characterized by overly optimistic and unrealistic prognoses. Private parties themselves mention the shortcomings of the so-called quick scans of the systems and status of water enterprises performed during the preparation of proposals for the Netherlands Government. This optimism is persistent as reflected in business plans, and for example targets for reduction of Non-Revue Water, and developments in the level of coverage in the supply areas.

G5. The plans and prognoses need to be tuned more to the major challenges in upgrading the distribution networks, and to the yet complicated dynamics of water supply operations in local politics in the setting of regional autonomy.

The Delivery System

With reference to G1 it appears that the specific distribution of overall pilot project costs between the “own contribution” and P3SW grant funds (mobilized as loans), and between technical assistance services, hardware investments and other capital and operational expenditures, is not fully documented in the annual progress reports to date in the way the MTR would like to assess the delivery system components. This is in particular the case of WMD’s operations in East Indonesia.

G6. The monitoring reports and annual reports do not yet provide the specification of costs as required by the MTR for a more comprehensive assessment of the delivery system: distribution of costs of technical assistance services and system investments over the funding sources, including P3SW grants, own contributions of the private parties and loans from Banks, for each PT-AM separately.

In the meantime this information has been compiled and delivered to the MTR team by WFH/PWN and WMD.

Tentative observations to date regarding the various elements of the delivery system will be discussed separately for Pekanbaru and East Indonesia in the respective section in Attachment 4.

Image: External/Internal

The pilot in Pekanbaru, based on the earlier established Joint Operation Agreement between Pemko and KTDP, has not caused particular concerns at central or local government level. In essence the PPP set-up in Pekanbaru is included in the listings of BPP SPAM, although still the originally intended private JOA party (predecessor of KTDP) is the party mentioned in the listings.

The East Indonesia pilot brings about regular comments and observations from central government Ministries and Institutions. These remarks relate mainly to tender requirements specified in Indonesian laws and regulations, and to ownership issues of existing assets. See also Attachment 4.

Culture and Philosophy

Since the start of the preparation of the P3SW pilot programme and the award of the subsidy dispositions to two pilot projects in Indonesia much has changed in Indonesia in line with the relatively new and still somewhat untested decentralization and regional autonomy policies, and subsequent reaction to establish a new balance in executive powers between central and local governments.

In this setting the P3SW officials had periodical discussions with various stakeholders at central and local government levels. Most if not all P3SW documents, from “beauty contest” to preparatory mission reports, and up to the TOR for the present Mid Term Review, were produced in Dutch, limiting the opportunities for Indonesian officials to take note and/or actively participate in the development of the P3SW-PPP concepts. Several new laws relevant to regional water enterprises were enacted in the period 2004-2008. This illustrates the changing circumstances under which the pilots had and have to operate to date.

G7. The open ended approach on the Dutch side offered extra room for creative expanse. Experiments along the edges of the known and acceptable operational modalities may contribute to creating a better enabling environment. At the same time this caused confusion, and sometimes irritation, on the Indonesian side, in case of doubts about the intentions of the experiments. An appropriate exchange of information and a better embedding of the pilot programme in Indonesian plans and programmes, as well as set-up of a joint pilot-regulating body to oversee the test and learning process, could have provided useful guidance and assistance to the private parties.

An overall assessment of the P3SW Pilot programme is presented in Figure 4.2.

ISSUES P3SW	
SMS	P3SW Programme: boost MDGs contribution
Client/Stakeholders	<ul style="list-style-type: none"> ■ insufficiently recognised in tender and subsidy disposition ■ sufficiently researched in preparatory stages; insufficiently translated in conditions
Service Concept:	<ul style="list-style-type: none"> ■ programme GON driven; ■ no mutually established MOU, no “blue book” approach; ■ no joint funding GON-GOI, ■ no joint implementation, monitoring and evaluation
Technology, Funds, People	
Delivery System:	
1. Relevance	1. “new” PPPs may offer solutions and contribution to MDGs
2. Effectiveness	2. OK: PPPs are in place
3. Efficiency	3. POOR: after 3 years no net contribution to MDGs
4. Sustainability	4. MAYBE: yet to be proven; issues: legal, political, ownership, empowerment
	> Status of Programme Coordination & Monitoring ?
Image (External/Internal)	GOI officials have several times expressed their concerns regarding particular elements and approaches of the “WMD Model”
Culture & Philosophy	<ul style="list-style-type: none"> ■ “a problem is also an opportunity”: back transfer of assets ■ back transfer of assets: preferably prepared and executed jointly by P3SW partners and central and local government

Figure 4.2. Overall SMS assessment of P3SW Pilot programme

4.3 Findings and observations on P3SW Pilot Programme execution

Specific findings and observation of interest on the roles of the various stakeholders in the overall preparation and execution of the P3SW Pilot Programme are presented in the next sections.

The Dutch Public parties: DGIS, RWS

1. At its start P3SW has gone through complicated preparatory stages, and had to face several procedural challenges under Dutch legislation and regulations. Ultimately subsidy dispositions to the private parties, with limited conditions and insufficiently elaborated procedures, were agreed upon between the Ministry of Foreign Affairs/Development Cooperation (DGIS) and the Ministry of Transport, Public Works and Water Management (RWS).
2. The Dutch Water Companies obtained assignments under the P3SW Pilot Programme through a “beauty contest” in the Netherlands. The Dutch parties entered into sole source agreements with local governments responsible for the PDAMs concerned, offering the attractiveness of relatively soft loan conditions. This has caused some concern from stakeholders in Indonesia, as for the five models of PPPs recognized under legislation for the water sector the award of a contract may or may not require specific tender procedures. Indonesia has its own laws on regulations regarding cooperation between public utilities and private companies, e.g. on tendering requirements and ownership versus right of use of assets under various PPP modalities. In hindsight it is obvious that laws and regulations in recipient countries should have been more prominent guiding issues in assessment of proposals, award of contracts or subsidies, and implementation of pilots.
3. From the available documentation the MTR Team has concluded the following regarding the award of subsidies to the selected private parties:

In strictly formal terms the mutual obligations and expectations between the Dutch public and private parties are not governed by solid and well elaborated contractual agreements. It is considered that this is part of the nature of the Subsidy Disposition. This may on the one hand give a certain, and possibly intended, free hand to the parties to come up with unorthodox solutions. On the other hand it may cause complications if the private party insufficiently documents its plans and investments in the context of the articles of the Subsidy Disposition. Similar constraints may occur when efforts are undertaken to measure progress and performance.

4. Nevertheless in the Subsidy Agreement (in 2005), DGIS/RWS has accepted that the WMD proposal presented a method and model for upgrading and performance improvement of Indonesian water companies, rather than a clear set of attainable and “smart” milestones and investment obligations. In fact only total budget allocations per town were presented, together with a limited number of overall targets.
5. These limited contractual arrangements have indeed caused complication in the processing of plans and reports, as well as related subsidy transfers, in the East Indonesia pilot. While disagreements remained unresolved, none of the parties advised the other that activities and expenditures should be suspended pending clear agreement on essential procedural aspects.
6. The MTR Team observes that DGIS/RWS have waited for too long to intervene and come up with arrangements acceptable to parties involved.

7. In essence the PPP under study is between DGIS as the Public party and the Dutch water companies as the Private parties. In this PPP the Public party has substantially limited its role to funding, monitoring and control (which was in practice contracted out).
8. The East Indonesia pilot is complex for various reasons. In consideration of the achievement to date, expenditures made so far under pre-financing by WMD, as well as mutual obligations of the Public and Private parties under the Subsidy Disposition, it is proposed to release the agreed subsidy amounts for 2007 and 2008 shortly, under the condition that WMD accepts a couple of additional stipulations under the Subsidy Disposition. It is recommended that these additional stipulations include: (i) submission of investment plans and related business plans for each of the PTs (Manado, Sorong, Biak, Merauke) based on available and committed funds, and (ii) involvement of contractors and consultants for plans and works in the PTs based on mutually agreed multi-year and annual plans as well as annual budgets, and based on tender regulations and procedures normally applicable in Indonesia. The release of the final (2009) subsidy amount shall be made conditional to the timely fulfilment of the additional stipulations.
9. Experiences to date have demonstrated that parties in the Public-Private cooperation need to define their joint operations in more detail in order to prevent drawbacks (such as political aspects of assets transfer, procedures regarding subsidy transfers) encountered under the current pilot programme. Such further elaboration of objectives, modalities and conditions is of great importance considering the long-term intention of Dutch Water Companies to contribute substantially to reaching the DGIS target regarding the MDGs, in further joint operations.

The Dutch and Indonesian Private parties: WFH/PWN, WMD, KTDP

10. It appears that WMD has not fully complied with the obligation in the Subsidy Disposition to prepare and submit investments plans and related business plans (the sensible specification to base such plans on available funds was not mentioned).
11. This has caused complication in the processing of approval of annual plans and budgets, as well as related subsidy transfers, in the East Indonesia pilot. While disagreements remained unresolved, WMD has continued with project execution without advising the Programme Monitor that activities and expenditures should be suspended pending clear agreement on essential procedural aspects.
12. The Private parties have accepted the PPP and related financial support in the knowledge that the Public party in the PPP cooperation has first of all a Government-to-Government relation with Indonesia and shall refrain from taking particular positions related to internal politics in Indonesia, such as issues related decentralisation, regional autonomy and the central-local paradigm. Considering the position of the Public party, also in historical terms, this may imply that the Private parties will have to go the extra mile to fully internalize also the limitations of this PPP cooperation.
13. The Private parties could have done more to inform and involve the Public party, and its local representation in Jakarta (RNE) at their own benefit throughout the process and programme development.
14. WMD's Cooperation Agreements do not include sections "obligations of each of the parties" or investment obligations by WMD. Local PTs are therefore also raising questions as to what they can really expect under the cooperation. As the Cooperation Agreements require adjustments due to the return of the existing assets to the PDAMs, these issues of obligations of parties and investments obligations by WMD (and by local government as co-shareholder) can be included in such new edition.

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15. The Pekanbaru pilot may, apart from unfavourable local conditions, have suffered from the limited risk bearing capacity of WFH as a small special purpose vehicle for five Dutch operators that expect WFH to prevent risks and losses. It is therefore recommended that WHF and PWN, one of the shareholders of WFH, review their set-up for the Pekanbaru pilot. In essence WFH and PWN operate as parallel companies in the Pekanbaru pilot each having individual arrangements with KTDP as the JOA contract holder. It is recommended to transfer this set-up in one single vehicle that expresses the intention and willingness of Dutch Water Operators to involve themselves more directly in the challenging water supply operations in Pekanbaru.
16. The MTR Team is not satisfied with the explanation by KTDP and WFH why a “reasonable water tariff adjustment” was neither insisted on not granted by Pemko three years into the contract (i.e. in 2006) as per Clause 15 of the JOA. KTDP has argued that taking into account general performance at the time, it felt ashamed to push for its contractual rights. Truly a strange position for a debt-ridden company that cannot live up to expectations and obligations due to far underrated water tariffs.

The P3SW Pilot Programme Coordinator/Monitor

17. The P3SW Pilot Programme coordinator, responsible for (i) regular monitoring of progress, (ii) review and approval of business/annual plans and reports, and (iii) processing of invoices and subsidy transfers, is having a challenging task in coordinating this new programme format for the Dutch Public parties. Unforeseen events and related expenditures could in most cases be resolved. In the case of the WMD pilot for East Indonesia some issues regarding annual plans and related budgets, for services and works, appear not to be fully resolved yet and cause complications and delays in the processing of invoices and subsidy transfers to WMD.
18. While disagreements between the Monitor and WMD remained unresolved, the Monitor appears not to have advised the Client and WMD that activities and expenditures should be suspended pending clear agreement on essential procedural aspects.
19. Initially the Monitor undertook field visits and related progress reporting twice per year. Since Mid 2007 this was reduced to one visit per year. In consideration of the complexity of the pilots it is proposed that monitoring, most likely in a revised form - see elsewhere in this report - is kept at twice per annum.

The Netherlands Embassy in Jakarta

20. The MTR Team notes with appreciation the coherence between the additional budget allocation to WMD and the agreement between parties on the return of the existing assets to the PDAMs by 31st December 2009. This arrangement will in essence solve an issue that has been for a long time in the air. But the proof of the pudding is in eating it. This arrangement has to be completed in time to the satisfaction of all concerned.
21. The additional budget allocation by RNE to WMD was done in the format of a subsidy disposition that referred to a proposal submitted by WMD for this additional allocation. The MTR Team has the impression that the legal status and interfacing of this proposal with the proposal for the original P3SW budget allocation (as attached to the original subsidy disposition in the Netherlands) may not be clearly defined. WMD has obligations under the original subsidy disposition and now under the additional subsidy disposition from RNE. In order to present misunderstandings it shall be made clear that WMD's current obligations are the sum of the two agreements, unless this is not the joint intention

of RNE and DGIS/RWS. In Chapter 5.7 the MTR Team has presented its recommendations on combined output targets for WMD.

22. RNE's Subsidy Disposition states that existing assets for three PTs shall be returned by ultimately 31st December 2009. At present existing assets are transferred to PTs in four towns. The MTR Team assumes that the return of existing assets shall be completed for all four PTs.

The Indonesian Central and Local Government, PDAMs

23. It appears that in the preparatory stages of the Cooperation Agreements for the East Indonesia pilot various Central Government institutions have strongly advised in writing on various aspects of the proposed cooperation between WMD and PDAMs (a.o. Home Affairs, Bapekin, Bappenas). To the knowledge of the MTR team such correspondence has not been forwarded or copied to the RNE and/or preparatory missions of the P3SW Pilot Programme. It is not known whether PDAMs have forwarded copies to WMD or its Indonesian legal advisors.

It would be recommendable to do so in future in order to clarify positions and possibly prevent the complications in establishing the CAs, and now in returning the assets.

24. The Indonesian institutional and legal setting for PPPs is becoming more transparent and less ambiguous with the issue of several new laws, regulations and decrees over the past 3-4 years, concurrently with the conception and initial phase of the P3SW Pilot Programme. Grey areas still persist, and at times the Dutch pilots encounter such grey areas or even trespass the boundaries of the maturing Indonesian legal framework. As long as all stakeholders keep in mind that the mere nature of a pilot programme presume "terra incognita" to be surveyed and tested, and as long as all stakeholders are ready to exchange views and experiences, or change attitude and opinion if such would obviously contribute to the enhancement of the pilot projects, then the general objectives of the pilot programme are really addressed.
25. It is noted here that the projects under review concern a regularly monitored pilot programme aimed at learning and innovation, in particular for PPPs with towns and PDAMs which are not likely to be a target for fully commercial operators of WS systems, as is considered the case in East Indonesia. Having said that a pilot will have to operate within legal boundaries, unless parties having the right to define and accept deviations agree to do so for the sake of testing out a new set-up. The extent to which GOI may or will involve itself more in the ongoing pilots will likely depend also on the further development and qualification of the East Indonesia pilot as a business-to-business or a government-to-government initiative.

4.4 Findings and observations on the implementation of the pilots

1. Both pilots are by far too optimistic in their business plans, which are therefore unrealistic and offering wrong indications of future prospects. Financial prognoses on which business plans are based, assume overly optimistic figures and trends for coverage, numbers of connections, water consumption per capita per day and non-revenue water (NRW). Only the very best case seems presented in current business plans. It is recommended that business plans include a sensitivity analysis of, for instance, best and worst cases, as well as a middle-of-the-road, realistic case.
2. Both pilots appear to have seriously under-estimated the quality of the distribution networks, and continue to do so although Block Renovation Programmes (BRP) are running for some time now in

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several PTs in East Indonesia, and WFH/PWN has scheduled to intensify up such activities in Pekanbaru in the near future, after completion of two BRPs in the past two years.

It is apparent that from the perspective of Dutch water companies, where NRW over and above 10% is considered unacceptable, it takes time to internalize what is required to reduce current NRW of 60-80% down to 20-30%, let alone 10%. Zoning and District Metered Areas (DMAs) are absolutely essential in order to be able to effectively address technical and administrative leakage.

3. Both pilots encounter serious difficulties in getting qualified and independent managing directors of the PT-AM or PDAM appointed. This process takes over a year now in Pekanbaru and Sorong, and at present intensive debate is ongoing about the appointment of a new managing director for PTAM (Manado). The new approach of "fit and proper" test conditions may offer some improvement over time, but support from central government may be required to prevent long periods without a managing director, which cannot be in the interest of the public.
4. Both pilots are confronted with considerable overstaffing. In average about 40% reduction in staffing shall be realized shortly to structurally improve the financial prospects of the PTs/PDAMs. In both pilots plans for staffing restructuring have been elaborated and are at the point of being made public.
5. Both pilots are to specifically take initiatives to serve the urban poor. Providing safe water to the poor and thus contributing to the MDGs has been an important policy argument for financier DGIS to initiate the P3SW Pilot Programme. WFH has completed a particular study in Pekanbaru on public stand posts and has scheduled to start implementing the proposed programme in 2009 through PT MTI and local NGOs. WMD has yet to define its pro-poor initiatives in East Indonesia in more detail.
6. The Revolving Fund is occasionally mentioned in discussions and correspondence with Indonesian parties, but is not a formal part of contractual agreements. Although the Revolving Fund concept has yet to prove its feasibility in the difficult circumstances under which the private parties have to implement their contracts, it would certainly add to the status and promotion of the P3SW pilots if the concepts of the Revolving Fund were incorporated in more formal arrangements.
7. In more general terms it can be argued that the current status, developments and lessons learned regarding the pilot programme call for more fundamental discussions on the pilot programme, its boundary conditions and ultimate objectives and sustainable impact.

Particular developments:

- The private parties argue that the actual conditions (regarding a.o. technical infrastructure, staffing, administration, local support) in the project areas are much more unfavourable than originally estimated and foreseen,
- parties have requested - and partly obtained - additional funds,
- the current PPP agreements on the Dutch side are more effort-oriented than result-oriented,
- the institutional and organizational conditions call for more in-depth change management geared towards management of interests and development of win-win solutions, and
- more guidance and support from central government may be required to compensate for local interference in managing the water enterprise.

The very nature of a **pilot programme** presupposes that parties exchange information, observations and suggestions on experiences and the best way forward taking into account internal and external developments. One of the options to be considered for the East Indonesia case is to qualify the cooperation as Public-to-Public. The PTs could remain as the legal format, but the discussion on the tender-issue could possibly be resolved.

8. Taking in to account the progress in the four PTs WMD is running and assisting at the moment, as well as the depletion of funds, preferably no other preliminary cooperation agreements are activated apart from perhaps Ambon, providing that the cooperation agreement for this PDAM can become active before the end of 2009 and required initial funding can still be made available from the pilot programme's budget.
9. Considerations on economies-of-scale should become part of the pilot programme. The assistance as provided by WMD will be too expensive for small water enterprises to absorb. World wide the tendency is to have smaller companies merge into larger ones. At some locations in Indonesia the opposite appears to be the case. It is doubtful whether funds of the pilot programme should be used to entertain such developments. This presents a consideration to withdraw from Minahasa and Jayapura.
10. It will be in the interest of the local governments and PDAMs concerned to receive clear information if they will be no longer part of the pilot programme. It will enable them to look and qualify for other assistance programmes.
11. What may have to get more attention of WFH/PWN and WMD is the interdependence of water and climate issues. Due to climate change and underlying issues such as deforestation, the hydrological and geo-hydrological features in areas the PTs/PDAMs depend on may change dramatically. Such may result in lower low flows, and deteriorating water quality under low flow and peak flow conditions. This may have adverse impact on WTPs.
12. The requested and allocated additional funds, as well as other developments, present serious changes in the process of implementation of the pilots. The underlying issues of these changes, such as KTDP's debt restructuring in Pekanbaru and return of assets in East Indonesia, raise questions if matters would have worked out differently with more involvement by Indonesian stakeholders from central Government from earlier stages in the process.
13. The two pilots hardly exchange experiences, or cooperate or assist each other in fields where individual parties have particular expertise. For example, it is apparent that WFH/PWN has access to professional knowledge on PPP contracts in the Indonesian setting. WMD, a shareholder in WFH, could have taken more advantage of this while preparing and processing its Cooperation Agreements.

On the Other hand, WMD has gradually built up very useful experience in the Block Renovation Programme (BRP), an essential instrument to reduce Non-Revenue Water. WFH/PWN may now take advantage of that experience.

14. Further budgetary reservations may need to be considered from 2010 onwards, say for another five years. Possible allocation of additional public funds, will have to go hand in hand with further refinement of the procedures regarding use and recovery of own private funds and grant funds. The proportion between own private funds and grant funds during the lifetime of the pilot programme is another important issue.

Pekanbaru

1. The sense of urgency regarding a dependable water supply appears still a questionable issue in Pekanbaru. The real interest in such facility is to be proven by the real commitment of the local government, by the demand of existing and potential customers for such service, by their confidence, and by their willingness to pay for it. It appears that the joint stakeholders have a long way to go together to prove the relevance of the project.

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Note: Recent development re. appointment of new Managing Director, increase of water tariffs, and concurrence with South-south cooperation between PDAM Tirtanadi and PDAM Tirta Siak are promising.

2. In various project reports the own contribution of WFH (excl. PWN), through its PT MTI in the form of house connections, has fluctuated between about € 3-4.4M. See also item 2 below. That of KTDP was originally reported at €1.7M. In the last progress report and annual report 2009 the own contribution is set at € 5.2M by WFH/PT MTI and PWN. After taking into account the effects of the debt restructuring for KTDP the own contribution appears now to be fixed more definitely at € 2.7M, i.e. € 1.4M by PWN, € 0.8M by KTDP (after deduction of debt restructuring amount) and € 0.5M by PT MTI.
3. WFH has consistently communicated that it contributes about € 4M private capital to the Pekanbaru pilot through the new connections programme under the responsibility of PT MTI. In the opinion of the MTR the revolving, and potentially risk yielding, contribution to new connections amounts to € 200-500 thousand at the maximum when the new connections programme is at full roll-out capacity. Based on PDAM's procedures the investments in new connections are fully financed by the new customers. It's the new customers' contribution to the assets of the water enterprise. In theory this implies that yet an unallocated budget of say € 3.6M is available from the private party, i.e. WFH. It is however reasonable to assume that the contribution from the private party is required to have an appropriate proportion to the grant fund. As this criterion was not specified at the start, this requires further consideration. WMD's own contribution in proportion to its P3SW grant amounted originally to 33%. If the same figure is applied to Pekanbaru then WFH, PWN, MTI and KTDP should together contribute € 1.7M. In fact they have contributed € 2.7M, as explained in point 2 above, which represents approx. 55% of the P3SW grant amount for Pekanbaru.
4. It is now scheduled that WFH/PWN will take a 51% stake in KTDP. What this implies in terms a possible redistribution of tasks and responsibilities between KTDP and WFH/PWN is not clear at the moment. Obviously KTDP has been underperforming for some time, presumably due to financial constraints. Parties shall now agree between themselves, and also communicate this to other stakeholders, who will take executive and management responsibility regarding the new set of activities described in the Annual Plan for 2009, once the debt restructuring of KTDP, including the rearrangement of shares is completed.
5. The MTR estimates that the action programme requires from the side of WFH/PWN a full time presence of a distribution management expert, with ample experience in block renovation and zoning/district metering, and a full time manager of "processes of change". Rehabilitation of the distribution network, introduction of zoning (DMA's), reduction of NRW, and increase of numbers of connections have the highest urgency. Once the production capacity will be increased NRW will go up further until distribution network improvements will really start paying of.

East Indonesia

1. Taking into account the progress in the four PTs WMD is running and assisting at the moment, as well as the depletion of funds, preferably no other preliminary cooperation agreements should be activated apart from perhaps Ambon, providing that the cooperation agreement with this PDAM, can become active before the end of 2009, and required initial funding can still be made available from the pilot programme's budget.
2. Considerations on economies of scale should become part of the pilot programme. The assistance programme as provided by WMD will be too expensive for small water enterprises to absorb. World wide the tendency is to have smaller companies merge into larger ones. At some locations in

Indonesia the opposite appears to be the case. It is doubtful whether funds of the pilot programme should be used to entertain such developments. This presents an additional consideration to withdraw from Minahasa and Jayapura.

3. It will be in the interest of the local governments and PDAMs concerned to receive clear information that they will be no longer part of the pilot programme. It will enable them to look and qualify for other assistance programmes.
4. The asset transfer issue, subject of considerable heated debate between the various stakeholders, has been at the forefront of WMD's P3SW pilot in the period 2004-2008. A substantial adjustment in WMD's approach was agreed upon between the main players in November 2008 with the decision the undo the transfer of assets in the various JVC's already established between WMD-subsiaries, Pemkos and PDAMs. This return of assets is supported as a necessary and correct development as existing assets cannot be legally owned by foreign companies. It may take well into 2009 until the administrative and fiscal complications of undoing the asset transfers are completed. It may be expected that this timely and wise decision will contribute to more acceptance of, and appreciation for, the so-called "WMD Model".
5. In consideration of the opportunities offered by PP Nr. 16/2005, in future it may be more appropriate to establish a Joint Venture Company (i.e. PT) between the private party and the PDAM (rather than Pemko), with transfer of concession and (part of) staff to the PT, while maintaining the PDAM as asset holder.
6. The TID concept offers excellent opportunities for systematic performance improvement of PTs providing that all interventions and their consequences, including cost and revenues for the receiving PT, are discussed and agreed upon prior to the services, so as to prevent conflicts of interests and keep the sense of ownership where it belongs. Due attention shall be given to maintaining mutual confidence and independence.
7. Empowerment and appropriate delegation of tasks and responsibilities at all levels of WMD's organization, including its local BVs and PTs, as well as room for fresh ideas and concepts, appear part of the challenges for the future sustainability of its services in Indonesia.
8. Particular relevance of the East Indonesia pilot in terms of contributions to the MDGs may take some more time as due to the legalization of illegal connections, also resulting in numbers of disconnections, the number of people served is officially going down rather than going up.
9. In order to improve on the sustainability of the pilot programme as well as that of the PT the application of a contribution to Pemko and WMD needs to be reconsidered and rescheduled if at all applied. It may not be fully supported by existing legislation, and its size may represent a serious burden to the PT. It may undermine the sustainability of the ongoing pilot programme. First coverage and profitability shall reach certain levels, and own capital funds be created as leverage to attract further external investments, before the PDAM or PT is levied by the local government (if allowed by local and central legislation).
10. The Cooperation Agreements need review, at least in consideration of the assets transfer and the "contributions" to Pemko and WMD. In relation to the assets transfer issue it is recommended to review also the appropriateness of the stipulations on the distribution of the accrued assets value at the end of the contract. As to the "contributions" clause, this particular tax (PAD) is in accordance with current regulations not applicable as long as the PDAM/PT has not reached 80% coverage.

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It will be a delicate issue to change the “rules of the game” while the match is being played. As a regional or local regulator is non-existent at the moment it needs high level discussions to come to revisions acceptable to all involved without too much commotion. The proposed joint Indonesian-Dutch monitoring team may play an important role here.

11. The half yearly and yearly progress reports shall contain different sections for plans and realization. The plans section shall indicate the budgets and sources of budgets for all plan components, and the realization section shall provide sufficient details on works completed during the reporting period as well as cost incurred and charged against earmarked budgets. The set-up shall enable consolidation over the years in order to be able to assess works and services completed against total budgets used.

5 ASSESSMENT PARTICULAR ASPECTS OF THE PILOT PROGRAMME

The developments to date in the P3SW pilot implementation projects in Pekanbaru and East Indonesia, and considering the overall programme, including the roles of the various actors and stakeholders, were reviewed in Chapter 4 from a general and more holistic perspective, using the Model of the Service Management System.

In this Chapter 5 particular aspects of the pilots are reviewed as per specification in the Terms of Reference. These particular aspects include:

1. Inventory of realized inputs in terms of means and resources of P3SW parties
2. Quantification, as far as possible, of results attained, compared to original targets, regarding water production (quantity, quality, continuity), distribution (network upgrading/expansion, metering, NRW), operational individual and communal connections, total number of people having access to clean drinking water, capacity building, information and communication, quality and effectiveness of management of water supply companies
3. Assessment of progress regarding long-term feasibility of: technical aspects, financial/economic; aspects, organizational aspects
4. Assessment of progress towards sustainability regarding social-political aspects, institutional and organizational aspects, economic aspects, motivation and readiness of regional/local/ commercial (development/investment) banks to invest in water supply infrastructure in the P3SW towns, ecological aspects
5. Identification of underlying success and risk factors in consideration of results attained in relation to original objectives, and relate those to the specific approach and mode of operations of the two pilots
6. Estimation to what extent reaching the project's objectives within the remaining time and budget for Phase 1 of P3SW, is still realistic based on existing plans, taking into account progress to date and level of cooperation
7. Recommendations as to desirable adjustments to content, priorities or approach and mode of operations of P3SW, in order to reach targets
8. Identification of actions required in order to (i) increase the feasibility for follow-up funding after Phase 1 of P3SW; and, taking into account integrated water management, (ii) promote the linking up with wastewater treatment and sanitation
9. Recommendations regarding continuation of the monitoring programme at the completion of Phase 1 of P3SW, and
10. Recommendations on further arrangements and agreements between water companies, central and local government, and other stakeholders regarding sustainability issues after 2010.

5.1 Realised inputs: means and resources

Inventory of realised inputs in terms of means and resources of P3SW parties

East Indonesia

First of all a brief overview of adjustments to the pilot to date compared to original targets:

- Original set-up can be summarized as follows: Cooperation Agreements for 10 towns, transferring PDAMs in PT-AMs including transfer of staff and assets to the PT-AM; upgrading and expanding treatment plants with a total production capacity increase of approx. 1500l/s, and installation of 98,000 new house connections, serving approx. 600,000 new consumers; serve an extra 3 million people with a dependable water supply at the end of the 15 year programme;
- To date four Cooperation Agreements are active: Manado, Sorong, Biak, and Merauke. A 5th and/or 6th one may be added, i.e. Ambon and/or Jayapura; in principle also Tomohon is still an option: the new PT's office has already been constructed but otherwise no activities are ongoing as the four new regions are still in the process of splitting up the existing PDAM into four smaller entities, one for each of the four new regions. Addition of other towns in the next couple of years is not very likely. This reduction in the programme down to about 50-60% of the (originally 10) towns is a serious deviation of the original programme;
- WMD has obtained a loan from SNS Real Water Fund (€ 2M; starting 2008) for Manado's water supply development, in particular for the renovation of treatment plant Paal 2.
- In September 2008, WMD was invited to attend a meeting in Jakarta with representatives from central government organizations, i.e. Bappenas and BPP SPAM, and the Netherlands Embassy, aimed at reviewing the assets transfer issue. WMD then agreed to reverse the asset transfer and return the (existing) assets back to Pemko. It is understood that the assets will be returned to the PDAM, as the asset holding company. This will be effectuated in 2009. It should be noted here that various parties, including Bappenas and Perpamsi, the latter also as advisor of PDAMs implied, had advised WMD beforehand about this questionable and most likely not legally defensible part of the Cooperation Agreement;
- In November 2008 WMD has obtained an additional grant amounting to € 3.5M from the Netherlands Embassy. This grant is scheduled for 45K new connections in Manado (17K), Biak (15K) and Sorong (10K). Again this is a sizeable change to the original set-up, that calls for further explanation how these works were budgeted in the original set-up;
- A rather positive development is the increasing intensification of the Block Renovation Programme (BRP), although there is still a long way to go, and approaches to be improved including sub-zoning of the distribution network (DMA's), before WMD and PTAM (in Manado), as well as other PT-AMs elsewhere will be able to claim that they really master the distribution network.
- The ESP programme of USAID, using RNE funding, will develop and implement a pro-poor approach in Manado and Ambon. Proper cooperation with that programme could WMD provide a good basis for development of pro-poor programmes in the other P3SW towns.

The overall expenditures are ahead of the initial time schedule, whereas payments to WMD are running behind schedule for various reasons. It demonstrates that WMD is able and willing to pre-finance project costs. As to staffing of the project, WMD appears not in the position to deploy longtermers from its own ranks. These positions are contracted out. A substantial number of WMD staff is, however, actively

involved in the pilot, both in the head office in Assen and in the field, mostly in the format of short assignments.

The actual activities and related expenditures deviate considerably from the originally scheduled investment pattern as presented in WMD's proposal dated June 2005. See Table 5.1.1 and Attachment 7.

Table 5.1.1 Summary view of scheduled and actual budgets and expenditures

	Manado	Sorong	Biak	Merauke	Other Towns	Central Services	Prep. Phase/ various/ Unall.	Total
P3SW budget allocation	1.065.000	958.000	942.000	533.000	3.342.000	0	700.000	7.540.000
WMD contribution	235.000	192.000	208.000	117.000	708.000	0	1.000.000	2.460.000
Sub-Total 1 (original budget)	1.300.000	1.150.000	1.150.000	650.000	4.050.000	0	1.700.000	10.000.000
Actual expenditures (Feb 09)	3.478.660	1.412.227	1.376.368	330.043	659.191	4.133.974	(in towns)	11.390.463
Deviation compared to original budget (in %)	+168%	+23%	+20%	-49%	-84%	+~		+14%
Revised budget WMD ¹⁾	3.525.000	2.300.000	1.900.000	900.000			1.375.000 ²⁾	10.000.000

1. Included in Annual Plan 2009; status towards Programme Monitor not clear to MTR team

2. To what components this budget balance is allocated in WMD's budget revision is not clear to MTR team

To date WMD has spent approx. € 11.4M or € 1.4M (say 14%) above the total original budget of € 10M earmarked for the five year investment period (2005-2009). In fact more budget is available as these budget figures are exclusive of the contributions of new customers for a new connection (usually Rp 1M/new connection). This is discussed in par. 5.7.

Activities to date have mainly been realised in four towns, i.e. Manado, Sorong, Biak, and Merauke, instead of in the ten towns included in the original set-up. In total approx. € 660K (or approx. 6% of total expenditures) was spent in other cities for preparatory activities and establishment of Cooperation Agreements (CAs). For various reasons these CAs have not become effective. MTR has advised to terminate further assistance to these PDAMs, except possible for Ambon, as earlier earmarked funds for these towns are no longer available.

In case the original budgets for towns with effective CAs had been adhered to, the current expenditure level would have been approx. € 6M, or about half of the current expenditures.

Summaries of two different cross sections of the total expenditures to date are presented in Table 5.1.2. It shows that 56% of all expenditures concerns TA and Travel costs; 36% of the budget has been invested in hardware. The second cross-section shows that 27% of expenditures relates to preparatory and planning activities, 14% relates to general systems upgrading and improvement, capacity building and training, and 53% to water production and distribution.

In general terms it may be concluded that a lot of effort and resources has been devoted to the organisation (PDAM/PT), its mapping, changes to its operations, and planning and reporting. Not more than half of the resources were devoted to rehabilitation and upgrading of technical infrastructure.

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Table 5.1.2 Summary of cross-sectional data on WMD's reported expenditures to date

	Cost components	Euro	%
Cross-section A	Building Interest	504.563	4
	Hardware	4.075.266	36
	TA Int /Local +Travel	6.355.653	56
	Other	444.981	4
	Total	11.380.463	100%
Cross-section B	Mobilisation, Quick Scans, Contracts, Plans, Surveys	3.037.819	27
	Systems (billing/Admin), Org. improvements, Project Management, Capacity Building, Offices	1.642.144	14
	Intakes, WTPs, Distribution system/BRPs, (local) Laboratory	6.081.944	53
	Other	628.556	6
	Total	11.390.463	100%

WMD has opted for a central project management and services delivery office (TID) located in Manado. TID has two directors: one (Dutch) technical and one (Indonesian) general director. In essence these managers are contract staff; from the start of the project none of the fulltime senior staff for the East Indonesia pilot have been part of the (long-term) permanent staff of WMD. So far WMD has not been able to recruit such experts from its own organisation. For short-term inputs the situation is much better; experts visit the pilot locations on a regular basis for rehabilitation and upgrading of WTPs, reservoirs, and distribution network, in particular the BRPs.

Pekanbaru

The pilot programme has undergone a number of changes from its formal start in September 2005. The most eye catching adjustments to date, in terms of changes to the original concepts can be summarized as follows:

- Original set-up can be summarized as follows: WFH started cooperation with Pekanbaru on the basis of the existing Joint Operation Agreement between the Local Government and private party KTDP; WFH set up a BOT type "REOT" agreement between its PT Tirta Riau and KTDP to rehabilitate, extend, operate, transfer two treatment plants (in total 900l/s capacity); in addition it set up a special contract between its PT MTI and KTDP to procure and pre-finance house connections (in total 50,000 new house connections and 300 public taps); serve an additional 250,000 people after initial 5 years programme; WFH scheduled to provide a loan to KTDP; KTDP would bring in €1.7M private capital;
- Then a number of changes occurred regarding KTDP:
 - KTDP got into more serious financial problems and after high level discussions in The Netherlands it was agreed that €1M from the P3SW budget would be used for debt restructuring under specific conditions; after fulfilment of these conditions it was confirmed in writing between WFH and RWS that the conditions were fulfilled and that the earmarked budget of € 1M could be transferred. Until now this transfer has not been effectuated.
 - One of the conditions referred to above was the introduction of an additional private party. That is the way PWN got involved in the project and contributed € 1.4M of its own funds.
 - It has now been agreed that the Dutch parties will take a 51% stake in KTDP, whereas the original creditors have agreed to swap their outstanding credits in KTDP against a 49% stake; the overall deal looks complicated but general impression is that all relevant aspects of this debt restructuring are adequately elaborated and defined in concise written agreements. All in all this is a rather complicated arrangement, implying that distinct risks are involved.
- Recently WFH/PWN (ref. Annual Plan 2009) [19] have proposed several additional changes to the original plan. These changes include a request for € 3.3M additional grant from GON for the

Pekanbaru pilot, and the proposal to make the bulk water delivery under the REOT contract fully operational from 1 January 2009 instead of the earlier scheduled date of 1 January 2011.

In Pekanbaru the realised inputs to date are distinctly different from East Indonesia. As WFH opted for hooking up to an existing Joint Operation Agreement between KTDP and the Local Government of Pekanbaru its priorities and strategies got soon determined by the state of affairs between LG, KTDP and PDAM. WFH, later joint by PWN, undertook a series of support activities to KTDP, had studies implemented, engaged MTI, and further established and manned PT Tirta Riau, the company that will later on implement the bulk water supply contract.

WFH/PWN have been engaging various international and local consultants for studies, specific support services, training events, and communication and awareness activities. Various senior and specialist staff members of PWN have visited Pekanbaru for studies, designs, coaching and support.

Main input and concern to date of WFH/PWN has been to create the right enabling environment to get the Joint Operation Agreement really working. Recent developments may offer the basis for a positive period for the PDAM.

The budgets and expenditures for the Pekanbaru pilot are presented in Tables 5.1.3 and 5.1.4 respectively. In its budgetary presentations WFH included the own contribution of customers taking a new connection systematically under the “own contribution” of PT MTI. The MTR Team is of the opinion that these contributions shall be shown as a separate budget line. The resulting revised budget is presented in the right column of table 5.1.3.

Table 5.1.3 P3SW budget for Pekanbaru pilot

	Budget (WFH)	Revised Budget (MTR)
P3SW	5.100.000	5.100.000
WFH/MTI/KTDP	3.800.000	1.300.000
PWN	1.400.000	1.400.000
Other	0	0
Own contribution new customers (@Rp1M/conn.)	0	3.333.333
Total	10.300.000	11.133.333

The pattern of expenditures is summarized in Table 5.1.4. It shows that all TA related expenditures amount to 16% of total expenditures. Investments in hardware amount in total to 81% of expenditures, as the funding for the debt restructuring of KDTP essentially relates to investment in the PDAM KTDP has realised under the JOA.

Table 5.1.4. Actual expenditures (2005-2008)

	2005	2006	2007	2008	Total	%
TA-internat./local + travel	99.655	164.680	144.421	161.597	570.353	16
Hardware	263.109	323.491	509.916	562.888	1.659.404	47
Debt restructuring KTDP	0	0	439.862	754.050	1.193.912	34
Other	8.560	47.124	10.071	64.749	130.504	3
Total	371.324	535.295	1.104.270	1.543.284	3.554.173	100

WFH/PWN presents a total budget of € 10.3M in its Progress Reports, whereas the financial overview mentions a total budget of € 9.534.782. Compared to these figures to date some 34-37% of the total budget has been spent.

5.2 Results attained to date

Quantify, as far as possible, results attained, compared to original targets, regarding water production (quantity, quality, continuity), distribution (network upgrading/expansion, metering, NRW), operational individual and communal connections, total number of people having access to clean drinking water, capacity building, information and communication, quality and effectiveness of management of water supply companies

First of all we will briefly look at (i) the intermediate results compared to planning, and (ii) at the validity of assumptions at the start of the pilots.

Intermediate results compared to planning

The **Pekanbaru** pilot project had an energetic start (2005-2006) with various studies and O&M related activities for the water production units. Then a period (2006-2007) of apparent stagnation followed as KTDP turned out more and more to be a lame duck. The PDAM was not really approachable and it took a long period to remove the managing director (in November 2007). Some progress has been made, but important decisions yet to be fully implemented include appointment of new managing director, increase of water tariffs and discontinuation of part of the labour force of the PDAM.

Compared to the original plan of operations in the proposal for the P3SW subsidy WFH/PWN estimates its current delay at 2-3 years. Considering the sizeable backlog in the upgrading of the distribution network, the backbone of a healthy water company, this is certainly not a conservative estimate. In other words the delay in terms of improvement of the water supply system is almost of the same magnitude as the time the programme has already been running. WFH/PWN claims that this drawback is compensated by the fact that now the problems with the PDAM management are resolved, and that a period of rapid improvements will be seen from beginning of 2009 onwards. WFH/PWN now estimates that all services and investments originally foreseen for the period 2005-2010 will be completed 2012-2013.

It is questionable whether all main stakeholders have the same perceptions and sense of urgency regarding the improvement of water supply operations in Pekanbaru.

The **East Indonesia** pilot got a quick start with Cooperation Agreements becoming active early in the project in Biak and Sorong (i.e. 2005). It then took until January 2007 before the Cooperation Agreement in Manado became active. Word is that in Manado and other locations the assets issue has clearly contributed to the delays.

The current year has been an active one: BRPs at several locations, rehabilitation of treatment plants in Manado (two locations) and Sorong, and expansion of the treatment plant at Lotta. The absorption capacity of the pilot East Indonesia is estimated at over € 4M this year.

The team managers in Manado estimate that the delay in the overall programme is about 2-3 years, which would extend the first five years period of services and investments to say the second half of 2013. The team management claims however that the new funds, from SNS and RNE, and gradual build up of routine will allow for a higher capacity from 2009 onwards, and gradual recuperation of the backlog by 2011-2012.

Validity of assumptions

The original plans for the pilot projects were based on general assessments and so-called quick scan of the technical, financial and organizational status of a particular PDAM. These general assessments were at the time considered sufficient for the P3SW "beauty contest".

Most of the assumptions for the original plans have proven to be incomplete or incorrect. Prognoses were overly optimistic, and may have suggested wrong expectations to stakeholders such as local government and Board of Supervisors of PDAMs/PTs:

- The status of the infrastructure appeared, and still appears, to be in a poorer state than the Dutch private parties could imagine. After three years of joint operations the NRW is still sky high. The number of connections has in fact gone down due to clean up of customer databases and legalization or, if necessary, disconnection of illegal connections. For example, the number of service connections in Manado is down from about 35,000 early 2007 to 16,500 at present. Proper data on the distribution network and house connections are missing. WFH/PWN is now scheduling a street-by-street survey in Pekanbaru to get a better perception of the reticulation system, and legal/illegal connections.
- The cooperation with the direct local partner, PDAM or PT-AM, is testing at times, in particular when the managing director is reluctant to cooperate, his removal and replacement proves complicated, and it appears that part of the PDAM (Pekanbaru) runs an own enterprise within the enterprise.
- The support from the Local Government has turned out to be complicated and disappointing. For example, Local Government in Pekanbaru has been reluctant for more than five years to approve new Water Tariffs and has until now maintained an own agenda regarding appointment of the managing director of the water enterprise. For several PDAM/PT-AMs it takes or has taken 6-12 months to appoint a new managing director (Pekanbaru (for previous MD), Sorong). The new approach of “fit and proper” tests, successful candidates will have to pass such tests at certified institutions, may result in some improvements, but this is yet to be confirmed. One may have to conclude that the much emphasized principle of majority share (51%) by the Dutch private party appears null and void if it comes to real decisions under the present conditions (Manado).
- The pro-poor policy is so far not really in the forefront of activities and attention, although In Pekanbaru a study for a particular pro-poor programme was undertaken.
- In Pekanbaru a plan for three hundred public stand posts which will be operated as small communal water supplies in the poorer sections of the town is now ready for implementation. Based on a field study and supported by an NGO, PT MTI and PDAM will shortly start jointly the installation of public/communal taps that will be provided with a water meter. The community will take care of further reticulation and house connections in the area and arrange for communal payment of the PT's water bill.
Considering the setting in Pekanbaru, as well as the relatively new approach adopted, it is advisable to start with a pilot programme of limited scale, and see how it works, before full roll out of the public stand posts programme.

In East Indonesia specific pro-poor implementation plans have not yet been studied or implemented. The pilot may benefit from a parallel programme from ESP/USAID (see above).

Results to date

Quantification of results compared to original targets appears to be a challenge by itself, as original targets are not always explicitly formulated and presented in a “SMART” way, in particular in the case of East Indonesia.

From the available documentation original targets for Pekanbaru and East Indonesia were put together as presented in Table 5.2.1.

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Table 5.2.1. Original targets P3SW pilots

	Pekanbaru			East Indonesia
	JOA LG-KTDP (2003)	Additional targets WFH	Amended Targets	Targets
Additional Population to be served			250.000	600.000 ²
New connections	20.000	30.000	50.000	98.000
New water meters	10.000	10.000	20.000	
Investments ¹	US \$ 5M	€ 7M	€ 7M	€ 10M
Production capacity-upgraded (l/s)	600	300	900	
Capacity building and training			+ staff lay-offs	
Pro-poor			300 PTs	Not specified

1. excl. customer contribution for new connection (usually Rp 1-1.5M/new connection)

2. Targets also mentioned an additional 2.3 million people served by 2020 (equivalent to approx. 400.000 new connections)

The essential output and results to date are summarized in Table 5.2.2.

In both pilots major efforts have been undertaken to clean up existing customer records. Initially this has resulted in a reduction of the number of connections and the population served.

The upgraded customer databases show that since the start of the pilot the overall number of connections in East Indonesia has fallen by about 460 connections, and the number of people served is reported to have dropped by about 7.000 people.

A similar development has taken place in Pekanbaru: compared to the start of P3SW the number of connections has reduces by approx. 1100.

In both pilots regular capacity building and training events are organised and implemented. WMD has set up a well organised Training Centre in Manado, including specific components such as computer training, and water meter testing and repair.

In cooperation between WFH/PWN/KTDP (say "WPK") and Pemko an extensive public information and communication campaign was organised, and implemented late 2008 – early 2009, to socialize the scheduled water tariff increase, which was finally endorsed by the Mayor per 1 March 2009.

Quality and effectiveness of management of the water utilities appears to be a very complicated issue in Indonesia. Although professional management is obviously of decisive influence on the performance of the water enterprise, the pilots have been struggling from the start to come to agreements with the local governments on the recruitment and appointment of qualified managers.

In Pekanbaru the conditions are so volatile that in the past 3-4 years a total of eight replacements took place among the management team of three.

In East Indonesia the positions of Managing Directors for the PTs in Sorong and Biak are vacant for more than a year. Apart from notable exceptions several current members of PT Management are obviously insufficiently qualified for the positions, and need urgently to be replaced by more professional managers that take ownership and insist on sufficient empowerment to guide the local staff to take these PTs a step further and to a higher level of performance.

As an illustration of results attained and challenges ahead, the achievements and plans regarding cumulative number of connections and NRW will be graphically presented for Manado.

The past and scheduled future developments regarding the cumulative number of connections in Manado are presented in Figure 5.2.1. The figure illustrates that though challenges are ahead.

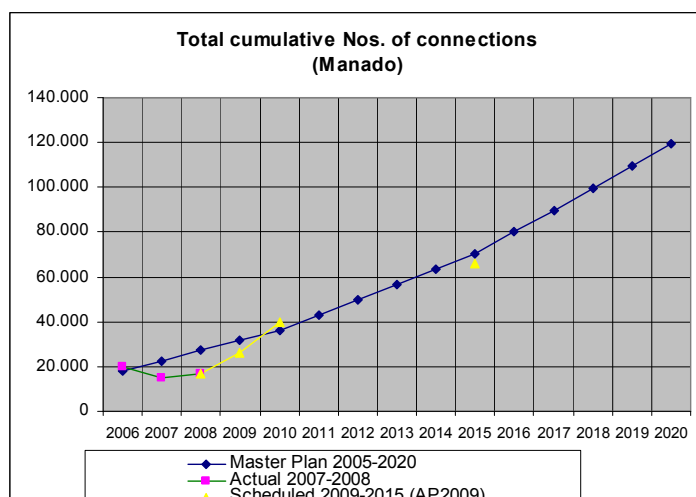


Figure 5.2.1. Scheduled development of cumulative Nos. of connections for Manado

Improvement of the distribution network, through the so-called “Block Renovation Programmes” (BRPs) is one of the most essential upgrading activities in WMD’s programme. Upgrading, and in particular zoning of the distribution network, is of particular importance for Manado with its significant elevation differences. Inadequate zoning and related water pressure management will lead to considerable NRW as long as the distribution network is not sufficiently water tight.

Table 5. 2.2 Output to date in East Indonesia and Pekanbaru pilots

		2005	2006	2007	2008	Remarks
East Indonesia	Manado					
	Production capacity (l/s)		768	768	768	
	Connections		21.226	16.226	18.026	-3.200
	NRW		83	82	81	
	Population served		137.423	107.423	117.814	-19.609
	Capacity building		No quantitative reviews available			
	Management					
	Sorong					
	Production capacity (l/s)		200	200	200	
	Connections		5152	6231	6762	+1.610
	NRW		53	52	48	
	Population served		51601	57087	56814	+5.213
	Capacity building		No quantitative reviews available			
	Management					
	Biak					
	Production capacity (l/s)		50	100	100	
	Connections	4810	4841	5073	5556	+715
	NRW		59	63	57	
	Population served		29927	31531	34641	+4714
	Capacity building		No quantitative reviews available			
Management						
Merauke						
Production capacity (l/s)		40	40	40		
Connections		3314	3522	3730	+416	
NRW		34	45	41		
Population served		20760	21959	23318	+2.558	

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		Capacity building		No quantitative reviews available			
		Management					
Riau	Pekanbaru						
		Production capacity (l/s)	520	487	359	380	
		Connections	19.924	19.526	18.701	18.815	-1.109
		NRW		60	44	57	
		Population served					
		Capacity building		No quantitative reviews available			
		Management					

The actual and planned NRW levels for Manado are presented in Figure 5.2.2. The figure shows that challenges ahead during the next two years are tremendous. In the opinion of the MTR Team the importance and the required resources for the adequate zoning, including installation of required appurtenances, are still seriously underestimated by the WMD team. Most of the work to date still needs to be coordinated by distribution and piping experts from WMD-The Netherlands, as it seems difficult to recruit Indonesian specialists with the right aptitude and attitude through Inowa.

The actual levels of NRW in Manado, as well as the future levels projected in the Master Plan, and recently in the Annual Plan for 2009, are presented in Figure 5.2.2.

The graph show that during the current and next year (2009-2010) a reduction in NRW fro approx 80% to approx. 45% is pursued, or a reduction by about 50%. If it materialises this will truly be an achievement.

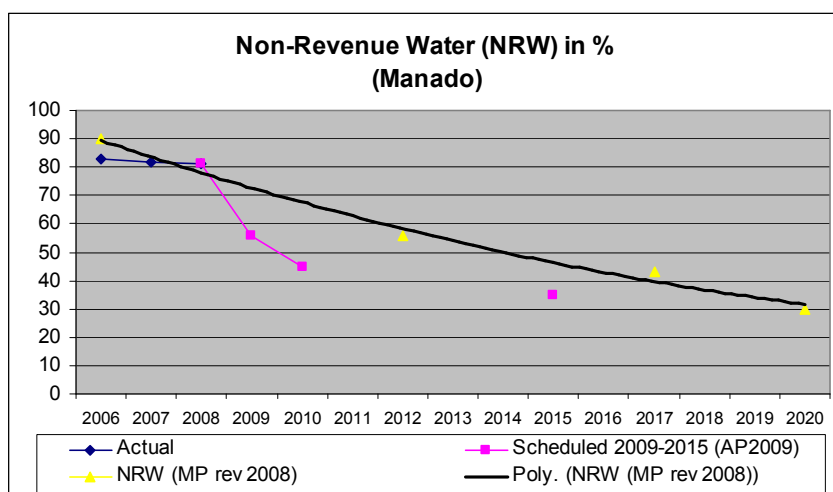


Figure 5.2.2. Actual and planned NRW levels for Manado

5.3 Assessment of continuity and maintainability of improved services

Assess progress regarding long-term continuity and maintainability of: technical aspects, financial/economic; aspects, organisational aspects

Both pilots cite a reliable and dependable water supply as the overall objective of the P3SW Pilot Programme. In terms of continuity and maintainability of services this requires amongst others

- An enabling environment supported by all stakeholders
- Qualified water utility management and staff
- Ownership and empowerment of management and staff of the local water utility
- A clear vision and strategy what needs to be done, and in which sequence
- Systems tailored to the capabilities and capacities of what the town and its population can sustain

- Adequate Management, Financial and Technical Information Systems
- Adequate management of costs and full cost recovery through a correct and regularly updated water tariff system

Public water operations at municipal level are a challenging business. There is a long tradition in many countries of mismanagement of funds, illegal connections, nepotism, and disregard of minimum levels of adequate maintenance and repairs of the public infrastructure.

The two pilots in East Indonesia and Pekanbaru are addressing these challenges each in their own way. WMD has opted for a direct intervention model by establishment of PTs with a majority share for WMD. Field visits and discussions with local government indicate that local governments in East Indonesia have to a certain extent accepted the role of shareholder rather than interventionist manager of the utility. At the same time the recruitment and appointment of qualified members of the management team of the utility appear to cause debates and stalling positions between the shareholders, in particular in Manado, to the detriment of the interests of the utility and the services to the customers. The PTs in Sorong and Biak have a caretaker MD at the moment, and in Merauke the current MD is a retired civil servant from the Pemda. Although some of the management staff are doing well under the given circumstances, in general terms the conditions are not conducive for local ownership and empowerment. If these development drivers are falling short at the management level, this will certainly have its impacts on the lower echelons.

In Pekanbaru WPK operates in a different setting as the PDAM is, in legal and institutional terms, still fully operational, and the stakeholders are cooperation under the Joint Operation Agreement. Local Government in Pekanbaru appears to be considerably involved in the management of the PDAM. The recruitment and appointment of qualified management staff is an issue that has dragged on for years. Developments under P3SW were seriously hampered by this, but recent developments may prove to be a breakthrough following a long period of perseverance by WPK. On 1 March the prime candidate of WPK was appointed Managing Director of PDAM Tirta Siak for a full period of 4 years.

Without intending reproach to the current MDs of WMD's PTs in East Indonesia one may conclude that this is the first appointee under the P3SW Pilot Programme that has the full support from the Dutch Operators. The coming year will have to show that such will make the difference.

Considering the long period of mismanagement and embezzlement of public funds the ownership and empowerment issues need to be reinforced and redirected in Pekanbaru. This will require an in-depth programme of "change management" addressing values, attitudes and habits, and at the same time the right enabling environment.

In terms of hardware systems the P3SW parties have generally adopted a policy of down to earth upgrading and repairs of existing infrastructure without introduction of sophisticated, demanding and/or costly new systems and features.

What may prove to be a challenge as to continuity and maintainability of improved services is the extent to which distribution networks are upgraded under the so-called "Block Renovation Programmes"(BRPs), and management and staff are trained, and given the right instrumentation and other incentives, to maintain low levels illegal connections and NRW.

As to the financial-administrative systems and related software systems, WMD has, as part of its standardized approach, opted for replacing the heart of the financial-administrative system, i.e. customer registration and billing system, by its own Agresso system. This is a modern system which comes at a certain size and costs, and requires a certain level of education and training, as well as regular maintenance and repairs. Rather than having a strategy that the introduction, management and maintenance of such system shall be vested with the PT's management team, which is also implying the management team shall have the right composition and capabilities, WMD has opted for local coordination and supervision by a financial consultant from Inowa. In case of system breakdown a specialist may have to be flow-in from Inowa's head office in Bandung.

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At the time the WMD pilot was started most of the PDAMs were in a bad shape, partly due to the effects of the financial crisis in the late nineties. The initial top-down approach in the WMD model, believed to enable a quick change-over following standardised patterns and solutions, may require a radical change after 1-2 years operation of the PT. From observations in the field it is obvious that PT management and staff struggle with ownership and empowerment issues. The general feeling is that the agenda is determined by TID/WMD/Manado. From their perspective the PT Management, until recently in charge of planning and budgeting for the PDAM and answerable to the local government, now experience that they are to follow instructions from TID, are to receive consultants (INOWA) that prepare plans and execute works without full prior consultations and agreement with the PT Management, and are to foot the bills for these services resulting in build up of loan obligations and debt. Cross-checking with TID learns that TID is gradually stepping up the involvement of the PT Management in planning and operational issues but that responsiveness is below expectations and requirements. Obviously both sides have to come to grips with the past and the effects of the approach during the early stages of the pilot.

WPK has to a certain extent struggled in a similar way with a pursued upgrading of the principal financial-administrative procedures for PDAM Tirta Siak. Efforts were undertaken to come to a unique identification system for each water meter and customer (by means of a bar code). After a lengthy period of preparation and trials the system is not yet fully operation. It will have to get a serious boost as part of the forthcoming street-by-street mapping of the distribution network.

The latest strategy of WPK regarding turn-around management and training is to hire expertise from PDAM Tirtanadi to coach and train staff from PDAM Tirta Siak under a South-South Twinning programme. Providing that this approach will answer to the needs of change management, and will further instil ownership and empowerment in the right way at the right levels, this is considered to be a promising development after such a long period of virtual standstill.

The adequate management of costs needs serious attention in East Indonesia. In its planning, and also in the proposal for additional funds from the RNE, WMD argues that a 25% provision for technical assistance is required. Considering the type of project, such elevated percentage may be justified for some time, in particular in the early stages of a pilot project. During such period also the standardisation of systems may require extra inputs by services providers. But in the East Indonesia pilot the costs of technical assistance by international and local consultants are more than double this figure and amount to a level of 56% (see Table 5.1.2). If such costs are substantially to be financed from the revenues from the PTs then continuity and maintainability of services are at stake.

The issue of full cost recovery and a related structured set-up for water tariff adjustments is better arranged in East Indonesia than in Pekanbaru. The Cooperation Agreements include clauses on a tariff setting allowing for eventual full cost recovery, and provide for annual adjustments based on inflation+2%. After the recent water tariff increase, the first one in almost ten years, WPK may soon have to go again through the political hassles of tariff adjustments.

As long as in the local setting an enabling environment can be created, the guiding principle of undertakings which are essentially "people-business" such as water utilities, shall be that "what can be done locally shall be done locally", predominantly with the local means and resources.

In summary:

In particular since the recent positive developments in Pekanbaru the prospects regarding continuity and maintainability of services improved and to be improved under the P3SW pilot seem considerably better now. But this positive outlook needs to be further confirmed in the course of this year before any tangible conclusions can be drawn.

WMD may have to rejuvenate and improve management and staffing from the PTs, address ownership and empowerment issues, and transfer tasks and responsibilities more systematically to the local management, in order to create organisations that can operate at lower costs, with lower dependency on external services providers, and with the right enabling features for safeguarding continuity and maintainability for the longer term.

5.4 Assessment sustainability re. social-political, institutional, organisational, economic, and ecological aspects

Assess progress towards sustainability regarding social-political aspects, institutional and organisational aspects, economic aspects, motivation and readiness of regional/local/ commercial (development/-investment) banks to invest in water supply infrastructure in the P3SW towns, ecological aspects

East Indonesia

WMD has opted for an organisational format (PT) and operational systems (orgware/software) that are different from (surrounding) PDAMs. This places the PTs in a particular situation. Exchanges between job holders, for staff development and job enrichment, may be limited to the “WMD group of PTs”. It is not yet clear whether PT staff will qualify for regional or central training and exchange programmes. The position of the PT’s within the Branch Organisation Perpamsi also requires further attention.

Under the current laws and regulations an essential consequence of the cooperation between PDAMs and private parties is the disqualification of the PDAM for government supported programmes and funding, including the currently executed restructuring programme regarding MOF-debt of PDAMs. It seems however that restriction for this particular programme may be waived as the group of companies involved is small, and most of the PPP arrangements exclude these MOF debts as well as related interests and penalties.

Apart from SNS no other banks, neither local or international, nor commercial or development oriented banks, have shown positive interests in investing in the smaller towns in East Indonesia. This may prove to be different for Manado and Pekanbaru, once the level of performance reaches a specific threshold. Although current regulations are strict, set-up of a particular scheme under which the Government or Donors could offer guarantees to local or regional banks willing to invest in the PTs could be a first substantial improvement of “investment climate” for these water utilities. This could be an option for the Dutch Operators to explore further.

The long-term feasibility of the “WMD Model”, whereby “long-term” is considered to cover at least the period up to 2020 or possibly up to 10 years more, will largely depend on regular guidance and support, as well as monitoring and control, by WMD during the said period. WMD’s plans and intentions in that respect are not fully clear at the moment.

Apart from an initial study on nature conservation of the upper catchments of River Remu, WMD has so far not initiated particular studies of water resources management and conservation

At the time of termination of a Cooperation Agreement it is not unlikely that the PT will transfer in the organisation structure which will at that time prevail in Indonesia for Regional Water Enterprises, be it the PDAM structure or a PT like structure. The criteria to qualify in future for further investment funding will be an important consideration.

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Pekanbaru

A text box with a brief narrative description of impressions of a recent visit to Pekanbaru, just before the approval of several of the proposals/requests in the "10 points" plan of WFH, is presented on the next page. Bearing in mind the recent positive developments in Pekanbaru this narration is also to illustrate that matters can change quickly for the better or for the worse. Certain improvements take time. WFH is really to be commended for their perseverance in not spending money in a sort of Casino type of investment.

WPK has contracted a study to investigate the feasibility and impact of water withdrawal from Lake Limbungan for the scheduled expansion of the Rumbai treatment plant (from 40-120 l/s). The environmental impact study confirmed that the planned withdrawal is acceptable, although in the dry season the low levels of the lake will become critical.

5.5 Success and risk factors

Identify underlying success and risk factors in consideration of results attained in relation to original objectives, and relate those to the specific approach and mode of operations of the two pilots

Eye catching differences and similarities between the two pilot models

In Pekanbaru the PDAM seems to be at arms length, hardly part of the complicated fabric of various PTs and contracts between PTs. WFH/PWN and their subsidiaries, PT Tirta Riau and PT MTI, formally interact with the PDAM through KTDP, and are not fully established in the PDAM's (central) office.

During the period of almost two years that the relations between WFH/PWN/KTDP and PDAM were rather complicated the implementation of works under the pilot programme was by policy limited to essentials, such as upgrading of treatment plants (IRP 1-2) and improvement of distribution network (NRW 1-2).

Once the new managing director will be formalized considerable changes for the better are expected.

In East Indonesia the PDAMs were transferred into PT-AMs. WMD, and in particular its TID, has direct interference in the management and O&M of the water supply systems. TID has at least two fulltime staff (one financial and one technical) seconded at each of the PT-AMs. TID has an impressive new office in Manado, and pays quite a bit of attention to public relations, socialization of its support services and activities, capacity building and training. Major attention is given to Block Renovation Programmes in all PT-AMs under the assistance programme, and experts from WMD from the Netherlands push ahead the enormous amount of field work yet to be undertaken in distribution network improvements. In some blocks the NRW was brought down to 7-10%, but regretfully in most cases the zoning is not made permanent (see also elsewhere).

Upgrading and expansion works are ongoing for the treatment plants at Lotta and Paal Dua (Manado), and Sorong.

In other words, the projects in East Indonesia look vibrant in terms of rehabilitation and upgrading works. Rehabilitation works on treatment plants are down to earth, straightforward and cost-effective. Some impressive progress is being made at the moment in Manado, Sorong, and Biak. Most of the work in Merauke has yet to start.

At the same time the projects in East Indonesia will soon be working on the reversal of the assets transfer, which will also bring the need to review the Cooperation Agreements. In addition, the need for staff restructuring is more dramatic compared to Pekanbaru. In other words the pilot in East Indonesia may face some serious difficulties ahead.

Public-Private Partnership water supply in Pekanbaru- an Indonesian-Dutch Cooperation Programme

The Mid Term Review mission (MTR) for the P3SW (PPP) Pilot Programme visited Pekanbaru for three days to review the application of the funds contributed to the pilot by the Netherlands Government. The tentative findings, summarized below, are rather disturbing.

The PDAM is essentially operating on a cash basis: monthly expenditures have to balance cash income; priorities have to be set by the PDAM's management to decide what to pay for in the current month, and what has to wait until later. For some time now income falls short structurally of essential expenditures.

This means amongst other that more or less on a regular basis:

- *essential maintenance is not done resulting in irreversible deterioration of essential town infrastructure*
- *water is distributed that is not disinfected, and may carry pathogenic organisms causing illnesses to customers*
- *water is distributed with wrong physical-chemical characteristics causing corrosion in pipes and house appliances such as boilers, internal piping and appurtenances. This may result in considerable financial losses in macro-economic terms, many times more than the costs of the required chemicals. At the same time it may also result in serious health impacts due to the release of heavy metals and toxic substances during the process of corrosion*

A presentation by the PDAM management stated that the pH ("acidity") of the distributed water is regularly rather around 4.5 than the acceptable range between 6.5 and 8, due the lack of funds for the chemicals for pH correction. We were informed that various larger customers such as hotels and hospitals are setting up their own water supply systems as they are no longer prepared to accept the adverse risks of corrosion in their systems.

In macro-economic terms investments are wasted, and public health is under unnecessary strain. What may yet have to come is legal procedures and claims by customers and owners of damaged property against those responsible for what can be qualified as serious mismanagement.

Who are the stakeholders related to this mismanagement, and what went and is still going wrong?

The answer to these questions may not be simple, but these answers and further understanding of the institutional and legal issues may be required in order to do justice to all involved. It will be an essential step in creating the enabling framework in Pekanbaru for a dependable and reliable water supply.

The following conclusions are drawn from discussions with stakeholders and review of documents:

- the Joint Operation Agreement for water supply in Pekanbaru has the format of a hybrid contract that appears not to provide the enabling conditions for a successful partnership between public and private parties. In practice, the public party, Pemko, and the private party, KTDP, are holding each other as well as the PDAM, hostage in the targeted optimization and performance improvement of the PDAM
- the rewards for the private party's investment obligations are linked to performance improvement by the PDAM, whereas the private party does not have the full powers to manage and control the operations of the PDAM
- the application of public sector rules and regulations, rather than those applicable for PPP schemes, nor the omission to establish an independent regulator, are conducive for the process of building up mutual trust, readiness to act and cooperate, and run manageable risks.
- Essentially little has changed in the set-up since the Dutch operators have started to support KTDP. As the PDAM may now request for a loan fund from the Dutch through KTDP, more funds are available for funding other costs such as staff lay-off to ultimately reach higher efficiency and a better cost-benefit ratio. At the same time the Dutch operator has no other choice than to operate carefully, as chances to create a more enabling environment prove to take much effort and time.
- Notwithstanding the investments and other support services, the (mal)performance of the PDAM has hardly changed, and water supply still needs considerable improvement in terms of quality, quantity and continuity. Water tariffs have not been increased and KTDP, and the Dutch, have not seen assurances of compensation for their investments.
- the Joint Operation Agreement, in particular the Clauses 15.1 (c), (d), and 15.2, stipulate that water tariffs in Pekanbaru should have increased from 2006 onwards. To date no water tariff adjustments have been endorsed and effectuated by Pemko. This hampers mutual trust between the parties, and leads to increasing financial constraints for the PDAM
- Due to various forms of internal mismanagement and misconduct, including exploitation of quasi legal non income contributing connections and other forms of fraud and embezzlement, numerous staff and managers were sacked and laid off in the past 10 years. A group of 24 were removed in November 2008. New rumors of another faction within the PDAM taking up similar activities are now circulating.

It may be expected that also the combined efforts of KTDP and the Dutch operator will run aground if not soon improvements are made for the enabling environment for the PDAM and the investors.

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In terms of contracts the ones for Pekanbaru appear more professional, more transparent, and more in line with current legislation in Indonesia. This is certainly a good basis now for WFH/PWN to recuperate part of the current backlog in programme implementation, providing that all stakeholders will support and contribute to processes and momentum of change that are badly required. WFH/PWN's ambitions as reflected by the comprehensive programme for 2009, specified in the Annual Plan 2009 [19], are high. Successful change management requires a good understanding and mutual appreciation between main players. In the coming period much attention shall be devoted to the various aspects of change management.

Where the two pilot do have eye catching similarities, these relate regretfully to issues where local government is involved, such as long lasting and not fully transparent procedures for appointment of qualified managing directors of water enterprises, increase of water tariffs, and procedures for staff lay-offs.

East Indonesia

WMD's management for the East Indonesia pilot considers as main risk and success factors:

	Risk factors	Success factors
East Indonesia	<i>Institutional:</i> <ul style="list-style-type: none"> • Lay-off of 40-50% of current staffing required; scheduled for 2008/2009 • Transfer of assets may remain a source of conflicts for some time to come 	<i>Institutional:</i> <ul style="list-style-type: none"> • Overall organisational set-up (such as in-house services by TID) • Systems developed: job descriptions, performance appraisal, salary system, dismissal plan • Training centre Manado; cooperation with other training centres • Laboratory services
	<i>Financial:</i> <ul style="list-style-type: none"> • Fees charged by WMD and various subsidiaries to the PTs • Sufficient requests for new service connections (estimates may prove to be overly optimistic and unrealistic) 	<i>Financial:</i> <ul style="list-style-type: none"> • Clean-up of house connections database (e.g. Manado: from 35,000 to 16,500 service connections) – Gradual improvement of cash flow position (weekly cash flow reports, control of expenses, marketing after BRP, early (field) registration new/re-connections, disciplinary team bad debtors)
	<i>Technical:</i> <ul style="list-style-type: none"> • Quality of employees and contractors • Quality of works, and targets for upgrading and expansion of infrastructure 	<i>Technical:</i> <ul style="list-style-type: none"> • Implementation and expansion of BRP (including on-the-job training for Pekanbaru) • Refill stations (20L bottles) based on Perfector-E (extra income) • Central Laboratory (not part of P3SW)

Figure 5.2 Main risk and success factors according to WMD's management for East Indonesia pilot

Pekanbaru

Management of WFH/PWN considers as main risk and success factors for the Pekanbaru pilot:

	Risk factors	Success factors
Pekanbaru	<i>Institutional:</i> <ul style="list-style-type: none"> • Appointment of new Managing Director PDAM (position vacant since Nov. 2007) • Approval for adjustment of Water Tariffs (not adjustments for more than 5 years; increase of 30-50% required) • A newly elected mayor taking a different attitude towards the joint development of water supply 	<i>Institutional:</i> <ul style="list-style-type: none"> • WFH/PWN has developed the right conditions and platform for the successful transformation of PDAM into a well performing water enterprise.

<p>Financial:</p> <ul style="list-style-type: none"> • Lack of readiness of GON to approve and fund additionally requested € 3.3M (will go at the cost of WTP expansion) 	<p>Financial:</p> <ul style="list-style-type: none"> • Mechanism of Revolving Fund for WFH Foundation in Indonesia
<p>Technical:</p> <ul style="list-style-type: none"> • Sludge treatment for WTP not included in budget of original proposal • Lake water resources for Rumbai WTP (Advisor SEPA recommends ecological impact at low water level in dry period to be acceptable) 	<p>Technical:</p> <ul style="list-style-type: none"> • Introduction of the Perfector, the first of this type and size in Indonesia

Figure 5.1 Main risk and success factors according to WFH/PWN's management for Pekanbaru pilot

The MTR Team has observed various strong and weak points of the two pilots, which can turn into success and risk factors:

Pekanbaru

For example, on the one hand progress looked very disappointing in Pekanbaru as the sense of priorities and urgency seemed to be lacking completely, from the side of the PDAM, from the side of the Pemko, from the side of KTDP, and from a certain perspective also from the side of WFH/PWN. During this period WFH/PWN opted for working consistently on a more enabling environment before spending precious funds from the P3SW Pilot Programme. It engaged in a debt restructuring exercise for KTDP and later on in an unorthodox debt-for-shares swap between KTDP and WFH. This strategy enabled WFH and PWN to get a foothold and gradually more structural position in an existing PPP contract between a public and a private party, within the confines of the applicable Indonesian laws and regulations, as well as of the Joint Operation Agreement. Once all the “dust has settled” and WFH/PWN will be in full control of KTDP and be a direct partner of PDAM and Pemko, this may prove the best attainable outcome for what originally looked an attractive opportunity but than turned into a long nightmare.

But light at the end of the dark tunnel may also prove to be an approaching train, and the coming year will have to confirm that all the agreements between parties and individuals in the process of KTDP's restructuring will hold, and not lead to new complications.

Another potential risk is the format of the Joint Operation Agreement, which is of a hybrid nature and in essence not a concession contract. The current arrangements between Pemko and WPK, such as the understanding on appointment of the management team, move the JOA de-facto more in the direction of a concession contract. WPK and Pemko should consider seeking assistance from BPP SPAM on how the current set of agreement and arrangements can be transferred into a revised JOA having the true status of a concession contract, while also addressing particular issues that need more explicit formulation such as tariff adjustments.

East Indonesia

Also WMD spent much time in reaching agreements on the Cooperation Agreements with the various local governments. Some of these discussions and negotiations proved long, not in the least because WMD was seeking the edges of applicable laws and regulations, and because local governments and/or PDAMs received various recommendations from amongst others the Ministry of Home Affairs, Bapekin, Bappenas, and Perpamsi to operate very carefully with some of the elements of the CAs (a.o. assets and tendering issues).

Three years on, the flexibility and yet persistence of Indonesian policy makers and professionals prove stronger than WMD's initial enthusiasm and last year a crucial and essential adjustment to the Cooperation Agreements was negotiated and agreed between parties, i.e. the return of existing assets from the PTs to the PDAMs.

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The MTR Team considers this return of existing assets and the related fundamental changes in the Cooperation Agreements a serious risk for WMD and further P3SW Pilot Programme implementation. Much will depend on the extent to which WMD proves to be a learning organisation. From a positive perspective this risk or assets problem may turn out to be an opportunity for instance when all parties, with a stake in asset ownership and management, are invited to sit together and contribute to a solution acceptable to all parties.

A significant potential success factor of the WMD-Model is its creative concept, creating a new organisation with the existing resources, with a flavour of private business and independency, having some distance to the local government, and offering a new outlook and a new spirit. Some locations appear vibrant with activities, money is spent, works are implemented and services are rendered.

But is this sufficient for success? The biggest pitfall of the WMD Model seems to be a lack of consistent planning, budgeting, monitoring and control. Intention was to apply the WMD model for ten PDAMs. At the moment only four PTs are operational. Master plans, of limited quality and analytical depth, propose investments (in phases, usually three of them, each covering 5 years between 2005-2020) with budgets that do not relate to or fit in the available funds from the first Phase of the P3SW programme.

Particular activities in the master plan considered less urgent and proposed for Phase 2, are now implemented under Phase 1. Originally proposed budgets for the individual towns have been redistributed over the four towns without specific written correspondence and agreement between WMD and the Programme Monitor. Neither of the parties has shown such correspondence or (dis)agreements to the MTR team.

5.6 Attainability of programme's objectives within remaining time and budget

Taking into account progress to date and level of cooperation, assess whether attainment of the programme's objectives within the remaining time and budget for Phase 1 of P3SW, is still realistic based on existing plans

Two answers can be given to this:

1. Yes, in case in particular the general objectives of the pilot programme are considered: experiment with options of Public Private Partnership, build up experience and learn lessons, and contribute to the MDGs
2. No, if apart from these general objectives of the P3SW Pilot Programme also the more specific targets of the pilots are considered.

For the "No" answer the most significant deviations are:

- in East Indonesia the pilot runs in four towns rather than ten towns originally foreseen. Within the remaining time and budget for Phase 1 of P3SW no more towns can be added, and in fact it will be appropriate to inform these towns without further delay that the pilot will not be extended to their PDAMs, and that the CA will have to be terminated. That will enable those PDAMs to qualify for other programmes.
- also for the four towns in East Indonesia the initial target of 98,000 new connections (or 600,000 additional population served) cannot be reached, even not with the additional allocation of € 3.5M from RNE (see also 5.7)
- in Pekanbaru various delays have occurred in the past 3.5 years, roughly estimated at 2-3 years by WPK. Apart from this time delay still most of the specific targets of this pilot are considered attainable. A total of 50,000 new connections and related infrastructure will most likely not be possible within the

available funds, although Pekanbaru had already an extensive distribution network available. An additional budget allocation may be required.

5.7 Desirable adjustments in order to reach targets

Make recommendations as to desirable adjustments to content, priorities or approach and mode of operations of P3SW, in order to reach targets

Addressing this issue the MTR Team has first of all looked into the adjustments to time period and budgets required for Phase 1 for the P3SW Pilot Programme, in order to reach substantially the Phase 1 targets. These considerations are presented below. At the end of this section other desirable adjustments are briefly discussed.

East Indonesia

Before embarking upon recommendations on desirable adjustments, an overview is required of what may reasonably be considered as the present set of targets and related boundary conditions. Assuming that this overview will also be confirmed and agreed by the implementing parties, it can then serve as a basis for adjustments in time and budgets aimed at reaching the (amended) targets.

In East Indonesia the sum of the investments under the 1st Phase of the Master Plan for each of the four PTs currently part of the pilot add up by coincidence to approximately the total available budget under the P3 SW Phase 1 programme. See Table 5.7.1.

Table 5.7.1. Overview of Master Plan budget (Phase 1), pilot funds and connections

	Manado	Sorong	Biak	Merauke	Other	Total
MP- Investment budget Phase 1 (incl. 25%OH and 10% tax)	6.400.496	2.674.901	1.892.893	1.068.201		12.036.490
Existing connections at start	13.814	9035	4810	3221		30880
New Connections (Phase 1)	22.102	11.000	8.690	1.692		43.484
Total Connections (Phase 1)	35.916	20.035	13.500	4.913		74.364
P3SW budget rescheduling (WMD proposal)	3.525.000	2.300.000	1.900.000	900.000	1.375.000	10.000.000
Contribution new customers (@ Rp 1M/connection)	1.473.467	733.333	579.333	112.800		2.898.933
Total budget available	4.998.467	3.033.333	2.479.333	1.012.800	1.375.000	12.898.933

From the overview it may be concluded that from the originally available budget approx. 43.500 new house connections can be constructed under the Phase 1 investment programmes for the four towns, rather than the scheduled 98.000 new connections in ten towns as originally scheduled.

If the additional allocation of the RNE (€ 3.5M), the additional own contribution of WMD (€ 1M), the funding from SNS (€ 2M) and the contribution of new customers for new connections (Rp 1M per connection) are added to this, the overview evolves to Table 5.7.2.

From Table 5.7.2 it can be concluded that given the additional funding mentioned a total of approx. 43.500+45.000=88.500 new connections is attainable under the expanded funding provisions. This is about 10% below the original P3SW commitment of WMD, or in other words reasonably within range.

Assuming that this overview can be further used as reference for WMD, the general targets and boundary conditions for an expanded Phase 1 of the P3SW Pilot programme could be set at 88.500 new connections, approx. 531.000 additional people served, a total budget of € 22.4M and an expanded Phase 1 pilot period from 2005-2013. A full set of targets for WMD may be compiled from the respective phases 1

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of the various Master Plans, the additional agreement between WMD and RNE for the € 3.5M budget assistance, and further discussions with WMD, incl. TID and PTs.

Table 5.7.2. Overview of Master Plan budget (Phase 1), pilot funds incl. additional RNE, WMD and SNS contribution, and connections

	Manado	Sorong	Biak	Merauke	Other	Total
MP- Investment budget Phase 1 (incl. OH and tax)	6.400.496	2.674.901	1.892.893	1.068.201		12.036.490
Existing connections at start	13.814	9035	4810	3221		30880
New Connections (Phase 1)	22.102	11.000	8.690	1.692		43.484
New Connections (RNE budget)	17.500	17.000	10.500	0		45.000
Total Connections (Phase 1+RNE)	53.416	37.035	24.000	4.913		119.364
P3SW budget rescheduling (WMD proposal; incl. WMD part)	3.525.000	2.300.000	1.900.000	900.000	1.375.000	10.000.000
RNE budget	1.500.000	950.000	1.050.000			3.500.000
Additional own contribution WMD					1.000.000	1.000.000
Funding from SNS					2.000.000	2.000.000
Contribution new customers P3SW (Rp 1M / new connection)	1.473.467	733.333	579.333	112.800		2.898.933
Contribution new customers RNE budget (Rp 1M / new con)	1.166.667	1.133.333	700.000			3.000.000
Total budget available	7.665.134	5.116.666	4.229.333	1.012.800	4.375.000	22.398.933
WMD's recent budget specification per town (AP-2009)	9.183.000	5.195.000	3.741.000	1.194.000	Redistrib.	19.313.000
Average costs per new connection (Rp)						Rp 3.8M

This set-up creates another perspective on the East Indonesia pilot: in such a set-up we are now time wise midway Phase 1, and at present approx. 50% of total budget appears to be spent, implying that yet another approx. € 11M is to be invested to reach the amended Phase 1 targets. In principle the required budget is in place, from the various internal sources, and from the customers that take a new connection. The feasibility of this part needs further assessment.

Pekanbaru

In the past three years WPK has slowed down on expenditures in order to pursue the right enabling environment. This slow progress has at least caused time delays. The possible additional use of technical assistance will pay itself back in future if the recent changes result in more permanent improvement of operational conditions.

Overall, WPK has in terms of desirable adjustments insisted on the following measures, which are jointly referred to as the "rescue plan", and in MTR's opinion are indeed desirable adjustments:

1. Amend the JOA to the extent that KTDP not only selects the technical and financial director of PDAM, but also its managing director. In this way KTDP can 100% control the PDAM, and Pemko can make KTDP 100% accountable for better water supply in Pekanbaru.
2. WFH/PWN reschedule the debts of KTDP and take 51% of shares in KTDP.
3. WFH appoints an experienced Indonesian process manager to coordinate the actions in the field.
4. Pak Abdi Sucipto will be appointed managing director of PDAM Tirta Siak.
5. PDAM Tirtanadi transfers knowledge and experience to PDAM Tirta Siak (South-South Twinning)
6. KTDP and Tirta Siak write the business plan for the PDAM. The plan will reflect the knowledge and experiences of PDAM Tirtanadi. The plan will be approved by the Badan Pengawas of PDAM Tirta Siak.
7. PDAM Tirta Siak continues with the lay off of 40 staff, subsequent to 20 staff that has already been laid off.

8. PDAM Tirta Siak to assess training needs of PDAM staff and prepare a training plan. Implementation of the plan through on-the-job-training in Pekanbaru and Medan, with staff inputs from Tirtanadi. The training is complementary to the South-South Twinning between Tirta Siak, Tirtanadi and PWN.
9. Tirta Riau becomes responsible for water production from the beginning of 2009, sells water in bulk to PDAM and supports the OPEX during 2 years.
10. WFH continues funding investments (pipeline, 1200 kVA generator, rehabilitation water treatment Tampan, reduction of commercial water losses, house connections). In addition WFH has proposed to the Dutch Government to top up the current WFH budget with € 3M to fund the new water treatment of 120 l/s in Rumbai and start the systematic block renovation program in Pekanbaru.

In addition, the MTR Team has recommended to WPK to engage two fulltime staff on location: one international expert in distribution net management, to be in charge of the rehabilitation and expansion of the distribution network, and one senior Indonesian change manager to give guidance to the comprehensive programme of changes to be realised in the culture of the organisation and the behaviour, commitment and level of expertise of its staff. One of these proposed staff is already include in the above rescue plan.

When applying the basis investment criteria presented in Par 2.5 it can be calculated that all-in cost of new connections amount to Rp 3.3M/connection. After adding an additional 25% (15% for TA services and 10% taxes) the all-in price per new connection becomes approx Rp 4M/new connection. Applying that figure to the scheduled 50.000 new connections in Pekanbaru results in a total budget requirement of € 13.333.333. That would imply an extra budget requirement of approx. € 2.2M to reach original targets. See Table 5.7.3.

Table 5.7.3 Revised total P3SW budget requirements for Pekanbaru pilot

	Budget (WFH)	Revised Budget (MTR)
P3SW	5.100.000	5.100.000
WFH/MTI/KTDP	3.800.000	1.300.000
PWN	1.400.000	1.400.000
Other	0	0
Own contribution new customers (@Rp1M/conn.)	0	3.333.333
Total	10.300.000	11.133.000
Additional budget required	3.033.333	2.200.000
Total budget	13.333.333	13.333.333

Based on available data from the Pekanbaru pilot, the estimate of the required budget can also be presented based on the various cost components. See Table 5.7.4.

Table 5.7.4 Budget estimate for Pekanbaru pilot based on components

Investment Components:	Rp	Euro
expenditures to date (2005-08)		3,554,173
committed 2009 (PSEP/genset/OPEX)		1,700,000
new connections (50,000)	50,000,000,000	3,333,333
water meters (10000)	7,000,000,000	466,667
Public taps (300)	750,000,000	50,000
Capacity Building	5,400,000,000	360,000
WTP (expansion Rumbai)	15,000,000,000	1,000,000
WTP upgrading Tampa (IRP-3)	4,000,000,000	266,667
Various (lay-offs, etc)	9,200,000,000	613,333
25% overhead and contingencies	18,270,000,000	1,947,500
Required investment budget		13,291,673

This comparative analysis offers some confidence to the budgeting approach and the estimate that an additional € 2.2M may be required to reach the original targets for Phase 1 of the P3SW Pilot programme.

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If also for Pekanbaru the time for Phase 1 is expanded to 2013, it appears that midway the expanded pilot period 27% of the amended overall budget is spent.

In summary, the attainment of the phase 1 targets at a delayed pace, of about 2-3 years, is still considered quite feasible if JOA parties can arrange for about € 2.2 million in additional funds. Under the arrangements of the JOA it is proposed to divide this evenly between Pemko and WPK. Assuming an own contribution by WPK of 25% (€275K) of this additional P3SW funding, the MTR Team recommends the P3SW sponsors to make a reservation (of € 0.825M) for a possible contribution in 2010. The MTR team strongly recommends that stakeholders first prove this year that now the right enabling environment and sense of urgency are in place to make the further roll-out of the P3SW pilot a success. Only after attainment of a set of predefined milestones the additional P3SW funds for Pekanbaru should be made available.

These milestones are proposed to include, by the end of 2009: minimum of 7,500 new connections, NRW reduced to 45-50%, scheduled staff lay-offs completed, collection efficiency >75%, production/supply during 24hrs/day, pro-poor pilot for 50 PTs completed, clients' complaints reduced by 20-25%.

Other desirable adjustments

1. Observations from Dutch Operators

Inventory of desirable adjustments were discussed and reviewed with the management of the two pilot projects, both in the Netherlands and on location with team management, by using the diagrammes presented in the Figures 5.7.5 and 5.7.6. These diagrammes, one each for Pekanbaru and East Indonesia, summarize issues, interferences, and developments, as perceived by the interviewees, that should preferably be stopped/discarded immediately, or increased or reduced to the benefit of the programme; the last box presents new innovative concepts and approaches, not yet applied under the pilots, that could contribute to further improvement of the pilot programme.

East Indonesia

East Indonesia	<p>Discard/Stop</p> <ol style="list-style-type: none"> 1. Permanent attention that WMD needs to devote to laws and regulations in Indonesia 2. Corruption 3. Political interference in processes of change and adjustments in PT-AMs 4. O&M pump stations 	<p>More</p> <ol style="list-style-type: none"> 1. Planning and control cycle, in particular financial control 2. Emphasis on content of water supply operations 3. Support of Local Government for water tariff adjustments towards cost recovery 4. Involvement of Board of Commissioners 5. Attention and emphasis on BRP 6. Top down interference in operations if required 7. Minimum qualification requirements for staffing of PT-AMs 8. (Attention for) discontinuation of under-performing staff (30-40%) 9. Attention for policies and programmes central Government
	<p>Less</p> <ol style="list-style-type: none"> 1. Interference from local government in PT's business operations 2. Emotion 3. Competition between central and local government 	<p>Create</p> <ol style="list-style-type: none"> 1. Better assessment/audit of PDAM (including quick scan) prior to JVCs and start of PTs 2. Database of adequate drawings 3. Support from other Dutch water supply companies 4. Clear inventory mutual expectations of partners in PT 5. Better start document including starting points and objectives, e.g. "full cost recovery", in order to get more intensive cooperation

Figure 5.7.5 Discard – More – Less - Create diagram for East Indonesia

Pekanbaru

Pekanbaru	<p>Discard/Stop</p> <ol style="list-style-type: none"> 1. Fraud 2. Sabotage 3. Lack of leadership 4. Anarchy 	<p>More</p> <ol style="list-style-type: none"> 1. Relation with/Support from Local Government 2. Common mission with Local Government 3. Improvement O&M of water supply infrastructure
	<p>Less</p> <ol style="list-style-type: none"> 1. Illegal connections 2. Non Revenue Water 3. Employees at PDAM 	<p>Create</p> <ol style="list-style-type: none"> 1. New funding resources: successful build-up of water services requires more than funding from cash flow 2. Corporate identity for PDAM 3. Transparency 4. Joint Water Services such as Provincial Water Enterprise (economies of scale)

Figure 5.7.6. Discard – More – Less - Create diagram for Pekanbaru

2. Observations from other stakeholders

DGIS, RWS/Deltares, RNE

1. Under the covenant between DGIS and RWS, DGIS has handed over the principal project monitoring and control tasks to RWS. The involvement of DGIS is limited to policy considerations, strategic issues, and monitoring of the covenant with RWS. After the MTR DGIS intends to transfer its tasks and responsibilities to the Water Sector Specialist at the Royal Netherlands Embassy in Jakarta. In fact RNE-Jakarta is already fulfilling part of the role through its involvement in East Indonesia.

2. RWS intends to continue its role of pilot programme coordinator as defined in the covenant, which includes management and processing of P3SW funds and related invoicing of the Dutch private parties, monitoring of progress of the pilot programme, as well as adherence to the subsidy dispositions and related plans of operations of the P3SW parties.
 After the reorganization of the Ministry of Transport, Public Works and Water Management, involving various of its institutions such as RWS, RIKZ, RIZA, and PB-PfW, it was tentatively agreed that the day to day programme coordination in name of RWS, until then under PB-PfW with support from RIKZ, would for the time being be continued by the current coordinator at his new organisational location Deltares. This has remained the set-up to date.

3. Since said reorganization the P3SW project is formally located under the “Waterdienst” of RWS, and the coordinator now formally reports on the pilot programme to the management of the “Waterdienst”. The Waterdienst of RWS is currently reviewing its future role in the P3SW project. One of the options is that it will take charge of the pilot programme coordination itself, and relief the present coordinator of (part of) his duties. Considering the complexities of the pilot programme it deserves serious consideration to maintain for some time to come a specific role for the current coordinator. RWS/Waterdienst has confirmed that it intends to continue this set-up for the year 2009.

4. The water sector specialist at the RNE in Jakarta is ready to involve himself more in the coordination of the pilot programme, taking over the role so far fulfilled by DGIS in The Hague. De facto this change in organization is already reflected in the additional Subsidy Disposition allocated to WMD for East Indonesia in November 2008. If this rearrangement is formalized, it appears appropriate that also WFH will submit its request for additional assistance to the RNE, unless purely budgetary technicalities would provide reasons for a different procedure at this time. Subsequent monitoring of a further

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allocation to the Pekanbaru component could then, as part of the pilot programme, also be undertaken by the water sector specialist at the RNE.

5. The RNE will coordinate the activities of the "Oversight Body". Members of the Body now include Bappenas (Pak Priatna), BPP SPAM (Pak Rachmat), PU/Cipta Karya (Pak Budiono) and RNE (Jaap van der Velden).

Bappenas, PU/CK, BPPSPAM

6. Bappenas, more specifically Pak Dedy Priatna, Dep. Minister for Infrastructure Affairs, became involved in the P3SW-PPP pilot following a request from the Indonesian Ambassador in the Netherlands to The Indonesian Government requesting for support and assistance for the pilot in East Indonesia.
7. As a result of discussions between the RNE and Bappenas regarding the P3SW Pilot Programme the idea of the "Oversight Body" for East Indonesia took shape. In consideration of various ongoing problems in the pilot programme, active guidance and support by the "Oversight Body", not only for East Indonesia but for the entire P3SW Pilot Programme, will be beneficial for the further development of the pilots. This will require a clear TOR for the "Oversight Body" and concurrence, if not membership, of the other main stakeholders, i.e. the private parties and local governments.
8. Following several discussions between Bappenas, RNE and WMD, agreement was reached in November 2008 that WMD will reverse the transfer of assets, and replace this by a right-of-use of assets during the period of validity of the cooperation agreement. This complex operation will have to be fully sorted out by 31 August 2009, and be fully effectuated legally, financially and administratively by 31 December 2009.
9. Bappenas further suggests that:
 - The MTR Report should be a public report, preferably prepared with the participation of Indonesian expertise from for example the University of Indonesia (LEM TEK or LPEM).
 - Further selection and engagement of PDAMs in the pilot programme should be in consultation with Indonesian parties, and
 - P3SW Pilot Programme be made really demand driven, i.e. that Local Government is really motivated to improve its PDAM, and demonstrates the right sense of ownership
10. The Director for Water Supply PU/CK, Pak Tamin, stresses that for Indonesia the main reasons for PPP projects in the water sector are to attract private capital and management capacity. He appears well informed about the P3SW Pilot Programme. He referred to the original business plan for Sorong as "a dream plan", as it based on overly optimistic assumptions.
11. The Chairman of BPP SPAM, Pak Rachmat Karnadi, advises that Dutch parties, in particular WMD, will seek more guidance from BPP SPAM regarding laws and regulations applicable in Indonesia. BPP SPAM is the Water Supply Development Supporting Agency under PU/CK, and Pak Rachmat is a member of the "Oversight Body". He and his staff are most willing to assist the parties in the pilot programme.

Perpamsi, PDAMs, and PT-AMs (Commissioners and Directors)

12. The President Director of Perpamsi, Pak Kodri, explains that the debt position of PDAMs makes it necessary that the Ministry of Finance keeps grip on assets. Usually assets are owned by the central

Government (Ministry of Finance) for substantially more than 50%, and cannot be treated as negotiable items by Local Government when making up contracts with Third Parties.

13. Perpamsi suggests that whenever a foreign private party enters into a contract with Local Government and/or PDAM regarding a joint venture agreement on water supply services, the PDAM shall act as JV party and take the role of Asset Holding Company, and possibly be the vehicle for part of staff not required by the JVA, whereas under the JVA the concession and (part of) staff will be transferred to the new PT.
14. The Member of the Board of Commissioners of PT Tirta Remu at Sorong, Ibu Poppy, reports that at the request of the National Financial Auditing Board, a survey is being completed regarding all investments in PT Tirta Remu, including those by WMD's subsidiaries BV Tirta Papua and TID.
15. The BOC member confirms that the Mayor's office has scheduled approval and implementation of the new water tariffs in 2009, and that the Mayor intends to propose soon a candidate for managing director of PT Tirta Remu.
16. Commissioners and management of PTs on Papua request for sufficient attention and inputs from WMD. Most of the attention seems to go to Manado. Others demand a reasonable share of attention and support services.
17. Commissioners and Management of PT-AMs are worried whether they will be able to pay back the costs of hardware investments and services within a reasonable period of time. More connections and significant reduction of NRW will be required the soonest in order to make the PTs sufficiently resilient.

3. Observations from the MTR team

The MTR adds the following additional desirable adjustments to this:

To the P3SW programme:

- iii. Take necessary actions to pursue acceptance of the P3SW Pilot Programme as part of the main stream PPP initiatives in Indonesia
- iv. Take necessary actions to pursue formal registration of the pilots with BPP SPAM, implying living up to the regulations applicable for PPPs in the water sector in Indonesia
- v. Transfer current monitoring into a joint Indonesian-Dutch monitoring team, preferably under coordination of the RNE (see also paragraph 5.8)
- vi. Create a platform for further expansion of joint cooperation between Indonesian and Dutch water companies, and contribute to the formulation of guidelines, including rules and regulations, on such future cooperation, acceptable to the relevant stakeholders, adhering to applicable laws and regulations, and possibly operating within the context of the GON/DGIS development policy and instrumentation if GON/DGIS funds are involved (a good example in case is the ongoing initiative in Aceh, an offspring of SAB-SAS and the ongoing P3SW pilots).

To the P3SW pilots:

- vii. During the past period the Pekanbaru pilot has gone through an essential process of restructuring. Agreement on fundamental changes, such as change of ownership structure of KDTP and a different positioning of WFH/PWN towards the PDAM, as well as on a new managing director and South-South twinning between PDAM Tirtanadi and PDAM Tirta Siak, is being worked out and concluded, concurrently with the MTR. These adjustments are far reaching and show indications of a change for the better. It is recommended that developments

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are monitored closely. Apart from those adjustments already scheduled in the Annual Plan 2009, and those recently adopted by WPK concerning posting of two fulltime advisors in Pekanbaru (one distribution network expert (international), and one change manager (Indonesian)), no further adjustments should be introduced for the time being.

- viii. Also for the East Indonesia pilot some essential adjustments are underway, i.e. return of the existing assets to the PDAM and related amendments to the CAs. The return of assets in East Indonesia is essentially an opportunity to improve communication with central and local level such as PU, BPP SPAM, Bappenas, Home Affairs, and create more understanding, appreciation and support, providing that the procedures followed for the return of the assets will be discussed appropriately with all parties having a direct or indirect responsibility related to assets and asset management.

The MTR recommends following further improvements and adjustments to the East Indonesia pilot:

1. Immediate rejuvenation and improvement of management of the PTs
2. Delegation of PT management tasks and responsibilities to the management teams of the PTs, including performance targets, criteria, milestones, etc; aimed at local ownership and empowerment
3. Local preparation of (multi-year) investment plans, annual plans, annual budgets; aimed at local ownership, empowerment, commitment, concurrence, initiative; Implementation of works for the East Indonesian PTs shall be based more systematically on multi year investment planning based on available and committed funds. Such works and related investments should in fact be specified in the Cooperation Agreement, offering both parties a transparent overview of plans, requirements and obligations.
4. Reduction of permanent consultant staff at various PTs; this is a costly affair and may result in parallel organisations.
5. TID support services to be divided more appropriately between Manado and Papua; consider posting of central TID coordinator in Papua
6. Elaborate the WMD Model further in all its consequences: communicate relevant documents to members of the Board of Commissioners, organise regular formal BOC meetings, arrange for formalised reporting of PT Management to BOC, define division of tasks regarding PT's reporting to LG and DPRD, etc.
7. The return of the assets may have a major impact on the Cooperation Agreements, and demand for lengthy negotiations. It may be an option to consider more changes to the CAs next to the return of the existing assets. It could for example be studied whether another legal entity, e.g. a BLU rather than a PT, or just a PDAM, would for smaller organisations (say up to 10,000 connections) not be a better set-up. Under the present legislation the PT format has some distinct disadvantages related to eligibility for government support. It would be worthwhile to study other options now changes are required anyway.
8. Ambon is another issue requiring attention. At the moment Ambon has two water enterprises that are not really on speaking terms. Preferably the two companies PDAM Ambon and PT DSA (sponsored by WMD) are merged before P3SW funds, or comparable, are invested in Ambon.

5.8 Actions and feasibility regarding post Phase 1 funding, including sanitation

Identify which actions are required in order to increase the feasibility for follow-up funding after Phase 1 of P3SW; and, taking into account integrated water management, promote the linking up with wastewater treatment and sanitation

The strategy of P3SW assumes that financial support during a Phase 1 programme, aiming in particular at rehabilitation of infrastructure and strengthening of organisations, will be sufficient to bring the water enterprises to a next level of performance, enabling them to obtain funding for further expansion of the water services from market parties.

In the previous section we have presented the need for extension of the Phase 1 time frame due to substantial delays in pilot implementation. In the meantime the implementing parties have procured additional funds or are in the process of doing so.

Assuming extension of P3SW Phase 1 to say 1st July 2013, the said P3SW strategy regarding procurement of funds for further expansion, may not yet be feasible by that time. What is important in the first place is that the pilots become more part of the Indonesian mainstream options in PPPs for the water sector. This applies in particular to the East Indonesia pilot, but also the JOA in Pekanbaru is unique in Indonesia. Adequate exchanges and consultations with relevant parties may facilitate later amendments required to the JOA, which in turn may attract the attention of investors.

The remedial actions proposed in paragraphs 5.6 and 5.7 represent in fact a sort of minimum package for the two pilots under the given circumstances. Both pilots cite very ambitious targets for NRW reductions, and these targets will come at a high cost. This is one of the issues that may require considerably more investments. The MTR Team estimates that under the P3SW pilot programme and related Phase 1 investments it will be a mayor achievement if by the end of Phase 1 (including proposed extension) NRW-levels of 40% can be reached. A NRW-level of 30% is estimated to cost at least an additional Rp 1 M per connection for all connections. In other words investment costs for upgrading and expansion are Rp 5M/new connection + Rp 1 M/existing connection if NRW=30% is pursued. For a further reduction by 10 points (or down to 20%) will at least require another additional Rp 1 M per connection for all connections.

As mentioned earlier regarding the Pekanbaru pilot, the coming year has to prove that the complicated particular arrangements regarding debt restructuring and debt-for-shares swapping will hold and prove sustainable, resulting in a clear position of WPK and its subsidiaries as private operator in business with Pemko Pekanbaru and PDAM Tirta Siak under de Joint Operation Agreement.

If the new management proves to be able and successful in guiding and taking the PDAM through a process of change with distinct changes on attitudes and habits and an enabling environment for sustained improvements, it will not be unlikely that external investors will show interest in funding expansion and improvements to the system.

Water management and urban sanitation services are logical next steps. Water management aimed at protection of water sources of the water supply shall be a permanent concern of the water utility.

Sanitation services are an essential complementary prerequisite for water supply in order to reach permanent public health improvements. Sanitation is on the move in Indonesia, and will get a lot of attention and funding in the coming years. It makes sense that P3SW funded pilots undertake the necessary advocacy and promotion of well balanced packages of water supply and sanitation services in the pilot towns. The actual preparation and implementation of sanitation services shall follow the principles and approaches that are now becoming the GOI endorsed urban sanitation strategy.

Actual implementation shall preferably be supported by specialized parties rather than the Dutch water operators which lack the appropriate expertise and experience in the sanitation sector.

5.9 Continuation of monitoring programme

Formulate recommendations regarding continuation of the monitoring programme at the completion of Phase 1 of P3SW

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Under the Joint Operation Agreement (Pekanbaru) and the various Cooperation Agreements (East Indonesia) the local governments and Dutch Operators have engaged in long-term cooperation. These commitments can be translated in rights and obligations. Under the P3SW Phase 1 the Dutch operators have particular targets to realise. Rights and obligations become less clear when looking beyond Phase 1. For example no long-term investment programmes and related procurement of required financing after completion of P3SW Phase 1 are in a planning stage at the moment to the knowledge of the MTR team. WPK has confirmed that it foresees regular management and coordination visit throughout the lifetime of the Joint Operation Agreement. These "TA" costs will be covered from the interest on loans. WMD reacted with some surprise on questions on the topic, and no further information could be obtained that a regular guidance, monitoring and control programme between the end of Phase 1 and the end of the 15 year contract period (while the concessions runs for 30 years) is planned and budgeted for.

Continued monitoring of the P3SW Pilot Programme will be relevant for further documentation and exchange of experiences and lessons learned, and it will be necessary to make sure that PPPs that were started up with public funds from DGIS will be and will remain embedded in the Indonesian system of laws and regulations.

Having said so, it will be imperative that the monitoring is undertaken by a joint Indonesian-Dutch team, preferably under coordination by the RNE. Such team could consist of one Indonesian PPP expert (likely from BPP SPAM) and one Dutch PPP expert representing the Dutch Water Companies (likely from VEWIN). Assuming that the in the near future the operations under the P3SW pilots will be subject to a local and/or central Regulatory Body, the joint monitoring team could review on a regular basis the functioning of the Regulatory Body, and the performance of the PPP partners regarding continued investments, adequate cost management and application of full cost recovery principles, capacity building and training, application of laws and regulations, and adequate management of ownership and empowerment issues.

5.10 Further arrangements and agreements between stakeholders to safeguard sustainability after 2010

Formulate recommendations regarding further arrangements and agreements between water companies, central and local government, and other stakeholders regarding sustainability issues after 2010

Recommendations for more straightforward improvements were presented in the previous sections. Questions as to what next and what more, in order to create a more enabling environment for well functioning water enterprises is a most challenging topic and may invoke many answers. Looking at this from a more holistic point of view the following observations, suggestions and recommendations come up:

- from own experience several members of the MTR team have the impression that water supply in Indonesia was performing considerably better in the eighties; the average financial position of PDAMs was considerably stronger at that time;
- although also in the eighties PDAMs were already facing difficulties to attract and keep qualified staff in the very competitive labour market, it is obvious that PDAMs have even become much less attractive for young well educated professionals. In several of the PDAMs/PTs which are part of the P3SW programme it is reported that over 70-80% of staff have formal education at primary school level;
- questions about illegal connections, low billing recovery, high NRW levels, nepotism, (internal) corruption, and various sorts of interventions of politicians in the management of the water companies and water tariff adjustments, are usually answered with smiles and remarks that seem to indicate that "this is our current way of doing, this is the way it is, it will be difficult to change, we know substantial changes are required";

- also astonishment about the fact that splitting up of existing towns and districts in smaller entities is resulting in splitting up of the PDAMs in many cases, is answered with smiles indicating that “this is the way it works at the moment, each local government needs a couple of “ATMs” for its funding”.

From such more holistic perspective these issues demand for a much more fundamental program of change and development than now offered to individual PDAMs/PTs scattered over East Indonesia and part of Sumatra.

Such programme of change should focus on changes to the opinions of legislators, executing elected and appointed individuals, and the public at large on the functions of water supply, level of performance, level of transparency, discipline and professionalism. Considerable well structured inter-ministerial discussions at different levels, political initiatives, extensive advocacy, institutional and financial restructuring may be required in order to uplift the water sector to where it should be, and before it is getting too late to protect and further develop existing assets.

An example for such a major process of change and adjustment may be the interministerial Technical Team on Sanitation Development. This interministerial Team operating at three levels (Echelons 1-2-3) is determined to change and improve irreversibly the sanitation profile of Indonesia.

A similar interdisciplinary programme appears to be a necessity in the water supply sector without which the many ongoing initiatives in Public Private Cooperation may prove to be futile on the longer term if the overall enabling environment is not substantially improved.

Contributing to such challenges will in the end also bring more sustainability to the ongoing P3SW programmes. The Dutch Water Operators that intend to spend 1% of their turn-over in the Netherlands to international cooperation should consider whether they would wish to contribute to such a more holistic approach from their ongoing projects, and/or through well conceived new initiatives.

5.11 Overview of main comments from various stakeholders on draft report, and MTR’s responses

The main comments from stakeholders on the draft final report and the corresponding responses of the MTR team are summarized in the table below.

Table 5.11.1 Overview of main comments from Stakeholders on draft Final Report, and MTR’s responses

	Stakeholder comments	Reaction MTR
1	<i>BPP SPAM</i>	
1.1	Weaknesses of Contracts in East Indonesia: <ul style="list-style-type: none"> • unclear technical targets • unclear financing scheme for investments for water supply development as per contract • lack of realistic business plan • CAs have no clear and measurable targets and output • Absence of appropriate risk allocation and penalties • Unclear right and obligations between contract parties It is concluded that all these points will potentially continue to generate many disputes	MTR Team agrees with these observations. Several sections of the MTR Report illustrate mentioned weaknesses.
1.2	The TA, including capacity building, engineering services, and other studies is reported to be as high as 56% on total expenditures. This is considered to be unacceptably high.	Under assumption that TA will structurally contribute to better performance of staff and organization, and to creating a better enabling environment at enterprise level and wider in the sector, the MTR considers TA at levels of 15-25% of Capex acceptable

	Stakeholder comments	Reaction MTR
	Considering TA as part of Capex a level of not more than 10% of total Capex recommended. Most of TA should be related to development of physical infrastructure.	during the first five years of the pilot programme. After that levels should be brought back to about 10-15%, or less if no or limited contributions to sector development are provided.
1.3	Agreement with MTR's findings that the contracts of the P3SW pilots are complicated and unbalanced (re. financing scheme and institutional cooperation arrangements). It is advised that contracts need to be amended considerably in order to fulfill win-win solutions between the parties for the remaining period.	Agreed that considerable changes and improvements are required. Before taking that on, the parties should sit together, and invite other stakeholders such as BPP SPAM, to discuss the ultimate objectives of the cooperation and of the methodology and approach applied. Clear understanding on objectives, input/output, and outcome are essential for mutual obligation, risks sharing and penalties (if applicable).
1.4	While referring to the "next PPP arrangement" (presumably Aceh, but not mentioned by name) it is remarked that principles of good governance shall be applied, as well as existing water and PP laws and regulations re. establishing PPP projects between local government and private sector.	This is not part of MTR's assignment. Based on information reviewed the MTR has the impression that weakness of East Indonesia are repeated in another format in Aceh. Again objectives and expectations of the cooperation may not have been worked out sufficiently. Aceh is a challenge for the Dutch consortium to prove that it has the capabilities of a learning organization, tapping from the broad exposure it has built up in East Indonesia and Pekanbaru
2	WFH	
2.1	Full details on so-called "rescue plan" for PDAM Tirta Siak. WFH suggested earlier to incorporate this full in the MTR Report	The MTR Team considers the "rescue plan" as an excellent effort by the parties to kick start a new phase in the development of the PDAM and the cooperation between the contract parties. MTR has now included the WFH's information on the rescue plan in section 5.7.
2.2	WFH expresses disagreement with MTR's suggestion to realize further capital investments on the basis of 50/50 share between Pemko and KTDP. WFH proposes that the profit sharing of Pemko as per JOA, remains in the PDAM for a period of five years (or up to 80% coverage), and is considered as capital investment. WFH's financial projections indicate that Pemko's contribution over a five year period (2009-2013) will amount to € 0.8M or approx. 25% of "proposed new investments" during the next 5 years.	The JOA is a cooperation agreement, in which Pemko and KTDP share profits in 60-40 ratio and losses in 40/60 ratio. Under a more or less 50/50 cooperation agreement it makes sense to share further capital investments also on a 50/50 arrangement. Therefore MTR recommends this investment sharing. Note: under a full concession the investor and operator have full rights on earning back their investments from profits. In the Pekanbaru JOA the profits (and losses) are shared as indicated above.
2.3	WFI comments that balance of investments by KTDP after debt restructuring amounts to € 0.8M. Details are provided.	MTR has adjusted the value of KTDP's investment value to € 0.8M
2.4	WFH argues about level of own contribution and risk capital provided through MTI in relation to new connections. Overall, it argues that its own contribution amounts to 55% rather than 33%.	MTR considers WFH's own contribution through MTI's pre-financing of new connections, not more than pre-financing as customers pay for the new connections and PDAM pays MTI for its services and costs. MTR proposed to consider a value of approx. € 0.2-0.5M for WFH's own contribution, representing maximum (risk-carrying) pre-financing exposure when adequately executing the agreed obligations between the parties. As WFH has now reduced (in an overview sent to MTR) the MTI contribution to proposed level, the issue is assumed to be closed. The percentage of own contribution can be expressed as % of GON's contribution, or as % of total combined pilot funds. For WFH/PWN these figures amount to respectively 55% and 36%.
3	WMD	
3.1	WMD states that MTR Team may have missed opportunities to fully inform itself by not visiting WMD's head office in Assen.	The MTR team regrets that it has not been in the position to visit WMD's head office in Assen, as it appeared each time more convenient for the interviewed WMD staff to meet at other locations due to busy agendas. In addition, the MTR Team has explained to WMD that it

	Stakeholder comments	Reaction MTR
		preferred to collect data and impression regarding the various PTs on location rather than in Assen or Manado.
3.2	WMD advocates an open dialogue about the various issues. At the same time it makes clear that it has its vision, methodology, and approach. It states that is not prepared to create impressions of erratic policies and strategies.	An open dialogue is a pre-condition for fruitful cooperation, but it may not be sufficient. Flexibility and accommodation of opinions of other stakeholders in essence show qualities as strength and diplomacy.
3.3	WMD proposes to include a revised overview of its expenditures to date in the MTR Report as replacement of the tables in Attachment 8 of the draft Final Report.	During the Debriefing Meeting on 10 April, WMD submitted a revised overview. That document still includes expenditures for activities which are not part of P3SW. Moreover, it distinctly deviates from the initial overview in ways that cannot be understood from the supporting text. A comparative analysis and explanation between the initial overview and later overview was not provided. The MTR has opted for use of the original overview in MTR's Final Report and recommends that the discrepancies are discussed and reviewed as part of the regular monitoring of the programme.
3.4	WMD expresses that the MTR Report adheres insufficiently to the assumption and principles of the P3SW programme, i.e. involvement of private parties to contribute to realization of safe water supply and sanitation for 50 million people by 2015. WMD is of the opinion that the MTR has executed a project review rather than a programme review, comparing the P3SW programme with other PPPs and experiences built up elsewhere.	The MTR Team disagrees with the observation. WMD in particular has very few defined outputs and related milestones in its programmes and CAs with the individual towns. One target with stood out in its original P3SW offer was its commitment to realize 98,000 new connections during the first five years of the pilot programme, covering an additional 600,000 consumers. This commitment played an important role in GON 's assessment of WMD's proposals. To date the net increase of connections in the towns covered by WMD's pilot is less than 5000 new connections. In order to be able to compare the PPP concepts, and achievements of the P3SW pilots with other ongoing PPPs in Indonesia, first an internal review of the P3SW pilots was considered to be necessary. MTR has carried out this review, and has done so on the basis of its TOR. The MTR Team supports the suggestion to carry out another review aiming at comparing the P3SW pilots with other ongoing PPPs in Indonesia. Recently The Water Dialogue's Indonesia Branch organized a workshop on work it has been doing in this respect. The publications presented during the workshop, which included brief descriptions of the P3SW pilots, will shortly also be available in English. It may be appropriate to undertake such comparative review in about a year's time when most of the proposed measures and adjustments for the pilot will have been implemented.
3.5	WMD wishes that the MTR pays attention to WMD's claim that "East Indonesia" is not a collection of individual projects but a "total concept" of business operations; business operations in which Management, Shareholders and Board of Supervisors play important roles.	The "total concept" of business operations may be the WMD's point of view, but not necessarily that of the individual stakeholders at local level (Pemko/Pemda/PDAM/PT). The MTR team supports the notion that in the set-up the various stakeholders such as Management Teams, Shareholders and Board of Supervisors play important roles. In that context WMD is urged to pay much more attention to (i) the establishment of qualified and energetic Management Teams at the individual PT's (rather than using funds for fulltime engagement of two TID/INOWA staff at each location), and (ii) the full and effective set-up and engagement of the Board of Supervisors. BOC members shall be fully informed, and be empowered to play their role professionally. For the Management Team of the PT regular meetings with the BOC are important so as not to end up in a sort of vacuum.

	Stakeholder comments	Reaction MTR
3.6	<p>WMD stresses the importance of the processes of change: the PTs have to be positioned at a safe distance from direct political interference.</p> <p>Different stakeholders and players have different interests and the processes of change take a lot of time and energy.</p> <p>At the same time changes in attitude and work ethics of the employees of joint venture companies (PTs) are required. The Management Teams of the PTs have a central and important role to play regarding internal and external processes of change.</p>	<p>The MTR Team fully supports these observations; with appreciation it has observed the efforts WMD is ready to invest in the processes of change.</p> <p>One may wonder however whether these efforts are sufficiently effective, as they are undertaken more or less in isolation at local levels.</p> <p>Much more structural and concerted efforts will be required, involving all major stakeholders, to give the required processes of change substance, continuity and sustainability. The MTR team also refers to its observations in section 5.10.</p>
3.7	<p>WMD disagrees with observations in the draft MTR report that to date little attention is paid to pro-poor policies and activities. Reference is made to the water tariff structure that includes social tariffs for small consumers with limited financial means, renovation of public stand posts, introduction of water tankers, water supply to coral islands near Manado.</p>	<p>Differentiated water tariffs have existed for a long time in Indonesia. This is not to be considered as a particular WMD contribution to pro-poor activities.</p> <p>Same applies for renovation of already existing public stand posts.</p> <p>As pro-poor policies are important for DGIS, the financier of the P3SW programme, it may be expected from WMD that it undertakes more efforts in studying and realizing options to distinctly increase services to the poorer sections of the society. Similar requests were also brought forward during discussions with DPRD representatives.</p>
3.8	<p>After earlier concurrence WMD now states it disagrees with the MTR's recommendation to cut back the original project aiming at ten PDAMs/PTs to the four PTs which are operational now. It now indicates that Jayapura and Minahasa are only "on hold" and may become active under WMD's programme at a later date.</p>	<p>The MTR team has recommended to limit the P3SW pilot in East Indonesia to the four towns now actively engaged in the pilot as funds and resources do not allow for further expansion.</p> <p>An exception was made for Ambon, providing that an integration of the PDAM Ambon and PT DSA can be realized at short notice.</p> <p>In MTR's opinion WMD is, within the limits of Indonesian laws and regulations, free to engage in cooperation with other LGs/PDAMs in East Indonesia, as long as it is clear to all parties that such cooperation and then applicable contracts (CAs and others) are not part of the P3SW programme, and will not obtain any direct resources or benefits from the P3SW programme.</p>
3.9	<p>As to transfers of subsidy allocations WMD claims it is complying with conditions: revised investment plans and business plans are now based on available funding; project are being tendered in accordance with Indonesian regulations.</p> <p>It is explained that the in-house Consultant Inowa allows for efficient operations, monitoring and application of lessons learned, and consistency in enterprise analysis and assessment, quick scans and preparation of RFPs and TORs.</p>	<p>The MTR confirms its advice regarding subsidy transfers to WMD, including related conditions.</p> <p>To date the MTR team could not avail of the revised business plans, as WMD considered them "too bulky" to circulate them to the MTR team.</p> <p>One may then wonder whether they have been circulated to, discussed with, and approved by the Management Teams of the various PTs.</p> <p>As to in-house consultant Inowa the MTR Team would like to remark the following:</p> <ol style="list-style-type: none"> 1. for pragmatic reasons the MTR Team supports the use of an in-house consultant during initial stages of set-up of a pilot programme, as it facilitates standardization, etc. 2. the quality of work of Inowa, as illustrated by the quickscans, the poorly elaborated Master Plans and contributions to Annual Plans and Progress Reports, does not justify a permanent special position for Inowa. This is not in the interest of any of the stakeholders. 3. the desirability to subject the services of local consultants to local market mechanisms becomes all the more important if these services are billed to the individual PTs.
3.10	<p>WMD confirms that it realizes that reporting needs to be improved considerably.</p>	<p>No further comments</p>
	<p>WMD agrees with a Monitoring and Control Team In Indonesia, incl. a role for BPP SPAM. Next to Central Government also Local Government shall be represented in such MCT.</p> <p>MCT's tasks shall be compared to those of GMS and</p>	<p>The MTR Team fully supports the suggestion that the MCT shall also have a member representing local governments.</p>

	Stakeholder comments	Reaction MTR
	BOC of PTs, in order to prevent duplication. A separate Monitoring Team in the Netherlands from the perspective of the P3SW financiers is not considered to be required.	
3.11	WMD presents arguments not to make the Revolving Fund part of the Cooperation Agreement for a particular PDAM/PT.	The MTR team agrees with this suggestion.
3.12	As to Sanitation WMD confirms that it will pay attention to general promotion and advocacy programmes but leave actual planning, programming and implementation to parties more suited for such tasks.	No further comments
3.13	WMD states that in the MTR's draft reports the Assets issue is placed too much in a negative context. WMD adds that the issue is rather complex; according to WMD the assets have in fact never been transferred in legal terms, only an agreement on sale and purchase was concluded. Therefore the legal, but not the economic ownership, is still vested with the PDAM/Pemko/Pemda. WMD confirms commitment that the assets issues will be arranged before the end of 2009 in a way acceptable and understandable for all parties.	The MTR team is of the opinion that WMD has created the issue itself, amongst others by its subjective selection of advices given to WMD by most if not all stakeholders in the early stages of the project. The MTR expects that resolving the assets issue before the end of 2009 may considerably contribute to the integration of the WMD pilot in the group of Indonesian PPPs. It is however recommended that WMD takes time for considerable advocacy and interaction about its model at central and local government levels.
4	Royal Netherlands Embassy/DGIS	
4.1	Important lesson: The poor preparation of the P3SW pilot, including quick scans, and the weak performance in developing real cooperation in the early stages of the pilot, have had overriding and still continuing negative effects on the pilot's implementation. Quick solutions have negative impacts on analysis of assets and organization, as well as on institutional and legal setting.	The MTR Team shares this observation, and its findings on these points are elaborated in different sections of the report
4.2	The WMD Model as applied in East Indonesia has caused questioning by Indonesian central government Authorities to the Royal Netherlands Embassy.	A lesson here is mentioned by MTR: see item 12 under para 4.3. These and other problems caused have substantially prevented if at the start of the pilot programme arrangements between Dutch parties would have stipulated more specifically that the Dutch operators under P3SW were also answerable to the RNE.
4.3	Drastic measures, more far reaching than those proposed by the MTR, are required in order to make sure that the cooperation between Indonesian and Dutch water enterprises will yield desired outcome: 1. Ownership and responsibility shall be vested with local management, and with local government (as owner of the assets); these stakeholders shall confirm their role at the start of the cooperation. 2. the Dutch water operators shall limit their interventions to project components which fall within their area of expertise; other activities shall be left or contracted out to professional organizations that have the relevant expertise and experience. 3. operations shall be based on full transparency, and related understanding by all stakeholders, as well as on good governance for all operational aspects. MTR also to review in more detail TA costs incl. applied unit rates.	The MTR Team has applied similar and comparable wording to describe shortcomings and desired improvements. One of the weaknesses in the institutional and legal setting of the pilot programme on the Dutch side is that a Subsidy Disposition does not allow for the same straightforward processing of identified and proposed changes and amendments as a regular contract. Proposed adjustments can hardly be forced onto the Dutch operators, but assuming sufficient empathy one may reasonably expect that suggestions and recommendations will mostly be followed up.

	Stakeholder comments	Reaction MTR
4.4	Substantiate the particular contribution of the Pekanbaru pilot to the DGIS agenda; justify further financial assistance to this pilot if requested for.	The MTR has proposed further limited assistance under specific conditions. Justification for this includes: 1. Once a pilot is started further assistance shall primarily relate the technical reasons for the requested further assistance, and not go back fully to the earlier decision to support the Pekanbaru Pilot; 2. Pekanbaru has in principle the potential to show a rapid growth in new connections as coverage is low and demand is high; that was the main reason why various PPP parties have shown interest in Pekanbaru during the past ten years. In that sense Pekanbaru may offer a good yardstick for Dutch Operators: if Pekanbaru becomes a failure one may wonder whether Dutch Operators are fit for such international business; 3. As rapid success is feasible the Pekanbaru pilot could also provide a good contribution to the MDG targets of DGIS, which stood at the basis of the P3SW programme; 4. Although Pekanbaru is the capital of one of the richer provinces of Indonesia, it definitely also has a sizeable group of inhabitants that can be classified under the poorer sections of the Indonesian population, and qualify in particular for the pro-poor programme scheduled by WFH/PWN;
4.5	The WMD model needs urgently amendments and improvements (a.o. in the context of the assets issue): use the opportunity to develop and start a new model based on a clear and well shared vision on cooperation. Engage an independent consultant to facilitate the process.	The MTR Team supports this suggestion. Within the context of the agreements between the Dutch Operators and DGIS/RWS the feasibility of this suggestion depends on the willingness of the Dutch Operators to support this wholeheartedly.
	Main constraints of the WMD Model: local ownership and empowerment to be further developed and to be given more attention; it is not possible to run such programme centrally from WMD's head quarters; model cannot be replicated; further substantial external financing is not forthcoming; local stakeholders may not have fully internalized yet all aspects and consequences of the CAs;	See MTR's comments elsewhere.
	MTR's recommendations are to include: 1. partnering in the development context means: transparency, replicability, equality 2. basis of cooperation to be less complex, and having more legal support 3. minimum capacity of support organization to fulfill its obligations	MTR agrees with these recommendations. Different sections of the report contain similar observations. As explained in the report, the nature of P3SW's "contractual" set-up, as well as lack of (intermediate) defined outputs and milestones have hampered monitoring and control by WMD itself, as well as by the Programme Monitor/Coordinator, and by the MTR Team.
	MTR's main recommendations for Pekanbaru and East Indonesia may need to be summarized in one overview.	Agreed;
5	PU , Ministry of Public Works	
	Informal comments were obtained from the Ministry of Public Works. In summary, the comment address the following issues: 1. Form of cooperation and contracts under the pilot programme are complicated 2. Performance of PDAM Pekanbaru and PTAM (Manado) is not reaching targets 3. Contracts East Indonesia need to be revised, and a clause on penalties for the operator, if set targets are not reached, to be included 4. Arrangements regarding old longterm debt and	

	Stakeholder comments	Reaction MTR
	<p>ownership of assets shall be clarified</p> <p>5. The Indonesian legislation has particular clauses on the status and operability of assets when returned at the end of a contract</p> <p>6. Changes in target setting shall be based on an action plan</p>	

6 ECONOMICS OF WATER SERVICES

6.1 General

Only around 40% of the urban population and around 15% of the rural population have access to adequate water supply. Water is supplied and distributed by different providers, depending on the area covered. The providers are:

- 328 PDAMs supplying piped water;
- Formal private sector;
- Small-scale private water providers, which make up the informal private sector.

The quality of the piped water at the customer's tap, provided through the local PDAM, generally does not comply with the WHO drinking water guidelines. Because of high water loss levels most water distribution systems run by the PDAMs are not pressurized 24 hours a day. The intermitted supply to the customers creates more stress on the water distribution systems, which deteriorate over the time quickly. Physical losses at WTPs and in the distribution networks, combined with commercial losses caused by managerial and administrative shortcomings related to billing and charging, customer base management, metering accuracy and illegal connections, hamper the financial performance of most PDAMs.

Before 1999, the central Government financed all public utility investments through grants, subsidies, or loans to the local governments. Upon the issuance of Law No. 22 / 1999 on Regional Governance, the central Government devolved authority for all aspects of local infrastructure and service delivery, including planning, providing, financing, and managing water supply and sanitation, to district and city governments.

After decentralization, the bulk of financing responsibilities for water supply rests with the local Governments and/or their PDAMs. However, many of the PDAMs throughout Indonesia are unable to provide minimum services to consumers and are financially unsustainable due to inadequate tariffs and management weaknesses. Further, the lack of financial sustainability has resulted in heavy debt obligations incurred by the PDAMs to the central Government amounting as per the end of 2008 to around €400 million, on top of other forms of external and commercial debt.

To address the difficulties faced by PDAMs, the Indonesian House of Representatives approved the Law No. 7 / 2004 on Water Resources. The law explicitly stipulates private sector participation in water supply services, thereby breaking the monopoly of the PDAMs. Specifically, the law provides clarity on the roles and responsibilities of regional governments, PDAMs, and private partners, as well as establishes the legal framework for use of water and water resource protection. Water resource and river basin management was delegated to national water resources management and public service companies, wastewater disposal and solid waste management to local governments, and water supply provision to the PDAMs. If a PDAM is unable to undertake the task itself, the law includes provisions for the PDAM to delegate the task to other business entities and the private sector.

6.1.1 Private sector participation in the Indonesian water sector

Aspirations on central Government level that the private sector will be able to contribute substantially to the development of the water sector are still high. Nevertheless, besides the 2 Jakarta concessions with around 700.000 customers in total and the Batam concession with around 100.000 customers, a few Build-Operate-Transfer (BOT) schemes for the provision of bulk water services to PDAMs and number of private

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real estate developers, running water supply and waste water services schemes for housing estates until now, the involvement of the private sector has a low profile.

The widespread lack of cost recovery tariffs, compounded by the limited size of the PDAMs and low revenue collection, has resulted in reduced maintenance or even abandonment of maintenance and investment activities, deteriorating assets, as well as low service coverage and quality. Of the 328 PDAMs, 82% are experiencing losses and 44% are operating unsustainably. Of these, 119 have foreign debt and 146 have domestic debt with the MOF. The total amount of PDAM arrears as per the end of 2008 sums up to around € 400 million of which around 60% is principal and the remainder accumulated interest and penalty charges. Most of the utilities have relatively small outstanding debt with the MOF and service their loans, but some of the PDAMs did not service their loans for up to 10 years – including the medium sized P3SW partner PDAMs in Pekanbaru and Manado - and have piled up substantial arrears in the size of around € 4 million each. Interest and penalty arrears are 3 times higher than the principal.

The water resources law of 2004 also requires the establishment of a national regulator for water supply and sanitation, which is to function independently. Establishment of the regulator is intended to maintain the balance of interests among the governments, operators, and consumers. The regulator is anticipated to be instrumental in creating an enabling environment for private sector participation, and to help, besides the Ministry of Home Affairs, set standards on operating and financial performance for the PDAMs. The newly created BPP SPAM under the Ministry of Public Works has authority to recommend policies/actions towards the regulation of utility performance. Currently traditional regulatory services in accordance with the UK model are in place for the 2 Jakarta concessions but not in other cities or in P3SW partner cities.

The provision of sewerage or other wastewater collection and treatment services falls under the management of a line department within a local government unit at provincial- and also at city/district-levels. The responsible department is not standard across local governments. In only a few cases do PDAMs also provide sanitation services. P3SW partner cities are not providing wastewater services but have planned to address this issue in the near future.

6.1.2 The P3SW programme and the MDGs

The United Nation's eight Millennium Development Goals (MDGs), adopted at the UN Millennium Declaration, reflect the global community's commitment to reduce poverty over the next decade. The MDG 7 calls for ensuring environmental sustainability, has as one of its targets the halving of the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015.

Between 1990 and 2002, Indonesia's total drinking water supply coverage increased from 71% to 78%. Rural coverage increased from 62% to 69%, while urban coverage declined from 92% to 89%. Based on the country's annual compounded growth rate of 0.79%, it is highly unlikely that Indonesia will meet the overall target for water supply.

Even if the national outlook is not that good, on a local level the impact of the P3SW program could be substantial. The MTR Team has simulated for Pekanbaru and Manado the development of the water supply coverage over the time by varying the number of connections added to the existing system. By the end of 2008 the two towns had a population of 794,000 and 452,000 with 21.183 and 16.571 active connections, which equals to coverage levels of 16% and 22% (6 persons per average household) respectively.

By the year 2015 the number of inhabitants living in the service areas of Pekanbaru and Manado will have increased to 844.000 and 593.000 respectively. The coverage levels in Pekanbaru and Manado could have increased to 39% and 53% in the 'worst case', to 46% and 56% in the 'middle course case' and to 51% and 81% in the 'best case' scenario respectively.

Selected P3SW cities and the MDG's

	2008		2015					
	Outset Situation		Worst Case		Middle Course Case		Best Case	
Location	Connections	Coverage	Connections	Coverage	Connections	Coverage	Connections	Coverage
Pekanbaru	21,183	16%	55,186	39%	65,183	46%	72,183	51%
Manado	16,571	22%	52,571	53%	57,571	56%	70,899	81%

Depending on the level of service, which finally will be achieved in the P3SW program partner cities, a more or less substantial contribution for reaching the MDGs in the mentioned locations could definitely be made.

6.1.3 The economic environment for the P3SW program

Not unlike other countries in the region, the water supply and sanitation sector in Indonesia is characterized by multiple institutional actors, involved in different sector development activities. The confusing state of inter-governmental relations shapes the current practice in the sector's public financing – characterized by multiplicity of budget units, utilizing varying funds channelling schemes, and reflecting parallel priorities.

After decentralization, central government's role, in theory, has been more limited to policy development, including standards setting, facilitation and capacity building of local enterprises and financing. These roles are performed by various directorates under different ministries.

6.1.4 The role of the Ministry of Finance

The MOF plays an important role for the provision of water sector development funding. In the past the development was driven by the provision of domestic regional development assistance loans and offshore loans from International Financing Institutions (IFI's) like the World Bank (WB), Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC) or bilateral development banks against sovereign guarantees from the MOF. The implementation of the projects was the responsibility of the Ministry of Public Works (PU), BAPPENAS, the line institutions and the PDAMs. The obligations for the investments financed through the IFI's were transferred to the local governments. For a number of reasons a high number of PDAMs did not manage well the outstanding debt to the MOF. As per the end of 2008 arrears to MOF had accumulated to around €400 million. Around 60% principal and the remainder accumulated interest and penalty charges. Many PDAMs, including the P3SW partners Pekanbaru, Manado and Sorong, have piled up arrears. The loans with the MOF were not serviced for several years.

The MOF issued in 2003 regulation 35/KMK.07/2003 Concerning Planning, Implementation/Administration and Monitoring of Subsidiary Offshore Loans to Local Governments. Article 22 rules that in case that local Governments are not complying with the repayment schedule of debts from new loans the MOF can deduct the amount from the General Allocation Fund (DAU – Dana Alokasi Umum), which provides the bulk of revenue for most regional Governments in Indonesia. The actual size of DAU transfers is set according to a series of criteria, including a formula accounting for, among others, population, land area, a human development index score, fiscal capacity and fiscal needs (primarily a calculation of civil service salaries). Since this regulation is in place basically none of the PDAMs applied for funding of projects through the MOF. As long as the local Governments have to secure repayments to the MOF through the DAU, the appetite for MOF funding of projects will probable be low.

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Activities for restructuring the debt of PDAMs became feasible in 2008. The MOF issued regulation 120/PMK.05/2008: Resolution of State Debts Originating from Continuation of Foreign Loans, Investment Fund Accounts and Regional Development Accounts of Regional Drinking Water Companies. The regulation provides a framework for cutting off accumulated interest and penalty charges:

- Weak or very weak performing PDAMs can in accordance to Article 6 get a cut on accumulated interest and penalty charges of up to 100%,
- Good performing PDAMs are eligible to swap their accumulated interest and penalty charges to investments in a ratio of 40%:60%, 50%:50% or 60%:40%, depending on the fiscal capacity of the city or region.

Article 23 of the Regulation rules that PDAMs, working together with 'foreign' parties from the private sector, can't benefit from this provision. In accordance to sources from the MOF, arrangements will be made for the PDAMs in this tiny group as well.

Due to different contractual arrangements between the private P3SW parties and the local Governments in Pekanbaru and Manado, representing East Indonesia, different models and approaches were necessary in order to make the results of the pilots comparable:

- The Pekanbaru management contract between PT KTDP and the PEMKO Pekanbaru rules that the existing debt with the PDAM is not subject of the contract. Although the debts are in the books of the PDAM it was assumed that PEMKO Pekanbaru takes care of the arrears.
- The Manado cooperation agreement stipulates that existing PDAM Manado arrears with MOF will stay with the PDAM Manado. PDAM Manado is a partner in PT AM and it was assumed that the PDAM Manado will take care of repaying the arrears to the MOF.

In conclusion, for the simulation of the 3 scenarios it was assumed that the existing arrears would not be paid back by the P3SW partner utilities.

6.1.5 Alternative infrastructure financing schemes

The water sector development in the 'decentralization era' has been very difficult, because long term financing is scarce. Nevertheless, there are possibilities to access financing for investment programs, besides the traditional schemes, which are focusing on utilities either with or without private sector involvement. A few examples demonstrate alternatives that are in place already:

- Local banks more and more provide short-term financing schemes for good performing PDAMs. Interest rates for loans from local banks for loans will depend on the credit rating of the PEMDA/PDAM. Creditors with a good standing might receive loans with interest rates in the range of around 13% and terms of up to 5 years (as per 2008).
- Recently the central Government has proposed to develop a scheme for the provision of subsidies to interest payments of commercial loans taken by the PEMDA/PDAM, if certain preconditions are fulfilled. Depending on the terms, this can be a good instrument to boost the development of the water sector.
- Alternatively, private parties involved in the provision of services, might seek funding through the issuance of bonds through IFIs. Few attempts in the past have failed but, as the example of PT PAM Lyonnaise Jaya (PALYJA) shows, it can be done. PALYJA, the water supply concessionaire providing services in the western part of Jakarta, managed to receive an Indonesian Rupiah-denominated loan of up to Rp455 billion (maturity of up to 10 years, without government guarantee). The investment program includes components for the rehabilitation of existing systems and, besides others, the

expansion of services to low-income areas on the western outskirts of the capital. Market interest rates for bonds stayed in 2008 at 12.5% per annum and a tenure of 10 years. PDAM or operators have to set aside a sinking fund at 10% of total bond value per annum to guarantee that there will be enough money to pay for the principal at the end of the bond period.

- Indonesian development banks have shown a low profile in the past if it comes to the provision of water infrastructure financing but this might change in the future as well. Like in Europe, specialized development banks provide funding for infrastructure investments.
- Depending on the sector, provincial Governments provide interest subsidies to the municipalities or even grants in order to accelerate the development of infrastructure. As the P3SW programme progresses, the partners are encouraged to consult with all Government levels.
- Micro credit schemes for pre-financing the costs of house connections are not yet widely used in the sector. Nevertheless, as the customer can pay for the new house connection in monthly instalments many potential customers can reach out for those basic services as they become affordable. Recently in the city of Surabaya this concept has been used successfully. In cooperation with local banks and experts from the World Bank, specialized in Output Based Aid around 15.000 new connections were financed and installed. PT Air Manado wants to use that micro credit concept as well for the installation of new house connections.
- PT Bank Rabobank International Indonesian, a subsidiary of the Dutch Rabobank, a world's leading financier in the food and agribusiness sector, operates since 16 years in the country and provides micro credit schemes for small and medium sized enterprises, and plans to provide loans for water utilities as well in the future.
- MTI is using WFH resources since several years successfully in establishing new house connections. The MTI system works similar like a micro credit scheme. New PDAM customers are allowed to pay for their house connection in instalments to the PDAM. In addition MTI takes care of the physical installation of the connection by using contractors to make the installations.

6.2 Comparative economic analysis of the P3SW pilot programme

The assessment of the economic performance has been done based on information, provided by WFH, PWN and WMD partners and stakeholders from utilities involved in the provision of services in Pekanbaru and in Manado. In order to address economic issues, the MTR deployed a team of Economists. The team met between February 11 and 13, 2009 with the utility managers in Pekanbaru and Manado and received further valuable information about the program.

The team analyzed the economic and financial conditions of the utilities and prepared Financial Projections (FINPRO) for PDAM Pekanbaru and PT Air Manado (PTAM).

Three different FINPRO scenarios were simulated for each of the 2 utilities:

- Best case
- Middle course
- Worst case

Starting out with the Optimistic scenario, the following parameters have been changed between 2009 and 2020 to simulate more or less likely scenarios:

- Average tariff
- Number of connections installed
- Non-Revenue water level

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The results of the simulations are summarized in the respective paragraphs 'Highlights of the financial analysis and projections' for Pekanbaru and Manado.

Financial Ratio Analysis

Each type of financial analysis has a unique purpose and determines various relationships of indicators involved. Relationships in financial analysis can be viewed through the calculation of financial ratios, which give an analyst insight as to whether the project or PDAM is well managed, the shareholders receiving an adequate return on their investment, or earnings are increasing or decreasing over time. Financial ratios can be classified into three categories:

A) Leverage ratios:

These measure the funds supplied by the owners (PEMKO) as compared with the financing provided by the PDAM creditors. Low leverage ratios have less risk of loss, but have also lower expected return.

- Debt equity ratio = long term debt / total equity
The debt equity ratio compares capital provided by creditors with that supplied by owners. A healthy ratio for a PDAM would be < 30%. Ratios > 70% can be considered as critical. In some cases - around 30% of all indebted PDAMs - the equity base became negative, as the accumulated net losses over the time have exceeded the equity supplied by the owners.
- Debt coverage ratio = net operating income / debt service
The debt coverage ratio gives insight into the ability of a project to satisfy its fixed obligations to creditors. A ratio in the size of 2 – interest charges can meet by earnings twice - can be considered as good.

B) Efficiency ratios:

These measure how efficiently a project / PDAM is using its resources and measures management's effectiveness through returns generated on sales and investment, and the ability to control costs and collect receivables.

- Average water tariff ratio = operating revenues / total cubic meter water sold (Rp. / m3)
The average tariff (revenues per cubic meter sold ratio) or is a good indication for the level of cost recovery, the billing efficiency and the overall financial health of the PDAM. Average tariffs below Rp3.000 can be considered as critical.
- Average operation and maintenance cost ratio = (operating + maintenance expenses) / total cubic meter water sold (Rp. / m3)
The average operation and maintenance cost (O&M expenses per cubic meter sold) ratio is a rough measure of production + maintenance costs and reflects the operating margin. The ratio reflects efficient operation and cost management and the overall financial health of the PDAM. Depending on the kind of system (e. g. gravity, extensive pumping, raw water quality) the average production costs shall stay below Rp2.000.
- Full cost recovery ratio = (operating expenses + depreciation + interest) / total cubic meter water sold (Rp. / m3)
Full Cost Recovery (FCR) ratio (average total cost per cubic meter sold) is similar like the production cost ratio a rough cost recovery measure for the unit costs involved in the provision of services. The FCR ratio reflects efficient operation and cost management, asset management and the overall financial health of the PDAM. The average cost ratio shall stay below Rp3.000.

- Operating ratio = operating expenses / operating revenues
The operating ratio (working ratio) is the ratio between operating costs (less depreciation) and operating revenues. Sound financial performance requires the ratio to stay well below 1.
- Billing collection efficiency = accounts receivable / average daily sales (days)
The billing collection efficiency represents the average length of time the PDAM must wait until the bills presented to the customers are paid. The Indonesian average is more than 100 days.
- Staff per 1000 connections ratio = average number of employees / 1000 connections
Basically this ratio reflects the staff productivity. The lower the ratio the more efficient a PDAM is managed. The ratio shall stay well below 10.
- Non Revenue Water ratio = (total production – total water sold) / total production
Non Revenue Water (NRW) is water, which is produced but not sold. Either it is lost through leakages in the distribution system, unauthorized consumption, meter under registration, illegal connections. The level shall be as low as possible. With an average of around 30% NRW levels in Indonesia are generally high.
- Current ratio = current assets / current liabilities
The current ratio measures the short-term solvency. It indicates to what extent short-term creditors are covered by assets that are expected to be converted to cash in a period corresponding to the maturity of the claims. A ratio of 2 would be considered as good.
- Debt to total asset ratio = total liabilities / total assets
The debt to total asset ratio measures the company's solvency. It measures a PDAM's assets, financed by debt and is therefore a measure of its financial risk. The lower the ratio the better.
- Days of liquidity ratio = (quick assets x 365) / years cash expenses (days)
The days of liquidity ratio indicates the number of days that liquid assets can support without further cash coming from cash sales or collection of receivables. The minimum required days of liquidity ratio is 45 days in accordance to MOF guidelines.

C) Profitability ratios:

These ratios provide a measurement of the way the project is operating, and indications for the feasibility of investments. Profitability ratios allow a view on the combined effects of liquidity, asset management and debt management.

- Return on sales = net income (after taxes) / operating revenues
This ratio indicates the size of the operating margin, which the project has on its sales. From this margin one can devise the necessary sales to achieve a specific return on investment. In Indonesia this ratio shall be higher than 20%.
- Return on assets = income (before interest & taxes) / total assets
The return to total assets ratio (return on investment or internal rate of return) is the single most significant measure of corporate profitability and efficiency and calculates the effectiveness of a project. The Indonesian average for this ratio is 15%.

6.3 PDAM PEKANBARU

6.3.1 Historical and current financial performance

The review of the historical performance of the PDAM Pekanbaru (PDAM) was done based on audited financial reports for the years 2002 to 2007 and an un-audited 2008 financial report. The MTR economic team decided to include the data for the longer period because the management contract with PT KDTP has been signed and came into force already in 2003.

Important notice:

The state auditors have not approved yet several annual reports from 2002 to 2007 because the financial statements are lacking significant data and/or information or supporting documents.

The following parameters show in brief the financial performance of the PDAM:

Parameters - PDAM Pekanbaru	Year						
	2002	2003	2004	2005	2006	2007	2008
No of Connections	n. a.	20,127	20,021	19,924	19,499	18,701	21,183
Net Income (Rp mio)	(7,176)	(7,043)	(6,893)	(10,072)	(6,122)	(5,251)	(3,750)
Average Tariff Ratio (Rp./m3)	2,395	2,560	2,659	2,672	2,734	2,665	2,632
Average O&M Cost Ratio (Rp.m3)	2,883	2,971	2,887	3,670	2,754	2,657	3,511
Full Cost Recovery Ratio (Rp./m3)	4,465	4,586	4,593	5,523	4,156	3,870	3,853
Operating Ratio	166%	162%	161%	192%	142%	131%	129%
Current Ratio	0.2	0.1	0.1	0.1	0.1	0.2	0.2
Debt to Total Assets Ratio	1.11	1.39	1.72	2.03	2.21	2.44	2.22
Debt Equity Ratio	-76	-26	-11	-5	-4	-3	-2
Billing Collection Efficiency (days)	100	92	95	116	149	170	142
Days of Liquidity Ratio (days)	19	10	3	5	13	10	34
Staff per 1000 Connections Ratio		9	9	8	8	9	8

Since 2002 the number of customer stayed relatively stable at around 20.000 connections. PT KDTP's obligation from the management contract, to add additional 20,000 new connections and to increase the production capacity to 600 l/s (a target set for 2004 and a precondition for the first tariff adjustment) were not yet fulfilled.

The PDAM did not generate positive net incomes before the contract agreement with PT KDTP became effective in 2003. The series of losses continued even after the management contract was awarded to PT KDTP although measures were taken by the new management to restructure the PDAM. Until now the PDAM still produces losses and has substantial accumulated negative retained earnings, which are higher than the equity of the PDAM. This fact is reflected in the negative debt equity ratio. The debt to total assets ratio worsen over the time, indicating that the PDAM total liabilities increased drastically and are now even more than 2 times higher than their assets.

The average tariff ratio stayed around the same since 2002 until early March 2009. PT KDTP finally managed to get a substantial long overdue average tariff increase of 50%.

Since 2002 the full cost recovery ratios, as well as the average O&M cost ratios were always higher than the average tariff ratios. This fact is reflected in the operating ratio as well, which has improved over the time but is still higher than 100%, which indicates the presence of a weak revenue base and an inefficient and costly operation. The operating ratio of a good utility should be in the range of 60%.

The current ratio in the past stayed on a very low level, indicating that the PDAM was over years struggling with solvency problems.

The billing collection efficiency stayed with an average collection period of more than 100 days throughout the reviewed years. It affected the cash position of the PDAM as well, which could not provide the required minimum 45 days for a healthy liquidity ratio.

As per the end of 2008, 170 staff serving 21,183 connections (staff per 1000 connections ratio bigger than 8). With 8 staff per 1000 connections the ratio is not so bad but still too high. A PDAM with that number of customers should have a ratio between 5 and 6, according to MOHA guidelines.

Outstanding loans

By the end of 2008, PDAM Pekanbaru had total outstanding loans including arrears of Rp 63,245M consisting of the following:

- Loan from the MOF under contract No. RDA-197/DP3/1994 dated April 15, 1994 with a principal amount of Rp 2,973M plus capitalized interest of Rp1,999M. The loan had a payment term of 18 years, including a five-year grace period, and an interest of 11.5% per annum. The balance of the principal in 2008 was Rp800 M but plus total arrears of about Rp19,735M, comprising a principal Rp2,173M and a non-principal Rp17,562M.
- Loan from the former *Direktorat Dana Investasi* (DDI) under contract no. RDA-57/DDI/1991 dated February 16, 1991 with a principal amount of Rp9,048M. The loan had a payment term of 15 years, including a four-year grace period, and an interest of 9% per annum. The loan has all been due but the PDAM have never served the debt service leaving arrears totalling to Rp41,507M, comprising a principal of Rp 9,048 M and a non-principle of Rp32,459.
- ADB Loan through SLA no. 605/DDI/1991, dated 7 November 1991 with a principal amount of Rp816 million. The loan had a payment term of 20 years, including a 5-year grace period and interest of 9.25%. The balance of the principal in 2008 was Rp176.4 M but plus total arrears of about Rp385.6 M comprising a principal of Rp213.2 million and a non-principal of Rp172.5 M.

PDAM has consulted with the MOF regarding the resolution of the arrears. However, PMK 120/PMK.05/2008 for the Resolution of State Debts prohibits PDAMs with private sector cooperation to make use of the facility as stated in Article 23 of the regulation. For the time being no regulation is in place. A separate regulation for this very small group of PDAMs will (or might) be prepared.

For the economic analysis it was assumed that PEMKO Pekanbaru will negotiate with MOF and take care of the repayment of arrears, a principal debt of Rp11,434 M and interest and penalty payments a staggering Rp51,811M. Those liabilities will be carried forward for the time being in the books of the PDAM until the problem has been solved.

6.3.2 Simulation of future development scenarios

Physical Targets and Costs

The PDAM investment plan for the years 2009 to 2013 has been prepared to improve the quality of services and to expand services to new customers. The investment plan covers major items such as: (i) procurement of a genset, (ii) Installation rehabilitation program (IRP) III, (iii) development of Rumbai WTP 2x60 l/s (to be completed in 2009), which includes land acquisition and installation of transmission pipes and (iv) upgrading of Tampar WTP 200 l/s (to be completed in 2010), and procurement of secondary and tertiary pipes, totalling to around Rp153,800M in constant 2008 prices or Rp188,600M at current price, targeting for additional of 51.000 connections. As per the end of 2008, the PDAM had a production

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capacity of 430 l/s installed. With the completion of rehabilitation and expansion work on the WTP installations the capacity will have increased to 550 l/s in 2009 and to 750 l/s in 2010.

6.3.3 Assumptions for the simulation of 3 FINPRO scenarios

A detailed review of the PDAM investment plan revealed that some of the targets might not be achievable. In the calculations some of the unit rates seemed to be at the low end. As for the simulation, the Consultant decided to make a number of assumptions in order to simulate the 'best case', the 'middle course' and the 'worst case' scenario for the PDAM development until 2020.

Investment budget restrictions

It was assumed that the budget for the investment program between 2009 and the end of 2012 is limited. Funds would be made available to PDAM as a loan from the WFI Foundation under the following conditions:

- Disbursement between 2009 and the end of 2012 (4 years grace period),
- Repayment of the loan between 2013 and 2027 (15 years),
- Interest rate = 13%,
- For the 'middle course case' and the 'worst case' scenario it was assumed that the available funds have a ceiling of Rp120,000M (€8M),
- For the 'best case' scenario it was assumed that the available funds have a ceiling of Rp160,000M (€10.7M). The difference between the €8M and €10.7M to be provided from third parties (not from the PDAM).

The provision of funds for investments between 2012 and 2020 are the responsibility of the PDAM (internally generated or third party funding).

For simplicity reasons it was assumed that an all-in block rate of

- Rp4M (€ 267) per connection for the 'middle course case' and the 'worst case' scenario and
- Rp5M (€ 334) per connection for the 'best case' scenario would be applied.

The all-in block rate includes investment costs for water withdrawal, treatment, transport, storage and distribution. The number of connections for the various scenarios can be estimated. The difference in the all-in block rate of Rp1M (€67) can be seen as additional budget, available for rehabilitation and NRW-Reduction measures in the distribution system. In all 3 scenarios it was assumed that the customers have to pay Rp1M (€67) as connection fee to the PDAM. In the 'best case' scenario for example the customer would pay Rp1M (€67) and the PDAM would provide the remaining Rp4M (€267) from either its own funds or as from the WFI Foundation. New customers might benefit from micro credit facilities to pre-finance the Rp1M (€67) connection fee.

NRW-Reduction targets

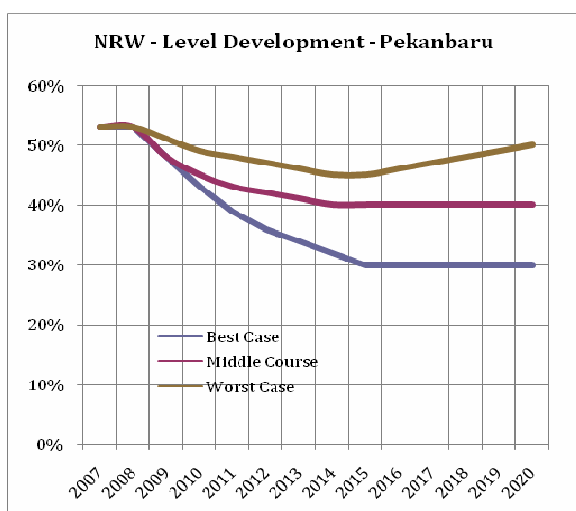
The current performance of PDAM is hampered by a high NRW-Rate. Losses in the size of around 53% were recorded to the Consultant. The target NRW-Rate levels were set in the following way:

- 30% in the 'best case' scenario,
- 40% in the 'middle course' scenario and
- 50% the 'worst case' scenario respectively.

The assumption for the reduction/increase of the NRW-rates over the time for the 3 scenarios until 2020 is shown in the next table and graph. In the 'worst case' scenario it was assumed that after successful reduction of losses the NRW-Rates would slightly increase again, starting from 2015.

Assumptions for NRW-Reduction rates

Scenarios	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	5%	5%	4%	3%	2%	2%	2%	0%	0%	0%	0%	0%
Middle Course	5%	3%	2%	1%	1%	1%	0%	0%	0%	0%	0%	0%
Worst Case	2%	2%	1%	1%	1%	1%	0%	0%	-1%	-1%	-1%	-1%



Water tariff targets

PT KTDP tried since the early beginning to get approval from PEMKO Pekanbaru for tariff adjustments. Finally a 50% increase has been approved in March 2009. The average tariff now amounts to Rp 3,729 per m3.

It was assumed that the inflation rate would stay at 8% in 2009, at 7,5% in 2010 and 2011 and drop to 6% in 2012 and stay on that level until 2020.

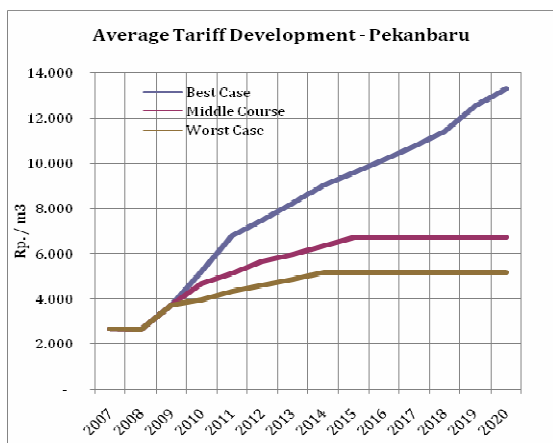
For the 'best case' scenario in 2010 this would mean a real increase of 32.5% whereas the 'worst case' scenario tariff adjustment equals a real 17.5% increase. In 2014 it was assumed that no tariff adjustment would take place. The PDAM would therefore not receive even compensation for the 6% inflation.

For the simulation of the 3 scenarios the following average tariff development until 2020 was assumed.

Assumptions for annual tariff increases

Scenarios	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	50%	40%	30%	10%	10%	10%	6%	6%	6%	6%	10%	6%
Middle Course	50%	25%	10%	10%	6%	6%	6%	0%	0%	0%	0%	0%
Worst Case	50%	6%	10%	6%	6%	6%	0%	0%	0%	0%	0%	0%

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6.3.4 Highlights of the financial analysis for the 3 scenarios

The PDAM service expansion program

As per the end of 2008 the PDAM reported to have 21,183 customers. This is the outset situation for the further increase of the customer base. The assumed budget restrictions, changes on the NRW-Rates and tariffs over the time, the FINPRO simulation for the 3 scenarios has been calculated and the most important results have been compiled in this chapter.

'Best case' scenario:

The number of connections will until 2020 increase by 75,000 to a total number of 96,183 connections. This will stretch the system under the assumed conditions to the limit. An all-in block rate of Rp5M / connection was assumed. For the installation of 40,000 new connections Rp200.000M (at constant 2008 prices) will be invested until 2012 from the following sources:

- Rp120.000M loan from WFI Foundation(Rp3M / connection),
- Rp40.000M loan from third party to be identified by PDAM(Rp1M / connection),
- Rp40.000M contributions from new customers (Rp1M / connection).

After 2012 further expansion takes place, assumingly financed by the PDAM (80% of the Rp5M = Rp4M / connection) together with contributions from the new customers (20% of the Rp5M = Rp1M / connection). The NRW-Rates were reduced to down to 30% and regular tariff adjustments were made until 2020.

'Middle course' scenario:

The number of connections would increase until 2020 by 45,000 to a total number of 66,183 connections. An all-in block rate of Rp4M / connection was assumed. Like in the 'best case' scenario, the installation of 40,000 new connections at Rp160.000M (at constant 2008 prices) until 2012 will be funded from the following sources:

- Rp120.000M loan from WFI Foundation(Rp3M / connection),
- Rp 40.000M contributions from new customers (Rp1M / connection).

After 2012 further expansion takes place, assumingly financed by the PDAM (75% of the Rp4M = Rp3M / connection) together with contributions from the new customers (25% of the Rp4M = Rp1M / connection). The NRW-Rates will be reduced down to 40%, and sporadic tariff adjustments will be made until 2020.

'Worst case' scenario:

The number of connections will until 2020 increase by 34,000 to a total number of 55,183. An all-in block rate of Rp4M/connection is assumed. The installation of 34,000 new connections at Rp136.000M (at constant 2008 prices) until 2012 will be funded from the following sources:

- Rp102.000M loan from WFI Foundation(Rp3M / connection),
- Rp34.000M contributions from new customers (Rp1M / connection).

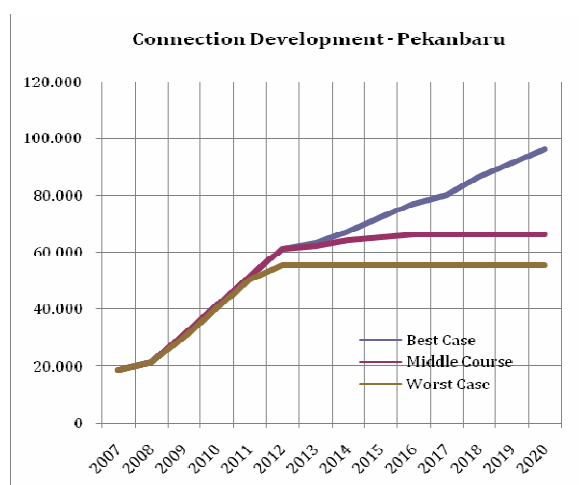
After 2012 no further expansion takes place.

The NRW-Rates will initially be reduced down to less than 50% but increase again and stay at 50% in 2020. Even fewer sporadic tariff adjustments will be made until 2020.

The results for the customer development are summarized in the table and graphic below.

Assumptions for connection development

Scenarios		2008	2009	2010	2011	2012	2013	2014
Best Case	Increase	-	10,000	10,000	10,000	10,000	2,000	4,000
	Accum.	21,183	31,183	41,183	51,183	61,183	63,183	67,183
Middle Course	Increase	-	10,000	10,000	10,000	10,000	1,000	2,000
	Accum.	21,183	31,183	41,183	51,183	61,183	62,183	64,183
Worst Case	Increase	-	9,000	10,000	10,000	5,000	-	-
	Accum.	21,183	30,183	40,183	50,183	55,183	55,183	55,183
Scenarios		2015	2016	2017	2018	2019	2020	
Best Case	Increase		5,000	5,000	3,000	6,000	5,000	5,000
	Accum.		72,183	77,183	80,183	86,183	91,183	96,183
Middle Course	Increase		1,000	1,000	-	-	-	-
	Accum.		65,183	66,183	66,183	66,183	66,183	66,183
Worst Case	Increase		-	-	-	-	-	-
	Accum.		55,183	55,183	55,183	55,183	55,183	55,183



6.3.5 Financial Results

Total investment

In the next table the overall investments are summarized for the 'best case' scenario. The overall investment until 2020 would amount to Rp387,000M (constant 2008 prices) for the 75,000 connections, which equals Rp615,078M at current prices. It was assumed that the inflation rate would stay at 8% in 2009, at 7,5% in 2010 and 2011 and drop to 6% in 2012 and stay on that level until 2020.

PDAM investment for 'best case' scenario

Rp million	Total	2009	2010	2011	2012	2013	2014
Constant price 2008	387,600	50,000	50,000	50,000	50,000	10,000	20,000
Current Price	615,078	57,564	62,020	66,671	71,153	15,085	31,979
New Connections (unit)	75,000	10,000	10,000	10,000	10,000	2,000	4,000
Rp million		2015	2016	2017	2018	2019	2020
Constant price 2008		25,000	25,000	27,600	30,000	25,000	25,000
Current Price		42,372	44,915	52,561	60,559	53,494	56,704
New Connections (unit)		5,000	5,000	3,000	6,000	5,000	5,000

In the next table the results are summarized for all 3 scenarios (in current prices).

PDAM investment for all scenarios

Scenarios	Total	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	615,078	57,564	62,020	66,671	71,153	15,085	31,979	42,372	44,915	52,561	60,559	53,494	56,704
Middle Course	238,718	46,051	49,616	53,337	56,923	6,034	12,792	6,780	7,186	-	-	-	-
Worst Case	172,860	41,446	49,616	53,337	28,461	-	-	-	-	-	-	-	-

Funding sources

The expansion programme investment is assumed to be financed by up to 4 different sources: (i) loan from the WFI Foundation, (ii) loan from a third party (to be identified), (iii) contribution from the customers (connection fee), (iv) funds from the PDAM. In the first phase (2009 – 2012) funds will come from all 4 sources whereas in the second phase (2013 – 2020) the sources are drawn from the PDAM and the customers only.

In all 3 scenarios it was assumed that the customer pay Rp1 M for their new connection.

Sources of funding for 'best case' scenario

Rp million	Total	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Customers	75,000	10,000	10,000	10,000	10,000	2,000	4,000	5,000	5,000	3,000	6,000	5,000	5,000
WFI F.+3 rd Party Loan	160,000	40,000	40,000	40,000	40,000	-	-	-	-	-	-	-	-
PDAM	380,078	7,564	12,020	16,671	21,153	13,085	27,979	37,372	39,915	49,561	54,559	48,494	51,704
Total	615,078	57,564	62,020	66,671	71,153	15,085	31,979	42,372	44,915	52,561	60,559	53,494	56,704

Amortization of the PDAM loan from the WFI Foundation

Funds from the WFI Foundation will be made available to the PDAM as loan. It was assumed that the total amount available for investments from the Dutch Government will not exceed Rp120,000M. This amount needs a topping up of another Rp40,000M from a third party to Rp160,000 M in total for the 'best case' scenario.

In order to give an example for the amortization of the loan, the table below has been prepared. The repayment period was assumed to be 15 years; 4 years grace period; 13% interest rate. The disbursement of the loan is assumed to start in 2009 commensurate with the start of implementation of the assumed further investment program and fully redeemed in 2027.

Amortization schedule of PDAM loan for the 'best case' scenario

Rp million	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual Disbursement	40,000	40,000	40,000	40,000	-	-	-	-	-	-
Cumulative Disbursement	40,000	80,000	120,000	160,000	-	-	-	-	-	-
Amortization	-	-	-	-	10,667	10,667	10,667	10,667	10,667	10,667
Interest	-	5,200	10,400	15,600	20,800	19,413	18,027	16,640	15,253	13,867
Loan Balance	40,000	80,000	120,000	160,000	149,333	138,667	128,000	117,333	106,667	96,000
Total Debt Service	-	5,200	10,400	15,600	31,467	30,080	28,693	27,307	25,920	24,533

Rp million	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Disbursement	-	-	-	-	-	-	-	-	-
Cumulative Disbursement	-	-	-	-	-	-	-	-	-
Amortization	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667
Interest	12,480	11,093	9,707	8,320	6,933	5,547	4,160	2,773	1,387
Loan Balance	85,333	74,667	64,000	53,333	42,667	32,000	21,333	10,667	-
Total Debt Service	23,147	21,760	20,373	18,987	17,600	16,213	14,827	13,440	12,053

Feasibility Indicators

The assumptions for various levels of house connection expansion efforts, combined with various levels of NRW-Reduction and the various levels of average tariffs deliver the following result.

The investment program is found to be feasible for the 'best case' scenario, with a positive NPV of Rp25,540M and FIRR of 15,7%. The 'middle course' scenario, with a negative NPV of Rp(22,175) million and FIRR of 11,5% and the 'worst case' scenario with a NPV of Rp(51,954) M and FIRR of 6,4% are considered as financially not feasible.

The NPV and IRR calculated from 2009-2028.

Feasibility

Scenarios	IRR	NPV (Rp million)
Best Case	15.70%	25,540
Middle Course	11.50%	(22,175)
Worst Case	6.40%	(51,954)

Note: Cost of Capital 14% (commercial rate)

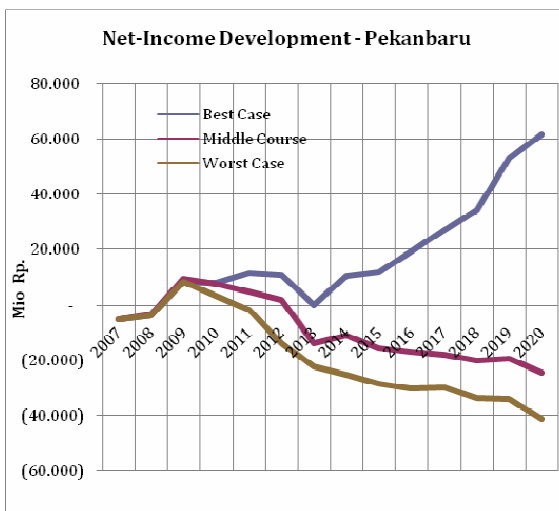
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Net-income development

The net-income development for the 3 scenarios is shown in the next graphic. The PDAM in the 'best case' scenario is developing nicely after 2008. Strong tariffs combined with low NRW-Level are a good basis for growth. In 2013 the net income drops against zero, as the loan amortization has to commence.

In the 'middle course' scenario the PDAM keeps struggling with a weaker tariff basis combined with higher NRW-Levels and lower tariffs. Sporadic expansion attempts come to a hold after the substantial investment program stops in 2012. In 2013 the net income drops again, as the loan amortization has to commence.

In the 'worst case' scenario the PDAM faces severe problems already during the implementation of the investment program until 2012. Low tariffs and high NRW-Levels are battering the utility. No further expansion after 2012 is feasible. Loan amortization payments are not feasible.



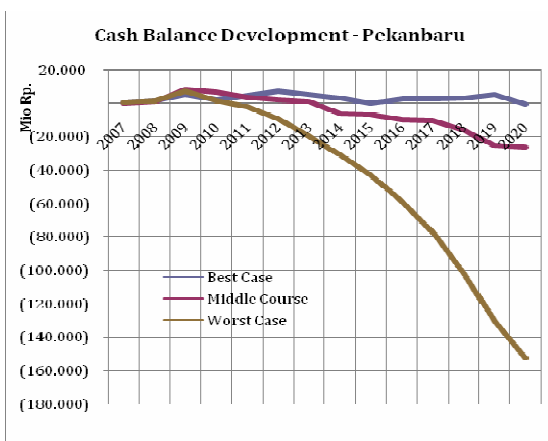
Cash balance development

The cash-balance is defined as the sum of cash surplus (deficit) + reserves of a utility. The development of the cash balance for the 3 scenarios is shown in the next graphic.

The graphic reveals that the PDAM in the 'best case' scenario will not need any cash injections. The cash balance will stay in positive territory until 2020.

Cash shortages will continue to hamper the day-to-day operation of the PDAM in the 'middle course' scenario, starting from 2013 onward. The utility will need cash subsidies in order to stay afloat.

In the 'worst case' scenario the current struggle of the PDAM will continue after a short recovery in 2009 and 2010. The utility will need substantial cash subsidies in order to survive.



Key Financial Achievement of 3 Scenarios

In the next section summaries of the main financial indicators/ratios, generated for the 'best case', 'middle course' and the 'worst case' scenarios are presented.

More detailed information about the 3 scenarios is presented in the Annexes to this report, comprising the following:

- Income Statements,
- Source and Application of Funds,
- Balance Sheets.

Best Case Scenario – PDAM Pekanbaru (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	22,611	41,314	67,144	88,978	110,828	126,337	142,078	158,185	180,016	199,400	233,614	259,846
Non-Water Revenues	11,462	12,671	14,341	15,752	9,165	12,167	14,185	15,226	14,637	18,890	20,102	21,798
Total Operating Revenues	34,072	53,985	81,484	104,730	119,992	138,504	156,263	173,411	194,653	218,290	253,716	281,645
Operating Expenses	20,422	31,675	45,082	59,613	72,571	82,602	90,950	103,162	115,807	131,045	148,426	169,037
Non Operating Revenues (nett)	0	114	0	26	268	930	1,154	988	685	309	79	1,534
EBITDA	13,651	22,371	36,402	45,131	47,565	56,402	65,935	70,781	79,215	87,412	105,332	113,434
EBIT	8,301	13,641	20,126	21,719	17,393	28,362	37,333	40,227	46,626	51,993	66,351	72,396
EBT	8,301	8,441	9,726	6,119	(3,407)	8,035	17,951	22,264	30,553	37,811	54,060	61,996
Corporate Tax	2,490	2,532	2,918	1,836	0	2,410	5,385	6,679	9,166	11,343	16,218	18,599
Net Profit	5,811	5,909	6,808	4,283	(3,407)	5,624	12,566	15,585	21,387	26,468	37,842	43,397
Cash Shortage	0	(289)	0	0	0	0	0	0	0	0	0	0
Average Tariff (Rp.m3)	3,729	5,220	6,787	7,465	8,212	9,033	9,575	10,149	10,758	11,404	12,544	13,297
Average Cost (Rp.m3)	4,322	5,711	7,029	7,933	8,694	8,869	8,843	9,166	9,228	9,682	10,017	10,518
Operating Ratio:	75.6%	84.5%	88.1%	94.2%	103.0%	94.6%	88.9%	87.5%	84.5%	82.8%	78.7%	78.3%
Current Ratio	2.66	2.95	3.54	3.08	3.21	2.41	1.81	1.58	1.34	1.21	1.54	1.67
Debt Ratio to Total Assets	1.2%	0.7%	0.5%	1.8%	3.3%	4.5%	5.6%	5.4%	5.1%	4.7%	4.2%	3.6%
Debt:Debt+Equity Ratio	150.6%	187.9%	201.9%	212.1%	206.2%	168.8%	124.6%	91.3%	65.9%	45.6%	30.2%	19.3%
DSCR	-	4.30	3.50	2.89	1.95	2.04	2.18	2.18	2.59	3.04	3.92	4.55
#Days Account Receivable	153	120	110	100	90	80	70	60	50	45	45	45
Cash= No. of Days of Operating Costs	47.3	41.7	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Full Cost Recovery Achievement	86%	91%	97%	94%	94%	102%	108%	111%	117%	118%	125%	126%

Middle Course Scenario – PDAM Pekanbaru (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	22,379	36,133	49,926	66,130	79,019	85,243	90,647	90,640	90,609	90,609	90,609	90,609
Non-Water Revenues	11,447	12,336	13,228	14,275	6,108	7,511	6,860	6,860	5,858	5,858	5,858	5,858
Total Operating Revenues	33,826	48,469	63,154	80,405	85,128	92,754	97,507	97,500	96,467	96,467	96,467	96,467
Operating Expenses	20,214	29,948	39,898	53,173	63,674	70,941	75,130	80,184	83,001	89,013	91,323	99,734
Non Operating Revenues (nett)	0	265	271	92	0	0	0	0	0	0	0	0
EBITDA	13,612	18,663	23,402	27,282	21,454	21,812	22,377	17,316	13,466	7,454	5,144	(3,267)
EBIT	9,076	11,447	12,423	13,535	1,727	3,681	(1,978)	(4,480)	(6,755)	(9,628)	(10,096)	(16,094)
EBT	9,076	7,547	4,623	1,835	(13,873)	(11,564)	(16,514)	(17,953)	(18,810)	(20,265)	(19,315)	(23,894)
Corporate Tax	2,723	2,264	1,387	550	0	0	0	0	0	0	0	0
Net Profit	6,353	5,283	3,236	1,284	(13,873)	(11,564)	(16,514)	(17,953)	(18,810)	(20,265)	(19,315)	(23,894)
Cash Shortage	0	0	0	(3,071)	(1,247)	(7,552)	(9,917)	(17,630)	(21,759)	(31,489)	(43,824)	(48,338)
Average Tariff (Rp.m3)	3,729	4,661	5,127	5,640	5,978	6,337	6,717	6,717	6,717	6,717	6,717	6,717
Average Cost (Rp.m3)	4,196	5,264	5,882	6,470	7,155	7,394	8,039	8,140	8,127	8,230	8,163	8,486
Operating Ratio:	73.17%	84.72%	92.91%	97.78%	116.30%	112.47%	116.94%	118.41%	119.50%	121.01%	120.02%	124.77%
Current Ratio	2.82	3.27	3.52	2.43	2.12	1.34	1.00	0.53	0.24	(0.18)	(0.65)	(0.48)
Debt Ratio to Total Assets	1.4%	0.8%	0.6%	1.8%	3.2%	4.9%	7.1%	8.3%	10.2%	13.4%	19.3%	26.2%
Debt:Debt+Equity Ratio	111.6%	141.7%	161.7%	175.1%	195.6%	217.5%	287.5%	529.6%	-2261.4%	-260.0%	-117.1%	-58.7%
DSCR	-	4.79	3.00	2.33	1.17	1.05	0.98	0.71	0.59	0.35	0.26	(0.17)
#Days Account Receivable	152	120	110	100	90	80	70	60	50	45	45	45
Cash= No. of Days of Operating Costs	46.9	45.0	45.0	23.9	37.9	6.1	(3.2)	(35.3)	(50.7)	(84.1)	(130.2)	(131.9)
Full Cost Recovery Achievement	89%	89%	87%	87%	84%	86%	84%	83%	83%	82%	82%	79%

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Worst Case Scenario – PDAM Pekanbaru (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	21,888	30,061	41,731	52,205	58,775	62,182	62,182	62,182	62,182	61,286	60,145	59,004
Non-Water Revenues	10,415	11,943	12,698	8,375	3,800	4,020	4,020	4,020	4,020	3,962	3,888	3,814
Total Operating Revenues	32,303	42,004	54,429	60,580	62,574	66,202	66,202	66,202	66,202	65,248	64,033	62,818
Operating Expenses	20,236	28,452	38,202	49,745	56,435	62,200	64,233	69,489	72,603	78,614	80,777	89,029
Non Operating Revenues (nett)	0	209	3	0	0	0	0	0	0	0	0	0
EBITDA	12,068	13,664	16,229	10,835	6,139	4,002	1,968	(3,288)	(6,401)	(13,366)	(16,744)	(26,211)
EBIT	8,184	7,007	5,809	(2,431)	(9,158)	(12,942)	(16,842)	(19,704)	(20,159)	(24,804)	(26,239)	(34,090)
EBT	8,184	3,497	(1,601)	(13,741)	(22,418)	(25,883)	(29,109)	(30,943)	(30,193)	(33,632)	(33,861)	(40,507)
Corporate Tax	2,455	1,049	0	0	0	0	0	0	0	0	0	0
Net Profit	5,729	2,448	(1,601)	(13,741)	(22,418)	(25,883)	(29,109)	(30,943)	(30,193)	(33,632)	(33,861)	(40,507)
Cash Shortage	0	0	(6,920)	(15,264)	(22,566)	(33,358)	(47,528)	(66,987)	(88,610)	(116,367)	(147,565)	(172,468)
Average Tariff (Rp.m3)	3,729	3,953	4,348	4,609	4,885	5,178	5,178	5,178	5,178	5,178	5,178	5,178
Average Cost (Rp.m3)	4,186	5,093	5,742	6,373	6,812	7,380	7,639	7,786	7,726	8,045	8,121	8,743
Operating Ratio:	74.66%	91.94%	102.94%	122.68%	135.83%	139.10%	143.97%	146.74%	145.61%	151.54%	152.88%	164.48%
Current Ratio	2.78	2.99	2.42	0.90	0.20	(0.46)	(1.21)	(2.13)	(3.13)	(4.16)	(5.38)	(3.82)
Debt Ratio to Total Assets	1.5%	0.9%	0.6%	2.1%	4.4%	8.0%	13.5%	26.2%	42.84%	-27.6%	-13.2%	-9.4%
Debt:Debt+Equity Ratio	107.1%	150.3%	187.3%	263.0%	603.5%	-866.6%	-199.4%	-98.2%	-59.4%	-37.6%	-24.5%	-15.3%
DSCR	-	3.89	2.19	0.96	0.39	0.22	0.10	(0.16)	(0.33)	(0.74)	(0.99)	(1.67)
#Days Account Receivable	151	120	110	100	90	80	70	60	50	45	45	45
Cash= No. of Days of Operating Costs	46.5	45.0	(21.1)	(67.0)	(101.0)	(150.8)	(225.1)	(306.9)	(400.5)	(495.3)	(621.8)	(662.1)
Full Cost Recovery Achievement	89%	78%	76%	72%	72%	70%	68%	67%	67%	64%	64%	59%

6.3.6 Conclusions

From the financial analysis, the following conclusions for PDAM Pekanbaru can be derived:

- The investment program is financially feasible to the PDAM only in the 'best case' scenario, based on the assumptions made for the costs and incremental revenues. The financial feasibility assessment yields a positive NPV and a FIRR that exceeds the cost of capital slightly.
- The PDAM management was partly taken over by PT KTDP in 2003, but KTDP failed until now to execute a substantial restructuring program, which is necessary to improve the performance of the PDAM. Basically all divisions of the utility are affected. Stern measures need to be taken in order to cut costs and increase revenues. PT KTDP succeeded to get a tariff increase approved early March 2009 but more is needed.
- Without any significant improvement in the distribution network it will be extremely difficult for the PDAM to achieve its performance targets. The non-realization of physical and commercial NRW-Reduction targets could very well put water revenue targets at risk. A NRW-Reduction from currently 53% to 30% is assumed for the 'best case' scenario.
- The WTP capacity after rehabilitation of existing installations amounts to 750 l/s (available after 2010). It can't serve the additional 82,000 customers assumed in the 'best case' scenario. Additional WTP capacity of 200 l/s needs to be installed by 2017. NRW-Reduction measures need to make sure that the 30% NRW-Rate benchmark is met in the 'best case' scenario. High tariff levels will encourage customers to save water.
- The investment program is financially affordable to the PDAM only in the 'best case' scenario. A high proportion of debt financing from the WFI Foundation, third parties (investors), contribution from new customers (connection fee) and from the PDAM itself has been assumed. The financial projection shows that the utility will be able to repay such debt as the debt service coverage ratio will stay above the minimum required 2.5 level from 2010 onward.
- In the 'best case' scenario the PDAM will generate positive income by 2009 and the cash generated will be sufficient cover the required 45 days level of operating costs, starting from 2010. In the 'middle course' and 'worst case' scenarios cash shortages will continue to create liquidity problems

until 2015. Starting from 2016 cash shortages are becoming a severe threat to the PDAM, especially in the 'worst case' scenario.

- The debt : equity ratio is improving over the time in the 'best case' scenario. By 2017 a healthy ratio of 65:35 will be achieved. In the 'middle course' and 'worst case' scenarios those targets will not be achieved over the observation period.
- The staff per 1,000 connections ratio of the PDAM is moderate with 8.

6.3.7 Recommendations for Pekanbaru

The contractual and institutional arrangements between the different parties, involved in the provision of water services in Pekanbaru, are quite complex and make day-to-day operation difficult for all parties. Parties involved include PEMKO Pekanbaru, the PDAM Tirta Siak, the management contract holder PT KTDP and the P3SW program partners WFH/PWN, PT Tirta Riau, and PT MTI. At this stage, many undecided or pending issues and procedures hamper the provision of good, reliable services to the citizens. Based on the financial analysis carried out for the PDAM, the following recommendations can be made:

- Institute safeguards for ensuring the validity of the 'best case' scenario assumptions used in the FINPRO. The PDAM should make sure that actual average tariffs are in conformity with the proposed tariffs in the FINPRO and that at least the proposed NRW-Levels are met. This would allow the replenishment of the WFH Water Fund, established for providing loans to the PDAM and other utilities in Indonesia.
- Formulate and implement an action plan towards revenues and cost efficiency. A time-bound strategy for efficiency improvement on all management levels shall be implemented in order to achieve the targets set in the 'best case' scenario.
- Excessive levels of physical and commercial losses require the PDAM to commit to drastic measures in the operation and management style. Salaries for example should be linked to performance in order to encourage positive attitude rather than allocating annual increments as a standard procedure to all staff.
- The restructuring measures applied for the administration of the PDAM, the complete upgrading of the WTPs, the rehabilitation of the existing distribution system and the expansion of services to new customers are key elements to safeguard the turn around of the utility. The new connections are needed both for defraying a substantial part of the investment cost and for generating the assumed incremental revenues. Such a stance is a must in view of the ambitious targets set in the 'best case' scenario during the next years.
- The PDAM should have cash subsidy from the WFH Water Fund to cover the cash shortage, which will occur in the 'best case' scenario until 2012, to guarantee smooth operation of the utility and to improve the debt :equity ratio as well.
- PDAM has to formulate and implement an action plan to reduce bad debt allowance and improve billing and collection efficiency to reach the optimum of 45 days as proposed in the 'best case' scenario.
- In the long run PDAM should keep the staff per 1000 connections ratio at a level below 5 as proposed in the 'best case' scenario to maintain efficiency.

6.4 PT AIR MANADO

6.4.1 Historical and current financial performance

PT Air Manado (PTAM) was established in 2006 and started to operate the utility facilities of PDAM Manado in 2007. The first audited financial statement for PTAM has been produced for 2007. For the financial year 2008 the un-audited data has been used. The MTR's economic team prepared the financial projections for PTAM based on documents, which were provided by PTAM and WMD. In addition, the economic team visited PTAM in February 2009 and met with managers and key financial and technical staff of the utility in order to receive more information about the future development plans for the PTAM.

Followings parameters show briefly the financial performance of PTAM:

Parameters – PTAM	2007 ¹⁾	2008 ²⁾
No of Connections	18,008	16,571
Net Income (Rp mio)	(7,138)	(6,995)
Average Tariff Ratio (Rp.m3)	4,075	5,264
Average O&M Cost Ratio(Rp.m3)	6,156	6,795
Full Cost Recovery Ratio (Rp.m3)	6,722	7,404
Operating Ratio (%)	143%	141%
Current Ratio	2.8	1.6
Debt to Total Assets Ratio	0.8	0.9
Debt Equity Ratio	5.9	23.7
Billing Collection Efficiency (days)	163	156
Days of Liquidity Ratio (days)	0.4	n.a.
Staff per 1000 Connections Ratio	18	20

Source: 1) 2007 Audited Financial Statement; 2) PTAM data

The total number of customers has been adjusted in 2008 to 16,571, after a customer survey has been completed.

PTAM did not generate positive net incomes in the last 2 years and has accumulated negative retained earnings, which reduced the already small equity base further in 2008. This combined with high long-term debts of PTAM, booked as a loan from PDAM Manado, resulted in an extremely high debt equity ratio, which therefore increased in 2008. Those facts are reflected in the debt to total assets ratio as well.

PTAM managed to get a water tariff increase in October 2006. As per 2008 the average water tariff had increased to Rp5,264/ m3 (around double the size of the PDAM Pekanbaru average tariff before the long overdue increase was approved in March 2009) mainly based on a statement in the Mayor's Decree No. 80 / 2006, which rules the tariff setting mechanism for the operation of PTAM until 2011. The Decree stipulates that PTAM shall provide water supply services on a Full Cost Recovery (FCR) basis for the customers. The mechanism foresees an annual real increase (inflation rate + 2%) on the average tariff until 2011 until the target of FCR is achieved. The Rp5,264 / m3 are not yet enough to cover the costs for the still inefficient operation of the utility. There is still a high, untapped potential for cutting costs in various fields of the utilities operation, which will lower the operating ratio and the FCR ratio as well.

The operating ratio did not improve over the last 2 years. With around 140% it reflects very unhealthy conditions for the PTAM, showing that the operation costs are not even covered by the average tariff. The operating ratio of a good utility should be in the range of 60%.

The current ratio was at a good level with 2.8 in 2007. This was mainly because of the initial deposit as 'paid-in capital' placed in year 2007. The current ratio was reduced to 1.6 in 2008.

With 156 days in 2008, the billing collection efficiency is still very low. It affected the cash position of the PDAM as well, which could not provide the required minimum 45 days for a healthy liquidity ratio.

As per the end of 2008, 325 staff are serving only 16,571 connections (staff per 1000 connections ratio bigger than 18). This can be considered as extremely inefficient for a utility that size, which should have between 5-6. This disparity in the number of staff is reflected in the costs for staff as well. The costs for employees amounted to 39% in 2007 and to more than 50% in 2008 of the total costs.

6.4.2 Outstanding loans

The Cooperation Agreement + Addendum between BV Tirta Sulawesi and PEMKO Manado / PDAM Manado stipulates that the PTAM takes over all the assets and liabilities of PDAM Manado, except the outstanding long-term debts with the Ministry of Finance through the Regional Development Account. The loan withdrawal was made between 1998-1993, totalling to Rp 21,368M consisting of Rp15,674M principal and Rp 5,694M interest during construction. No repayments took place since the disbursement of the loan. By the end of 2007 arrears have accumulated to astonishing Rp 63,339M (principal + interest + penalty). As the outstanding loans are owed by PDAM Manado, which is a partner of PTAM, it has been considered that the repayment / settling will be done by PEMKO Manado on behalf of PDAM Manado.

6.4.3 Simulation of future development scenarios

Physical Targets and Costs

The Master Plan for Manado (originally dated 2006 and updated in January 2008) specifies a Phase 1 investment programme (for the period 2005-2010) amounting to € 6.4M, including 22,000 new connections and a cumulative total of 36,000 connections. For that Phase 1 investment proposals at best € 3.5M could be funded from P3SW+WMD's own contributions. An additional € 2.2M may be considered if income of Rp 1M each for the 22,000 new house connections under the Phase 1 programme is considered. In 2008 RNE committed an additional allocation of € 3.5M of which €1.625M was earmarked for Manado, with an obligation to realize an additional 17,500 new connections in Manado. At the moment the total investment budget for Manado, including a € 2M loan from SNS Bank and € 1.75M as contributions by customers for the additional 17,500 new connections, may be estimated at approx. € 8.4M, or € 10.6M if the € 2.2M for the earlier mentioned 22,000 new connections are taken into consideration. WMD own investment budget estimate (in its Annual Plan 2009 for PT Air Manado) amounts to approx. €9.2M. The investment plan covers major items such as: (i) upgrading of Lotta WTP from 720 to 1,000 m³/h, (ii) upgrading the Malalayang/Bahandian WTP; 612 m³/h, (iii) upgrading Panjuran IX WTP to 432 m³/h, (iv) upgrading of the Telingen Reservoir and procurement of transmission and distribution pipes to connect the new customers. A massive NRW-Reduction program has been proposed to address the high water loss level of around 67% in the existing distribution system (block renovation and zoning of the system).

6.4.4 Assumptions for the simulation of 3 FINPRO scenarios

As just limited information has been made available by PTAM about the future annual investment activities, the consultant had to make a number of assumptions in order to simulate the 'best case', the 'middle course' and the 'worst case' scenario for the utility development until 2020.

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Investment budget restrictions

It was assumed that the budget for the investment program between 2009 and the end of 2012 is limited. Funds would be made available to PTAM as a loan from the WMD Foundation under the following conditions:

- Disbursement between 2009 and the end of 2012 (4 years grace period),
- Repayment of the loan between 2013 and 2027 (15 years),
- Interest rate = 13%,
- For the 'middle course case' and the 'worst case' scenario it was assumed that the available funds have a ceiling of Rp 120,000M (€ 8M),
- For the 'best case' scenario it was assumed that the available funds have a ceiling of Rp 160,000M (€10.7M). The difference between the €8M and €10.7M to be provided from third parties (not from the PTAM).

The provision of funds for investments between 2012 and 2020 are the responsibility of the PTAM (internally generated or third party funding).

For simplicity reasons it was assumed that an all-in block rate of

- Rp4M (€267) per connection for the 'middle course case' and the 'worst case' scenario and
- Rp5M (€334) per connection for the 'best case' scenario would be applied.

The all-in block rate includes investment costs for water withdrawal, treatment, transport, storage and distribution. The number of connections for the various scenarios can be estimated. The difference in the all-in block rate of Rp1M (€67) can be seen as additional budget, required for rehabilitation and NRW-Reduction measures in the distribution system, in order to reach the ambitious level of 30% NRW. In all 3 scenarios it was assumed that the customers have to pay Rp1M (€67) as connection fee to the PTAM. In the 'best case' scenario for example the customer would pay Rp1M (€67) and the PTAM would provide the remaining Rp4M (€267) from either its own funds or from the WMD Foundation. New customers might benefit from micro credit facilities to pre-finance the Rp1M (€67) connection fee.

NRW-Reduction targets

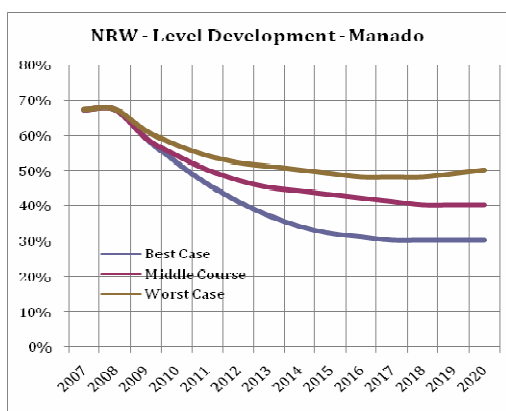
The current performance of PTAM is severely hampered by an extremely high NRW-Rate. Losses in the size of around 67% are currently battering the utility. The target NRW-Rate levels were set in the following way:

- 30% in the 'best case' scenario,
- 40% in the 'middle course' scenario and
- 50% the 'worst case' scenario respectively.

The assumptions for the reduction /increase of the NRW-Rates over time for the 3 scenarios until 2020 is shown in the next table and graph. In the 'worst case' scenario it was assumed that after successful reduction of losses the NRW-Rates would slightly increase again.

Assumptions for NRW-Reduction rates

Scenarios	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	8%	7%	6%	5%	4%	3%	2%	1%	1%	0%	0%	0%
Middle Course	8%	5%	4%	3%	2%	1%	1%	1%	1%	1%	1%	1%
Worst Case	6%	4%	3%	2%	1%	1%	1%	1%	0%	0%	-1%	-1%

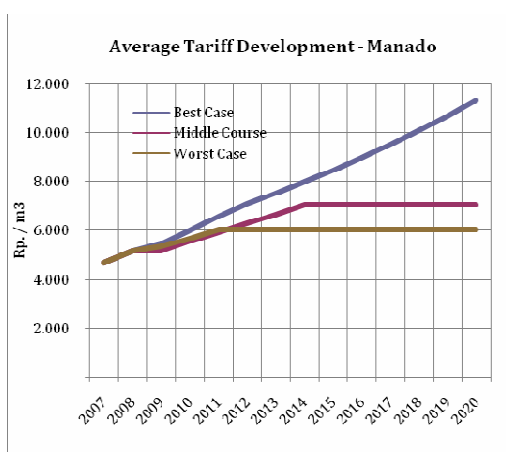


Water tariff targets

Success and failure of PTAM are closely related to the tariffs, charged to the customers for the services they are offered. As per the end of 2008 an average water tariff of Rp 5,264 per m3 has been in place. The inflation rate would stay at 8% in 2009, at 7,5% in 2010 and 2011 and drop to 6% in 2012 and stay on that level until 2020. Therefore the 'best case' scenario for 2009 foresees a real increase of 2%. The 'worst case' scenario tariff adjustment with 6% would run short 2% to compensate for inflation in 2009. For the simulation of the 3 scenarios the following average tariff development until 2020 was assumed.

Assumptions for annual tariff increases

Scenarios	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	10%	10%	10%	8%	6%	6%	6%	6%	6%	6%	6%	6%
Middle Course	8%	8%	6%	6%	6%	6%	0%	0%	0%	0%	0%	0%
Worst Case	6%	6%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%



6.4.5 Highlights of the financial analysis for the 3 scenarios

The PTAM service expansion programme

As per the end of 2008 PTAM had 16,571 customers. This is the outset situation for the further increase of the customer base. Based on the assumptions regarding budget restrictions, changes on the NRW-Rates and tariffs over the time, the FINPRO simulations for the 3 scenarios have been calculated. The most important results have been compiled in this chapter.

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'Best case' scenario:

The number of connections will until 2020 increase by 78,000 to a total number of 94,571. This will stretch the system under the assumed conditions to the limit. An all-in block rate of Rp 5M/connection was assumed. For the installation of 40,000 new connections Rp 200.000M (at constant 2008 prices) will need to be invested until 2012 from the following sources:

- Rp120.000M loan from WMD Foundation(Rp3M / connection),
- Rp 40.000M loan from third party to be identified by PTAM(Rp1M / connection),
- Rp 40.000M contributions from new customers (Rp1M / connection).

After 2012 further expansion takes place, assumingly financed by the PDAM (80% of the Rp5M = Rp4M / connection) together with contributions from the new customers (20% of the Rp5M = Rp1M / connection). The NRW-Rates are assumed to be reduced further down to 30%. And more importantly, a FCR operation policy of PTAM is assumed to be implemented, with regular tariff adjustments until 2020.

'Middle course' scenario:

The number of connections would increase until 2020 by 50,000 to a total number of 64,571. An all-in block rate of Rp4M / connection was assumed. Some 34,000 new connections at Rp136.000M (at constant 2008 prices) will be realized until 2012 from the following sources:

- Rp102.000M loan from WMD Foundation(Rp3M / connection),
- Rp 34.000M contributions from new customers (Rp1M / connection).

After 2012 further expansion takes place, assumingly financed by the PTAM (75% of the Rp4M = Rp3M / connection) together with contributions from the new customers (25% of the Rp4M = Rp1M / connection). The NRW-Rates were reduced to down to 40% and sporadic tariff adjustments were made until 2020.

'Worst case' scenario:

The number of connections increased until 2020 by 38,000 to a total number of 54,571. Up to 2012 the development on the new customers was like in the 'middle course' scenario. An all-in block rate of Rp4M / connection was assumed. 34,000 new connections at Rp136.000M (at constant 2008 prices) were invested until 2012 from the following sources:

- Rp102.000M loan from WMD Foundation(Rp3M / connection),
- Rp34.000M contributions from new customers (Rp1M / connection).

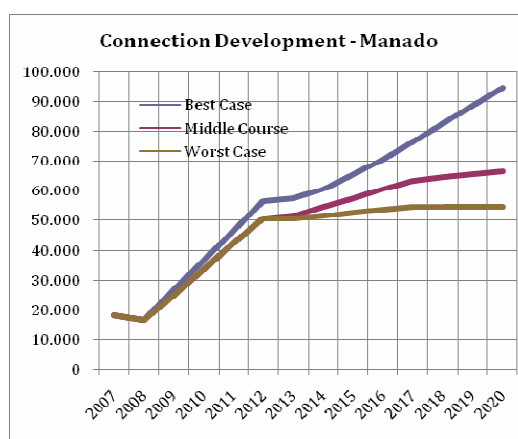
After 2012 further slow expansion takes place, assumingly financed by the PDAM (75% of the Rp4M = Rp3M / connection) together with contributions from the new customers (25% of the Rp4M = Rp1M / connection).

The NRW-Rates were reduced down to less than 50 % but it increased again and stayed at 50% in 2020 and less sporadic tariff adjustments were made until 2020, compared with the 'middle course' scenario.

The results for the customer development are summarized in the table and graphic below.

Assumptions for connection development

Scenarios		2008	2009	2010	2011	2012	2013	2014
Best Case	Increase	-	10,000	10,000	10,000	10,000	1,000	3,000
	Accum.	16,571	26,571	36,571	46,571	56,571	57,571	60,571
Middle Course	Increase	-	8,000	9,000	9,000	8,000	1,000	3,000
	Accum.	16,571	24,571	33,571	42,571	50,571	51,571	54,571
Worst Case	Increase	-	8,000	9,000	9,000	8,000	-	1,000
	Accum.	16,571	24,571	33,571	42,571	50,571	50,571	51,571
Scenarios		2015	2016	2017	2018	2019	2020	
Best Case	Increase	5,000	5,000	6,000	6,000	6,000	6,000	6,000
	Accum.	65,571	70,571	76,571	82,571	88,571	94,571	
Middle Course	Increase	3,000	3,000	3,000	1,000	1,000	1,000	1,000
	Accum.	57,571	60,571	63,571	64,571	65,571	66,571	
Worst Case	Increase	1,000	1,000	1,000	-	-	-	-
	Accum.	52,571	53,571	54,571	54,571	54,571	54,571	



6.4.6 Financial Results

Total investment

In the next table the overall investments are summarized for the 'best case' scenario. The overall investment until 2020 would amount to Rp 390,000M (constant 2008 prices) for the 78,000 connections, which equals Rp626,151M at current prices. It was assumed that the inflation rate would stay at 8% in 2009, at 7,5% in 2010 and 2011 and drop to 6% in 2012 and stay on that level until 2020.

PTAM investment for 'best case' scenario

Rp million	Total	2009	2010	2011	2012	2013	2014
Constant price 2008	390,000	50,000	50,000	50,000	50,000	5,000	15,000
Current Price	626,151	58,320	62,020	66,671	71,153	7,542	23,984
New Connections	78,000	10,000	10,000	10,000	10,000	1,000	3,000
Rp million		2015	2016	2017	2018	2019	2020
Constant price 2008		25,000	25,000	30,000	30,000	30,000	30,000
Current Price		42,372	44,915	57,132	60,559	64,193	68,045
New Connections		5,000	5,000	6,000	6,000	6,000	6,000

In the next table the results are summarized for all 3 scenarios (in current prices).

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PTAM investment for all scenarios

Rpmio	Total	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Best Case	626,151	57,564	62,020	66,671	71,153	7,542	23,984	42,372	44,915	57,132	60,559	64,193	68,045
Middle Course	327,054	41,446	50,236	54,004	51,230	6,788	21,586	22,881	24,254	25,709	9,084	9,629	10,207
Worst Case	203,016	36,841	44,654	48,003	45,538	-	6,396	6,780	7,186	7,618	-	-	-

Funding sources

The expansion program investment is assumed to be financed by up to 4 different sources: (i) loan from the WMD Foundation, (ii) loan from a third party (to be identified), (iii) contribution from the customers (connection fee), (iv) funds from the PTAM.

In the first phase (2009 – 2012) funds will come from all 4 sources whereas in the second phase (2013 – 2020) the sources are drawn from the PTAM and the customers only.

In all 3 scenarios it was assumed that the customer pay Rp1 M for their new connection.

Sources of funding for 'best case' scenario

Rp million	Total	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Customers	78,000	10,000	10,000	10,000	10,000	1,000	3,000	5,000	5,000	6,000	6,000	6,000	6,000
WMD F. +3 rd Party Loan	160,000	40,000	40,000	40,000	40,000	-	-	-	-	-	-	-	-
PTAM	388,151	7,564	12,020	16,671	21,153	6,542	20,984	37,372	39,915	51,132	54,559	58,193	62,045
Total	626,151	57,564	62,020	66,671	71,153	7,542	23,984	42,372	44,915	57,132	60,559	64,193	68,045

Amortization of the PTAM loan from the WMD Foundation

Funds from the WMD Foundation will be made available to the PTAM as loan. It was assumed that the total amount available for investments from the Dutch Government will not exceed Rp120,000M. This amount needs a topping up of another Rp40,000M from a third party to Rp160,000M in total for the 'best case' scenario.

The amortization table below summarized the results for the 'best case' scenario. The repayment period was assumed to be 15 years; 4 years grace period; 13% interest rate. The disbursement of the loan is assumed to start in 2009 commensurate with the start of implementation of the investment program and fully redeemed in 2027.

Amortization schedule of PTAM loan for the 'best case' scenario

Rp million	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Annual Disbursement	40,000	40,000	40,000	40,000	-	-	-	-	-	-
Cumulative Disbursement	40,000	80,000	120,000	160,000	-	-	-	-	-	-
Amortization	-	-	-	-	10,667	10,667	10,667	10,667	10,667	10,667
Interest	-	5,200	10,400	15,600	20,800	19,413	18,027	16,640	15,253	13,867
Loan Balance	40,000	80,000	120,000	160,000	149,333	138,667	128,000	117,333	106,667	96,000
Total Debt Service	-	5,200	10,400	15,600	31,467	30,080	28,693	27,307	25,920	24,533

Rp million	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Disbursement	-	-	-	-	-	-	-	-	-
Cumulative Disbursement	-	-	-	-	-	-	-	-	-
Amortization	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667
Interest	12,480	11,093	9,707	8,320	6,933	5,547	4,160	2,773	1,387
Loan Balance	85,333	74,667	64,000	53,333	42,667	32,000	21,333	10,667	-
Total Debt Service	23,147	21,760	20,373	18,987	17,600	16,213	14,827	13,440	12,053

Feasibility Indicators

The assumptions for various levels of house connection expansion efforts, combined with various levels of NRW-Reduction and the various levels of average tariffs deliver the following result.

The investment program is found to be feasible for the 'best case' scenario, with a positive NPV of Rp20,706 million and FIRR of 15,6%. The 'middle course' scenario, with a negative NPV of Rp(36,052) million and FIRR of 9,9%and the 'worst case' scenario with a NPV of Rp(44,182) million and FIRR of 7,6% are considered as financially not feasible.

The NPV and IRR calculated from 2009-2028.

Feasibility

Scenarios	IRR	NPV (Rp million)
Best Case	15.6%	20,706
Middle Course	9.9%	(36,052)
Worst Case	7.6%	(44,182)

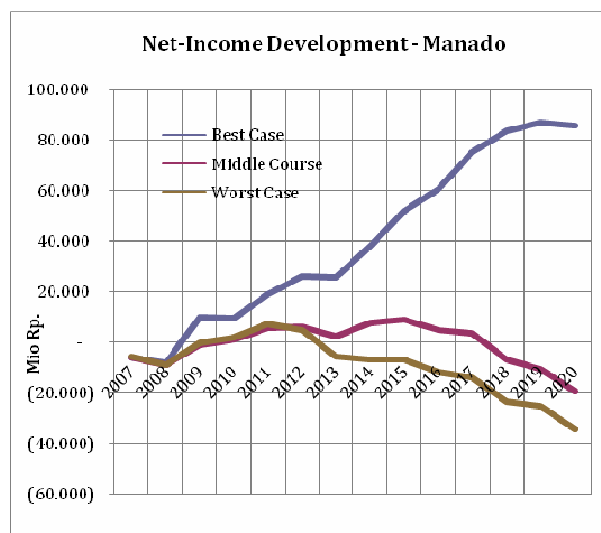
Note: Cost of Capital 14% (commercial rate)

Net-income development

The net-income development for the 3 scenarios is shown in the next graphic. The PTAM in the 'best case' scenario is developing nicely after 2008. Strong tariffs combined with low NRW-Level are a good basis for growth. In 2013 the net income drops slightly, as the loan amortization has to commence.

In the 'middle course' scenario the PTAM keeps struggling with a weaker tariff basis combined with higher NRW-Levels and lower tariffs. Expansion of services to new customers continues until 2020. In 2013 the net income drops against zero, as the loan amortization has to commence. Loan amortization payments are likely subject for interruption after 2018.

In the 'worst case' scenario the PTAM faces severe problems. Sporadic expansion attempts come to a hold in 2017. A low income base resulting from low tariffs and high NRW-Levels are battering the utility. Loan amortization payments can't be fulfilled.



Cash balance development

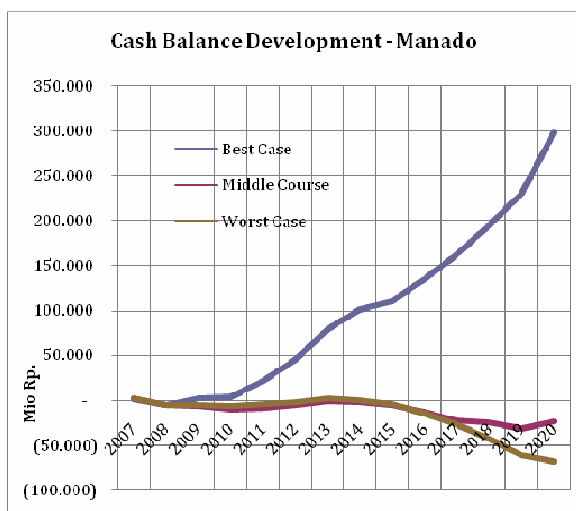
The cash-balance is defined as the sum of cash surplus (deficit) + reserves of a utility. The development of the cash balance for the 3 scenarios is shown in the next graphic.

The graphic reveals that the PTAM in the 'best case' scenario will still need cash injections until 2010 but the cash balance will substantially improve, as the restructuring measures will show results.

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Cash shortages will continue to hamper the day-to-day operation of the PTAM in the 'middle course' scenario until 2015. After that substantial cash subsidies will be needed to keep the PTAM afloat.

In the 'worst case' scenario the cash balance development gets worse after 2015. Substantial cash injections are needed in order to keep the PTAM alive.



Key Financial Achievement of 3 Scenarios

In the next section summaries of the main financial indicators/ratios, generated for the 'best case', 'middle course' and the 'worst case' scenarios are presented.

More detailed information about the 3 scenarios is presented in the Annexes to this report, comprising the following:

- Income Statements,
- Source and Application of Funds,
- Balance Sheets.

Best Case Scenario – PT Air Manado (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	26,465	45,414	66,535	91,363	114,919	129,697	145,005	165,102	187,692	213,545	226,449	240,120
Non-Water Revenues	17,139	12,936	14,301	15,906	8,429	11,384	14,374	15,673	18,134	19,805	20,639	21,523
Total Operating Revenues	43,604	58,350	80,836	107,269	123,348	141,082	159,379	180,775	205,825	233,350	247,088	261,642
Operating Expenses	28,611	37,319	40,671	49,974	56,984	64,590	70,087	82,443	92,122	110,140	119,032	133,423
Non Operating Revenues (nett)	0	0	0	806	2,216	5,141	7,601	9,176	10,851	12,849	15,185	17,818
EBITDA	14,993	21,031	40,165	57,730	67,557	79,260	93,385	103,273	119,546	130,129	136,232	137,814
EBIT	10,565	14,533	29,181	42,246	47,576	60,275	73,991	82,019	96,377	104,214	107,516	106,230
EBT	10,565	9,333	18,781	26,646	26,776	39,822	54,231	63,299	79,044	88,267	92,956	93,057
Corporate Tax	3,170	2,800	5,634	7,994	8,033	11,947	16,269	18,990	23,713	26,480	27,887	27,917
Net Profit	7,396	6,533	13,147	18,652	18,743	27,876	37,962	44,309	55,331	61,787	65,069	65,140
Cash Shortage	(948)	(877)	0	0	0	0	0	0	0	0	0	0
Average Tariff (Rp.m3)	5,479	6,000	6,570	7,096	7,521	7,973	8,451	8,958	9,496	10,065	10,669	11,309
Average Cost (Rp.m3)	6,833	6,457	6,121	6,290	6,388	6,373	6,347	6,625	6,696	7,153	7,638	8,385
Operating Ratio:	75.77%	84.01%	76.77%	75.56%	79.26%	73.74%	68.54%	67.72%	64.44%	65.14%	65.69%	68.10%
Current Ratio	1.88	2.23	2.78	2.93	4.09	4.01	3.73	3.90	3.99	4.21	4.62	3.71
Debt Ratio to Total Assets	0.0%	0.0%	0.0%	0.8%	1.5%	2.1%	2.5%	2.3%	2.0%	1.8%	1.6%	1.4%
Debt:Debt+Equity Ratio	510.6%	384.5%	300.6%	244.5%	194.3%	144.9%	104.6%	77.5%	57.5%	43.7%	34.0%	27.0%
DSCR	-	4.04	3.86	3.70	2.88	3.07	3.36	3.51	4.27	4.89	5.40	5.78
#Days Account Receivable	116	80	70	60	50	45	45	45	45	45	45	45
Cash= No. of Days of Operating Costs	34.0	36.4	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Full Cost Recovery Achievement	80%	93%	107%	113%	118%	125%	133%	135%	142%	141%	140%	135%

Middle Course Scenario – PT Air Manado (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	23,462	35,499	51,661	69,851	86,158	95,428	100,814	106,200	111,586	116,074	117,869	119,665
Non-Water Revenues	9,517	11,295	12,340	12,516	6,570	9,169	9,517	9,865	10,214	8,504	8,620	8,736
Total Operating Revenues	32,979	46,794	64,000	82,367	92,728	104,597	110,331	116,065	121,799	124,578	126,489	128,400
Operating Expenses	29,214	35,745	39,924	49,399	56,087	63,639	68,545	78,615	85,526	99,021	105,926	118,191
Non Operating Revenues (nett)	0	0	0	0	0	28	77	0	0	0	0	0
EBITDA	3,765	11,049	24,076	32,968	36,641	40,973	41,827	37,451	36,274	25,556	20,563	10,209
EBIT	(13)	5,799	15,190	20,435	20,980	26,021	26,333	21,354	19,513	8,068	3,746	(6,034)
EBT	(13)	2,159	7,455	8,605	5,510	11,582	12,926	8,978	8,168	(2,246)	(5,536)	(14,284)
Corporate Tax	0	648	2,237	2,582	1,653	3,475	3,878	2,693	2,451	0	0	0
Net Profit	(13)	1,511	5,219	6,024	3,857	8,107	9,048	6,285	5,718	(2,246)	(5,536)	(14,284)
Cash Shortage	(9,702)	(12,308)	(10,659)	(6,741)	0	0	(275)	(6,363)	(12,743)	(13,562)	(16,143)	(5,377)
Average Tariff (Rp.m3)	5,419	5,853	6,204	6,576	6,971	7,389	7,389	7,389	7,389	7,389	7,389	7,389
Average Cost (Rp.m3)	7,638	7,388	6,820	6,972	7,080	7,222	7,162	7,473	7,549	8,101	8,305	8,841
Operating Ratio:	100.04%	95.39%	88.35%	89.55%	94.06%	88.94%	88.32%	92.26%	93.29%	101.80%	104.38%	111.12%
Current Ratio	0.70	0.47	0.99	0.86	1.36	1.26	1.21	1.01	0.76	0.86	0.76	0.61
Debt Ratio to Total Assets	0.0%	0.0%	0.0%	3.3%	3.4%	3.2%	3.1%	3.1%	3.0%	3.1%	3.2%	3.1%
Debt:Debt+Equity Ratio	1001.4%	610.1%	443.0%	353.7%	305.4%	239.0%	190.1%	159.8%	136.3%	129.5%	127.2%	141.2%
DSCR	-	3.04	3.11	2.79	1.57	1.83	1.96	1.84	1.88	1.40	1.19	0.63
#Days Account Receivable	110	80	70	60	50	45	45	45	45	45	45	45
Cash= No. of Days of Operating Costs	(76.2)	(80.7)	(52.4)	(4.8)	45.0	45.0	43.5	15.5	(9.4)	(5.0)	(10.6)	28.4
Full Cost Recovery Achievement	71%	79%	91%	94%	98%	102%	103%	99%	98%	91%	89%	84%

Worst Case Scenario – PT Air Manado (Rp Mio)

Financial Parameters

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Revenue	23,201	34,453	50,139	63,956	72,399	72,751	74,158	75,565	76,972	78,027	78,027	78,027
Non-Water Revenues	9,500	11,227	12,241	12,135	4,680	5,703	5,794	5,885	5,976	5,044	5,044	5,044
Total Operating Revenues	32,701	45,680	62,380	76,091	77,079	78,454	79,952	81,450	82,948	83,072	83,072	83,072
Operating Expenses	29,396	36,055	40,555	49,853	55,367	60,316	63,157	70,812	75,797	86,415	90,219	100,939
Non Operating Revenues (nett)	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	3,305	9,625	21,825	26,238	21,712	18,137	16,795	10,638	7,150	(3,344)	(7,148)	(17,867)
EBIT	(287)	4,732	13,717	14,904	7,612	5,168	4,350	(1,357)	(4,462)	(14,640)	(17,539)	(27,427)
EBT	(287)	1,612	7,087	4,764	(5,648)	(7,208)	(7,142)	(11,965)	(14,186)	(23,480)	(25,495)	(34,499)
Corporate Tax	0	484	2,126	1,429	0	0	0	0	0	0	0	0
Net Profit	(287)	1,128	4,961	3,335	(5,648)	(7,208)	(7,142)	(11,965)	(14,186)	(23,480)	(25,495)	(34,499)
Cash Shortage	(9,474)	(11,735)	(9,506)	(8,051)	(4,492)	(7,631)	(12,746)	(23,485)	(37,234)	(53,818)	(73,263)	(80,990)
Average Tariff (Rp.m3)	5,359	5,680	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021	6,021
Average Cost (Rp.m3)	7,637	7,295	6,669	6,742	6,912	7,122	7,105	7,479	7,636	8,263	8,419	9,118
Operating Ratio:	100.88%	96.47%	88.64%	93.74%	107.33%	109.19%	108.93%	114.69%	117.10%	128.27%	130.69%	141.53%
Current Ratio	0.74	0.56	1.12	0.83	1.11	0.82	0.49	(0.14)	(0.91)	(1.66)	(2.62)	(1.31)
Debt Ratio to Total Assets	0.0%	0.0%	0.0%	3.1%	3.3%	3.5%	3.7%	4.0%	4.4%	5.3%	6.9%	8.2%
Debt:Debt+Equity Ratio	985.8%	585.4%	415.2%	346.5%	380.3%	433.4%	511.2%	850.2%	8705.4%	-496.4%	-216.4%	-117.3%
DSCR	-	3.09	3.29	2.59	1.08	0.95	0.92	0.61	0.43	(0.21)	(0.48)	(1.29)
#Days Account Receivable	110	80	70	60	50	45	45	45	45	45	45	45
Cash= No. of Days of Operating Costs	(72.5)	(73.8)	(40.6)	(13.9)	15.4	(1.2)	(28.7)	(76.1)	(134.3)	(182.3)	(251.4)	(247.9)
Full Cost Recovery Achievement	70%	78%	90%	89%	87%	85%	85%	81%	79%	73%	72%	66%

6.4.7 Conclusions

From the financial analysis, the following conclusions for PT Air Manado can be derived:

- The investment program is financially feasible to the PTAM only in the 'best case' scenario, based on the assumptions made for the costs and incremental revenues. The financial feasibility assessment yields a positive NPV and a FIRR that exceeds the cost of capital slightly.

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- The PTAM management initiated a substantial restructuring program, which affects basically all divisions of the utility. Further stern measures are to be taken in order to cut costs and increase revenues. This includes also periodical water tariff negotiations with PEMKO Manado.
- PTAM started with the rehabilitation of the distribution system. Without significant distribution network improvements it will be extremely difficult for the utility to achieve its performance targets. NRW-Reduction from currently 67% to 30% are assumed for the 'best case' scenario.
- The WTP capacity after rehabilitation amounts to 1,050 l/s. It can serve the additional 78,000 customers assumed in the 'best case' scenario only if the NRW-Reduction of 30% are met. High tariff levels will encourage customers to use water wisely.
- The investment program is financially affordable to the PTAM in the 'best case' scenario. A high proportion of debt financing from the WMD Foundation and third parties has been assumed. The financial projection shows that the utility will be able to repay such debt. The requirements for the debt service coverage ratio will stay above the minimum required 2.5, meaning the PTAM will be able to service their debts borrowings necessary for the future investments.
- It was assumed that PEMKO Manado will take care of solving the debt problems resulting from loans from the MoF to the PDAM Manado. As Regulation 120/PMK.05/2008: 'Resolution of State Debts Originating from Continuation of Foreign Loans, Investment Fund Accounts and Regional Development Accounts of Regional Drinking Water Companies' is not applicable for the PDAMs with private sector involvement it is up to PEMKO Manado to negotiate restructuring and/or rescheduling measures.
- PTAM will earn in the 'best case' scenario positive income by 2009 but will continue to have cash shortages until 2010. In the 'middle course' and 'worst case' scenarios cash shortages will continue to cause problems until 2015 as the cash generated is not sufficient to cover the required 45 days reserve of operating costs.
- The debt : equity ratio will improve but will still be quite high until 2016 under the 'best case' scenario. By then the ratio shall be 65:35. In the 'middle course' and 'worst case' scenarios those targets will not be achieved over the observation period.
- The debt service coverage ratio will be in the 'best case' scenario above the minimum required 2.5 from 2014 onward, meaning that PTAM shall be able to repay their loans from the WMD Foundation and the third party.
- The staff per 1000 connections ratio stands at 18, an extremely high ratio.

6.4.8 Recommendations for Manado

The contractual arrangements between the WMD subsidiary BV Tirta Sulawesi and PEMKO Manado as the owner of PDAM Manado for establishing PT Air Manado (PTAM) for the provision of water services in Manado are now subject for revision as the transfer of assets to PTAM was recognized as illegitimate. It needs to be seen what consequences the return of the assets has on the overall contractual arrangements between the parties. The potential of the city itself can be considered as good. The per-capita income level in the service area is sufficient to pay for proper piped water services. Activities for the rehabilitation of WTPs and the distribution network are under way, as well as the reorganization and restructuring of the utility. Based on the financial analysis, carried out for the PTAM, the following recommendations can be made:

- Institute safeguards for ensuring the validity of the assumptions of the 'best case' scenario, used in the financial projections. This would allow the replenishment of the WMD Water Fund, established for providing loans for the PTAM, or other water utilities in Indonesia, which might want to participate in the program in the future.

- a substantial tariff increase was already agreed upon in 2006, which is in accordance to the articles in the Cooperation Agreement from 2005 and crucial for a sustainable operation of the utility. Further water tariff increases in future will again need the approval by PEMKO Manado, until full cost recovery level operation is achieved; PTAM should make sure that the tariff structure between customers groups produces average tariffs in conformity with the targeted increase under the 'best case' scenario.
- PTAM has to formulate and implement a time-bound strategy for efficiency improvement on all management levels. Continuous excessive levels of physical and commercial losses will jeopardize reaching the ambitious targets. The personnel cost for example should be linked to performance that will encourage positive attitude rather than annual increase that applies to everybody.
- The restructuring of the PTAM, the complete upgrading of the WTPs, the rehabilitation of the existing distribution system and the expansion of services to new customers are key elements to safeguard the turn around of the utility. The new connections are needed both for defraying a substantial part of the investment cost and for generating the assumed incremental revenues.
- PTAM should have cash subsidy from the WMD Water Fund to cover the cash shortage until 2012 to guarantee smooth operation of the utility and to improve the debt :equity ratio as well.
- PTAM has to formulate and implement an action plan to reduce bad debt allowance and improve billing and collection efficiency to reach the optimum of 45 days.
- In the long run PTAM should keep the staff per 1000 connections ratio to 5-6 to maintain efficiency.

7 LESSONS LEARNED

The Mid Term Review is in fact a review midway the first five year period of a programme that runs for 15 years. The Mid Term Review is really a review of work in progress.

For certain issues the Mid Term Review comes too early. Although the Pilot Programme started in 2005 some of the Cooperation Agreements have only become effective in 2006 or 2007, after which the investments and technical assistance were started up. This implies that the period of review then relates to two years (Manado) or even 1.5 years only (Merauke).

For several issues the Mid Term Review comes too late. Such issues include (i) the project planning cycle, (ii) project wise planning and implementation, (iii) transfer of assets, (iv) budget control and re-disbursement procedures, and (v) issues of ownership and empowerment.

The MTR Team notes that within the framework of a pilot programme based on only general procedures and conditions, and giving a lot of room for individual strategies and approaches, a lot of achievements, and also quite a number of failures can be recorded.

Considering the nature of the pilots under the pilot programme, and the circumstances under which they are being implemented, complications could be expected. A number of useful lessons may be learned.

The Dutch Water Operators have stepped into this pilot programme from their commitment to contribute to the MDGs. The Dutch Water Sector has now further structured this commitment by channelling 1% of annual turn-over to water supply development projects in developing countries. Possibly this commitment is going to be doubled by the Minister for Development Cooperation. Not unlikely a substantial part of this these funds could be invested in Indonesia.

It is quite likely, therefore, that Dutch Operators will soon increase their international activities and contribute further to the MDG challenges ahead. It is in this context that we have reviewed the P3SW Pilot Programme, that provides valuable exposure and experiences, improved water supply in regions that would otherwise most likely not be considered by international operators, and last but not least valuable lessons for new cooperation programmes in Indonesia and other countries.

7.1 Lessons learned as defined by management of pilots

Pekanbaru Pilot

1. The initial scan of the PDAM at the project preparation stage has been far too insufficient.
2. Conceptualisation and "socialization" of PPP concepts to customers and partners require permanent attention and need to be improved considerably, to pursue the right balance between the programme's concepts and the perceptions of other stakeholders.
3. The essential process of change the PDAM has to go through (change of course, considerable reduction of staff, substantial improvement of services, increase of water tariffs, dramatic improvement of O&M of distribution network) requires a professional fulltime agent of change supporting the PDAM management.
4. Solidarity between actors/stakeholders is of utmost importance.

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5. Trust and confidence in/from Local Government are essential.
6. Long term commitment between PPP partners is of utmost importance. Such commitment shall be of structural nature rather than project and output based.
7. Facilitation of South-South Cooperation and Partnerships may be the key to future successes.
8. Management of delays and related costs takes much attention, funds, time and energy.
9. Successful further development of Dutch PPP's will require an optimal combination of continuity and support from GON and RNE.

East Indonesia Pilot

1. At the start of a Joint Venture is the current Quick Scan to be replaced by a much more comprehensive scan, and detailed preparatory discussions regarding the JVC negotiations.
2. Limit the number of locations for partnering with PDAMs. In the current pilot resources and attention are spread out over too many locations and organizations.
3. Mechanisms in financial agreements with regard to compensation of services by TID/TAD to be clarified and improved.
4. Sufficient attention for legislation, policies and considerations of Central Government.

7.2 Lessons learned as identified to/by MTR team

The challenging and complicated P3SW pilots allow for various lessons learned. A brief summary:

1. The poor preparation of the P3SW pilots, including quick scans, and the weak performance in developing real cooperation in the early stages of the pilots, have had overriding and still continuing negative effects on the pilots' implementation.
Quick solutions have negative impacts on analysis of assets and organization, as well as on institutional and legal setting.
2. Public Private partnering in the development context requires specific capabilities and approaches as it operates as part of Government-to-Government relations. It moreover implies transparency, replicability, equality, and full adherence to applicable institutional and legal framework. The executing parties shall have the full capacity to manage and discharge particular obligations and responsibilities.
3. Taking a share in an Indonesian water enterprise provides, even in case of a majority share, not necessarily sufficient leverage towards improved operations within a limited period. The Indonesian water supply sector has its particular organisation culture with many interests and agendas running at the same time. Partners may tell you what they expect you may wish to hear, or you may yourself hear what you wish to hear. Facts and reality may yet be another story.
4. Due to the time and efforts it takes before performance improvement can be consolidated, and external investment capital for further expansion can be obtained, PPPs may not be a quick and save route to extensive pro-poor water development, one of the core elements of DGIS policy, and one of the underlying reasons to fund P3SW.

5. With reference to the theory of the Kingdom Curve, the timing of the interventions in the P3SW pilots may yet have come too early in view of the limited willingness and commitment for restructuring. This may have contributed to lengthy negotiations and build-up of some reservations and antagonism, which in turn may have contributed to the complicated and at times not really transparent institutional and contractual arrangements for the pilots.
6. Contractual and ownership structures in the pilots are very complicated and hamper management and employees to connect to the organisation and its business. Such conditions are not conducive to build up local ownership and commitment, being essential ingredients for successful operations.
7. Indonesia has a comprehensive legal framework governing Public-Private-Participation for public utilities. The PPP conditions in these laws and regulations are not always formulated clear enough. The same can be said about the mutual relation between these laws and regulations. Improvement of the legislation is recommended.

In addition, in-depth understanding of the Indonesian culture and way of operating and communicating is required in order to understand the true meaning and intentions of laws and regulations, as well as their opportunities and constraints.

8. The Dutch Operators may have to ask themselves how far they wish to go along this road. From their institutional setting they have limited risk taking and risk bearing potential. Various efforts are undertaken to reduce risks in order to stay within mandates. At the same time the risk management itself creates complicated arrangements and new dynamics which may result in more problems than they resolve.
9. Levels of expertise and formal education of the majority of current staffing of water enterprises, since years not the most attractive employer, complicates the transfer of knowledge and skills as well as the understanding and internalisation of master plans and other essential business reports. This issue needs more attention, also in relation to leadership, empowerment and ownership issues.
10. Exchange of information and willingness to cooperate, to identify exchange and accept shortcomings and mistakes, are essential ingredients of a pilot programme so as to learn and improve, and build up trust, respect and sense of a common mission between partners. Those are also essential prerequisites for a learning organisation, able to adapt and change course based on experiences and lessons learned.

7.3 Suggestions on the way forward

In particular in the Chapters 4, 5 and 7, the MTR Team has proposed a number of actions and adjustments for further consideration. It may take some time to sort out and follow up on those, and establish between stakeholders what is the best way forward, preferable based on common values and strategies.

The Dutch water companies involved in the P3SW Pilot Programme are undertaking various initiatives towards performance improvement of water companies in Indonesia. International and local staff work hard, put in loads of effort, expertise, commitment, time and energy. It seems however that support and appreciation from stakeholders of Indonesian Government organisations is restrained by lack of socialization of the objectives, approach, intentions and intermediate outcomes of the pilot programme, and by perceived flaws in the model opted for.

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With a proper level of mutual understanding and appreciation the ongoing activities could attract much more interest and support, and be quoted as suitable examples in the way forward for the heavily indebted and sub-performing Indonesian water companies.

It may be useful for the Dutch Water Companies to consider organization of a seminar or workshop in Jakarta, between the PPP parties in Pekanbaru and East Indonesia and stakeholder organizations from the Indonesia Government. Such workshop could be organised later in 2009 once the pilot in East Indonesia has sorted out the details of the return of the assets, and the pilot in Pekanbaru has completed the restructuring of KTDP and taken charge of the concession contract for Pekanbaru.

The Dutch initiatives could then become a valuable part of the mainstream of PPP projects in the water sector in Indonesia. The concept of the "Revolving Fund", if indeed feasible within the lifetime of the P3SW Pilot Programme, may prove to be a powerful instrument. This concept seems to be little known to date as it figured mainly in the Dutch documentation between PPP Parties and Dutch government agencies in the early stages of the programme.

8 COLOPHON

Client :

RWS/DELTA RES

Project : MID TERM REVIEW
File : C2386.01.001
Length of report : 129 pages
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ATTACHMENTS

1 TERMS OF REFERENCE

Terms of Reference midterm review P3SW

1. Inleiding

P3SW staat voor Partnership Publiek Private Samenwerking in de Watersector. Het P3SW-programma betreft een praktijkproef die aan de hand van twee pilots moet uitwijzen in hoeverre twee innovatieve varianten van publiek private samenwerking een uitkomst bieden voor het oplossen van de problemen in de Indonesische drinkwatersector.

P3SW-Fase 1 Kerngegevens:

Bijdrage DGIS:	€ 12,2 mln + € 1 mln
Bijdrage partners:	€ 7,2 mln

Beoogd resultaat:

- Ervaring met PPP-constructies in de Indonesische drinkwatersector
- Gerehabiliteerde drinkwaterbedrijven
- Geschoold personeel
- Schoon water voor 870.000 mensen
- In staat voor vervolgfases externe financiers aan te trekken

Begindatum:	1- 5-2005
Einddatum Convenant RWS:	31-12-2010
Einddatum fase 1 pilots:	31-12-2010
Einddatum partnerships:	31-12-2020 (looptijd Joint Ventures: 15 jaar)

P3SW combineert aspecten van traditionele investeringsprojecten, technische assistentie en water operators partnerships (WOP's) in een langjarig, op duurzaamheid gerichte samenwerking. De inkomsten die de waterbedrijven genereren als gevolg van P3SW, worden via een revolving fund constructie geherinvesteerd in de watersector.

Belangrijke kenmerken van P3SW zijn:

- er wordt bedrijfsmatig (full cost recovery) gewerkt;
- volgens het not for loss, not for profit beginsel;
- met speciale aandacht voor de minder draagkrachtige bevolkingsgroepen;
- en adequate scholing van het waterbedrijf management en personeel.

Uitvoerders van de pilots zijn respectievelijk WFH voor Pekanbaru en WMD voor diverse locaties in Oost-Indonesië.

De eerste fase van P3SW loopt van 2005-2010 en voorziet in een Midterm Review (MTR) en een Eidevaluatie. Fase 1 richt zich vooral op rehabilitatie van bestaande voorzieningen en versterking van het waterbedrijf. Uitbreiding van de dienstverlening en het servicegebied maken deel uit van de vervolgfases. Dan kunnen ook verbeterde voorzieningen op het gebied van sanitatie in aanmerking worden genomen.

2. Doel MTR

De midterm review richt zich op project- en programmaniveau op de vraag of de doelstellingen behaald zullen worden en welke bijstellingen eventueel noodzakelijk zijn. Daarbij dient de MTR lering te trekken uit de ervaringen van de afgelopen jaren, zodat de leerpunten in het verdere vervolg van P3SW en in andere, vergelijkbare, initiatieven benut kunnen worden.

Op projectniveau richt de review zich op de resultaten van de pilot van WFH in Pekanbaru en de pilot van WMD op 10 locaties in Oost-Indonesië.

Op programmaniveau wordt gekeken naar de algehele opzet van P3SW, inclusief monitoring door RWS/Deltares, de rolverdeling tussen de partners, het institutionele draagvlak en de voor- en nadelen van de respectievelijke PPP-modellen waarvoor WFH en WMD gekozen hebben.

Hiervoor zal de MTR:

1. Een beschrijving geven van de beide PPP-modellen en de verwachte resultaten;
2. Nagaan in hoeverre volgens de oorspronkelijke plannen gewerkt is;
3. Op hoofdlijnen de tussentijds bereikte resultaten van beide P3SW-pilots beschouwen in relatie tot de oorspronkelijke plannen;
4. Nagaan in hoeverre de veronderstellingen die ten grondslag lagen aan de oorspronkelijke plannen uitgekomen zijn, voor wat betreft
 - . technische, financiële en organisatorische staat drinkwaterbedrijven
 - . samenwerking met lokale partners
 - . steun van lokale, provinciale en nationale overheid
 - . draagvlak pro-poor aanpak
5. Nagaan welke bijstellingen er al tijdens de uitvoering gedaan zijn;
6. Voor zover mogelijk, vaststellen in hoeverre voortzetting van het programma zal leiden tot het bereiken van duurzame watervoorziening in de pilotlocaties;
7. Voor zover mogelijk, technische, financiële en institutionele succes- en risicofactoren benoemen die samenhangen met de verschillende manieren van aanpak die beide pilots kenmerken;
8. Aanbevelingen doen over eventueel wenselijke aanpassingen in inhoud, prioriteit of wijze van uitvoering van P3SW om de doelstelling te bereiken.

Aangezien P3SW een proefproject is, zal het zwaartepunt van de MTR liggen op het benoemen van lessen voor de toekomst.

3. Taken

Uit het doel van de MTR vloeien de volgende taken voort:

- i. Vaststellen van de geleverde **input** in termen van middelen en capaciteit van betrokken partners;
- ii. Voor zover mogelijk kwantificeren van bereikte **resultaten** (ten opzichte van streefwaarden):
 - a. productie (waterkwantiteit, waterkwaliteit, continuïteit);
 - b. distributie (distributienet, bemetering, reservoirs, lekverlies);
 - c. aantal werkende huisaansluitingen en aantal werkende publieke tappunten;
 - d. som: aantal mensen met toegang tot schoon drinkwater;

- e. capaciteitsopbouw (hoeveel werknemers zijn opgeleid, op welk niveau?);
 - f. voorlichting, bewustwording betrokkenheid klanten;
 - g. effectiviteit management drinkwaterbedrijf.
- iii. Beoordelen van de voortgang op het gebied van **volhoudbaarheid** ten aanzien van:
- a. technische aspecten (kwaliteit, onderhoud(-baarheid) componenten);
 - b. financieel/economische aspecten (accountable watermanagement, klantadministratie, facturering, betaalbaarheid, tariefstelling, incasso, kostenbeheersing);
 - c. organisatorische aspecten (mate waarin de counterparts zelfstandig kunnen opereren, onder meer blijkend uit de kwaliteit van de managementinformatie, beheersen van planning en control cyclus (masterplan-bedrijfsplan-jaarplan-jaarverslag).
- iv. Beoordelen van de voortgang op het gebied van **duurzaamheid** ten aanzien van:
- a. sociaal/politieke aspecten (pro-poor benadering, inbedding in nationale / regionale / lokale politiek);
 - b. institutionele en organisatorische aspecten;
 - c. economische aspecten (verhouding baten en kosten van de activiteiten);
 - d. interesse banken (lokale maar ook regionale zoals ADB) in infrastructurele vervolginvesteringen;
 - e. ecologische aspecten (impact op het watersysteem).

Watersysteem: natuurlijke oppervlaktewater- en grondwatersysteem
 Waterketen: simpel gezegd het proces dat water als grondstof voor drinkwater doorloopt, vanaf het moment van onttrekken aan het watersysteem, tot het moment dat het als (gezuiverd) afvalwater op het watersysteem wordt geloosd.

Onder de waterketen vallen:

- de drinkwatervoorziening: winning van de basis voor drinkwater uit grondwater en oppervlaktewater, de zuivering van dit water tot drinkwater en de distributie naar de huishoudens;
- de rotering: de inzameling van afvalwater en het transport hiervan naar zuiveringsinstallaties*;
- de afvalwaterzuivering*.

* De eerste fase van P3SW beperkt zich tot het eerste punt: de drinkwatervoorziening.

- v. Aan de hand van de behaalde resultaten ten opzichte van de oorspronkelijke doelstellingen identificeren van onderliggende succes- en risicofactoren en, voor zover mogelijk, relateren aan de kenmerkende werkwijze van beide pilots.
- vi. Een inschatting maken of -gegeven de tot op heden geboekte voortgang en de gerealiseerde samenwerking- het bereiken van de doelstelling binnen de nog resterende tijd en met het nog resterende budget in fase 1 van P3SW op basis van de bestaande plannen realistisch is.

- vii. Aanbevelingen doen over eventueel wenselijke aanpassingen in inhoud, prioriteit of werkwijze van P3SW, om de doelstelling te bereiken.
- viii. Identificeren welke acties ondernomen moeten worden om de kans op vervolgfianciering na afloop van fase 1 van P3SW te vergroten en met het oog op integraal waterbeheer, de aansluiting met afvalwaterzuivering/sanitatie te bevorderen.
- ix. Aanbevelingen te doen ten aanzien van de monitoring na afloop van fase 1 van P3SW, na 2010.
- x. Aanbevelingen te doen ten aanzien van te maken afspraken tussen drinkwaterbedrijven, overheden en stakeholders over duurzaamheidsaspecten na 2010.

4 Aanpak

De consultant die met de MTR zal worden belast, moet over voldoende aantoonbare expertise beschikken op het gebied van drinkwatervoorziening, bedrijfseconomische aspecten en Publiek-Private Samenwerkingsvormen. Om bovenstaande vragen te kunnen beantwoorden, zal onderzoek moeten worden uitgevoerd. De consultant zal zich hiervoor bedienen van een mix van deskstudie, gesprekken met sleutelpersonen in Nederland en Indonesië (lokaal en nationaal) en veldbezoek. Als documentatie staan de P3SW-projectvoorstellen, jaarplannen en voortgangsrapportages hiervoor ter beschikking.

Gevraagd wordt om de MTR in twee stappen uit te voeren, waarbij in eerste instantie gekeken wordt naar de bereikte resultaten en daarna de focus verlegd wordt naar de (bedrijfseconomische) haalbaarheid van de pilots en eventueel noodzakelijke bijstelling van de gevolgde aanpak.

De P3SW-pilots worden op verschillende locaties uitgevoerd. Voor WFH betreft het de watervoorziening in Pekanbaru (Sumatra); voor WMD 10 verschillende locaties verspreid over Oost-Indonesië.

De MTR zal in elk geval de situatie in Pekanbaru (WFH) en Manado (WMD) evalueren. Van de overige WMD-locaties zal de MTR er tenminste drie selecteren, representatief voor zowel grote als kleine en goed en minder goed lopende locaties.

Locaties die inmiddels zijn afgefallen of waar tot op heden geen of nauwelijks vooruitgang is geboekt, worden niet meegenomen in de review van resultaten; wel zal aangegeven moeten worden waarom deze deelprojecten niet van de grond zijn gekomen.

5. Organisatie

Voor de Midterm review wordt een reviewcommissie ingesteld. De consultant die met de uitvoering van de MTR zal worden belast, rapporteert aan de reviewcommissie.

Partij	Rol in P3SW	Rol in MTR
DGIS	publieke partner / opdrachtgever	klankbord/klant
RWS/Deltares	publieke partner / monitor	klankbord /resource
HMA Jakarta	monitor	klankbord
PDAM/JVC	partner / uitvoerder	resource
WFH	private partner / uitvoerder	resource
WMD	private partner / uitvoerder	resource
Consultant	-	uitvoerder

Samenstelling van de reviewcommissie (onder voorbehoud):

- IHE-UNESCO Maarten Blokland (voorzitter)
- Indonesische counterpart Vertegenwoordiger Perpamsi?
- DGIS Joep Bijlmer
- HMA Jakarta Jaap van der Velden
- Deltares Gerard van der Kolff (secretaris)

6. Tijdschema MTR

medio november	Tender
eind november	Start MTR
eind december/begin januari	Tussentijdse rapportage technische voortgang
16 februari 2009	Oplevering eindrapport

2 ITINERARY INCL. LOCATIONS VISITED, PERSONS MET, AND BRIEF SUMMARY RECORDS OF INFORMATION

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
26/11 We	15:00 17:00	Meeting with Gerard van der Kolff	BB JHO	Introduction to P3SW, handing over of documentation
01/12 Mo	15:00 16:00	Meeting with Karst Hoogsteen and Peter Schouten, WMD	JHO	Introduction to WMD's programme in East Indonesia
02/12 Tu	10:30 12:30	Meeting with Karst Hoogsteen, WMD	JHO	Discuss East Indonesia Pilot, Lessons learned, SWOT elements, etc.
02/12 Tu	15:00	Consultation by phone with Leo Commandeur, PWN	JHO	First introduction to PWN's participation in Pekanbaru pilot
02/12 Tu	19:00	Transfer Amsterdam-Jakarta	JHO	
03/12 We	18:00	Arrival in Jakarta Transfer to/Stay in Atlet Century Hotel	JHO	
04/12 Th	10:00 12:00	Meeting at DHV/ISSDP	JHO	Logistics
04/12 Th	13:00 14:00	Meeting with Jaap van der Velden at RNE	JHO	General orientation Pilot Perspective from RNE Particulars re. East Indonesia
04/12 Th	16:00 20:00	Transfer to Pekanbaru Stay at Aryaduta Hotel	JHO,RD	
04/12 Th	21:00 22:00	Meeting with WFH, Bert Jansen; Gerard vd Kolff	JHO,RD	Introduction to pilot Pekanbaru
05/12 Fr	08:00 14:00	Meeting with WFH/KTDP Bert Jansen, Pak Adamsyah; Gerard van der Kolff	JHO	Detailed discussion on Pilot Pekanbaru, incl. lessons learned, SWOT elements, etc
05/12 Fr	08:00 14:00	Meeting with/at PDAM	RD	Current Issues and performance of PDAM
05/12 Fr	16:00 18:00	Meeting with PT Tirta Riau (Pak Heru) and PT MTI (Pak Eko)	JHO, RD	Mode of operations of PT Tirta Riau and PT MTI
06/12 Sa	08 :00 13 :00	Meeting with WFH,Bert Jansen; Gerard vd Kolff	JHO,RD	Detailed discussion on Pilot Pekanbaru
07/12 Sa		Transfer to Jakarta Stay at Atlet		
07/12 Su		Transfer to Manado Stay at Sedona		
08/12 Mo		Public Holiday Document reading and reporting		

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Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
09/12 Tu	09:00 18 :00	Meeting with Leo Gijzel and Agus Kamiludin; Gerard v.d. Kolff	JHO,RD (partly)	Detailed discussions on pilot East Indonesia
	13:00 17:00	Meeting with Martinus (TD) and Jan (FD)	RD	Current issues and performance PTAM (Manado)
10/12 We	09:00 14:00	Meeting with Leo Gijzel and Agus Kamiludin; Gerard v.d. Kolff	JHO, RD	Detailed discussions on pilot East Indonesia
10/12 We	14:00 16:00	Visit to Lotta Plant with Leo Gijzel; Gerard vd Kolff	JHO,RD	Gravity water production unit under rehabilitation
10/12 We	16:00 19:00	Visit to Tomohon with Agus Kamiludin; Gerard vd Kolff	JHO,RD	Brief discussions at PDAM Tomohon; visit to new PT Office
11/12 Th	09:00 12:00	Visit to Paal Dua: WTPs. WLC, Laboratory, with Leo Gijzel	JHO	Package treatment plant under rehabilitation; Regional Laboratory (funded from separate EVD budget)
11/12 Th	10:00	Transfer to Jakarta (with Gerard vd Kolff)	RD	
11/12 Th	14:00 21:00	Transfer to Makassar Stay at Clarion Hotel, Makassar; Together with Pak Agus	JHO	
12/12 Fr	06:00 12:00	Transfer to Sorong Stay at Meridien Hotel	JHO	
12/12 Fr	13:00 16:30	Meeting with senior staff PT Tirta Remu at PTTR office: Pak Sutrisno (Caretaker MD), Tommi NA70 (Head Distribution), Sahala (Finance, INOWA), Ajunaedi Triono (TFS, INOWA), A. Rahman (Gen. Affairs manager) (translation assistance from Agus)	JHO	Discussion on progress, team spirit, performance, TID support
12/12 Fr	16:30 18:30	Field visit to Block Rehabilitation Programme, Zonal water meters	JHO	Fields observations
13/12 Sa	08:30 11:00	Visit to WTPs: Package treatment plant (full treatment) and Slow Sand Filters with Plain Sedimentation Basins	JHO	Interesting to see the effects of full overloading of the SSF after a heavy shower and high turbulence
13/12 Sa	11:00 12:00	Meeting with Ibu Poppy, Member of Board of Commissioners PT Tirta Remu	JHO	Government Audit, Appointment MD, Water tariffs, progress
13/12 Sa	14:00	Transfer to Jakarta via Makassar Stay at Atlet	JHO	

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
15/12 Ma		Document reading and report preparation		
16/12 Tu		Document reading and report preparation		
17/12 We	14:30 18:00	Meeting MTR Team	JHO,RD,WB	
17/12 We	19:00 20:00	Meeting with Atem Ramsundersingh	JHO,RD	a.o. external views on "WMD Model"
17/12 We	20:30 21:30	Meeting with Perpamsi: Pak Kodri, Pak Latief, Pak Eddy Akhirwan	JHO,RD,WB	Various legislation issues in particular re. assets
18/12 Th	10:00 11:00	Meeting with PT War Besrendi: Pak A. Mallo (Commissioner), Pak A. Asyerem (Caretaker Director), Ibu Nani Rianty (Dir. General Affairs) (translation assistance by Agus)	JHO	Status and progress in Biak; impact and implication of ongoing investments
18/12 Th	14:30 15:00	Pak Dedy Priatna, Bappenas, Dep. Minister Infrastructure Affairs	JHO	Review P3SW; Oversight Body; MTR and follow-up
18/12 Th	16:00 17:00	Meeting with Pak Ir. Tamin, PU, Director for Water Supply	JHO	PPP Models; observations re. P3SW ("don't sell dreams")
18/12 Th	19:00 21:00	Dinner with Evelyn Keetelaar	JHO	Looking back at the starting days of the pilot East Indonesia
19/12 Fr	08:30 09:15	Meeting with Pak Rachmat Karnadi	JHO,RD	Various aspects legislation, and regulations; status of P3SW in framework of PPP in Indonesia
		Memorandum to WFH/PWN/WMD		
19/12 Fr	18:30 21:00	Meeting with Foort Bustraan	JHO,RD	Historic developments re. set-up of Cooperation Agreements East Indonesia and feedback from Perpamsi
20/12 Sa		Meeting reports, Reporting		
22/12 Mo	09:00 11:00	Meeting with Jaap van der Velden	JHO	Wrap-up; initial findings
22/12 Mo	11:30 13:00	Meeting at BPP SPAM with Pak Rachmat Karnadi, Pak Adi Susetyo, Pak Amry Dharma, Pak Rudi Willem	JHO	Follow-up first session
22/12 Mo	14:00 15:00	Meeting with Pak Nugroho, Bappenas	JHO	New upcoming laws and regulations
22/12 Mo	19:00	Transfer to Amsterdam	JHO	
23/12 Tu	05:00	Arrival Schiphol		
23/12	11:30	Meeting at DGIS with Joep	JHO	Positioning of DGIS in P3SW pilot

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<i>Date</i>	<i>Time</i>	<i>Event/Meeting/Location</i>	<i>MTR team members*</i>	<i>Main topics/issues</i>
Tu	13:00	Bijlmer		programme
23/12 Tu	14:30 17:30	Meeting with WFH/PWN	JHO,RD	Various aspects re. own contribution and KTDP
24/12 We	15:00 17:00	Phone calls with Karst Hoogsteen and Peter Schouten		Various
29/12 Mo		Interview with Raimond Hafkenscheid		Looking back at the start-up period of East Indonesia pilot
06/01 Tu		Phone conversation with Waterdienst Luitzen Bijlsma		Roles RWS and DELTARES
11/02 We	09:00 11:00	KTDP Kumala Siregar, Adamsiah Tarigan	IA, JHO	<ul style="list-style-type: none"> - History of JOA development - Constraints and weaknesses - Cooperation KTDP-WFH/PWN
	11:00 14:00	DPRD (3 commissions) Said Usman, Mohamad, Nurlaidi, Sulestia, Adj. Abunawas, Moh. Nafiz, Zachril SH, Ir. Safri Affendi	IA, JHO	<ul style="list-style-type: none"> - Failure earlier concession tenders - Water in great demand; rapid growth of city - "K3" is essential - JOA accepted
	15:00 18:00	Wakil Walikota, Drs. Erizal, Pak Ilyandi (BOS/BP)	IA, JHO	<ul style="list-style-type: none"> - Status of KTDP's initial Investment Plan (USD 5M) attached to JOA - Commitment, policies and strategy from LG to create an enabling environment for JOA, PDAM and KTDP - Role of Board of Supervisors
11/02 Tu	05:00 06:00	Phone call with Bert Jansen	JHO	<ul style="list-style-type: none"> - Review findings and impressions of meeting with Erizal
11/02 We	06:00 18:00	Meetings Financial Department PDAM (Ibu Nova)	WB, PW	<ul style="list-style-type: none"> - Collection, interpretation of financial data; - Plans, budgets, contracts
12/02	09:00 12:00	Meetings Financial Department PDAM (Ibu Nova)	WB, PW	<ul style="list-style-type: none"> - Completion of collection and review of data for modelling
12/02 Th	09:00 11:30	PDAM, Pak Adrial, Technical Director	IA, AS, JHO	<ul style="list-style-type: none"> - Historical development in PDAM management, related changes in composition of management team; aspects of stability and continuity; relation MT PDAM and LG, and PDAM-KTDP - Split tasks and responsibilities KTDP (investments) and PDAM (operations) - Main impediments for PDAM to professionalize and perform - Options for improvements - Expectations from WFH/PWN
	14:00 16:00	PDAM, Bu Nova, Financial Director	IA, AS, JHO	<ul style="list-style-type: none"> - Assessment and interpretation of JOA (Bu Nova wrote her thesis (Business Law) on this particular JOA) - Essential differences between JOA and standard Indonesian PPP formats (Authority, Performance Improvement) - Conditions/requirements for PDAM to

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
				improve performance – Position re. debts – Staff issues (mainly from 4 families), lay-offs, pension arrangements;
12/02 Th	16:00 18:00	Pak Adamsyah	IA, AS, JHO	– Problems between PDAM and KTDP; patterns of relationships – Review of obligations KTDP and KTDP+WTH/PWN – Total investment requirements – Attainable milestones in relation to possible additional funding
12/02 Th	18:00 19:00	Interview with General Manager Aryaduta Hotel, Winston Hanes	AS, JHO	– Aryaduta is having structural problems with water quality of water supplied by PDAM; highly corrosive, regular pipe bursts, etc. decision was taken to develop own water supply for hotel (deep well and WTP) and disconnect from PDAM
13/03 Fr	08:00 12:00	Transfer to Jakarta	IA, AS, JHO	
13/03 Fr	06:00 18:00	Meetings Financial Department PT Air Manado	WB, PW	– Collection, interpretation of financial data; – Plans, budgets, contracts
15/02 Su	19:00 07:00	Transfer to Biak	AS, JHO	
16/02 Mo	09:00 12:00	PT-AM, Pak Arnold Asyerem (Caretaker Managing Director), Bu Nani (Manager Finance and General)	AS, JHO	– Background MT; Pak Asyerem started as valves operator in 1959! – Systems applied and operations prior to WMD involvement – Systems and operations WMD – Level of information re. plans, investments, invoicing of services, audits; – CA; water tariff adjustments; support from TID – From BP to BOC changes; functioning of BOC, meeting frequency – Process of annual planning and budgeting, updates business plan
	12:00 13:30	Pak Malo, BOC/BP	AS, JHO	– Role of BOC; meeting frequency (local or in Manado) – Differences between BOC en BP – Procedures WMD to inform and involve BOC in PT issues
	14:00 15:00	Wakil Bupati	AS, JHO	– Performance PT – Functioning BOC (to be on location); need for regulator – Appointment new MD (TID yet to comment on candidate for F&P test proposed by LG) – Extent to which PT can take specific initiatives (low, has to follow initiatives from TID)

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Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
	16:00 18:00	Visit to package treatment plant	AS, JHO	<ul style="list-style-type: none"> – well functioning full treatment plant – basic laboratory, and well qualified laboratory technician
17/02 Tu	09:00 10:00	PT-AM, Pak Asyarem (Caretaker Director), and Bu Nani	AS, JHO	<ul style="list-style-type: none"> – from 2006, plans and investments TID usually not discussed with/informed to MT of PT – proposals/requests from PT mostly not taken seriously, or supported by TID/INOWA – services TID and INOWA are invoiced without prior plan, contract, or reports on progress – business plan not based on investment planning (as presented in Master plan) – worry and risk: increasing loans & debt due to external services; better mechanism required to control costs – Formally PT cannot accept loans without prior approval from Government – Agresso requires support from Inowa-Bandung in case of problems: not adjusted to local requirements and cost effective principles; probably too complicated for the job it has to do; various competitive and tested alternatives are available on the local market in Indonesia
	10:00 12:00	Meeting with Heads Sections PT: Tobing, Anam, Agus, Hassail, Esther		<ul style="list-style-type: none"> – Discussion of diagram: Discard-Increase-Reduce-Create – Positive about PT: new opportunities, improvements are coming up – Too much top-down from Manado; more exchange of information required – Job descriptions to be improved, salaries to be increased – Strengths and weaknesses of Agresso to be addressed – New set-up gives hope for new positive development, but much remains to be done – K3 still a far target, in particular continuous supply (7/24)
	14:00 15:30	DPRD Nehemia Wospakrik S.E. B.Sc. Chairman DPRD, Jan Kbarek, Wakil DPRD, Henky	AS, JHO	<ul style="list-style-type: none"> – K3 needs to be achieved; coverage as well – Still high water losses – Funding opportunities to be improved – DPRD still supportive of change to PT – Water tariffs to take care of cross subsidy and social tariff – Improvement of management and supervision required – Public taps in certain areas required; insufficient measures for poor people – In case positive follow-up to these recommendations: further support from DPRD

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
	16:00 18:00	Visit to springs, reservoirs	AS, JHO	– Impressive collection of operational and obsolete piping and equipment around the peculiar springs
	03:30 08:30	Transfer to Merauke	AS, JHO	
	09:00 10:00	PT Wedu Merauke, Meeting with Management Team: Pak Frans Tuapatinaya, Pak Amir, Pak Budi	AS, JHO	<ul style="list-style-type: none"> – Introduction to PT development; process took couple of years; now approx. 1.5 yrs operational; – On BOC: Civil Servants can formally not be appointed as members of BOC of PT; – Without additional surveys by Inowa a master plan was suddenly completed; earlier Master Plan PDAM (2004) and related Corporate Plan 2005-2010 were prepared by Consultant from Jakarta; – PDAM received 20 ton diesel per month from Pemda to meet high pumping costs of long transmission main; this support was discontinued since establishment PT; due to price hike of diesel, this is causing a considerable budgetary shortfall; with approval from TID this has been compensated from PT equity
	11:00 12:00	Discussion with a group of about 20 Clients, incl. M. Nasir, Saudi, Justina Sijantura (Dinas PU)	AS, JHO	<ul style="list-style-type: none"> – Often poor water quality: coloured, turbidity, odour; low pressure, intermittent supply – House infrastructure and appliances need to be cleaned and flushed regularly – PU/CK has ended support to PDAM since cooperation with WMD and transfer into PT – Survey deep wells relevant as alternative to rehabilitating SSF plant
	12:00 13:00	Meeting with local members of the BOC: Bu Heny Astuti Suparman, Ir. Simon Abraham	AS, JHO	<ul style="list-style-type: none"> – BOC consists of 5 members; full BOC did not meet to date – Local members BOC meet now and then with BOD – Tasks and powers not sufficiently clear – To date one visit to Manado for planning 2009 – Annual Plans are sent to BOC without prior discussion – Members BOC not formally appointed, no formal procedures, no meetings, agendas – Position re. assets not clear, no compromise yet: PDAM wishes to transfer, PT Wedu refuses to accept – Most important issue: joint operation agreed and supported, but transparency is lacking – More communication and socialization required

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<i>Date</i>	<i>Time</i>	<i>Event/Meeting/Location</i>	<i>MTR team members*</i>	<i>Main topics/issues</i>
	14:00 15:00	Wakil Bupati, Drs. Waryto, and Sekda	AS, JHO	<ul style="list-style-type: none"> – LG support PT development, but to date PT has not resulted in improvements (K3) – LG feels comfortable with BOC members from private sector taking care of LG's share in PT – LG prefers a "hands-off" policy but expects improvements; awaits PT's proposals re. new director – Step-by-step commitments, obligations as well as output TID/WMD re. K3 unclear
	16:00 18:00	Visit to Wedu Treatment Plant (SSF), pumping station and pipeline	AS, JHO	<ul style="list-style-type: none"> – The by-passed SSFs, that are basically in good shape and require limited upgrading, could solve most of the water quality problems; – pumping stations seem oversized (too many sets in parallel)
19/02 Th	08:00 22:00	Transfer to Manado	AS, JHO	
	08:30 90:30	Preparatory meeting with Agus Kamiludin	AS, JHO	<ul style="list-style-type: none"> – general discussion on programme for Friday and Saturday – a lot of politicking is going on re. Managing Director's position (MD PTAM is taking part in elections for regional parliament); written request to WMD for urgent meeting of shareholders; – fit & proper test for MD candidates conducted; one candidate refused to sit for the tests; – staff lay-offs: approved list, based on performance appraisal (partly staff without contract, partly voluntary retirement, partly dismissal); awaiting finalization of pension procedures;
20/02 Fr	10:00 11:00	Wakil Walikota, Abdi Buchari, SE, Msi	AS, JHO	<ul style="list-style-type: none"> – Pak Wakil prefers to operate water supply as professional business without interference of politics; currently political influence is too high; Walikota may interfere at any time from anywhere; – Progress reporting PTAM not satisfactory; just pictures of moments are presented; BOC is not meeting or frequency is too low; insufficient consensus on policies and strategies for future improvements; Dutch BOC members located in the Netherlands not functional for PTAM; – Task distribution in CA insufficiently clear; official WMD Representative with sufficient delegated powers should be stationed in Manado – Urgent attention required for illegal connections

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
				<ul style="list-style-type: none"> – BOC members should also sit for fit & proper tests
	11:00 13:00	DPRD: 6 committee members, representing Budget Committee, Social Welfare Committee		<ul style="list-style-type: none"> – Water supply is considerably improved since effectuation of CA, but much remains to be desired re. K3 – DPRD will follow MOU/CA regarding nos. of directors – Director PDAM should also be MD PTAM – Execution and outcome of Fit& Proper tests to be based on decision by meeting of Shareholders – Much more information and socialization on cooperation WMD-PDAM is required; – DPRD feels insufficiently informed by WMD/PTAM; institutional and ownership arrangements regarding WLN Laboratory insufficiently communicated and clarified to DPRD; – Measures regarding illegal connections to be discussed with LG/DPRD and socialized to community; same for water tariff adjustments – Badan Regulator to be established; will smoothen procedures;
	14:00 16:00	Management PTAM, Heri Keri (MD) and Jan Wawo, FD	AS, JHO	<ul style="list-style-type: none"> – Political interventions have reduced since PTAM is operational – Formal Position of TID in contractual relation BVTS-PDAM is insufficiently clear – Business Plans and investment planning is done by Inowa: draft docs Inowa are reviewed by WMD and returned to Inowa, then by Inowa forwarded to TID, that forwards to PT; PTAM is at the receiving end, in a receiving role; – BOC met 4 times in 2007 and 3 times in 2008, but is not really functioning adequately; – All costs for Inowa are invoiced via BVTS/TID to PT; PT doesn't know costs beforehand, and is not consulted for prior concurrence; similar for BRP programme; – Leakages are >80%; major problem with illegal connections; – Neither MT PTAM nor BVTS have taken to date appropriate actions regarding replacement of faulty water meters; argument: "no funds available", whereas faulty water meters cause estimated reduced income amounting to Rp 600 million per month!
	16:00 18:00	BOC"Pak Rumajar, and Pak Tamy	AS, JHO	<ul style="list-style-type: none"> – BOC members representing LG are dissatisfied with performance of WMD;

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Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
				<p>as per CA, WMD has to inform Pemko re. Master Plans, Business Plans, etc.; this is not properly done as per international practice; similar problems occurs regarding new WLN Laboratory;</p> <ul style="list-style-type: none"> - Potential problem: as Pak Karst is President Director of PTAM and member of BOC, he should not be a member of the general meeting of shareholders; - TID is intervening too much; position should not be senior to PT Management; - In fact MD of PTAM is already a member of DPRD (which is supposed to be a fulltime job); this awkward situation needs to be addressed; a special Shareholders meeting has been requested for; - Draft MTR Report not distributed in East Indonesia, not to TID, not to LG's and PT's; may illustrate limited transparency and flexibility of WMD;
21/02 Sa	09:00 10:30	TID Management Team: Leo Gijzel, Agus Kamiludin	AS, JHO	<ul style="list-style-type: none"> - Brief review of findings at Biak and Merauke; observations are recognized and understood; - efforts are being undertaken since shortly to involve and empower the local PT management more than before; - Agresso: stand alone packages are applied; from Manado or Assen the Agresso data of a particular PT cannot be approached, nor consolidated; - Agresso is focused on financial administration of PT's exploitation; most of PDAM's standard procedures for various activities are still applicable; - General costs: intercompany fees, TID, Inowa, depreciation, other; PT Agresso package relates only to exploitation; particular project costs are administered at TID and WMD Assen; - Requests for additional information: <ul style="list-style-type: none"> o Profit & loss statements and balance sheets of all four PTs for applicable years o Actual and estimated future debt build up per annum for each PT (data not provided to date) o Specification of type and volume of services (mm and costs) provided by Inowa per PT and per year (data not provided to date).
	10:30 11:30	Visit to Paal 2 + Laboratory	AS, JHO	

Date	Time	Event/Meeting/Location	MTR team members*	Main topics/issues
	14:00 18:00	Transfer to Jakarta	AS, JHO	
23/02 Mo	09:00 18:00	Internal MTR Team Meeting Exchange and review	AS, WB, PW, JHO	
24/02 Tu	14:00 17:00	P3SW Workshop at RNE	AS, WB, RD, RD, JHO	– See Attachment
06/03 Fr	14:00 17:00	Meeting at DGIS	JHO	– Findings Phase 2 – Preparation Workshop on Draft Final Report
10/04 Fr	10:00 13:30	P3SW Meeting at DGIS Presentation and Discussion of Draft Final Report	JHO	– See Attachment

* JHO= Jan Oomen; RD= Rik Dierx; WB= Werner Brenner; IA= Ismeth Abidin; AS= Amir Susanto; PW= Poppy Wijaya;

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3 CROSS SECTIONS PDAM AND PTAM BASED ON VARIOUS INTERVIEWS

3.1 Pekanbaru

Notes 1:

Pekanbaru, registered **population** 750,000; unregistered population not known; total population possible more than 1 million.

PDAM Tirta Siak, Pekanbaru: established in 1974

Coverage of public water supply: 12%

Number of **service connections**: 18,000

Number of **persons per connection**: 5

Total **people served**: 90,000

Issues:

- (Previously) bad quality of water supplied
- Inadequate **service** (of supply): quality, quantity (pressure), and continuity
- Coverage network is limited: Southern part of city is not served
- Mindset staff

- **Investment focus**: Primarily optimalization (rehabilitation) of existing services; only subsequently extension of services will be pursued.
- **Pressure**: Water pressures are reasonable near the Water Treatment Plant (WTP) in the Northwest of the city; pressures in the Southeast are insufficient. Areas in the East are located at a higher elevation.
- **Alternative sources of water**: Shallow wells at a depth of 20-25m. Costs 1.5-2.0 M Rp. A little electric pump is needed to pump up the water. Costs 0.5 M Rp, exclusive of electricity (running costs). Total costs of the alternative are high. 50% of the existing PDAM customers still have a shallow well.
- **Water Treatment Plants (WTP)**: (i) River Sungai Siak: 580 l/s; (ii) Danau Limbangun: 40 l/s; the Sungai Siak WTP has been in operation for 20-25 years and has once been operating well; basically there is no problem with the WTP; it can run properly; maintenance has been lacking (due to cash flow problems).
- **Water quality**: High color (relatively low turbidity) because of swamp area ('rawah') → 200 PTCO
- **Ownership WTP**: Still PDAM, but will be transferred to PT Tirta Riau (owned by national and international private investors) as of January 2009; PT Tirta Riau is established to make investments in production (WTP) and distribution facilities; since 2005 up to now, only investment in the WTP.
- **Priority of payments creditors**: Due to the cash flow problems of the PDAM, the following priorities for payment are fixed: (1) electricity; outstanding debt to PLN: 300 M Rp per month; initially payment could be delayed for 3 months; since early 2008 payment is required within 1 month, (2) chemicals for WTP: 300-350 M Rp; there is no bargaining in this respect; this amount needs to be paid, and (3) salaries amounting to 300 M Rp per month.
 - (1) Current consumption of **electricity** by WTP is about 200 M Rp per month. There has been an effort to reduce the consumption of electricity by increasing the efficiency of operation, e.g. less pumps in use outside of peak hours. This has successfully reduced cost of electricity.
 - (2) It is difficult to economize on **chemicals**; 55 ton Alum is used per months; reduction is possible to 45-50 ton Al/mth; on the other hand the price of chemicals goes up; the scope of negotiation with suppliers is small (due to bad experiences with payment); PT Tirta Riau has assisted with the purchase of chemicals for 2 years.

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- **Payment for treated water:** Once the WTP is transferred to PT Tirta Riau, the PDAM will have to pay 800-1000 Rp/m³ to PT Tirta Riau.
- **Tariff:** The current average water tariff is 2000 Rp/m³; it is expected to increase to 2700 Rp/m³ after the scheduled tariff increase of January 1, 2009.
- **Collection Efficiency:** Current monthly collection efficiency is about 50%; total collection efficiency is 80-90%.
- **Diversity of population:** On 26% of the population of Pekanbaru is Malay – the original inhabitants of the area, 37% is Minang, 10-15% is Batak, and 10-15% Javanese; since the introduction of the policy of regional autonomy, the original inhabitants demand more influence. The technical director (male) of the PDAM is Minang, the financial/administrative director (female) Malay; the position of (main) director/general manager is vacant. The Walikota (mayor) of Pekanbaru is Malay but originates from the area bordering West-Sumatra (Minangkabau); the Wakil Walikota (depute mayor) is Minang.
- **Capacity Building:** The main objective of the PPP is service improvement; however, this has to be strengthened with internal capacity building. A consultant (PT Waseco Tirta) from Jakarta was hired to carry out a capacity building study that included staff evaluation and recommendations for lay-offs. VNG International will provide training on best practices in production, distribution, and customer relations starting January 2009. In the past two years, this training has already been provided to water utilities in Medan and the province of Banten. In Medan, PWN (Provincial Water Company of North Holland) was involved in the provision of this training. VNG International and PWN will deliver the training to PDAM Pekanbaru.
- **Staff:** Total staff of PDAM Pekanbaru is 156. About 40% of the staff needs to be replaced. The Walikota has agreed with gradual lay-off of 60 staff; 24 staff are in the process of being laid off. Part of the Dutch loan (2,600 M Rp) is being used as 'investment' to enable the lay-off of staff. The loan will need to be paid back eventually (in principle). There is a problem with the mindset of PDAM staff. In addition, in order to change the mindset of the PDAM staff, new employees are recruited, (new and remaining) staff are to be trained (and motivated), etc.
- **PT KTDP:** PT KTDP is the current partner of the PDAM via a joint operating agreement (since 2004). Pak Adamsyah (Batak) is the executive director of PT KTDP. PT KTDP implements projects to improve production (WTP), distribution, and PDAM management/capacity building.
- **Cascal:** Before PT KTDP got involved with PDAM Pekanbaru, Cascal B.V. was (late 1990s). Cascal required 60% of the staff to be removed from their position, because they were considered 'not fit and proper'. City government (Pemerintah Daerah, Pemda) did not agree, and Cascal balked for further involvement. At the moment, Cascal is involved with the water supply in Batam, together with an Indonesian partner.
- **Return on investment:** After 4 years of investment (JOA PT KTDP – Pemda), the expected returns/results did not materialize, not only as far as investments are concerned but also regarding improved service provided to customers. The level of customer satisfaction has not increased.
- **Payment of bills:** Water bills are issued but not distributed to consumers: they have to physically come to the PDAM to retrieve their bills. Consumers can collect and pay their water bills at 4 PDAM locations: main office, main WTP at Sungai Siak, district office in Rumbai, and the water tower in the center of Pekanbaru. The options of paying water bills at local banks are limited. There is an arrangement for some 50 consumers with Bank Mestika; accounts get debited in accordance with the water bills. The post office (15 branches) could be a good alternative for payment of water bills; cooperation with the post office has not yet been realized.
- **Customer Information System (CIS):** The CIS of PDAM Pekanbaru lists 18,000 customers; about half of them pay the current water bills within a month after issue. The CIS was developed for PDAM Pekanbaru on request/order of PT KTDP by PT Balqis Sejahtera. There are still questions about the accuracy of the data in the CIS. In April 2008 a survey was carried out, and only 17,000 customers could be retraced; 1000 were missing. With assistance of water meter readers another 300-400 of

them could be traced; 600-700 consumers remain lost in the system. In addition, there are many illegal (or possibly legal) consumers not included in the CIS yet. PDAM branch offices (cabang) are not yet linked to the CIS. Data has to be handled manually.

- **Geographic Information System (GIS):** The GIS has been developed by PT Balqis Sejahtera as well and is said to be linked to the CIS and water meter reading processing. The 2006 contract for GIS development amounted to 800 M Rp and included hardware, software, base map development, field survey, etc. The GIS has not been transferred to the PDAM. PDAM staff does not have the knowledge to operate the GIS. Staff of PT Balqis is still operating the CIS/GIS at the offices of the PDAM for a sum of 30 M Rp per month (management and execution of meter reading and billing/CIS).
- **Door-to-door survey:** A comprehensive survey door-to-door survey is planned in order to (i) check whether customer information in the CIS is correct, (ii) identify illegal connections, and (iii) carry out marketing for new connections. Existing connections not included in the CIS are not necessarily 'illegal' connections. Consumers may actually assume that they are paying regularly to the PDAM – possible even via PDAM staff – but their payments never reach the PDAM account.
- **Outsourcing:** The meter reading and the operation of the CIS/billing is (still) outsourced to PT Balqis Sejahtera, partially a way to regain control over billing and collection. However, (strict) control of the activities of the contractor is needed: if not the same practices may come up again that forced the outsourcing in the first place.
- **Coverage:** Only about half of Pekanbaru is covered by the PDAM network.
- **Power supply:** The main WTP has two sources of electricity provided by PLN (Perusahaan Listrik Negara, National Electricity Company): one of 400 kVA and one of 800 kVA. There are regular power cuts (load shedding) in Pekanbaru. On average, there is no electricity for 3 hours per day. This has been so since the last six months. It's an increasing problem: demand increases, but generation of electricity doesn't. Due to low levels of the lake and lack of maintenance, optimum levels of electricity production cannot be reached. PDAM used to have a 'genset' (generator) to cope with power cuts, but now it is broken because of age and frequent use (every day operation). PT KTDP is procuring 2 new gensets to fully backup power supply in case of load shedding by PLN or other interruptions of power supply. The investment cost for the 2 gensets is 1,900 M Rp. Unsubsidized fuel (last month: 9,000 Rp/liter; now 7,500 Rp/liter) needs to be bought to run the gensets. Subsidized fuel (5,500 Rp/liter) is only available for vehicles. The 400 kVA generator consumes 60 liter of fuel per hour. To run the WTP on power generated by the genset is about twice as expensive as on electricity from PLN.
- **Continuity:** In principle, production is continuous, 24 hours per day. With the regular daily power cuts continuous supply cannot be maintained. Once the new gensets become available, uninterrupted water supply from the WTP is considered possible.
- **Effects of interrupted water supply:** Due to interruptions in the water supply, air will enter the distribution pipe network. Once power (and thus water) supply comes back on, it takes time before the water has replaced all the air in the system. As a result of the on/off effect, sediments accumulated in the pipe network whirl up and affect the quality of water supplied to consumers. In case of continuous supply, the conditions in the network would be more stable. Flushing would be needed to remove accumulated sediments. The on/off effect (water hammer) also results in increased frequency of pipe bursts, and thus physical leakage (a main component of non-revenue water).
- **Registration of leakage:** Leaks are registered manually. There is no link with the GIS (yet). The advantages of visualization of leaks by GIS are realized. Because the Technical Director of PDAM Pekanbaru is rather new, he does not yet have a full sense of the distribution network system (and its weaknesses).
- **Distribution network:** Zoning of the distribution pipe network has not (yet) been implemented in Pekanbaru. At the moment, the system goes wherever ('ke mana-mana'). It's considered a headache. Not all water pipes are known (incorporated in the GIS): that is why a comprehensive

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survey is needed. Replaced (old) water mains are not necessarily removed, when new pipes are taken in operation. The Technical Director agrees there is a need for a proper master plan. He does not have a copy of the Master Plan due to a computer crash.

- **Water towers:** Initially, water produced by the main WTP was transmitted to the (two) overhead tank(s) in the center of Pekanbaru and distributed from there. However, in subsequent years, direct connections have been made with the transmission main. At the moment the overhead tanks are supposed to have a balancing function. However, pressures in the system are too low – about 10-15 m – to fill up the tank. The overhead tank has an elevation of about 20 m. The second overhead tank (which is located further from the WTP) experiences even lower pressures: about 8 m.
- **Lack of coordination with Public Works:** Not too long ago, Public Works (PU, Cipta Karya) has installed a new 10" water main in the Southwest of Pekanbaru without proper coordination with PDAM Pekanbaru. Investments in PDAM Pekanbaru are (used to be) channeled through PU. PU is still doing business as usual: this is considered a problem.
- **Extension of coverage area:** Bappeda (Badan Perencanaan Daerah, local planning board) has developed a plan to provide the Southern parts of Pekanbaru with water. At the moment there is no piped water supply network in large parts of the city. City expansion primarily occurs in these (Southern and Western) areas. The intention was to find a private investor to implement the system. Ownership would be with the province of Riau, the city of Pekanbaru and Kampar Kabupaten (region) Kampar.
- **Alternative water source:** In order to supply the Southern and Western parts of Pekanbaru with water, an alternative source of water could be found in Sungai Kampar, which flows through Kabupaten Kampar at a distance of 3 km from Pekanbaru. A to be built WTP could serve both PDAM Pekanbaru and PDAM Kabupaten Kampar.
- **Debt restructuring:** The original debt of PDAM Pekanbaru amounts to 1,300 M Rp and related to investment funds provided to the PDAM by the Ministry of Finance through an RDI (Rekening Dana Investasi) account. The total outstanding debt, including accrued interest and penalties, of PDAM Pekanbaru amounts to 5,600 M Rp. The Ministry of Finance has decided that the original debt will have to be paid back, but agrees to allocate the interest and penalties (4,300 M Rp) to investments in production, distribution facilities, or service connections. From now on there will be no further increase in interest and penalties on the face value of the PDAM debt. The PDAM will need to have a plan and finances (APBD) for the investments required to gradually draw down the outstanding debt. The deal proposed by the Ministry of Finance only refers to public water utilities (PDAMs owned by local government). In case of a PPP arrangement, a separate arrangement will need to be agreed upon.
- **Non-revenue water:** Production (distributed; m3) minus sales (m3) is 60% of distributed production. There is no estimate of the individual components of Non-revenue water (NRW; according to the classification of the International Water Association, IWA). PDAM Pekanbaru has been trying to reduce the quantities of distributed production in an effort to reduce NRW, in spite of the fact that service of supply (continuity, pressure) in many parts of Pekanbaru is lacking.
- **World Bank program NRW:** There has been a program of the World Bank to address NRW. At first, PDAM Pekanbaru would participate, but once it was confronted with the prerequisites for participation, PDAM Pekanbaru balked.
- **Operation of valves:** Valves in the distribution pipe network are not maintained. The Distribution Division of PDAM Pekanbaru only reacts on occurrence of leaks; there is no program for preventive maintenance of assets. Valves in the network need to be 'manipulated' (closed and opened) in order to assure that all parts of coverage area are served.
- **Distribution Division:** The distribution division of PDAM Pekanbaru has 3 sub-sections: (i) transmission and primary distribution, (ii) secondary and tertiary pipes and service connections, and (iii) special matters (penertipan dan pengendalian).

- **Water meters:** There are 18,000 service connections. Since 2005, 12,000 water meters have been replaced with meters purchased by PT MTI (Mitra Tirta Indonesia; owned by WFH, Water Fund Holland). Old meters are disposed of. PDAM Pekanbaru has a test bench for calibration of water meters. It is used to check water meters in case of complaints of consumers about amounts billed/accuracy water meters. There is no program to calibrate water meters regularly. There is no workshop to repair defect water meters.
- **Bulk water meter:** At the main WTP a bulk water meter is installed to register quantities of distributed water. The bulk water meter is functioning.

Notes 2:

- **Zero consumption:** Water meter readings at 2500 service connections indicate a consumption of 0 m³/mth. From March to September 2008, PT Waseco carried out a study to check the customer database of PDAM Pekanbaru. As part of this study, all active service connections/customers were checked on site one-by-one.
- **Concerns of customers:** Consumers are concerned about (i) water quality, (ii) water quantity/pressure, and (iii) continuity.
- **Service of supply:** 6 Customer areas are identified. Service in areas 3 and 4 is better than in the other areas (1, 2, 5, and 6). Water pressure is a problem. Supply is not reliable.
- **Complaints:** Because of reduced service of supply the level of customer complaints is increasing.
- **Non-revenue water:** NRW amounts to 60%. NRW consists of administrative and technical leakage. A door-to-door survey is planned to address the issue of administrative leakage.
- **Staff lay-off:** Also, the current lay-off of staff is partially aimed at reduction of administrative leakage.
- **Reduction of service connections:** The total number of service connections reduces significantly due to problems with quantity and quality of water supplied.
- **Outstanding debt:** The level of outstanding debt is very high. Previously the arrangement was to cut off consumers after 3 months of not paying one's bill.
- **Customer Information System:** It is agreed that regular checks should be carried out on monthly meter reading results recorded in the CIS, such as zero consumption (0 m³/mth), negative consumption, large increase/decrease of consumption (e.g. more than x % of average consumption over the past year), etc. PT Balqis would have to program this type of checks. There still seems to be problem with meter readings (currently carried out by PT Balqis). The audit division of PDAM Pekanbaru could check the performance of PT Balqis, but that division has a problem too. The current system of meter reading and registration is that PT Balqis reads meters, the PDAM carries out a random check of meter readings recorded, and PT Balqis enters to data in the data-base. The outsourcing of meter reading and involvement of PT Balqis started in 2006. Objectives were to become more efficient, reducing corruption (in the cyclus meter reading, billing, and collection), and create more revenues for the PDAM. The CIS was supposed to be handed over to PDAM Pekanbaru, but training of PDAM staff did never take place. Insufficient hard-ware (only 1 computer) was provided to allow the PDAM to effectively take on the new task (of operation the CIS). Moreover, PDAM employees were insufficiently motivated, trained, and capable to do the job properly. Working together with PT Balqis has its problems.
- **Additional studies:** In addition to the CIS, PT Balkis was also engaged to carry out and implement a GIS, staff (evaluation), inventory management system, and a financial/accounting system for PDAM Pekanbaru.
- **Joint Operation Agreement:** City government (Pemerintah Kota, Pemko) and PT KTDP signed a joint operation agreement for PDAM Pekanbaru. In 2003 there was a lack of funds for the planned

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50,000 M Rp investment. The involvement of the Dutch started in 2005 and was effectuated in 2006. Until the end of 2007, 43,000 M Rp has been invested.

- **Target additional connections:** For the year 2008, a target of 5000 additional service connections has been set. To date, only 5% of the target has been achieved. Reasons are: (i) production problems (quality, quantity), (ii) no reliable supply (linked to the production problems; service of supply diminishes in Southwest direction), (iii) the generally unfavorable image of the PDAM (linked to previous points), and (iv) lots of negative publications (also linked to previous points).
- **Production losses:** Because no water meter is installed at the intake of water from Sungai Siak at the main WTP, production losses are not known.
- **Outstanding debt:** 16,300 M Rp
- **Master plan:** Haskoning (Michael van de Watering) made a master plan for water supply in (Southern) Pekanbaru. Bappeda (Pak Yusman Amin) is having further details about the status of the plan and the plan to attract a private investor to implement a water supply system in Southern Pekanbaru.

Notes 3:

- **Door-to-door survey:** As of January 1, 2008, a team from PT Tirta Sumut in Medan will delegate 20 staff for a period of 3 months to carry out a door-to-door survey in Pekanbaru. The cost of this effort is 300 M Rp. PDAM Medan will provide consultancy. The intention is to upgrade the CIS, to detect illegal connections, to market for new connections, and to check the pipe network (find additional pipes and pipe connections). In the past, efforts to upgrade the CIS have been made by PT Tunas Makar Harapan and PT Balqis – both using local staff – but the results of those studies were not compatible. PT Tirta Riau will finance the operation (as investment in PDAM Pekanbaru to be repaid in due course of time). Pak Hera is project manager.
- **Service connections:** Upon request PT MTI will make 50,000 new service connections for PDAM Pekanbaru within 5 years. Pak Eko is the only employee of PT MTI in Pekanbaru. PT MTI will use local contractors to make connections. It is questionable whether the target of 50,000 connections (or 200 connection per week) will be made. PT MTI intends to develop flyers, pamphlets, and brochures for marketing use of PDAM Pekanbaru. PT MTI has procured 20,000 water meters and 10 km reticulation pipes (2", 3", and 4"). These are stored with the PDAM.
- **Procedure new connection:** Upon request for a new connection, the PDAM will survey the situation and make a cost estimate. Subsequently, the customer pays 1.5 M Rp to a special account of the PDAM. Then, PDAM Pekanbaru issues a work order (with map, bill of quantities, other details, etc.) to PT MTI for installation of the connection. At the end of a month, PT MTI sends an aggregated bill for all connections made to the PDAM. Up to now, the PDAM has not been a bottleneck, but the number of new connections has been very small.
- **Board of Directors:** The Joint Operating Agreement between local government (Pemko) and PT KTDP includes the establishment of a Board of Directors for the combined operation (PDAM Tirta Siak, Pekanbaru). The board has 3 members. PT KTDP has appointed Pak Kumala Siregar as member of the board and local government Pak Fauaz (Sekda, Sekretaris Daerah, city secretary). As third member, Pak Isyandi of Riau University was appointed.
- **Owner of assets:** Local government (Pemko) remains owner of the assets (of PDAM Pekanbaru).
- **Contribution to city revenues:** Usually a PDAM contributes to local government revenues (PAD, pendapatan asli daerah), especially when there is a profit. In the case of the Joint Operating Agreement, when a profit is made, the amount allocated for distribution will be split in half, and 50% will contribute to PAD.

- **Bulk supply:** PT KTDP will purchase the water produced by PT Tirta Riau (operator WTP Tirta Siak) and registered by the bulk water meter(s) in the outgoing transmission mains.
- **New transmission main:** PT Tirta Riau (program manager Pak Eko) is also responsible for installation of the new transmission main from the main WTP Tirta Siak to the water tower in the center of Pekanbaru. Initially, the transmission main will be installed from the plant to Jalan Riau: about 1.7 km. In a second phase, 2-3 km would be added to reach the water tower. There are two existing mains, 400 and 700 mm diameter respectively. These mains are tapped at many places.
- **Southern Pekanbaru Project:** Danida allocated 250 M Rp for preparation and implementation of this project in 2006. The Ministry of Finance requires the Province of Riau to pay off the debt of PDAM Pekanbaru before it will agree with the Southern Pekanbaru Project.
- **Public tap project:** PT MTI is executing a project to install public taps in an effort to provide water to the poor (low economic status). Often a preference is given for well water above water provided by the PDAM, because it is considered more reliable.
- **Water meter testing:** The test bench of PDAM Pekanbaru to calibrate water meter is defect. The Badan Metrologi tests water meters before delivery – each meter should have a certificate. PDAM Pekanbaru does not have a test bench to repair water meters. PDAM Kota Bogor has a water meter workshop that receives meters for repair.
- **Installation of service connections:** PT MTI has installed 10,000 service connections for PDAM Jambi over a period of 5 years.

3.2 East Indonesia (Manado)

Notes 1:

Manado population: about 450,000

Coverage of public water supply: 18%

Number of service connections: 16,500 (31-12-2008)

Number of persons per connection: 5

Total people served: 82,500

- **Assessment of current situation PTAM:** Conditions are improving, in particular with regards to financial matters. However, income is not yet sufficient to cover the costs of operation and maintenance (O&M). Extra funds are provided by TID (as a loan to PTAM).
- **Opinion regarding WMD/TID:** In general the involvement of the WMD has indeed been positive, but communication needs still improvement. Previously financial management of PDAM Manado was not up to standard: there was no control. It is critical to manage finances properly. Mechanisms should be proper and transparent. TID (financial controller; staff of Inowa) audits the accounting and financial management of PTAM. Things start to improve. On the other hand, TID will need to be more transparent about its costs that are charged to PTAM. As mentioned, communication from TID to the management of the PTAM is insufficient. The management of the PTAM is responsible for the management of the joint venture and has a right to know. Real cooperation is preferred. It is still not yet clear where things are heading. There is a need to look towards the future. Trust is what is needed.
- **Pendapatan Asli Daerah (PAD):** Local government revenues (from local taxation/sources of funds). In the past the PDAM had to transfer 21 M Rp per year to the city government. In 2007, PT Air Manado transferred only 1.1 M Rp; the 2008 contribution is not yet known.
- **Optimization of sources of water:** PTAM has sufficient water sources. Electricity consumption of the pumps at WTP Paal II is high, and consequently the costs of water production at this plant are high as well. At WTP Lota there is overcapacity that is not sufficiently utilized. Planned capacity of

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WTP Lota is 400 l/s, but the safe yield of the water source is probably even higher (600 l/s or even more). There is a need for a second transmission main. Water from Lota flows by gravity to Manado. Production costs are limited (because there is no need for clear water pumps).

- **Service of supply:** The service of supply provided by PTAM to its customer is not good. Equipment is old, depreciated, and needs to be replaced. Generators (gensets) do not function. There are insufficient funds for upgrading of the systems. The service of supply needs to improve if the PTAM wants to win back the trust of the population of Manado and its customer in particular. Especially, consumers at relatively higher elevations do not get water. Current rehabilitation and expansion of production facilities are related to the efforts to improve the service of supply (reliability of water supply).
- **Service connections:** The procedure for disconnection of non-paying consumers has to be applied strictly. Water meter reading also needs to be carried out properly. If a bill has not been paid after 1 month, a reminder should be sent. If no payment is made for 3 months, the customer should be disconnected. Connections should be done at the distribution pipe.
- **Geographic Information System (GIS):** PTAM does not yet have a GIS. However, as part of the Block Renovation Program situation drawings are prepared.
- **Bulk water meters:** BWMs are already installed at most production sites: WTP Lotta has yet to follow suit. Raw water as well as outgoing water is being measured.
- **Non-revenue water (NRW):** There are technical and administrative losses. Illegal connections need to be identified. Non-paying customers need to be tracked on monthly basis. Old distribution pipes leak, but leaks do not necessarily show at surface. PVC service connections often leak due: glued connections and rubber sealing are considered weak spots. Customer water meters do not function properly and need to be replaced: in total 10,000 meters will need to be replaced.
- **Block renovation program (BRP):** The BRP will be implemented over a period of 2 to 3 years, once funds are secured. PT Tirta Inti Drenthe (TID) has already made materials and means of transportation available. Valves are often hidden under asphalt and need to be raised. The BRP has just started, but progress is being made.
- **Generator:** The newly procured genset (generator set) at WTP Paal II is not yet fully functional. Testing of the genset has been done; but the electrical panel, display, etc. are yet to be completed. The genset is to be used temporarily only, when the PLN (Perusahaan Listrik Negara, National Electricity Company) cuts power as part of load shedding or otherwise. Usually, the electricity is off for 4 to 5 hours. The cost of operation of the genset are high, in particularly the diesel that is being consumed. However, operation of the genset is necessary in order to avoid contamination of the network, and to provide continuous service to the consumers.
- **New distribution pumps WTP Paal II:** Two new distribution pumps of each 175 l/s are still having problems. There is something wrong with the bearings. The supplier has already been consulted. TID and Innova manage the procurement contract.
- **Public taps:** There aren't many public taps any more (less than 100). Many have been disconnected. People prefer their own connection above a public tap. MCKs (mandi, cuci, kakus; bathing, cleaning, toilet) are managed by communities. Those communities are responsible for payments, but in many cases payments have not been made for a long time. The tariff for water consumed by public taps is lower than for water supplied to domestic connections.
- **Coverage:** The coverage in Kecamatan (administrative district) Bunaken is not yet optimal. The network is rather limited. In order to supply water to the population in this area, pumping is required. The area is rather hilly.
- **Zoning:** There is no proper zoning of the distribution network. This will be necessary in the future. Zoning will provide clear data of supply conditions.

- **Alternative water sources:** Shallow wells are sunk to a depth of 10 to 20 m. (Deep) wells reach 20 to 40 m and sometimes even 100 m. The poor carry haul water for bathing, washing, and cleaning (and even for drinking) from wells, springs, or neighbors (if the water meter is broken, they are paying the fixed, minimum charge, but no more).
- **Staff reduction:** The total number of staff of PTAM has to be reduced. However, a normal pension/life insurance (Asuransi Jiwa Bersama Bumiputra 1912, AJB) has to be offered to staff proposed for early retirement (or lay-off). There is also still an issue of outstanding pension payments that has to be solved. TID has to assist in this regard. Only once this has been settled, negotiations with staff can start. Who wants to retire, should be able to retire. The numbers of those who want to retire will increase if there is a proper arrangement/severance pay. During the duration of the joint venture agreement, there should not be a forced lay-off of staff: a win-win situation should be sought. Discussions will have to start from this principle. At the moment there is quite some unrest among staff.

Notes 2:

- **Monthly (cash) income:** Varies between 900 M and 1,400 M Rp.
- **November 2008 accounts:** In November 2009, cash income amounted to 1,300 M Rp; expenditures to 3,600 M Rp; consequently, there was a shortfall of 2,300 M Rp, that had to be covered by a loan from TID.
- **Outstanding bills:** The 'Agresor' billing system includes active and non-active connections/customers. Two teams are verifying and investigating the data of outstanding bills. There are still 5,500 (active or inactive) customers who haven't paid their bills for at least last 3 months. The PTAM teams talk to customers and try to convince them to settle their accounts. There is a clear link with service of supply and thus customer relations. Customers can request correction of their accounts based on alleged deficiencies in the service of supply by PDAM Manado in the past. The distribution department will be requested to comment.
- **Cost of (re)connection:** The fee for connection or reconnection to the water supply system of Manado is 1 M Rp. PTAM is promoting its services to new and previous customers. The improved service of supply should convince consumers to (re)connect.
- **Number of service connections:** The current number of service connections is 16,500. The impression exists that the lowest point has been reached: in 2004 there were still 35,000 (active and non-active) connections. The number of disconnections currently balanced the number of new connections.
- **Replacement of water meters:** There are about 6,500 functioning water meters. Non-functioning water meters will have to be replaced: it concerns about 9,000 – 10,000 meters.
- **Planning for 2009:** (a) If the service of supply improves (additional water produced by WTPs, in particular WTP Lota), effort will be given to convince 7,000 non-active consumers to reconnect to the water supply system. In addition, new housing developments may result in 5,000 – 7,000 new connections. In total, 13,000 connections could be added in 2009. (b) The program for replacement of water meters supported by EKN (Embassy of the Kingdom of the Netherlands) will start implementation in 2009. (c) The micro-credit scheme of Bank Rakyat Indonesia (BRI, People's Bank of Indonesia) supported by the Environmental Services Program (ESP) of USAID (United States for International Development) will provide the urban poor the means to connect by allowing them to pay for the connection fee over a period of one year instead of at once.
- **Staff reduction:** The ratio between the number of connections and the number of staff of PTAM is not realistic anymore. The number of staff has to be reduced. This should be done by negotiating an arrangement for early retirement and by clearly communicating business rules and regulations: those

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who do not follow the company rules and regulations will have to draw the consequences of their actions. In 2008, 12 staff members retired.

- Management of change: 75% of the staff of PTAM is ready to adjust to the new business practices; 25% has difficulty changing. This last category of staff is generally older, but it is not expected that they will become provocateurs. There should be a stop on new staff. Existing staff should be given a chance to adapt to the new circumstances by means of training.

Notes 3:

- **Origin of involvement WMD in Indonesia:** In 1987 the VEWIN (Vereniging van Waterbedrijven in Nederland, Association of Water Companies in the Netherlands) started twinning with water utilities (Perusahaan Daerah Air Minum, PDAM) in Indonesia as a means of transferring knowledge. The WMD (Waterleidingmaatschappij Drenthe, water utility of Drenthe) was twinned with the city (kota) of Ambon. In 1996 no more development funds were allocated by the Government of the Netherlands to the water sector in Indonesia. All Dutch water utilities, except for the WMD stopped their twinning activities. In 1998, DSA (PT Dream Sukses Airindo, a joint venture company between the WMD and PDAM Kota Ambon) was established and was given a concession for provision of water in some parts of Kota Ambon.
- **Inowa:** PT Inowa Prima Consult is a consulting firm established in 2000 as an affiliate company of WMD (50%) and Aquanet BV (50%). Early 2008, Aquanet BV has sold its stake in Inowa to WMD and Witteveen+Bos (Wibo). Currently WMD owns 75% of the shares of Inowa, Wibo 20%, and Drs . H. Joko Suroso, the Managing Director of Inowa the remaining 5%. Inowa is based in Bandung, but has been active in water supply development in particular in Eastern provinces of Indonesia. Managing director of Inowa, Drs. H. Joko T. Suroso, was the first director of DSA for half a year until the sectarian unrest in Ambon forced him out. Inowa has about 100 staff and works primarily (90%) for Dutch clients: WMD (80%) and SAB-SAS (10%). About 25 staff work for PT Tirta Inti Drenthe (TID). Most of them are from Java. Inowa staffs are attached as financial controllers and technical field supervisors to the water supply joint venture companies established by the WMD (via its subsidiaries) in East Indonesia. Inowa is generally charged with project design and supervision.
- **Religion:** Manado: 65% Christian, 35% Muslim; Ambon: 50% Christian, 50% Muslim.
- **Foreign ownership of assets:** Ownership of assets to foreign companies is not allowed; Indonesian parties need to have a majority stake. Rules differ per branch. In case of housing, 100% of the ownership needs to be with Indonesian parties; in case of a laboratory only 55%. The transfer of the assets of a PDAM to a joint venture company owned for 51% (majority) by the WMD (or its subsidiaries) is legally not possible.
- **Service connections:** In 2004 PDAM Manado had 35,000 service connections, of which a substantial number were inactive. Collection efficiency was low. As of January 1, 2007, the number of service connections had come down to 24,000, and as of January 1, 2009 it is estimated to be even lower: 16,500. Although the percentage of active connections has increased, there are still a number of non-active connections. Many consumers have requested to be disconnected due to the low level of service of water supply in the past. Consumers have little trust in the reliability of the service provided by the PDAM. The trust will need to be rebuilt for the number of connections to increase substantially. On the other hand, city expansion leads to additional requests for water connections: there is a waiting list for 4 housing estates with each about 200 connections. It is expected that with the number of 16,500 connections, the minimum has been reached: additional connections balance reduction/correction of the data base for inactive connections.

- **Payment of bills:** Of the 16,500 connections, 8,000-9,000 pay within one month, 11,000 within two to three months. Of the remaining 5,500 connections, some pay at once in 4 to 5 months; disciplinary actions are being taken to get the others to pay.
- **Disconnection policy:** If customers do not pay for water, they will receive a few official warnings before they are cut off (in principle after three months of non-payment). In the past PDAM Manado took the water meter away to disconnect non-paying consumers. However, as the meter usually was installed inside the premises of consumers, (illegal) reconnection was easy. Now, the service connection itself is cut off at the clamp saddle to the tertiary water pipe in the street. Consequently, illegal reconnection has become more difficult.
- **Alternative sources of water:** Although geohydrological conditions vary, in many cases shallow and deep wells provide an alternative source of water, in particular in central parts of Manado.
- **Collection efficiency:** Monthly billing amounts to 1,800 M Rp; cash collection to 1,300 M Rp; collection efficiency is about 70%. Early 2004, it was only 40%.
- **Water tariffs:** The minimum monthly charge is 5,000 Rp (fixed fee). In addition there is a price of water per m³ of consumption. A new tariff will be introduced per January 1, 2009. An annual tariff increase based on inflation has been agreed upon.
- **Managing director, PT Air Manado:** The old PDAM director did not want to sign the joint venture agreement. The previous director signed in 2005. The current director, Pak Herry Kereh, was appointed in January 2007. He has an economy/accountancy background and was the financial director of the PDAM before becoming managing director. He is supported by the Walikota (mayor) of Manado. He has a party affiliation with Golkar and is candidate for the DPR (Dewan Perwakilan Rakyat, House of Representatives). Consequently he has to resign from his position as director of PT Air Manado, the name of the joint venture company between Kota Manado and the WMD (subsidiary). Preparations are being made for recruitment of a new director. A job profile has been drafted but still needs the agreement of the Board of Commissioners of PT Air Manado.
- **Board of Commissioners, PT Air Manado:** The WMD has appointed 3 members of the Board of Directors of PT Air Manado (PTAM), i.e. Karst Hoogsteen (chairman), Leo Gijzel, and Agus Kamiludin; the city government has appointed 2 members: Pak Eddy Rumayar (Faculty of Law, Sam Ratulangi University, Manado; vice chairman) and Pak Tampi (local government official).
- **Non-revenue water (NRW):** The percentage of NRW is based on the m³s water billed. The minimum amount of water charged is 10 m³. This figure will be used in the calculation of NRW, not the actually used quantity of water per month. The percentage of NRW is extremely high: about 80%.
- **Estimation of water consumption:** Because most connections do not have a functioning water meter, consumption is estimated. In October 2008, consumption was estimated for 9,900 connections; in November, for 9,000 SRs (sambungan rumah, house connection). 90% of the estimated consumption of service connections without functioning water meter equals 10 m³ per month, the rate for a domestic connection. The assessment whether a connection is domestic is done by the 'water meter' reader. For a house connection with an office//business function the estimate of consumption is 20 m³ per month.
- **Installation of water meters:** PTAM does not have a structural program for installation and replacement of water meters at service connections. Water meters are being installed as part of the Block Renovation Program (BRP) being implemented by PTAM with assistance of TID and WMD. Financial assistance from the Embassy of the Kingdom of the Netherlands in Jakarta, Indonesia (EKN) has been secured for procurement and installation of water meters. The expectation is that as a result of metering, average consumption and thus revenues from water sales will increase (instead

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of the minimum of 10 m³, the actually consumed quantity of water – likely more than the minimum – will be charged) or the (administrative component of) non-revenue water will decrease (as consumers will be more careful not to waste water – before, they didn't have to pay for wastage).

- **Bulk water meters:** The installation of bulk water meters at production sites (outgoing transmission-distribution mains) has not led to major adjustment of the quantities of water distributed. Previously, distributed water was calculated based on recorded hours of operation of pumps and pump capacities. It was expected that this would lead to an over-estimate of the quantity of water distributed (and thus of NRW). This has not been the case. The quantities registered by bulk water meters were similar. Apparently, the registration of operational hours of pumps was quite accurate.
- **Service of supply:** The service of supply (i.e. coverage, continuity of supply, water pressure, and water quality) is not good. In November and December 2008, monthly pressure measurements have been executed at 30 locations spread over the distribution network. Water pressures are low: only a few meters (0.1 – 0.2 bar). The pressure measurements are being during day-time. There is no continuous (manual or automatic) registration of the water pressure at any site of the network.
- **Network calculations:** Epanet (or ALEID) software has been used to carry out network calculations. The results of the calculations do not correspond with the field pressure measurements.
- **Block Renovation Program (BRP):** Blocks of 100 to 200 service connections are sequentially renovated. Blocks are isolated during the program by closing of valves or disconnection of water pipes: only one feeder water pipe remains. A bulk water meter is installed to measure the water entering the block. The quantity of water entering the block is measured during one week ahead of renovation. Customer data with respect to (active and non-active) service connections in the block is gathered from the Customer Information System (CIS). House-to-house checks are carried out by special teams (with marked cars and uniforms). All connections are equipped with a new water meter. Water leaks are repaired. Water pipes and service connections are replaced. After completion, the quantity of water entering the block is read again for a week, as well as the consumption of all service connections. If the difference is more than 10%, the block will be inspected again, if necessary with step tests and night flow measurements. The Block Renovation Program was planned; not that it takes so long to implement. It takes about 2 months to rehabilitate one block. On basis of current practice and effort (8 teams of 8 staff) it will take 5 years to renovate the complete distribution network. Initially 100 PTAM staff were selected for the BRP; currently only 65 are involved; selection has taken place on the basis of the motivation of staff. The above mentioned grant from EKN (3 M EUR) will help to speed up the network rehabilitation. The WMD provides expertise in network maintenance (2 full-time staff) as well as 2 interns (HTS, Hogere Technische School, Higher Technical Vocational Education). Costs of this technical support are accounted for through a loan to PTAM.
- **Zoning:** Other than the 8 distribution areas (correlated with PTAM administrative branches) based on source of water and elevation, no (sub-)zoning of the distribution network is realized. It is considered that (sub-)zoning may be necessary.
- **Prerequisites for success:** Active involvement and commitment of the Walikota (mayor) is a major factor; the motivation and quality (expertise) of the management team as well. For instance, DSA (Ambon) has an excellent technical director. The rivalry between DSA and PDAM Ambon also stimulates performance. Preferably members of the management team originate from the area in which the water utility operates. However, it may be extremely difficult to identify qualified management staff in certain areas (e.g. Sorong, Biak, etc.).

4 DETAILED MID TERM REVIEW PEKANBARU AND EAST INDONESIA PILOTS

4.1 Pekanbaru

The Client/Stakeholders

Essentially the PPP set-up in Pekanbaru is that for a BOT model combined with pre-financing. One of the complications in the set up is the fact that LG (Pemko) and KTDP had already established a Joint Operation Agreement at the time WFH stepped in, and that Pemko maintained the position that all initiatives had to be arranged with and processed through KTDP, notwithstanding the obvious conditions that KTDP could not live up to its contractual obligations due to financial problems. Fear for legal obligations to tender a new concession agreement in case the JOA with KTDP was nullified may have been an overriding consideration here.

P1. WFH took a calculated risk as it was initially not interested in direct involvement in the daily operations of the PDAM, assuming that KTDP would fulfill its obligations notwithstanding the state of affairs.

The complicated organogramme for Pekanbaru is not immediately suggesting that the PDAM is ultimately the entity that it is all about. It figures somewhere at the edge of the diagramme. Others are in the limelight. One has to wonder how this will work out on the mindset of the people concerned.

P2. WFH is to pay sufficient attention and priority to the “sense of ownership” of the staff of the PDAM as this will be a decisive factor in the ultimate successful performance of the PDAM (assuming a.o. right quality and quantity of staff).

The Service Concept

Technology

WFH's set up is based on a BOT type of contract for bulk water delivery by PT Tirta Riau to KTDP and on pre-financing stocks and managing implementation of new house connections by PT MTI to KTDP. These arrangements are defined in well elaborated contracts.

P3. The WFH BOT contract for bulk delivery of water and the pre-financing and execution of new connections are well developed and set-up, providing a solid transparent basis for transactions.

Current level of coverage is very low, offering interesting prospects for a good business case. NRW is however extremely high, making upgrading of the distribution network a major point of concern and challenge.

The contracts in the water supply sector require under applicable Indonesian legislation the preparation and acceptance of specific reports and documents, such as feasibility study, business plan (incl. regular updates), and audited annual reports of the BOT JV.

P4. WFH will have to make a comprehensive plan for the upgrading of the distribution network, considering zoning and related complications, and reflect this in periodical upgrades of the overall business plan for PDAM Tirta Siak.

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Funds

Since the joining of PWN in the Pekanbaru pilot in 2006 the total of Dutch funds amounts to €5.1M grant and €5.2M private funds, of which it is specified that €3.8M is contributed by PT MTI and € 1.4M by PWN. The contribution of MTI concerns a service to procure and pre-finance the materials and works required for the installation of new connections. This service is provided to KTDP under the contract between PT MTI and KTDP. Under the contractual arrangements KTDP is to refund these expenditures in nine installments. In practice financial transactions between PT MTI and KTDP are settled on a periodical basis. Before such payments can be made, the PDAM enters into a contract with a potential customer for a new connection, and upon completion of that contractual agreement, including full payment of the connection fee by the new customer, the PDAM - through KTDP - requests PT MTI to actually have this new connection constructed. Assuming adequate stock management PT MTI will pre-finance 2500-5000 new connections at say €80 each on average.

- P5. WFH has consistently communicated (dating back to proposal stage) that it contributes up to €4M private capital to the Pekanbaru pilot through the new connections programme under the responsibility of PT MTI. In fact its revolving, and potentially risk yielding, contribution to new connections amounts to €200-400K at the maximum when the new connections programme is at full roll-out capacity. Based on PDAM's procedures the investments in new connections are fully financed by the new customers. It's the new customers' contribution to the assets of the water enterprise.*
- P6. In theory this implies that yet an unallocated budget of say € 3.6M is available from the private party. It is however reasonable to assume that the contribution from the private party is required to have a reasonable proportion to the grant fund. As this criterion was not specified at the start (see G1 above) this requires further consideration.*

People

To date the inputs by WFH and PWN are in the format of short missions on a regular basis. Considering the rather slow overall progress in the past 2-3 years it appears appropriate to review this strategy. In particular the comprehensive action programme presented in the Annual Plan 2009 [19] (see also below) calls for adjustments to envisaged staffing inputs by WFH/PWN, and KTDP.

- P7. The action programme requires the full and permanent attention from the management of all stakeholders. From the side of WFH/PWN in particular a full time presence of a senior distribution management expert, and full time expert in "change management" may be imperative.*

The delivery system

Pekanbaru is the capital city in a region with considerable economic potential from natural resources. The city grows rapidly, has good economic prospects, high potential for rapid expansion for new house connections due to limited suitable ground water conditions and a rather low coverage rate (approx. 25%) for piped water supply from the PDAM. With a population of 700,000 it has sufficient critical mass for a modern water enterprise. It seems rather difficult to put together more promising boundary conditions for successful development of a water enterprise in Indonesia. Developments since the mid nineties show that customers have lost trust and confidence in the PDAM, and employees of the PDAM are detached and demotivated, while part of them seem to find challenges in deceiving the company and the community with private exploitation of illegal connections.

In order to break through the current deadlock and revitalize water supply in Pekanbaru, WFH/PWN is scheduling implementation of a comprehensive programme (ref. Annual Plan 2009):

1. appoint a new managing director of the PDAM (more than a year has passed since termination of previous director)
2. take a 51% interest in KTDP as part of the debt restructuring
3. bring in a "A-Team" of experienced staff from PDAM Tirtanadi (Medan) on a temporary basis, as a South-South twinning and cooperation
4. a large and very visible programme of field inspectors visiting all streets and all houses to (re)administer legal connections, detect and legalize illegal connections, or cut them off permanently
5. Implement a programme of staff appraisal and selection, and lay off part of the labor force
6. bring water production fully under PT Tirta Riau, incl. transfer of relevant staff
7. implement a comprehensive block renovation programme
8. increase the water tariff, not adjusted for more than five years, by about 50% so as to reduce losses and improve the cash flow

P8. The proposed revitalization programme is important and long overdue. Its prior communication to the public ("socialization") needs to address in sufficient detail issues such as (i) sense of ownership, (ii) assurance of gradual build up of service levels so as to appeal for confidence, and (iii) justification of staff lay-off and water tariff increase in order to turn around the downward spiral of the last 10 years.

P9. In consideration of the high level of NRW and status of the distribution network, the importance and costs of block renovation may have been seriously underestimated to date. In addition, the feasibility and technical solutions for zoning of Pekanbaru's existing grid, including related financial implications, require much more attention.

Relevance

For a large modern city as Pekanbaru wishes to be, and has the potential to be, a dependable water supply is a must. The relevance in terms of MDG's is difficult to assess and requires careful review of alternative sources people use against the MDG criteria formulated and applied in Indonesia.

Especially the scheduled water supply to the poorer section of the community, using master water meters and public taps under the "pro-poor programme", will further boost the relevance of the project.

P10. Relevance of a rehabilitation and extension programme shall not only be based on theoretical concepts that dependable water supply is a necessity. It is to be proven by the appetite of existing and potential customers for such service, by their confidence, and by their willingness to pay for it. It appears that the joint stakeholders together have a long way to go to prove the relevance of the project.

Efficiency

Right from the start of its involvement in Pekanbaru WFH was faced with the financially extremely weak position of KTDP. In fact KTDP was bankrupt when individuals took it over from PT Dapenma, owned by the pension fund of Perpamsi, and notwithstanding private funding by a group of creditors, KTDP could not live up to contractual obligations and maneuver the PDAM in a shape that gradually investments done to date could be earned back. As the Local Government wished to stick to the joint operation agreement it already had with KTDP, WFH concluded its BOT contract for bulk water supply with KTDP.

As both PDAM and KTDP have remained in a bad state over the past 3 years, notwithstanding a loan that WFH already provided to KTDP, this BOT contract can hardly be exercised and come to fruition. A complicated debt restructuring and debt against shares swap was therefore prepared and agreed in 2006 under a set of particular conditions precedent.

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Early December 2008 it was established between WFH and RWS that all conditions precedent have been complied with, providing that all confirmations on the relevant decisions related to the conditions precedent will have been received in writing, and in particular providing that the one outstanding issue, i.e. adjustment of water tariffs, will also be formally endorsed by the Local Government.

- P11. Parties (WFH, PWN) should re-evaluate and reconsider their continued involvement one year after the full effectuation of the pilot's restructuring, including water tariff adjustments, in view of the substantial risks involved in bringing the pilot ultimately to a successful end.*
- P12. Existing laws and regulations such as PP 16/2005 and KEPPRES 67/2005 offer sufficient ground to Pemko to review its contract with KTDP and either (i) offer conditional financial compensation to KTDP for investments already realized (and agreed by Pemko based on Auditor's Report) so as to get the JOA going again, or (ii) to terminate the contract with KTDP and arrange for a direct Agreement between WFH/PWN, Pemko and PDAM. It is unsettling and awkward that WFH and PWN have to take the lead in the debt restructuring of KTDP in order to resolve the long lasting gridlock.*
- P13. Earlier correspondence between RWS and WFH confirms that P3SW grant funds may be used for said debt restructuring. This appears in conflict with the formal position under the P3SW programme that the P3SW grant could in no way be used for debt restructuring for PDAMs. One may argue that if debt restructuring of the public entity PDAM is excluded then a private party as KTDP should certainly be excluded. The core of the argumentation for this particular deviation is the notion that sufficient proof is available that investments in the system (up to approx. US\$2.5M were realized and will contribute to future profit, thus enabling a recovery of the restructuring budget.*
- P14. With reference to G1 and G6: in order to measure efficiency, so as to learn specific lessons during the pilot, it will be useful to relate total and specific cost to achievements in hardware (physical infrastructure) and software (staff and systems) as expressed ultimately in specific key performance indicators to be defined and standardized under a regular monitoring programme. Such indicators were developed in the eighties between HRDP for the Indonesian Water Sector and the World Bank, and may again prove to be useful to measure gradual improvements under the Pilot P3SW programme.*

Effectiveness

WFH/PWN have undertaken and contracted out various studies relevant to the ultimate development of a widely used dependable water supply and upgrading of the PDAM. Interventions in the system to date mainly relate to rehabilitation of production facilities (IRP 1/2/3).

The utilization of funds to date by WFH/PWN is summarized in Attachment 6. It shows that for the period 2005-2008 the total expenditures amount to € 3.6M, including € 1.3M related to debt restructuring for KTDP. Assuming that this amount relates to investments actually made into the water infrastructure for Pekanbaru, it can be concluded that about 17% of the expenditures is spent on various technical assistance services and 83% on works. Excluding the KTDP restructuring, these percentages amount to 26% and 73% respectively (balance of 1% is spent on Opex).

- P15. The proportions of utilization of financial resources for technical assistance services and works appear quite appropriate. Overall implementation of activities, and related utilization of budget, is however low, and pilot is far behind schedule. To date about 35% of overall budget has been disbursed.*

The urgently required upgrading of the distribution network could so far hardly be addressed due to the difficult relations with the management of the PDAM, and the specific problems involving KTDP.

P16. The issues regarding appointment of a new managing director, restructuring of KTDP and pending rehabilitation of the distribution network have seriously hampered the effectiveness of the pilot project to date. WFH/PWN estimate that attainment of scheduled results and milestones will be delayed by 2-3 years.

P17. After about 10 years of discussions on concession contracts for water supply without much positive tangible results one may wonder whether the Pemko is putting up the right priorities and interventions of required quality and impact. The sense of urgency needs to be increased dramatically and immediately (to be investigated further during phase 2 of MTR)

P18. The impasses and slow progress to date re. the full realization of the conditions precedent and financial and legal transactions involved in KTDP's restructuring as a prerequisite to get the full programme of rehabilitation, upgrading and extension going again, makes it advisable, if not imperative, to involve central government, i.e. Bappenas and BPP SPAM, to create an enabling environment for concerted action. Also criteria for points of cut off shall be considered.

Sustainability

A lot of efforts have been put into the overall set-up of the P3SW pilot during the past three years. If the scheduled comprehensive programme for 2009 can and will indeed be implemented one may gradually see more sustainable improvements. To date most of the inputs appear to have a short lifetime (e.g. the IRPs to improve water production capacity and output). It may even still to have get worse before it gets better. Due to the clean up of the consumer database and disconnections of illegal consumers who do not wish to legalize their connections the number of registered connections has reduced dramatically.

P19. Interventions to date cannot yield sufficient clout and critical mass to rate the pilot output as sustainable. A lot of interventions, changes, upgrading and expansion, as well as substantial additional funds, will be required before the overall package will gradually demonstrate positive impact and sustainability. As mentioned under other review components, conditions are not really conducive to reach acceptable levels of improvements and related sustainability shortly. Apart from dramatic increase of efforts and presence of WFH/PWN and KTDP, also more intensive consultations with, and involvement of, central governments agencies and institutions may prove to be a key to further improvement of results and their sustainability.

The Image: external/internal

Trust and confidence of existing and potential customers in the PDAM is dramatically low. Individual houses often opt for a combination of groundwater of poor quantity for general application in the house (showers and toilets), and use of bottled water for human consumption including cooking.

Developers of new housing estimates opt for similar solutions. Water for human consumption may be treated locally or be delivered on contract by other suppliers. Occasionally the PDAM may be contracted for such partial delivery, such as supply of drinking water to new housing estates which procure water for other applications (such as showers and toilets) from other sources. Systems are based on risk management, rather than on assumption that the PDAM provides a dependable and reliable water supply.

The average level of formal education of the PDAM staff is low, in fact too low for a water enterprise that is expected to make use of modern systems and procedures so as to realize a dependable and reliable service and reasonable costs.

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The last ten years of uncertainty regarding the direction, mission and future position of the PDAM (ref. long period of tender for concession contract in the nineties, then long period of discussions between Pemko and Cascal after the financial crisis, then the long period of malfunctioning of KTDP) may have alienated a substantial part of the PDAM staff. Internal cohesion and team spirit are low. In combination with the low staff qualifications this appears the right cocktail for de-motivation, failure, and in fact mismanagement and misuse.

P20. PDAM staff (after selection, reduction, and upgrading of average level of education and experience through training and enrolment of new staff) will have to become a team again, proud of their organization and the chance to serve the population of Pekanbaru.

Culture and Philosophy: integration – differentiation versus fragmentation

Whatever institutional set-up is opted for between the main actors Pemko, PDAM, KTDP and WFH/PWN, it is essential to strike the right balance between integration and differentiation. Which activities and services can be best undertaken by a particular party as it has the right expertise and experience, and is really ready to offer that against best conditions and cost to the other contractually interlinked stakeholders, and which activities and services shall be provided in a more integrated way.

The set-up of the overall institutional framework for Pekanbaru water supply is quite compartmented and at times rather puzzling. It will require quite a bit of juggling to prevent that the PDAM is further alienated from its mission and social tasks, which carries risks of further fragmentation.

P21. The ultimate goal of the P3SW pilot is to deliver a healthy, proud, successful PDAM at the end of the process. This objective is to be kept in mind throughout the pilot. The PDAM shall be at the core of the developments and value added.

4.2 East Indonesia

The Client/Stakeholders

Since 2004 WMD has been preparing Cooperation Agreements (CA) with the Local Governments (“Pemko”) and local water utilities (PDAM) that are part of the East Indonesia PPP (P3SW) programme. To date eight CA’s out of the originally scheduled establishment of ten Joint Venture Companies (JVC’s) have been signed. These CA’s include clauses with conditions precedent that need to be fulfilled before a CA may become effective.

At present four JVC’s are operational under the PPP programme, i.e. Manado in North Sulawesi, Sorong in West Papua, and Biak and Merauke in Papua. A 5th JVC is scheduled to be brought under the PPP Programme in Ambon as result of envisaged joint operation of WMD’s “DSA” and the PDAM for Ambon. The 6th JVC may either be established in Jayapura (Papua) or Kota Tomohon in Minahasa, North Sulawesi. The remaining three scheduled JVC’s in Minahasa Regions in North Sulawesi are yet lagging behind.

E1. The now standardised set-up including letter of intent and (draft) Cooperation Agreement complete with Conditions Precedent, with CA becoming effective once both parties agree that all conditions precedent are complied with, has turned out to be time-consuming but it appears to work. The output to date of four effective CA’s out of 10 scheduled CA’s is disappointing however. Reasons may relate to hesitations of local stakeholders with the format and contents of the CAs, and/or changes in the administrative set-up in various regions.

E2. Considering the time elapsed since the start of the programme, as well as the current level of disbursements of funds, it should be considered to limit the pilot programme to four or maximum 5-6 PTs, providing that the current problems in Ambon and Jayapura can be resolved within six months, say before 1 July 2009.

The Service Concept

Technology

Establishing a CA, defining a JVC-type of three partite arrangement between Pemko, PDAM and a regional Subsidiary of WMD, registered in the Netherlands and operational in a particular geographical region of Indonesia, has each time proven to be a challenging operation. But once effective it appears to work as demonstrated by the gradual improvement of performance of the PT-AMs.

E3. The “PT” for water supply (PT-AM) as established per city provides a new spirit to the ailing PDAM organisations in East Indonesia, and the concept appears to be well supported by local government.

WMD’s strategy to contain its financial risk profile by transferring the PDAM’s assets to the Joint Venture Company (a PT under Indonesian law), and subsequent shared ownership of these assets by WMD through its majority share (normally 51%) in the PT, has caused concerns at central government level.

WMD developed its PT DSA water enterprise, a concession from PDAM Ambon, in the late nineties. PT DSA served as inspiration for WMD’s proposal for the P3SW pilot. Over the last five years central government has taken various initiatives to strike the right balance between regional autonomy and central guidance, monitoring and control. As for the water business this is amongst others demonstrated by the various new laws regulations and decrees issued. See also Chapter 3.

E4. The asset transfer issue, subject of considerable debate between various stakeholders, has been at the forefront of WMD’s P3SW pilot in the period 2004-2008. A substantial adjustment in WMD’s approach was agreed upon between the main players in November 2008 with the decision to reverse the transfer of assets in the various JVC’s already established between WMD-Subsidiaries, Pemkos and PDAMs. This is supported as a necessary and correct development as existing assets cannot be owned by foreign companies. It may take well into 2009 until the administrative and fiscal complications of undoing the asset transfers are completed. It may be expected that this timely and wise decision may contribute to more acceptance of, and appreciation for, the so-called “WMD Model”.

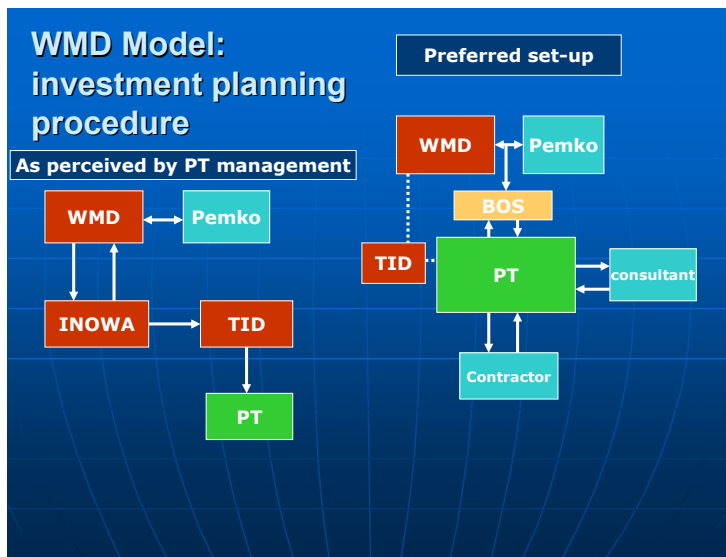
E5. In consideration of the opportunities offered by PP Nr. 16/2005, it may be more appropriate to establish future Joint Venture Companies (PTs) between the private party and the PDAM (rather than Pemko), with transfer of the concession and (part of) staff to the PT, while maintaining the PDAM as asset holder.

WMD’s local service company (TID), rendering services to the individual PTs, appears a successful concept. TID has an expat technical director and an Indonesian general affairs director. These managers and their staff are full time engaged in the “real business” of performance improvement of the water enterprises through technical and general interventions.

The challenge, and pit-fall, of the set-up is to grant sufficient ownership and empowerment to the local PT management. Visits to the PTs and discussions with management and Boards of Supervisors revealed that PT management has not always a clear vision of their current tasks and responsibilities.

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For example in several locations disappointments were expressed regarding current procedures for investment planning. See figure below.



E6. *The TID concept offers excellent opportunities for systematic performance improvement of PTs. From discussions with management and staff of PTs it appears essential that all interventions and their consequences, including Income and expenditures of the receiving PT, are discussed and agreed upon prior to the services, so as to prevent conflicts of interests and keep the sense of ownership where it belongs. Said discussions underline that due attention shall be given to maintaining mutual confidence and independence.*

Current level of coverage is low, and that of NRW very high, in most towns of the pilot project for East Indonesia. Upgrading of the existing distribution networks is already receiving substantial attention through the Block Renovation Programme (BRP). The BRP needs to be further intensified. Ultimate results may be limited in the long-term if (sub-)zoning is not pursued systematically at the same time. Substantial additional investments may be required. These aspects and their impact need to be reflected more realistically in prognoses and updates of business plans.

E7. *The upgrading of the distribution networks (e.g. BRP) of the various PT-AMs, considering zoning and DMAs, needs substantial attention on a permanent basis, and gradual improvements need to be reflected more realistically in the updates of business plans for the individual PT-AMs.*

Funds

The total budget for the East Indonesia pilot amounted until recently to €10M, i.e. €2.5M own contribution by WMD and € 7.5M grant from DGIS.

In the meantime WMD has managed to procure a loan from the SNS Real Water Fund (€ 2M for Manado Water Supply, in particular for renovation of WTP Paal Dua), and more recently an additional grant of €3.5M from the Netherlands Embassy (to be used for a.o. 45K new connections, 18K in Manado, 17K in Sorong, and 10K in Biak, renovation of WTPs in Manado and Sorong, and of a pumping station in Biak).

E8. *Although funds are in short supply, from documentation and reports it is not clear which priorities, in terms of services and works, WMD has targeted to complete under the Phase 1 programme. WMD estimates that ultimately total investments of €100M will be required. Driven by early depletion of its funds WMD has managed additional funds amounting to €5.5M. It appears difficult to obtain*

funds from other sources. Procurement of additional funds, and selection of optimal investment options in each stage of development will require permanent attention in order to make the pilot ultimately a success..

People

In principle, TID and its local staff in each of the PTs (technical and financial) as well as various “external” consultants such as INOWA, provide an excellent set-up for the implementation of the various project components. At the same time all these parties are by the ownership structure of their companies answerable to the top management of WMD. This may reduce healthy competition. In addition it may reduce the opportunity of introduction of new creative concepts and ideas, as usually happens when hiring independent external parties.

Another striking feature of the WMD approach is the involvement of its top management in day-to-day business activities and decision-making, which may limit initiatives and ownership of staff.

E9. Empowerment and appropriate delegation of tasks and responsibilities at all levels of WMD’s organization, as well as room for fresh ideas and concepts, may positively contribute to efforts to ensure sustainability.

The Delivery System

An obvious feature of WMD’s approach is its optimism in developing the business plans for the various PT-AMs. The business plans assume rather rapid improvements in coverage, NRW, as well as increases in water consumption and water tariffs. Plans show best cases rather than realistic cases.

E10. Business plans are overly optimistic and unrealistic, offering wrong indications of future prospects. Financial prognoses on which business plans are based, assume overly optimistic figures and trends for coverage, numbers of connections, water consumption per capita per day and non-revenue water (NRW). Only the very best case seems presented in current business plans. It is recommended that business plans include a sensitivity analysis of, for instance, best and worst cases, as well as a middle-of-the-road, realistic case.

Relevance

The services provided, in particular rehabilitation and upgrading works related to backlog in maintenance and repairs of WTPs, fit well in the needs of the recipient PTs. WMD looks for suitable solutions at affordable price level. The upgrading of the Lotta gravity WTP is a good example of this.

Relevance for the financier of the P3SW grant may be less obvious. Rehabilitation and upgrading works of distribution systems relate mainly to reduction of system leakages and disconnection of illegal consumers. Contributions to the MDGs may take at least another couple of years.

E11. General relevance of the pilot in East Indonesia is obvious. Particular relevance in terms of contributions to the MDGs may take more time as due to elimination of illegal connections the number of people served is actually going down rather than going up.

Efficiency

The set-up in Manado with the new coordinating office is refreshing. It demonstrates WMD’s ambition. Staff is committed. On a regular basis, however, new activities are started up that are not part of the P3SW pilot, and may divert focus and attention (e.g. the Nusantara Water Laboratory). Some of the PT-AMs in

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East Indonesia are remote from Manado and their management indicates that at times they lack support and attention due to competing demands from other business. In addition, cultural differences may demand for more attention than can effectively be given

E12. Sufficient focus and attention by WMD on the P3SW pilot programme remains an issue of concern for some time to come. WMD is starting up new activities from time to time. This may reduce support to and attention required by PT-AMs in Papua Regions. It is recommended to consider a more permanent posting of a project coordinator in Papua.

E13. Project-wise planning, programming and execution of the most relevant investments appear to be challenging issues for WMD and TID. Incomplete and unclear scheduling may reduce overall efficiency. The formulation of well elaborated plans will require permanent attention and is a prerequisite for the ultimate success of the pilot.

Effectiveness

In the period 2003-2008 a lot of time and energy was spent by various stakeholders on lengthy discussions and communications about the format of WMD's Cooperation Agreement, with particular attention to the assets transfer issue. Recently it was decided to undo the earlier transfer of assets as included in the Cooperation Agreements and return existing assets to the PDAMs.

E14. The transfer of assets issue demonstrates a less effective aspect of WMD's delivery system: limited openness and sensitivity to correctly pick up, interpret and apply information in the Indonesian setting regarding laws and regulations.

The BRP is a pilot programme component of essential importance to the success of a rehabilitated distribution network. WMD has experimented with the concept for some time. Experience has learned that smaller block will in the end result in lower level of remaining NRW. In some blocks NRW levels down to 6-10% have been realized.

E15. Although the BRP programme has been improved considerably in the past period (e.g. smaller blocks with lower resulting leakage) further adjustments and in particular the dramatic intensification of the BRPs are required to enable a more rapid overall amelioration of the distribution network.

E16. In addition, it is crucial to introduce (sub-)zoning, i.e. District Metered Areas – DMAs, to maintain grip on the distribution network and equally importantly to ensure NRW remains at the levels reached after block renovation.

Sustainability

The Cooperation Agreements between WMD and the individual Pemkos/PDAMs include a clause on the payment of an annual contribution by the PT to the Pemko and to WMD during the first 5-6 years of the CA. Combined the total of these two contributions amounts to 10-25% of the PTs annual revenues at the moment.

An old national regulation (from before the decentralization) allows that PDAMs can be asked to give 55% of their net profit to their owner (Local Government), but only if their service coverage is over and above 75%. Since the decentralization some PDAMs have to pay a contribution to the local government, regardless whether they break even (based on full cost recovery) or not. In some cases even loss making PDAMs have to pay contributions. As some government officers remarked, in those cases the PDAMs are used as an ATM by Local Government.

More and more Local Governments have agreed with their PDAM not to ask for a contribution, on condition that service is improved, coverage expanded and/or debt repaid.

In other words the appropriateness of clause 4.13 in the CA for PTAM (Manado) in its present format may be questioned.

E17. In order to improve on the sustainability of the pilot programme as well as that of the PT the application of a contribution to Pemko and WMD needs to be reconsidered, rescheduled, or even cancelled. The contribution may not be fully supported by existing legislation, and its size represents a serious burden to the PT. It may undermine the sustainability of the ongoing pilot programme. Outstanding debt shall remain within limits and service coverage shall meet set targets before the PDAM or PT is levied by the local government (if allowed by local and central legislation).

In addition, it is most likely that the agreed change of course regarding the transfer of existing assets may have further repercussions on the Cooperation Agreements. Laws prescribe that current assets remain with the PDAM, and that new assets, including partial upgrading of existing assets, shall be turned over to the PDAM at the end of the cooperation period, free of costs and in an appropriate state. The investment cost for these new assets shall be recuperated from the water revenues, and possibly from the share in profits (e.g. in the format of dividend, now excluded in the CA's between WMD and PT's).

E18. The Cooperation Agreements need review, at least in consideration of the assets transfer and "contribution". It will be a delicate issue to change the "rules of the game" while the match is being played. As a regional or local regulator is non-existent at the moment it needs high level discussions to come to revisions acceptable to all involved without too much commotion.

The Image: External/Internal

WMD appears to have the image of a very committed but a bit unwieldy company. Without the determination of WMD the current pilot programme would most likely never have existed or come this far. The current economic climate in East Indonesia is not very conducive for international parties to set up businesses, let alone invest in water supply operations. It needs exceptional motivation to develop conditions and opportunities for the ailing water companies in the region. However, risks are to be expected and losses to be accepted to a certain extent.

At the same time various stakeholders note that water supply development in East Indonesia as pursued by WMD looks at times more like a "fight between parties" rather than a process of finding common ground, a joint mission and a shared sense of ownership between parties. Examples of this are Manado and Ambon.

E19. In order to improve the ultimate sustainability of the pilot programme it may help if WMD opens itself more towards approaches, solutions and commitments of others, towards contractual formats within Indonesian laws and regulations as intended, and towards true exchanges and cooperation.

Culture and Philosophy: Integration – Differentiation versus fragmentation

The P3SW Pilot Programme aims at contributing to PPPs in the water sector in Indonesia, enabling water enterprises to improve performance and resilience to a level at which they can continue alone. As the programme is sponsored by the Government of the Netherlands, good cooperation with Indonesian authorities and operation within the limits of Indonesian law are ingredients of extra importance in comparison with pure business-to-business type of operations.

A well balanced cooperation between local government and PDAM on the one hand and the private party on the other hand may result in optimal cooperation and integration, as well as in best distribution and differentiation of tasks and responsibilities based on competencies, capabilities, trust and respect.

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Under the current instabilities caused by the decentralization and regional autonomy policies risks to PPP projects are not unthinkable. A new balance in power sharing between central and local government is being sought but not yet fully crystallized. The cooperation between the public and private parties may get in stormy conditions if politicians seek and find arguments of legal, institutional, or political nature to walk away from earlier agreements.

E20. In order to contain political and other risks, it is in the interest of the private party (i.e. WMD) to pursue an undisputed position in legal, institutional, and contractual matters.

5 ECONOMICS OF WATER SERVICES - ANNEXES

ANNEXES

FINANCIAL PROJECTION OF PDAM KOTA PEKANBARU

Income Statement

Cash Flow

Balance Sheet

OPTIMISTIC

PDAM TIRTA SIAK KOTA PEKANBARU													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
<i>Ribuan Rupiah</i>													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	11,507,327	21,579,737	39,820,037	65,318,691	86,758,466	108,553,271	123,918,240	139,479,708	155,406,358	177,129,411	196,297,154	230,330,966	256,383,849
Administrasi & Beban Tetap	738,421	1,030,842	1,494,088	1,824,855	2,219,672	2,274,588	2,418,588	2,598,588	2,778,588	2,886,588	3,102,588	3,282,588	3,462,588
Jumlah Pendapatan Penjualan Air	12,245,748	22,610,579	41,314,125	67,143,546	88,978,139	110,827,859	126,336,828	142,078,296	158,184,946	180,015,999	199,399,742	233,613,554	259,846,437
Pendapatan air kotor													
Pendapatan Non Air (Sambungan Baru)	-	10,000,000	10,000,000	10,000,000	10,000,000	2,000,000	4,000,000	5,000,000	5,000,000	3,000,000	6,000,000	5,000,000	5,000,000
Pendapatan Non Air Lainnya (Denda, Samb.Kerr)	849,937	1,461,688	2,670,801	4,340,575	5,752,098	7,164,600	8,167,196	9,184,822	10,226,056	11,637,350	12,890,435	15,102,228	16,798,085
Jumlah Pendapatan Non Air	849,937	11,461,688	12,670,801	14,340,575	15,752,098	9,164,600	12,167,196	14,184,822	15,226,056	14,637,350	18,890,435	20,102,228	21,798,085
Jumlah Pendapatan Operasional	13,095,686	34,072,267	53,984,926	81,484,121	104,730,237	119,992,459	138,504,023	156,263,118	173,411,002	194,653,349	218,290,178	253,715,782	281,644,521
BIAYA OPERASI													
Pegawai	4,280,172	5,361,680	7,345,208	8,356,016	10,771,849	11,934,278	14,615,616	15,061,214	17,320,396	17,832,834	20,507,759	20,507,759	24,261,622
Biaya Energi	2,591,615	3,324,941	4,385,521	5,744,069	7,257,362	8,697,253	9,483,718	10,598,032	12,069,209	14,054,414	15,906,401	18,376,341	20,891,291
Bahan Kimia	2,436,550	3,125,998	4,123,120	5,400,380	6,823,128	8,176,865	8,916,273	9,963,913	11,347,064	13,213,487	14,954,663	17,276,818	19,641,290
Bahan Pembantu/Pemeliharaan	277,577	619,193	1,639,301	3,250,972	4,972,088	6,779,290	6,681,932	7,223,677	8,176,221	9,240,566	10,640,314	12,406,313	13,841,234
Biaya Operasi Lainnya	6,425	10,281	13,561	17,762	22,441	26,893	29,325	32,771	37,320	43,459	49,185	56,823	64,600
Penghapusan Piutang	4,122,096	6,473,921	11,946,011	19,595,607	26,027,540	32,565,981	37,175,472	41,843,913	46,621,908	53,138,823	58,889,146	69,099,290	76,915,155
Administrasi & Umum	1,636,161	1,505,560	2,222,182	2,717,586	3,738,797	4,390,800	5,699,943	6,226,145	7,589,671	8,283,071	10,097,063	10,702,887	13,421,728
Pembelian Air Olahan	980	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Biaya Operasional	15,351,575	20,421,574	31,674,904	45,082,393	59,613,204	72,571,361	82,602,280	90,949,665	103,161,789	115,806,654	131,044,531	148,426,230	169,036,919
LABA BERSIH OPERASI	(2,255,889)	13,650,694	22,310,022	36,401,728	45,117,033	47,421,097	55,901,744	65,313,453	70,249,213	78,846,695	87,245,646	105,289,552	112,607,602
Pendapatan Non Operasi	182,111	-	87,743	-	20,081	206,086	715,322	887,310	760,071	526,803	237,988	60,776	1,180,098
Biaya Non Operasi	54,633	-	26,323	-	6,024	61,826	214,597	266,193	228,021	158,041	71,396	18,233	354,029
LABA/ (RUGI) SEBELUM PENYUSUTAN & BUNGA	(2,128,411)	13,650,694	22,371,442	36,401,728	45,131,089	47,565,357	56,402,469	65,934,570	70,781,262	79,215,458	87,412,238	105,332,096	113,433,671
Penyusutan	1,486,277	5,333,678	8,698,361	16,244,500	23,380,982	30,141,828	28,010,887	28,572,487	30,525,479	32,561,878	35,392,200	38,953,921	41,011,688
Amortisasi	8,185	16,247	32,250	31,605	30,972	30,353	29,746	29,151	28,568	27,997	27,437	26,888	26,350
LABA/ (RUGI) SEBELUM BUNGA	(3,622,872)	8,300,769	13,640,832	20,125,623	21,719,136	17,393,177	28,361,837	37,332,932	40,227,215	46,625,583	51,992,602	66,351,287	72,395,632
Biaya Bunga + Denda+Jasa Bank	-	-	5,200,000	10,400,000	15,600,000	20,800,000	20,327,273	19,381,818	17,963,636	16,072,727	14,181,818	12,290,909	10,400,000
LABA/ (RUGI) SEBELUM PAJAK	(3,622,872)	8,300,769	8,440,832	9,725,623	6,119,136	(3,406,823)	8,034,564	17,951,114	22,263,579	30,552,856	37,810,784	54,060,378	61,995,632
Pajak Pendapatan	-	2,490,231	2,532,249	2,917,687	1,835,741	-	2,410,369	5,385,334	6,679,074	9,165,857	11,343,235	16,218,113	18,598,690
LABA/ (RUGI) BERSIH	(3,622,872)	5,810,538	5,908,582	6,807,936	4,283,395	(3,406,823)	5,624,195	12,565,780	15,584,505	21,386,999	26,467,549	37,842,265	43,396,942

PDAM TIRTA SIAK KOTA PEKANBARU

Tabel Proyeksi Perputaran Kas (Arus Kas)

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Laba/Rugi Sebelum Bunga	(3,622,872)	8,300,769	13,640,832	20,125,623	21,719,136	17,393,177	28,361,837	37,332,932	40,227,215	46,625,583	51,992,602	66,351,287	72,395,632
Dikurangi : Pembayaran Pajak Pendapatan Ta	-	-	2,490,231	2,532,249	2,917,687	1,835,741	-	2,410,369	5,385,334	6,679,074	9,165,857	11,343,235	16,218,113
Ditambah : Penyusutan & Amortisasi	1,494,461	5,349,924	8,730,610	16,276,105	23,411,954	30,172,181	28,040,633	28,601,638	30,554,047	32,589,875	35,419,636	38,980,809	41,038,039
Arus Kas Operasional	(2,128,411)	13,650,694	19,881,211	33,869,478	42,213,403	45,729,617	56,402,469	63,524,201	65,395,928	72,536,384	78,246,381	93,988,860	97,215,557
Ditambah: Saldo Kas Awal	400,973	1,410,184	2,644,404	3,616,065	5,558,103	7,349,573	8,947,154	10,183,843	11,212,972	12,718,577	14,277,533	16,156,175	18,299,124
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	671,805	1,084,217	1,556,717	1,934,717	2,312,717	2,388,317	2,539,517	2,728,517	2,917,517	3,030,917	3,257,717	3,446,717	3,635,717
Equity Pemerintah Daerah - Kebutuhan Investa	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit K	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	2,465,817	(4,683,223)	(4,500,059)	(6,504,134)	(3,324,057)	(1,724,673)	330,843	622,030	2,283,610	2,044,943	1,129,677	(3,971,774)	16,314,951
Kas Sebelum Kewajiban Pinjaman	1,410,184	11,461,871	19,582,273	32,916,126	46,760,166	53,742,835	68,219,984	77,058,590	81,810,029	90,330,822	96,911,309	109,619,979	135,465,350
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	3,636,364	7,272,727	10,909,091	14,545,455	14,545,455	14,545,455	14,545,455	14,545,455
2. Bunga/Biaya Administrasi Berjalan	-	-	5,200,000	10,400,000	15,600,000	20,800,000	20,327,273	19,381,818	17,963,636	16,072,727	14,181,818	12,290,909	10,400,000
Sub Jumlah	-	-	5,200,000	10,400,000	15,600,000	24,436,364	27,600,000	30,290,909	32,509,091	30,618,182	28,727,273	26,836,364	24,945,455
Jumlah Pembayaran Pinjaman	-	-	5.200.000	10.400.000	15.600.000	24.436.364	27.600.000	30.290.909	32.509.091	30.618.182	28.727.273	26.836.364	24.945.455
Kas Setelah Pembayaran Pinjaman	1,410,184	11,461,871	14,382,273	22,516,126	31,160,166	29,306,471	40,619,984	46,767,681	49,300,938	59,712,640	68,184,036	82,783,615	110,519,896
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	23,410,007	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	56,160,000	60,507,000	65,045,025	69,417,932	14,716,601	31,199,195	41,338,934	43,819,270	27,869,055	59,082,398	52,189,451	55,320,818
Detail Engineering Design	-	1,404,000	1,512,675	1,626,126	1,735,448	367,915	779,980	1,033,473	1,095,482	1,281,977	1,477,060	1,304,736	1,383,020
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	57,564,000	62,019,675	66,671,151	71,153,380	15,084,517	31,979,175	42,372,407	44,914,751	52,561,039	60,559,457	53,494,187	56,703,839
Kebutuhan Pendanaan	1,410,184	(46,102,129)	(47,637,402)	(44,155,024)	(39,993,214)	14,221,955	8,640,809	4,395,274	4,386,186	7,151,601	7,624,579	29,289,428	53,816,057
Dana Pinjaman/Bantuan Pemerintah													
Bantuan Pemerintah (APBN) - dari Project Cost	-	10,000,000	10,000,000	10,000,000	10,000,000	2,000,000	4,000,000	5,000,000	5,000,000	3,000,000	6,000,000	5,000,000	5,000,000
Pinjaman - 1	-	40,000,000	40,000,000	40,000,000	40,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	50,000,000	50,000,000	50,000,000	50,000,000	2,000,000	4,000,000	5,000,000	5,000,000	3,000,000	6,000,000	5,000,000	5,000,000
a. Kas Surplus/(Defisit)	1.410.184	3.897.871	2.362.598	5.844.976	10.006.786	16.221.955	12.640.809	9.395.274	9.386.186	10.151.601	13.624.579	34.289.428	58.816.057
b. Pembukaan/ Pencairan (Deposito)	-	1,253,467	(1,253,467)	286,872	2,657,213	7,274,800	2,456,966	(1,817,698)	(3,332,390)	(4,125,932)	(2,531,596)	15,990,303	37,975,889
Kumulatif Deposito	-	1,253,467	-	286,872	2,944,085	10,218,886	12,675,852	10,858,154	7,525,763	3,399,832	868,235	16,858,539	54,834,428
c. Penambahan Kekurangan Kas oleh Pemda			0										
d. Saldo Kas Akhir (a+b+c)	1,410,184	2,644,404	3,616,065	5,558,103	7,349,573	8,947,154	10,183,843	11,212,972	12,718,577	14,277,533	16,156,175	18,299,124	20,840,168
Kebutuhan Kas minimum 45 hari	2,226,565	2,644,404	3,905,125	5,558,103	7,349,573	8,947,154	10,183,843	11,212,972	12,718,577	14,277,533	16,156,175	18,299,124	20,840,168
Kekurangan Kas - (Rp.000)	(816,381)	0	(289,060)	0	0	0	0	0	0	0	0	0	0
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(816,381)	0	(289,060)	0	0	0	0	0	0	0	0	0	0

PDAM TIRTA SIAK KOTA PEKANBARU

Tabel Proyeksi Neraca

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	1,410,184	2,644,404	3,616,065	5,558,103	7,349,573	8,947,154	10,183,843	11,212,972	12,718,577	14,277,533	16,156,175	18,299,124	20,840,168
Deposito	-	1,253,467	-	286,872	2,944,085	10,218,886	12,675,852	10,858,154	7,525,763	3,399,832	868,235	16,858,539	54,834,428
Piutang Air - Bersih	5,212,990	10,135,635	14,313,865	21,067,992	25,282,745	28,168,703	28,485,416	27,995,431	26,688,136	25,252,860	25,157,296	29,408,725	32,676,204
Piutang Non Air - Bersih	1,065	444,744	858,472	892,477	895,272	237,968	348,326	439,588	447,089	283,322	516,437	453,406	448,225
Piutang Lain-lain	147,515	316,235	1,056,132	1,716,421	2,274,589	2,833,144	3,229,607	3,632,013	4,043,755	4,601,832	5,097,347	5,971,971	6,642,574
Uang Muka	-	-	-	-	-	-	-	-	-	-	-	-	-
Persediaan	135,038	259,724	689,467	1,035,124	1,411,284	1,789,486	1,866,307	2,056,475	2,335,938	2,686,601	3,062,409	3,551,551	4,006,144
Jumlah Aktiva Lancar	6,906,792	15,054,209	20,534,001	30,556,990	40,157,549	52,195,341	56,789,350	56,194,634	53,759,258	50,501,980	50,857,900	74,543,316	119,447,743
AKTIVA TETAP													
Tanah	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899
Aktiva tetap air minum diluar Tanah	42,345,246	71,127,246	99,909,246	161,928,921	228,600,072	299,753,452	314,837,968	346,817,143	389,189,550	434,104,301	486,665,340	547,224,797	600,718,985
Akumulasi Penyusutan aktiva tetap air minum	(33,304,619)	(38,638,296)	(47,336,657)	(63,581,157)	(86,962,139)	(117,103,967)	(145,114,853)	(173,687,340)	(204,212,819)	(236,774,697)	(272,166,897)	(311,120,817)	(352,132,506)
Aktiva Tetap Leasing	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Akumulasi Penyusutan Aktiva Tetap Leasing	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)
Nilai Buku Aktiva Tetap	10,653,526	34,101,848	54,185,488	99,960,662	143,250,831	184,262,384	171,336,014	174,742,702	186,589,629	198,942,503	216,111,342	237,716,879	250,199,377
Aktiva Dalam Penyelesaian	-	28,782,000	62,019,675	66,671,151	71,153,380	15,084,517	31,979,175	42,372,407	44,914,751	52,561,039	60,559,457	53,494,187	56,703,839
Aktiva Lain-lain	1,628,722	1,612,475	1,580,226	1,548,621	1,517,649	1,487,296	1,457,550	1,428,399	1,399,831	1,371,834	1,344,398	1,317,510	1,291,160
JUMLAH AKTIVA	19,189,040	79,550,533	138,319,390	198,737,425	256,079,409	253,029,537	261,562,088	274,738,142	286,663,470	303,377,356	328,873,097	367,071,892	427,642,119
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	880,485	1,275,400	1,676,739	2,166,096	2,854,412	3,400,017	3,860,779	4,173,448	4,805,268	5,326,076	6,132,414	6,741,917	767,681
Hutang Lancar Lain-lain	1,173,257	1,699,486	2,234,275	2,886,350	3,803,539	4,530,564	5,144,535	5,561,171	6,403,078	7,097,061	8,171,516	8,983,686	35,313,343
Hutang Pajak	137,182	192,544	517,956	666,468	888,781	1,056,889	1,213,354	1,299,930	1,501,225	1,641,074	1,898,833	2,057,549	2,404,573
Hutang Pajak Ps.25	-	2,490,231	2,532,249	2,917,687	1,835,741	-	2,410,369	5,385,334	6,679,074	9,165,857	11,343,235	16,218,113	18,598,690
Hutang yang akan Jatuh Tempo	-	-	-	-	3,636,364	7,272,727	10,909,091	14,545,455	14,545,455	14,545,455	14,545,455	14,545,455	14,545,455
JUMLAH KEWAJIBAN LANCAR	2,190,925	5,657,661	6,961,219	8,636,600	13,018,836	16,260,197	23,538,127	30,965,338	33,934,099	37,775,523	42,091,452	48,546,720	71,629,742
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Bln Jatuh Tempo	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399
Hutang Jangka Panjang - Tunggal	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	-	40,000,000	80,000,000	120,000,000	156,363,636	149,090,909	138,181,818	123,636,364	109,090,909	94,545,455	80,000,000	65,454,545	50,909,091
JUMLAH HUTANG JANGKA PANJANG	960,399	40,960,399	80,960,399	120,960,399	157,324,035	150,051,308	139,142,217	124,596,762	110,051,308	95,505,853	80,960,399	66,414,944	51,869,490
KEWAJIBAN LAIN-LAIN													
Jaminan Lagganan	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690
Cadangan Dana Meter	1,393,436	2,477,654	4,034,371	5,969,088	8,281,806	10,670,123	13,209,641	15,938,158	18,855,675	21,886,593	25,144,310	28,591,028	32,226,745
Kewajiban Lain-lain	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748
Jumlah Kewajiban Lain-lain	4,658,874	5,743,092	7,299,809	9,234,526	11,547,244	13,935,561	16,475,079	19,203,596	22,121,113	25,152,031	28,409,748	31,856,466	35,492,183
MODAL													
Revaluasi Aset	-	-	-	-	-	-	-	-	-	-	-	-	-
Penyertaan Pemerintah Daerah	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266
Penyertaan Pemerintah Pusat/Hibah	11,719,366	21,719,366	31,719,366	41,719,366	51,719,366	61,719,366	71,719,366	81,719,366	91,719,366	101,719,366	111,719,366	121,719,366	131,719,366
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Cadangan Dana	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666
Akumulasi Rugi/Laba	(6,269,583)	(9,892,455)	(4,081,917)	1,826,665	8,634,601	12,917,996	9,511,173	15,135,368	27,701,147	43,285,652	64,672,651	91,140,200	128,982,465
Rugi/Laba Tahun Berjalan	(3,622,872)	5,810,538	5,908,582	6,807,936	4,283,395	(3,406,823)	5,624,195	12,565,780	15,584,505	21,386,999	26,467,549	37,842,265	43,396,942
Jumlah Modal	11,378,843	27,189,381	43,097,963	59,905,899	74,189,294	72,782,471	82,406,665	99,972,445	120,556,950	144,943,949	177,411,498	220,253,762	268,650,705
JUMLAH KEWAJIBAN & MODAL	19,189,040	79,550,533	138,319,390	198,737,425	256,079,409	253,029,537	261,562,088	274,738,142	286,663,470	303,377,356	328,873,097	367,071,892	427,642,119
<i>Control</i>	-	-	-	-	-	-	-	-	-	-	-	-	-

MIDDLE COURSE

PDAM TIRTA SIAK KOTA PEKANBARU													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	11,507,327	21,348,077	34,638,777	48,101,568	63,910,530	76,780,680	82,932,302	88,300,065	88,257,610	88,226,584	88,226,584	88,226,584	88,226,584
Administrasi & Beban Tetap	738,421	1,030,842	1,494,088	1,824,855	2,219,672	2,238,588	2,310,588	2,346,588	2,382,588	2,382,588	2,382,588	2,382,588	2,382,588
Jumlah Pendapatan Penjualan Air	12,245,748	22,378,919	36,132,865	49,926,423	66,130,202	79,019,268	85,242,890	90,646,653	90,640,198	90,609,172	90,609,172	90,609,172	90,609,172
Pendapatan air kotor													
Pendapatan Non Air (Sambungan Baru)	-	10,000,000	10,000,000	10,000,000	10,000,000	1,000,000	2,000,000	1,000,000	1,000,000	-	-	-	-
Pendapatan Non Air Lainnya (Denda, Samb. Kerm)	849,937	1,446,712	2,335,852	3,227,554	4,275,066	5,108,295	5,510,629	5,859,962	5,859,544	5,857,539	5,857,539	5,857,539	5,857,539
Jumlah Pendapatan Non Air	849,937	11,446,712	12,335,852	13,227,554	14,275,066	6,108,295	7,510,629	6,859,962	6,859,544	5,857,539	5,857,539	5,857,539	5,857,539
Jumlah Pendapatan Operasional	13,095,686	33,825,631	48,468,717	63,153,977	80,405,268	85,127,563	92,753,519	97,506,615	97,499,742	96,466,710	96,466,710	96,466,710	96,466,710
BIAYA OPERASI													
Pegawai	4,280,172	5,361,680	7,345,208	8,356,016	10,771,849	11,934,278	14,615,616	15,061,214	17,320,396	17,832,834	20,507,759	20,507,759	24,261,622
Biaya Energi	2,591,615	3,289,655	4,439,798	6,006,936	7,827,201	9,473,297	10,269,624	11,162,790	12,069,209	13,049,228	14,108,826	15,254,462	16,493,125
Bahan Kimia	2,436,550	3,092,823	4,174,149	5,647,519	7,358,871	8,906,476	9,655,155	10,494,880	11,347,064	12,268,446	13,264,644	14,341,733	15,506,281
Bahan Pembantu/Pemeliharaan	277,577	549,811	1,361,449	2,721,148	4,279,291	5,905,681	5,789,407	5,659,956	5,342,800	5,059,252	4,523,127	4,000,516	3,532,431
Biaya Operasi Lainnya	6,425	10,172	13,729	18,575	24,203	29,293	31,756	34,517	37,320	40,351	43,627	47,170	51,000
Penghapusan Piutang	4,122,096	6,404,423	10,391,633	14,430,470	19,173,159	23,034,204	24,879,691	26,490,020	26,477,283	26,467,975	26,467,975	26,467,975	26,467,975
Administrasi & Umum	1,636,161	1,505,560	2,222,182	2,717,586	3,738,797	4,390,800	5,699,943	6,226,145	7,589,671	8,283,071	10,097,063	10,702,887	13,421,728
Jumlah Biaya Operasional	15,351,575	20,214,123	29,948,148	39,898,252	53,173,371	63,674,030	70,941,192	75,129,522	80,183,744	83,001,156	89,013,020	91,322,502	99,734,161
LABA BERSIH OPERASI	(2,255,889)	13,611,508	18,520,570	23,255,725	27,231,898	21,453,533	21,812,328	22,377,093	17,315,999	13,465,554	7,453,690	5,144,208	(3,267,451)
Pendapatan Non Operasi	182,111	-	204,014	208,731	71,036	-	-	-	-	-	-	-	-
Biaya Non Operasi	54,633	-	61,204	62,619	21,311	-	-	-	-	-	-	-	-
LABA/ (RUGI) SEBELUM PENYUSUTAN & BUNGA	(2,128,411)	13,611,508	18,663,379	23,401,837	27,281,623	21,453,533	21,812,328	22,377,093	17,315,999	13,465,554	7,453,690	5,144,208	(3,267,451)
Penyusutan	1,486,277	4,519,020	7,184,338	13,189,315	18,871,085	24,256,227	21,677,353	20,419,834	18,489,438	16,889,804	14,499,525	12,447,523	10,685,924
Amortisasi	8,185	16,247	32,250	31,605	30,972	30,353	29,746	29,151	28,568	27,997	27,437	26,888	26,350
LABA/ (RUGI) SEBELUM BUNGA	(3,622,872)	9,076,241	11,446,792	10,180,917	8,379,565	(2,833,047)	105,228	1,928,108	(1,202,008)	(3,452,246)	(7,073,271)	(7,330,202)	(13,979,725)
Biaya Bunga + Denda+Jasa Bank	-	-	3,900,000	7,800,000	11,700,000	15,600,000	15,245,455	14,536,364	13,472,727	12,054,545	10,636,364	9,218,182	7,800,000
LABA/ (RUGI) SEBELUM PAJAK	(3,622,872)	9,076,241	7,546,792	2,380,917	(3,320,435)	(18,433,047)	(15,140,226)	(12,608,255)	(14,674,735)	(15,506,792)	(17,709,635)	(16,548,384)	(21,779,725)
Pajak Pendapatan	-	2,722,872	2,264,038	714,275	-	-	-	-	-	-	-	-	-
LABA/ (RUGI) BERSIH	(3,622,872)	6,353,369	5,282,754	1,666,642	(3,320,435)	(18,433,047)	(15,140,226)	(12,608,255)	(14,674,735)	(15,506,792)	(17,709,635)	(16,548,384)	(21,779,725)

PDAM TIRTA SIAK KOTA PEKANBARU													
Tabel Proyeksi Perputaran Kas (Arus Kas)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Laba/Rugi Sebelum Bunga	(3,622,872)	9,076,241	11,446,792	10,180,917	8,379,565	(2,833,047)	105,228	1,928,108	(1,202,008)	(3,452,246)	(7,073,271)	(7,330,202)	(13,979,725)
Dikurangi : Pembayaran Pajak Pendapatan Tak	-	-	2,722,872	2,264,038	714,275	-	-	-	-	-	-	-	-
Ditambah : Penyusutan & Amortisasi	1,494,461	4,535,267	7,216,587	13,220,920	18,902,058	24,286,580	21,707,099	20,448,985	18,518,006	16,917,800	14,526,961	12,474,411	10,712,274
Arus Kas Operasional	(2,128,411)	13,611,508	15,940,507	21,137,799	26,567,348	21,453,533	21,812,328	22,377,093	17,315,999	13,465,554	7,453,690	5,144,208	(3,267,451)
Ditambah: Saldo Kas Awal	400,973	1,410,184	2,594,748	3,692,237	4,918,963	3,484,619	6,603,075	1,193,753	(654,078)	(7,744,777)	(11,525,768)	(20,514,928)	(32,564,943)
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	671,805	1,084,217	1,556,717	1,934,717	2,312,717	2,350,517	2,426,117	2,463,917	2,501,717	2,501,717	2,501,717	2,501,717	2,501,717
Equity Pemerintah Daerah - Kebutuhan Investasi	-	-	-	-	-	3,000,000	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	(2,202,349)	846,574	(928,772)	(1,979,527)	(906,876)	637,943	601,997	(287,901)	363,185	(38,897)	1,105,486	542,758	25,403,882
Kas Sebelum Kewajiban Pinjaman	(3,257,983)	16,952,482	19,163,201	24,785,227	32,892,151	30,926,612	31,443,517	25,746,862	19,526,823	8,183,597	(464,874)	(12,326,243)	(7,926,795)
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	2,727,273	5,454,545	8,181,818	10,909,091	10,909,091	10,909,091	10,909,091	10,909,091
2. Bunga/Biaya Administrasi Berjalan	-	-	3,900,000	7,800,000	11,700,000	15,600,000	15,245,455	14,536,364	13,472,727	12,054,545	10,636,364	9,218,182	7,800,000
Sub Jumlah	-	-	3,900,000	7,800,000	11,700,000	18,327,273	20,700,000	22,718,182	24,381,818	22,963,636	21,545,455	20,127,273	18,709,091
Jumlah Pembayaran Pinjaman	-	-	3.900.000	7.800.000	11.700.000	18.327.273	20.700.000	22.718.182	24.381.818	22.963.636	21.545.455	20.127.273	18.709.091
Kas Setelah Pembayaran Pinjaman	(3,257,983)	16,952,482	15,263,201	16,985,227	21,192,151	12,599,339	10,743,517	3,028,680	(4,854,995)	(14,780,039)	(22,010,329)	(32,453,516)	(26,635,886)
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Fasilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	-	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	44,928,000	48,405,600	52,036,020	55,534,345	5,886,641	12,479,678	6,614,229	7,011,083	-	-	-	-
Detail Engineering Design	-	1,123,200	1,210,140	1,300,901	1,388,359	147,166	311,992	165,356	175,277	-	-	-	-
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	46,051,200	49,615,740	53,336,921	56,922,704	6,033,807	12,791,670	6,779,585	7,186,360	-	-	-	-
Kebutuhan Pendanaan	(3,257,983)	(29,098,718)	(34,352,539)	(36,351,693)	(35,730,553)	6,565,533	(2,048,153)	(3,750,905)	(12,041,355)	(14,780,039)	(22,010,329)	(32,453,516)	(26,635,886)
Dana Pinjaman/Bantuan Pemerintah													
Bantuan Pemerintah (APBN) - dari Project Cost	-	10,000,000	10,000,000	10,000,000	10,000,000	1,000,000	2,000,000	1,000,000	1,000,000	-	-	-	-
Pinjaman - WMD	-	30,000,000	30,000,000	30,000,000	30,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	40,000,000	40,000,000	40,000,000	40,000,000	1,000,000	2,000,000	1,000,000	1,000,000	-	-	-	-
a. Kas Surplus/(Defisit)	(3.257.983)	10.901.282	5.647.461	3.648.307	4.269.447	7.565.533	(40.153)	(2.750.905)	(11.041.355)	(14.780.039)	(22.010.329)	(32.453.516)	(26.635.886)
b. Pembukaan/ Pencairan (Deposito)	-	8.238.276	1.955.224	(1.270.656)	(2.286.174)	(284.690)	(6.351.980)	-	-	-	-	-	-
Kumulatif Deposito	-	8.238.276	10.193.500	8.922.844	6.636.670	6.351.980	-	-	-	-	-	-	-
c. Penambahan Kekurangan Kas oleh Pemda	-	-	0	0	0	0	0	0	0	0	0	0	0
d. Saldo Kas Akhir (a+b+c)	(3,257,983)	2,663,006	3,692,237	4,918,963	6,555,621	7,850,223	6,303,827	(2,750,905)	(11,041,355)	(14,780,039)	(22,010,329)	(32,453,516)	(26,635,886)
Kebutuhan Kas minimum 45 hari	2,226,565	2,594,748	3,692,237	4,918,963	6,555,621	7,850,223	8,746,174	9,262,544	9,885,667	10,233,019	10,974,208	11,258,939	12,295,992
Kekurangan Kas - (Rp.000)	(5,484,547)	0	0	0	0	0	(2,442,347)	(12,013,449)	(20,927,022)	(25,013,058)	(32,984,537)	(43,712,455)	(38,931,878)
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(5,484,547)	0	0	0	0	0	(2,442,347)	(12,013,449)	(20,927,022)	(25,013,058)	(32,984,537)	(43,712,455)	(38,931,878)

PDAM TIRTA SIAK KOTA PEKANBARU

Tabel Proyeksi Neraca

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	1,410,184	2,594,748	3,692,237	4,918,963	3,484,619	6,603,075	1,193,753	(654,078)	(7,744,777)	(11,525,768)	(20,514,928)	(32,564,943)	(36,041,609)
Deposito	-	2,914,482	2,981,868	1,014,801	-	-	-	-	-	-	-	-	-
Piutang Air - Bersih	5,212,990	9,957,923	12,610,437	15,879,270	19,023,037	20,312,174	19,443,019	18,059,336	15,487,246	12,901,788	11,611,609	11,611,609	11,611,609
Piutang Non Air - Bersih	1,065	444,744	858,472	892,477	895,272	155,776	177,187	96,755	90,144	7,409	609	50	4
Piutang Lain-lain	147,515	310,313	923,681	1,276,292	1,690,517	2,020,006	2,179,103	2,317,242	2,317,077	2,316,284	2,316,284	2,316,284	2,316,284
Uang Muka	-	-	-	-	-	-	-	-	-	-	-	-	-
Persediaan	135,038	247,453	662,328	1,001,301	1,392,492	1,772,257	1,847,924	1,932,907	1,996,923	2,073,238	2,128,286	2,194,628	2,277,959
Jumlah Aktiva Lancar	6,906,792	16,469,662	21,729,023	24,983,104	26,485,937	30,863,288	24,840,985	21,752,162	12,146,613	5,772,951	(4,458,140)	(16,442,371)	(19,835,752)
AKTIVA TETAP													
Tanah	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899
Aktiva tetap air minum diluar Tanah	42,345,246	65,370,846	88,396,446	138,012,186	191,349,107	248,271,811	254,305,617	267,097,287	273,876,872	281,063,232	281,063,232	281,063,232	281,063,232
Akumulasi Penyusutan aktiva tetap air minum	(33,304,619)	(37,823,639)	(45,007,977)	(58,197,292)	(77,068,378)	(101,324,605)	(123,001,958)	(143,421,792)	(161,911,230)	(178,801,034)	(193,300,558)	(205,748,081)	(216,434,005)
Aktiva Tetap Leasing	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Akumulasi Penyusutan Aktiva Tetap Leasing	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)
Nilai Buku Aktiva Tetap	10,653,526	29,160,106	45,001,368	81,427,793	115,893,628	148,560,104	132,916,558	125,288,394	113,578,541	103,875,097	89,375,573	76,928,050	66,242,126
Aktiva Dalam Penyelesaian	-	23,025,600	49,615,740	53,336,921	56,922,704	6,033,807	12,791,670	6,779,585	7,186,360	0	0	0	0
Aktiva Lain-lain	1,628,722	1,612,475	1,580,226	1,548,621	1,517,649	1,487,296	1,457,550	1,428,399	1,399,831	1,371,834	1,344,398	1,317,510	1,291,160
JUMLAH AKTIVA	19,189,040	70,267,843	117,926,357	161,296,438	200,819,917	186,944,495	172,006,763	155,248,540	134,311,345	111,019,883	86,261,831	61,803,189	47,697,533
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	880,485	1,251,951	1,662,088	2,164,481	2,889,644	3,453,938	3,914,721	4,133,822	4,564,458	4,804,698	5,315,640	5,511,921	610,552
Hutang Lancar Lain-lain	1,173,257	1,668,240	2,214,753	2,884,197	3,850,486	4,602,414	5,216,413	5,508,369	6,082,196	6,402,319	7,083,156	7,344,702	28,085,371
Hutang Pajak	137,182	189,078	510,305	656,952	883,539	1,052,109	1,208,249	1,265,126	1,405,576	1,467,916	1,635,093	1,674,381	1,916,525
Hutang Pajak Ps.25	-	2,722,872	2,264,038	1,386,841	550,412	-	-	-	-	-	-	-	-
Hutang yang akan Jatuh Tempo	-	-	-	-	2,727,273	5,454,545	8,181,818	10,909,091	10,909,091	10,909,091	10,909,091	10,909,091	10,909,091
JUMLAH KEWAJIBAN LANCAR	2,190,925	5,832,142	6,651,184	7,092,472	10,901,353	14,563,006	18,521,201	21,816,407	22,961,321	23,584,024	24,942,980	25,440,095	41,521,539
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Bln Jatuh Tempo	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399
Hutang Jangka Panjang - Tunggakan	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	-	30,000,000	60,000,000	90,000,000	117,272,727	111,818,182	103,636,364	92,727,273	81,818,182	70,909,091	60,000,000	49,090,909	38,181,818
JUMLAH HUTANG JANGKA PANJANG	960,399	30,960,399	60,960,399	90,960,399	118,233,126	112,778,580	104,596,762	93,687,671	82,778,580	71,869,490	60,960,399	50,051,308	39,142,217
KEWAJIBAN LAIN-LAIN													
Jaminan Langganan	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690
Cadangan Dana Meter	1,393,436	2,477,654	4,034,371	5,969,088	8,281,806	10,632,323	13,058,441	15,522,358	18,024,075	20,525,793	23,027,510	25,529,228	28,030,945
Kewajiban Lain-lain	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748
Jumlah Kewajiban Lain-lain	4,658,874	5,743,092	7,299,809	9,234,526	11,547,244	13,897,761	16,323,879	18,787,796	21,289,513	23,791,231	26,292,948	28,794,666	31,296,383
MODAL													
Penyertaan Pemerintah Daerah	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	11,127,266	11,127,266	11,127,266	11,127,266	11,127,266	11,127,266	11,127,266	11,127,266
MTI Grant	11,719,366	21,719,366	31,719,366	41,719,366	51,719,366	61,719,366	71,719,366	81,719,366	91,719,366	101,719,366	111,719,366	121,719,366	131,719,366
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in Capital/Modal Disetor	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666
Akumulasi Rugi/Laba	(6,269,583)	(9,892,455)	(13,539,087)	(17,185,719)	(20,832,351)	(24,478,983)	(28,125,615)	(31,772,247)	(35,418,879)	(39,065,511)	(42,712,143)	(46,358,775)	(50,005,407)
Rugi/Laba Tahun Berjalan	(3,622,872)	6,353,369	5,282,754	1,666,642	(3,320,435)	(18,433,047)	(15,140,226)	(12,608,255)	(14,674,735)	(15,506,792)	(17,709,635)	(16,548,384)	(21,779,725)
Jumlah Modal	11,378,843	27,732,211	43,014,966	54,681,607	62,930,493	53,102,175	44,522,347	36,490,275	18,909,395	124,703	(20,887,676)	(39,990,959)	(64,536,922)
JUMLAH KEWAJIBAN & MODAL	19,189,040	70,267,843	117,926,357	161,969,004	203,612,216	194,341,524	183,964,189	170,782,150	145,938,809	119,369,447	91,308,650	64,295,110	47,423,217

WORST CASE

PDAM TIRTA SIAK KOTA PEKANBARU													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	11,507,327	20,893,581	28,602,858	39,942,222	50,203,101	56,787,946	60,195,223	60,195,223	60,195,223	60,195,223	59,299,564	58,158,489	57,017,415
Administrasi & Beban Tetap	738,421	994,875	1,457,808	1,789,201	2,001,997	1,986,588	1,986,588	1,986,588	1,986,588	1,986,588	1,986,588	1,986,588	1,986,588
Jumlah Pendapatan Penjualan Air	12,245,748	21,888,456	30,060,666	41,731,423	52,205,098	58,774,534	62,181,811	62,181,811	62,181,811	62,181,811	61,286,152	60,145,077	59,004,003
Pendapatan Non Air (Sambungan Baru)	-	9,000,000	10,000,000	10,000,000	5,000,000	-	-	-	-	-	-	-	-
Pendapatan Non Air Lainnya (Denda, Samb. Kerr)	849,937	1,415,005	1,943,308	2,697,778	3,374,861	3,799,550	4,019,818	4,019,818	4,019,818	4,019,818	3,961,917	3,888,151	3,814,385
Jumlah Pendapatan Non Air	849,937	10,415,005	11,943,308	12,697,778	8,374,861	3,799,550	4,019,818	4,019,818	4,019,818	4,019,818	3,961,917	3,888,151	3,814,385
Jumlah Pendapatan Operasional	13,095,686	32,303,462	42,003,974	54,429,201	60,579,959	62,574,085	66,201,629	66,201,629	66,201,629	66,201,629	65,248,069	64,033,228	62,818,388
BIAYA OPERASI													
Pegawai	4,280,172	5,361,680	7,345,208	8,356,016	10,771,849	11,934,278	14,615,616	15,061,214	17,320,396	17,832,834	20,507,759	20,507,759	24,261,622
Biaya Energi	2,591,615	3,399,402	4,654,739	6,441,319	8,221,075	9,334,068	9,908,397	10,712,959	11,797,475	12,996,243	14,108,826	15,254,462	16,493,125
Bahan Kimia	2,436,550	3,196,003	4,376,229	6,055,911	7,729,179	8,775,577	9,315,542	10,071,964	11,091,589	12,218,631	13,264,644	14,341,733	15,506,281
Bahan Pembantu/Pemeliharaan	277,577	494,305	1,258,771	2,628,966	4,197,583	4,934,886	4,571,346	4,069,223	3,595,279	3,173,272	2,801,869	2,475,881	2,190,021
Biaya Operasi Lainnya	6,425	10,512	14,393	19,918	25,421	28,863	30,639	33,126	36,480	40,187	43,627	47,170	51,000
Penghapusan Piutang	4,122,096	6,268,074	8,580,857	11,982,667	15,060,930	17,036,384	18,058,567	18,058,567	18,058,567	18,058,567	17,789,869	17,447,547	17,105,225
Administrasi & Umum	1,636,161	1,505,560	2,222,182	2,717,586	3,738,797	4,390,800	5,699,943	6,226,145	7,589,671	8,283,071	10,097,063	10,702,887	13,421,728
Jumlah Biaya Operasional	15,351,575	20,235,535	28,452,381	38,202,383	49,744,834	56,434,855	62,200,050	64,233,198	69,489,458	72,602,804	78,613,657	80,777,438	89,029,001
LABA BERSIH OPERASI	(2,255,889)	12,067,927	13,551,593	16,226,818	10,835,125	6,139,229	4,001,579	1,968,431	(3,287,829)	(6,401,175)	(13,365,588)	(16,744,210)	(26,210,613)
Pendapatan Non Operasi	182,111	-	161,019	2,415	-	-	-	-	-	-	-	-	-
Biaya Non Operasi	54,633	-	48,306	725	-	-	-	-	-	-	-	-	-
LABA/ (RUGI) SEBELUM PENYUSUTAN & BUNGA	(2,128,411)	12,067,927	13,664,306	16,228,509	10,835,125	6,139,229	4,001,579	1,968,431	(3,287,829)	(6,401,175)	(13,365,588)	(16,744,210)	(26,210,613)
Penyusutan	1,486,277	3,867,295	6,624,845	10,387,936	13,235,632	15,266,790	16,914,097	18,781,418	16,387,701	13,729,717	11,410,496	9,467,439	7,852,603
Amortisasi	8,185	16,247	32,250	31,605	30,972	30,353	29,746	29,151	28,568	27,997	27,437	26,888	26,350
LABA/ (RUGI) SEBELUM BUNGA	(3,622,872)	8,184,386	7,007,211	5,808,968	(2,431,480)	(9,157,913)	(12,942,264)	(16,842,139)	(19,704,098)	(20,158,889)	(24,803,521)	(26,238,537)	(34,089,566)
Biaya Bunga + Denda+Jasa Bank	-	-	3,510,000	7,410,000	11,310,000	13,260,000	12,940,909	12,267,273	11,239,091	10,033,636	8,828,182	7,622,727	6,417,273
LABA/ (RUGI) SEBELUM PAJAK	(3,622,872)	8,184,386	3,497,211	(1,601,032)	(13,741,480)	(22,417,913)	(25,883,173)	(29,109,411)	(30,943,188)	(30,192,525)	(33,631,703)	(33,861,264)	(40,506,839)
Pajak Pendapatan	-	2,455,316	1,049,163	-	-	-	-	-	-	-	-	-	-
LABA/(RUGI) BERSIH	(3,622,872)	5,729,070	2,448,048	(1,601,032)	(13,741,480)	(22,417,913)	(25,883,173)	(29,109,411)	(30,943,188)	(30,192,525)	(33,631,703)	(33,861,264)	(40,506,839)

PDAM TIRTA SIAK KOTA PEKANBARU

Tabel Proyeksi Perputaran Kas (Arus Kas)

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Laba/Rugi Sebelum Bunga	(3,622,872)	8,184,386	7,007,211	5,808,968	(2,431,480)	(9,157,913)	(12,942,264)	(16,842,139)	(19,704,098)	(20,158,889)	(24,803,521)	(26,238,537)	(34,089,566)
Dikurangi : Pembayaran Pajak Pendapatan Ta	-	-	2,455,316	1,049,163	-	-	-	-	-	-	-	-	-
Ditambah : Penyusutan & Amortisasi	1,494,461	3,883,541	6,657,095	10,419,540	13,266,605	15,297,143	16,943,843	18,810,569	16,416,269	13,757,713	11,437,933	9,494,327	7,878,953
Arus Kas Operasional	(2,128,411)	12,067,927	11,208,991	15,179,345	10,835,125	6,139,229	4,001,579	1,968,431	(3,287,829)	(6,401,175)	(13,365,588)	(16,744,210)	(26,210,613)
Ditambah: Saldo Kas Awal	400,973	1,410,184	2,576,225	3,507,828	(2,210,582)	(9,130,730)	(15,608,738)	(25,689,574)	(39,609,240)	(58,419,943)	(79,658,834)	(106,674,913)	(137,605,948)
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	671,805	1,046,417	1,518,917	1,896,917	2,085,917	2,085,917	2,085,917	2,085,917	2,085,917	2,085,917	2,085,917	2,085,917	2,085,917
Equity Pemerintah Daerah - Kebutuhan Investa	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit K	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	(2,202,349)	959,588	(753,883)	(1,878,666)	(153,215)	1,695,531	1,537,771	98,588	702,957	351,478	1,204,446	422,605	22,829,261
Kas Sebelum Kewajiban Pinjaman	(3,257,983)	15,484,116	14,550,249	18,705,425	10,557,245	789,948	(7,983,470)	(21,536,639)	(40,108,194)	(62,383,723)	(89,734,059)	(120,910,601)	(138,901,383)
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	2,454,545	5,181,818	7,909,091	9,272,727	9,272,727	9,272,727	9,272,727	9,272,727
2. Bunga/Biaya Administrasi Berjalan	-	-	3,510,000	7,410,000	11,310,000	13,260,000	12,940,909	12,267,273	11,239,091	10,033,636	8,828,182	7,622,727	6,417,273
Sub Jumlah	-	-	3,510,000	7,410,000	11,310,000	15,714,545	18,122,727	20,176,364	20,511,818	19,306,364	18,100,909	16,895,455	15,690,000
Jumlah Pembayaran Pinjaman	-	-	3,510.000	7,410.000	11,310.000	15,714,545	18,122,727	20,176,364	20,511,818	19,306,364	18,100,909	16,895,455	15,690,000
Kas Setelah Pembayaran Pinjaman	(3,257,983)	15,484,116	11,040,249	11,295,425	(752,755)	(14,924,598)	(26,106,198)	(41,713,002)	(60,620,013)	(81,690,087)	(107,834,968)	(137,806,056)	(154,591,383)
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Fasilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	-	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	40,435,200	48,405,600	52,036,020	27,767,173	-	-	-	-	-	-	-	-
Detail Engineering Design	-	1,010,880	1,210,140	1,300,901	694,179	-	-	-	-	-	-	-	-
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	41,446,080	49,615,740	53,336,921	28,461,352	-	-	-	-	-	-	-	-
Kebutuhan Pendanaan	(3,257,983)	(25,961,964)	(38,575,491)	(42,041,496)	(29,214,107)	(14,924,598)	(26,106,198)	(41,713,002)	(60,620,013)	(81,690,087)	(107,834,968)	(137,806,056)	(154,591,383)
Dana Pinjaman/Bantuan Pemerintah													
Bantuan Pemerintah (APBN) - dari Project Cost	-	9,000,000	10,000,000	10,000,000	5,000,000	-	-	-	-	-	-	-	-
Pinjaman - WMD	-	27,000,000	30,000,000	30,000,000	15,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	36,000,000	40,000,000	40,000,000	20,000,000	-	-	-	-	-	-	-	-
a. Kas Surplus/(Defisit)	(3,257,983)	10,038,036	1,424,509	(2,041,496)	(9,214,107)	(14,924,598)	(26,106,198)	(41,713,002)	(60,620,013)	(81,690,087)	(107,834,968)	(137,806,056)	(154,591,383)
b. Pembukaan/ Pencairan (Deposito)	-	6,975,326	(2,083,319)	(4,892,007)	-	-	-	-	-	-	-	-	-
Kumulatif Deposito	-	6,975,326	4,892,007	-	-	-	-	-	-	-	-	-	-
c. Penambahan Kekurangan Kas oleh Pemda			0										
d. Saldo Kas Akhir (a+b+c)	(3,257,983)	3,062,710	3,507,828	2,850,511	(9,214,107)	(14,924,598)	(26,106,198)	(41,713,002)	(60,620,013)	(81,690,087)	(107,834,968)	(137,806,056)	(154,591,383)
Kebutuhan Kas minimum 45 hari	2,226,565	2,576,225	3,507,828	4,709,883	6,132,925	6,957,722	7,668,499	7,919,161	8,567,193	8,951,031	9,692,095	9,958,862	10,976,178
Kekurangan Kas - (Rp.000)	(5,484,547)	0	0	(1,859,371)	(15,347,032)	(21,882,319)	(33,774,697)	(49,632,164)	(69,187,206)	(90,641,117)	(117,527,063)	(147,764,918)	(165,567,561)
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(5,484,547)	0	0	(1,859,371)	(15,347,032)	(21,882,319)	(33,774,697)	(49,632,164)	(69,187,206)	(90,641,117)	(117,527,063)	(147,764,918)	(165,567,561)

PDAM TIRTA SIAK KOTA PEKANBARU													
Tabel Proyeksi Neraca													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	1,410,184	2,576,225	3,507,828	(2,210,582)	(9,130,730)	(15,608,738)	(25,689,574)	(39,609,240)	(58,419,943)	(79,658,834)	(106,674,913)	(137,605,948)	(161,491,869)
Deposito	-	2,300,275	34,506	-	-	-	-	-	-	-	-	-	-
Piutang Air - Bersih	5,212,990	9,644,612	10,596,345	13,393,270	15,119,172	15,227,116	14,282,015	12,496,763	10,711,511	8,926,259	7,923,210	7,782,529	7,641,849
Piutang Non Air - Bersih	1,065	437,988	857,917	892,432	484,309	39,806	3,272	269	22	2	0	0	0
Piutang Lain-lain	147,515	300,562	768,455	1,066,800	1,334,543	1,502,480	1,589,582	1,589,582	1,589,582	1,589,582	1,566,686	1,537,516	1,508,347
Uang Muka	-	-	-	-	-	-	-	-	-	-	-	-	-
Persediaan	135,038	245,860	674,221	1,039,135	1,427,023	1,640,441	1,661,550	1,691,976	1,757,266	1,841,623	1,922,339	2,012,207	2,117,342
Jumlah Aktiva Lancar	6,906,792	15,505,521	16,439,271	14,181,055	9,234,318	2,801,106	(8,153,155)	(23,830,650)	(44,361,561)	(67,301,368)	(95,262,678)	(126,273,695)	(150,224,332)
AKTIVA TETAP													
Tanah	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899	1,612,899
Aktiva tetap air minum diluar Tanah	42,345,246	60,765,726	83,791,326	133,407,066	186,743,987	215,205,339	215,205,339	215,205,339	215,205,339	215,205,339	215,205,339	215,205,339	215,205,339
Akumulasi Penyusutan aktiva tetap air minum	(33,304,619)	(37,171,913)	(43,796,759)	(54,184,694)	(67,420,327)	(82,687,117)	(99,601,214)	(118,382,632)	(134,770,333)	(148,500,050)	(159,910,546)	(169,377,985)	(177,230,588)
Aktiva Tetap Leasing	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Akumulasi Penyusutan Aktiva Tetap Leasing	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)
Nilai Buku Aktiva Tetap	10,653,526	25,206,712	41,607,466	80,835,270	120,936,558	134,131,120	117,217,023	98,435,605	82,047,904	68,318,188	56,907,691	47,440,252	39,587,649
Aktiva Dalam Penyelesaian	-	23,025,600	49,615,740	53,336,921	28,461,352	-	-	-	-	-	-	-	-
Aktiva Lain-lain	1,628,722	1,612,475	1,580,226	1,548,621	1,517,649	1,487,296	1,457,550	1,428,399	1,399,831	1,371,834	1,344,398	1,317,510	1,291,160
JUMLAH AKTIVA	19,189,040	65,350,308	109,242,703	149,901,867	160,149,877	138,419,522	110,521,418	76,033,355	39,086,174	2,388,654	(37,010,589)	(77,515,933)	(109,345,523)
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	880,485	1,257,338	1,688,861	2,228,387	2,947,750	3,348,436	3,751,540	3,924,335	4,371,060	4,635,660	5,169,352	5,382,344	599,365
Hutang Lancar Lain-lain	1,173,257	1,675,418	2,250,428	2,969,353	3,927,913	4,461,832	4,998,973	5,229,225	5,824,490	6,177,073	6,888,225	7,172,039	27,570,781
Hutang Pajak	137,182	188,633	513,683	667,672	893,323	1,014,903	1,155,628	1,197,103	1,337,931	1,402,562	1,576,987	1,622,913	1,871,208
Hutang Pajak Ps.25	-	2,455,316	1,049,163	-	-	-	-	-	-	-	-	-	-
Hutang yang akan Jatuh Tempo	-	-	-	-	2,454,545	5,181,818	7,909,091	9,272,727	9,272,727	9,272,727	9,272,727	9,272,727	9,272,727
JUMLAH KEWAJIBAN LANCAR	2,190,925	5,576,705	5,502,135	5,865,413	10,223,531	14,006,990	17,815,232	19,623,390	20,806,208	21,488,023	22,907,292	23,450,023	39,314,081
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Blm Jatuh Tempo	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399	960,399
Hutang Jangka Panjang - Tunggakan	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	-	27,000,000	57,000,000	87,000,000	99,545,455	94,363,636	86,454,545	77,181,818	67,909,091	58,636,364	49,363,636	40,090,909	30,818,182
JUMLAH HUTANG JANGKA PANJANG	960,399	27,960,399	57,960,399	87,960,399	100,505,853	95,324,035	87,414,944	78,142,217	68,869,490	59,596,762	50,324,035	41,051,308	31,778,580
KEWAJIBAN LAIN-LAIN													
Jaminan Langganan	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690	1,083,690
Cadangan Dana Meter	1,393,436	2,439,854	3,958,771	5,855,688	7,941,606	10,027,523	12,113,441	14,199,358	16,285,275	18,371,193	20,457,110	22,543,028	24,628,945
Kewajiban Lain-lain	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748	2,181,748
Jumlah Kewajiban Lain-lain	4,658,874	5,705,292	7,224,209	9,121,126	11,207,044	13,292,961	15,378,879	17,464,796	19,550,713	21,636,631	23,722,548	25,808,466	27,894,383
MODAL													
Penyertaan Pemerintah Daerah	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266	8,127,266
MTI Grant	11,719,366	20,719,366	30,719,366	40,719,366	45,719,366	45,719,366	45,719,366	45,719,366	45,719,366	45,719,366	45,719,366	45,719,366	45,719,366
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in Capital/Modal Disetor	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666	1,424,666
Akumulasi Rugi/Laba	(6,269,583)	(9,892,455)	(4,163,385)	(1,715,337)	(3,316,369)	(17,057,849)	(39,475,762)	(65,358,935)	(94,468,346)	(125,411,535)	(155,604,059)	(189,235,762)	(223,097,027)
Rugi/Laba Tahun Berjalan	(3,622,872)	5,729,070	2,448,048	(1,601,032)	(13,741,480)	(22,417,913)	(25,883,173)	(29,109,411)	(30,943,188)	(30,192,525)	(33,631,703)	(33,861,264)	(40,506,839)
Jumlah Modal	11,378,843	26,107,913	38,555,960	46,954,929	38,213,449	15,795,536	(10,087,637)	(39,197,048)	(70,140,237)	(100,332,762)	(133,964,465)	(167,825,729)	(208,332,568)
JUMLAH KEWAJIBAN & MODAL	19,189,040	65,350,308	109,242,703	149,901,867	160,149,877	138,419,522	110,521,418	76,033,355	39,086,174	2,388,654	(37,010,589)	(77,515,933)	(109,345,523)

ANNEXES

FINANCIAL PROJECTION OF PT AIR MANADO

Income Statement

Cash Flow

Balance Sheet

OPTIMISTIC

PT AIR MANADO													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	19,150,480	26,465,333	45,414,351	66,535,091	91,362,964	114,919,046	129,697,295	145,004,994	165,101,597	187,691,779	213,545,283	226,448,647	240,119,665
Administrasi & Beban Tetap	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Pendapatan Penjualan Air	19,150,480	26,465,333	45,414,351	66,535,091	91,362,964	114,919,046	129,697,295	145,004,994	165,101,597	187,691,779	213,545,283	226,448,647	240,119,665
Pendapatan Non Air (Sambungan Baru)	157,500	15,428,000	10,000,000	10,000,000	10,000,000	1,000,000	3,000,000	5,000,000	5,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Pendapatan Non Air Lainnya (Denda, Samb. Kern	-	1,710,883	2,935,865	4,301,241	5,906,268	7,429,080	8,384,437	9,374,022	10,673,191	12,133,560	13,804,891	14,639,044	15,522,824
Jumlah Pendapatan Non Air	157,500	17,138,883	12,935,865	14,301,241	15,906,268	8,429,080	11,384,437	14,374,022	15,673,191	18,133,560	19,804,891	20,639,044	21,522,824
Jumlah Pendapatan Operasional	19,307,980	43,604,216	58,350,216	80,836,332	107,269,233	123,348,126	141,081,732	159,379,015	180,774,788	205,825,339	233,350,174	247,087,691	261,642,489
BIAYA OPERASI													
Pegawai	11,949,254	13,318,822	14,830,403	14,344,160	15,936,605	15,936,605	18,648,624	19,291,680	23,294,704	24,773,733	30,615,896	32,316,779	37,164,296
Biaya Energi	2,216,776	2,897,937	4,206,241	5,470,467	6,923,534	8,321,765	9,157,817	10,130,406	11,587,678	13,237,425	15,354,927	16,601,747	17,949,809
Bahan Kimia	2,081,218	2,720,725	3,949,025	5,135,941	6,500,152	7,812,880	8,597,806	9,510,920	10,879,078	12,427,941	14,415,956	15,586,531	16,852,158
Bahan Pembantu/Pemeliharaan	589,667	805,279	1,353,360	2,215,175	3,177,903	4,230,911	4,282,743	4,628,431	5,331,153	6,114,813	7,186,394	8,379,462	9,709,137
Biaya Operasi Lainnya	881,832	1,158,474	1,681,479	2,186,863	2,767,738	3,326,693	3,660,911	4,049,711	4,632,267	5,291,767	6,138,256	6,636,682	7,175,581
Penghapusan Piutang	3,830,096	3,969,800	6,812,153	6,653,509	9,136,296	11,491,905	12,969,729	14,500,499	16,510,160	18,769,178	21,354,528	22,644,865	24,011,967
Administrasi & Umum	3,584,776	3,739,925	4,486,716	4,665,081	5,531,431	5,863,317	7,272,776	7,974,975	10,207,569	11,507,009	15,073,838	16,865,950	20,559,593
Jumlah Biaya Operasional	25,133,620	28,610,963	37,319,377	40,671,196	49,973,659	56,984,075	64,590,406	70,086,622	82,442,609	92,121,865	110,139,795	119,032,017	133,422,540
LABA BERSIH OPERASI	(5,825,640)	14,993,253	21,030,839	40,165,136	57,295,574	66,364,051	76,491,326	89,292,393	98,332,179	113,703,474	123,210,378	128,055,675	128,219,949
Pendapatan Non Operasi	71,152	-	-	-	619,956	1,704,529	3,954,864	5,846,699	7,058,762	8,346,758	9,884,227	11,681,111	13,705,977
Biaya Non Operasi	21,345	-	-	-	185,987	511,359	1,186,459	1,754,010	2,117,629	2,504,027	2,965,268	3,504,333	4,111,793
LABA/ (RUGI) SEBELUM PENYUSUTAN & BUNGA	(5,775,834)	14,993,253	21,030,839	40,165,136	57,729,543	67,557,221	79,259,731	93,385,082	103,273,312	119,546,204	130,129,337	136,232,453	137,814,133
Penyusutan	2,223,075	4,369,240	6,380,794	10,869,265	15,370,886	19,870,943	18,876,369	19,288,440	21,150,658	23,067,743	25,815,722	28,618,550	31,488,396
Amortisasi	29,678	58,912	116,941	114,602	112,310	110,064	107,862	105,705	103,591	101,519	99,489	97,499	95,549
LABA/ (RUGI) SEBELUM BUNGA	(8,028,587)	10,565,102	14,533,104	29,181,269	42,246,347	47,576,215	60,275,499	73,990,937	82,019,063	96,376,942	104,214,127	107,516,403	106,230,188
Biaya Bunga + Denda+Jasa Bank	-	-	5,200,000	10,400,000	15,600,000	20,800,000	20,453,333	19,760,000	18,720,000	17,333,333	15,946,667	14,560,000	13,173,333
LABA/ (RUGI) SEBELUM PAJAK	(8,028,587)	10,565,102	9,333,104	18,781,269	26,646,347	26,776,215	39,822,166	54,230,937	63,299,063	79,043,609	88,267,460	92,956,403	93,056,854
Pajak Pendapatan	-	3,169,530	2,799,931	5,634,381	7,993,904	8,032,865	11,946,650	16,269,281	18,989,719	23,713,083	26,480,238	27,886,921	27,917,056
LABA/(RUGI) BERSIH	(8,028,587)	7,395,571	6,533,173	13,146,888	18,652,443	18,743,351	27,875,516	37,961,656	44,309,344	55,330,526	61,787,222	65,069,482	65,139,798

DHV Group

PT AIR MANADO

Tabel Proyeksi Perputaran Kas (Arus Kas)

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Laba/Rugi Sebelum Bunga	(8,028,587)	10,565,102	14,533,104	29,181,269	42,246,347	47,576,215	60,275,499	73,990,937	82,019,063	96,376,942	104,214,127	107,516,403	106,230,188
Dikurangi : Pembayaran Pajak Pendapatan Ta	-	-	3,169,530	2,799,931	5,634,381	7,993,904	8,032,865	11,946,650	16,269,281	18,989,719	23,713,083	26,480,238	27,886,921
Ditambah : Penyusutan & Amortisasi	2,252,753	4,428,152	6,497,735	10,983,867	15,483,196	19,981,006	18,984,232	19,394,145	21,254,249	23,169,262	25,915,210	28,716,049	31,583,945
Arus Kas Operasional	(5,775,834)	14,993,253	17,861,308	37,365,205	52,095,162	59,563,317	71,226,866	81,438,432	87,004,031	100,556,485	106,416,254	109,752,215	109,927,212
Ditambah: Saldo Kas Awal	2,057,632	(5,209,371)	2,661,988	3,724,187	5,014,257	6,161,136	7,025,434	7,963,201	8,640,816	10,164,157	11,357,490	13,578,879	14,675,180
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	711,180	1,286,807	1,927,754	2,527,151	3,013,151	3,061,751	3,207,551	3,450,551	3,693,551	3,985,151	4,276,751	4,568,351	4,859,951
Equity Pemerintah Daerah - Kebutuhan Investa	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit K	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	(2,202,349)	(844,701)	(1,507,188)	(2,674,618)	(1,714,165)	395,807	300,601	(1,763,773)	(1,472,881)	(2,252,893)	(1,629,051)	(877,923)	26,112,854
Kas Sebelum Kewajiban Pinjaman	(5,209,371)	10,225,988	20,943,862	40,941,925	58,408,406	69,182,012	81,760,453	91,088,411	97,865,517	112,452,901	120,421,445	127,021,522	155,575,197
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	2,666,667	5,333,333	8,000,000	10,666,667	10,666,667	10,666,667	10,666,667	10,666,667
2. Bunga/Biaya Administrasi Berjalan	-	-	5,200,000	10,400,000	15,600,000	20,800,000	20,453,333	19,760,000	18,720,000	17,333,333	15,946,667	14,560,000	13,173,333
Sub Jumlah	-	-	5,200,000	10,400,000	15,600,000	23,466,667	25,786,667	27,760,000	29,386,667	28,000,000	26,613,333	25,226,667	23,840,000
Jumlah Pembayaran Pinjaman	-	-	5,200,000	10,400,000	15,600,000	23,466,667	25,786,667	27,760,000	29,386,667	28,000,000	26,613,333	25,226,667	23,840,000
Kas Setelah Pembayaran Pinjaman	(5,209,371)	10,225,988	15,743,862	30,541,925	42,808,406	45,715,345	55,973,786	63,328,411	68,478,851	84,452,901	93,808,112	101,794,856	131,735,197
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Fasilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	-	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	56,160,000	60,507,000	65,045,025	69,417,932	7,358,301	23,399,396	41,338,934	43,819,270	55,738,111	59,082,398	62,627,341	66,384,982
Detail Engineering Design	-	1,404,000	1,512,675	1,626,126	1,735,448	183,958	584,985	1,033,473	1,095,482	1,393,453	1,477,060	1,565,684	1,659,625
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	57,564,000	62,019,675	66,671,151	71,153,380	7,542,258	23,984,381	42,372,407	44,914,751	57,131,564	60,559,457	64,193,025	68,044,606
Kebutuhan Pendanaan	(5,209,371)	(47,338,012)	(46,275,813)	(36,129,225)	(28,344,974)	38,173,087	31,989,405	20,956,004	23,564,099	27,321,338	33,248,655	37,601,831	63,690,590
Dana Pinjaman/Bantuan Pemerintah													
MTI Grant - dari Project Cost	-	10,000,000	10,000,000	10,000,000	10,000,000	1,000,000	3,000,000	5,000,000	5,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Pinjaman - WMD	-	40,000,000	40,000,000	40,000,000	40,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	50,000,000	50,000,000	50,000,000	50,000,000	1,000,000	3,000,000	5,000,000	5,000,000	6,000,000	6,000,000	6,000,000	6,000,000
a. Kas Surplus/(Defisit)	(5,209,371)	2,661,988	3,724,187	13,870,775	21,655,026	39,173,087	34,989,405	25,956,004	28,564,099	33,321,338	39,248,655	43,601,831	69,690,590
b. Pembukaan/ Pencairan (Deposito)	-	-	-	8,856,517	15,493,890	32,147,653	27,026,204	17,315,188	18,399,942	21,963,847	25,669,776	28,926,651	53,241,236
Kumulatif Deposito	-	-	-	8,856,517	24,350,408	56,498,061	83,524,265	100,839,453	119,239,395	141,203,242	166,873,018	195,799,669	249,040,905
c. Penambahan Kekurangan Kas oleh Pemda			0										
d. Saldo Kas Akhir (a+b+c)	(5,209,371)	2,661,988	3,724,187	5,014,257	6,161,136	7,025,434	7,963,201	8,640,816	10,164,157	11,357,490	13,578,879	14,675,180	16,449,354
Kebutuhan Kas minimum 45 hari	3,016,520	3,610,263	4,601,019	5,014,257	6,161,136	7,025,434	7,963,201	8,640,816	10,164,157	11,357,490	13,578,879	14,675,180	16,449,354
Kekurangan Kas - (Rp.000)	(8,225,891)	(948,275)	(876,832)	0	0	0	0	0	0	0	0	0	0
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(8,225,891)	(948,275)	(876,832)	0	0	0	0	0	0	0	0	0	0

PT AIR MANADO

Tabel Proyeksi Neraca

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	(5,209,371)	2,661,988	3,724,187	5,014,257	6,161,136	7,025,434	7,963,201	8,640,816	10,164,157	11,357,490	13,578,879	14,675,180	16,449,354
Deposito	-	-	-	8,856,517	24,350,408	56,498,061	83,524,265	100,839,453	119,239,395	141,203,242	166,873,018	195,799,669	249,040,905
Piutang Air - Bersih	8,279,083	8,860,950	10,450,914	13,298,665	15,568,917	16,208,355	16,429,468	18,350,006	20,860,957	23,685,993	26,913,357	28,544,128	30,269,541
Piutang Non Air - Bersih	12,945	702,370	879,647	894,218	895,415	155,788	259,380	432,278	446,489	529,848	536,700	537,263	537,309
Piutang Lain-lain	60,636	96,429	286,090	419,141	575,546	723,939	817,035	913,467	1,040,066	1,182,374	1,345,240	1,426,525	1,512,646
Uang Muka	625,378	768,401	915,751	1,033,019	1,242,537	1,394,676	1,560,755	1,675,600	1,961,150	2,176,562	2,594,159	2,798,625	3,126,971
Persediaan	58,715	87,400	231,824	321,397	423,132	526,564	563,148	618,184	708,724	810,704	944,472	1,047,812	1,161,281
Jumlah Aktiva Lancar	3,827,386	13,177,537	16,488,414	29,837,214	49,217,091	82,532,815	111,117,251	131,469,803	154,420,938	180,946,214	212,785,824	244,829,201	302,098,008
AKTIVA TETAP													
Tanah	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340
Aktiva tetap air minum diluar Tanah	30,381,431	59,163,431	87,945,431	149,965,106	216,636,257	287,789,636	295,331,895	319,316,276	361,688,683	406,603,434	463,734,998	524,294,455	588,487,480
Akumulasi Penyusutan aktiva tetap air minum	(4,480,159)	(8,849,399)	(15,230,193)	(26,099,459)	(41,470,345)	(61,341,287)	(80,217,656)	(99,506,097)	(120,656,755)	(143,724,497)	(169,540,219)	(198,158,769)	(229,647,165)
Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Akumulasi Penyusutan Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Nilai Buku Aktiva Tetap	51,062,612	75,475,372	97,876,578	149,026,987	200,327,252	251,609,689	240,275,578	244,971,519	266,193,268	288,040,277	319,356,119	351,297,026	384,001,655
Aktiva Dalam Penyelesaian	-	28,782,000	62,019,675	66,671,151	71,153,380	7,542,258	23,984,381	42,372,407	44,914,751	57,131,564	60,559,457	64,193,025	68,044,606
Aktiva Lain-lain	5,905,949	5,847,037	5,730,096	5,615,495	5,503,185	5,393,121	5,285,259	5,179,553	5,075,962	4,974,443	4,874,954	4,777,455	4,681,906
JUMLAH AKTIVA	60,795,947	123,281,946	182,114,763	251,150,846	326,200,907	347,077,884	380,662,469	423,993,283	470,604,920	531,092,498	597,576,354	665,096,707	758,826,175
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	1,799,251	2,154,733	2,570,424	2,866,203	3,440,803	3,833,000	4,349,365	4,683,478	5,555,221	6,180,422	7,480,714	8,121,220	911,755
Hutang Lancar Lain-lain	1,410,163	1,688,772	2,014,570	2,246,386	2,696,729	3,004,113	3,408,814	3,670,675	4,353,903	4,843,905	5,863,008	6,365,005	41,940,720
Hutang Pajak	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Pajak Ps.25	-	3,169,530	2,799,931	5,634,381	7,993,904	8,032,865	11,946,650	16,269,281	18,989,719	23,713,083	26,480,238	27,886,921	27,917,056
Hutang yang akan Jatuh Tempo	-	-	-	-	2,666,667	5,333,333	8,000,000	10,666,667	10,666,667	10,666,667	10,666,667	10,666,667	10,666,667
JUMLAH KEWAJIBAN LANCAR	3,209,414	7,013,035	7,384,925	10,746,969	16,798,103	20,203,310	27,704,828	35,290,101	39,565,510	45,404,077	50,490,626	53,039,812	81,436,198
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Bln Jatuh Tempo	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang - Tunggakan	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	55,504,425	95,504,425	135,504,425	175,504,425	212,837,758	207,504,425	199,504,425	188,837,758	178,171,091	167,504,425	156,837,758	146,171,091	135,504,425
JUMLAH HUTANG JANGKA PANJANG	55,504,425	95,504,425	135,504,425	175,504,425	212,837,758	207,504,425	199,504,425	188,837,758	178,171,091	167,504,425	156,837,758	146,171,091	135,504,425
KEWAJIBAN LAIN-LAIN													
Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Cadangan Dana Meter	711,180	1,997,987	3,925,741	6,452,892	9,466,043	12,527,795	15,735,346	19,185,898	22,879,449	26,864,600	31,141,352	35,709,703	40,569,655
Kewajiban Lain-lain	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284
Jumlah Kewajiban Lain-lain	772,464	2,059,271	3,987,025	6,514,176	9,527,328	12,589,079	15,796,630	19,247,182	22,940,733	26,925,885	31,202,636	35,770,987	40,630,939
MODAL													
Penyertaan Pemerintah Daerah	-	-	-	-	-	-	-	-	-	-	-	-	-
MTI Grant	-	10,000,000	20,000,000	30,000,000	40,000,000	41,000,000	44,000,000	49,000,000	54,000,000	60,000,000	66,000,000	72,000,000	78,000,000
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in Capital/ Modal Disetor	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387
Akumulasi Rugi/Laba	(7,138,154)	(15,166,742)	(7,771,171)	(1,237,998)	11,908,890	30,561,333	49,304,684	77,180,200	115,141,855	159,451,200	214,781,726	276,568,948	341,638,430
Rugi/Laba Tahun Berjalan	(8,028,587)	7,395,571	6,533,173	13,146,888	18,652,443	18,743,351	27,875,516	37,961,656	44,309,344	55,330,526	61,787,222	65,069,482	65,139,798
Jumlah Modal	1,309,645	18,705,217	35,238,389	58,385,277	87,037,720	106,781,071	137,656,587	180,618,242	229,927,587	291,258,113	359,045,335	430,114,817	501,254,615
JUMLAH KEWAJIBAN & MODAL	60,795,948	123,281,947	182,114,764	251,150,847	326,200,908	347,077,885	380,662,470	423,993,283	470,604,921	531,092,499	597,576,355	665,096,708	758,826,176

MIDDLE COURSE

PT AIR MANADO													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	19,150,480	23,462,475	35,498,701	51,660,739	69,851,223	86,157,740	95,427,859	100,813,802	106,199,746	111,585,689	116,073,975	117,869,290	119,664,604
Administrasi & Beban Tetap	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Pendapatan Penjualan Air	19,150,480	23,462,475	35,498,701	51,660,739	69,851,223	86,157,740	95,427,859	100,813,802	106,199,746	111,585,689	116,073,975	117,869,290	119,664,604
Pendapatan Non Air (Sambungan Baru)	157,500	8,000,000	9,000,000	9,000,000	8,000,000	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000	1,000,000	1,000,000	1,000,000
Pendapatan Non Air Lainnya (Denda, Samb. Kem)	-	1,516,760	2,294,856	3,339,670	4,515,616	5,569,770	6,169,048	6,517,229	6,865,410	7,213,591	7,503,741	7,619,802	7,735,862
Jumlah Pendapatan Non Air	157,500	9,516,760	11,294,856	12,339,670	12,515,616	6,569,770	9,169,048	9,517,229	9,865,410	10,213,591	8,503,741	8,619,802	8,735,862
Jumlah Pendapatan Operasional	19,307,980	32,979,234	46,793,558	64,000,409	82,366,839	92,727,511	104,596,907	110,331,031	116,065,156	121,799,280	124,577,717	126,489,091	128,400,466
BIAYA OPERASI													
Pegawai	11,949,254	13,318,822	14,830,403	14,344,160	15,936,605	15,936,605	18,648,624	19,291,680	23,294,704	24,773,733	30,615,896	32,316,779	37,164,296
Biaya Energi	2,216,776	2,666,568	3,494,116	4,834,420	6,332,281	7,679,738	8,526,300	9,564,594	10,702,302	11,948,389	13,210,811	14,503,633	15,919,304
Bahan Kimia	2,081,218	2,503,504	3,280,447	4,538,790	5,945,054	7,210,114	8,004,907	8,979,708	10,047,844	11,217,732	12,402,955	13,616,719	14,945,820
Bahan Pembantu/Pemeliharaan	589,667	757,737	1,156,737	1,859,830	2,644,522	3,403,151	3,463,742	3,788,665	4,153,942	4,564,409	5,025,496	5,144,902	5,288,787
Biaya Operasi Lainnya	881,832	1,065,982	1,396,801	1,932,598	2,531,380	3,070,037	3,408,457	3,823,523	4,278,331	4,776,465	5,281,128	5,797,944	6,363,870
Penghapusan Piutang	4,787,620	5,161,744	7,099,740	7,749,111	10,477,683	12,923,661	14,314,179	15,122,070	15,929,962	16,737,853	17,411,096	17,680,393	17,949,691
Administrasi & Umum	3,584,776	3,739,925	4,486,716	4,665,081	5,531,431	5,863,317	7,272,776	7,974,975	10,207,569	11,507,009	15,073,838	16,865,950	20,559,593
Jumlah Biaya Operasional	26,091,144	29,214,283	35,744,960	39,923,991	49,398,957	56,086,623	63,638,985	68,545,214	78,614,654	85,525,589	99,021,220	105,926,320	118,191,362
LABA BERSIH OPERASI	(6,783,164)	3,764,951	11,048,598	24,076,418	32,967,882	36,640,887	40,957,922	41,785,817	37,450,502	36,273,690	25,556,496	20,562,771	10,209,104
Pendapatan Non Operasi	71,152	-	-	-	-	-	21,494	59,144	-	-	-	-	-
Biaya Non Operasi	21,345	-	-	-	-	-	6,448	17,743	-	-	-	-	-
LABA/ (RUGI) SEBELUM PENYUSUTAN & BUNGA	(6,733,358)	3,764,951	11,048,598	24,076,418	32,967,882	36,640,887	40,972,967	41,827,218	37,450,502	36,273,690	25,556,496	20,562,771	10,209,104
Penyusutan	2,223,075	3,719,112	5,132,984	8,771,507	12,420,449	15,551,308	14,844,362	15,388,215	15,992,677	16,659,128	17,389,211	16,719,210	16,147,229
Amortisasi	29,678	58,912	116,941	114,602	112,310	110,064	107,862	105,705	103,591	101,519	99,489	97,499	95,549
LABA/ (RUGI) SEBELUM BUNGA	(8,986,111)	(13,072)	5,798,672	15,190,310	20,435,123	20,979,515	26,020,743	26,333,298	21,354,234	19,513,044	8,067,797	3,746,061	(6,033,674)
Biaya Bunga + Denda+Jasa Bank	-	-	3,640,000	7,735,000	11,830,000	15,470,000	14,438,667	13,407,333	12,376,000	11,344,667	10,313,333	9,282,000	8,250,667
LABA/ (RUGI) SEBELUM PAJAK	(8,986,111)	(13,072)	2,158,672	7,455,310	8,605,123	5,509,515	11,582,077	12,925,964	8,978,234	8,168,377	(2,245,537)	(5,535,939)	(14,284,340)
Pajak Pendapatan	-	-	647,602	2,236,593	2,581,537	1,652,855	3,474,623	3,877,789	2,693,470	2,450,513	-	-	-
LABA/(RUGI) BERSIH	(8,986,111)	(13,072)	1,511,071	5,218,717	6,023,586	3,856,661	8,107,454	9,048,175	6,284,764	5,717,864	(2,245,537)	(5,535,939)	(14,284,340)

PT AIR MANADO													
Tabel Proyeksi Perputaran Kas (Arus Kas)													
Ribuan Rupiah													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Laba/Rugi Sebelum Bunga	(8,986,111)	(13,072)	5,798,672	15,190,310	20,435,123	20,979,515	26,020,743	26,333,298	21,354,234	19,513,044	8,067,797	3,746,061	(6,033,674)
Dikurangi : Pembayaran Pajak Pendapatan Ta	-	-	-	647,602	2,236,593	2,581,537	1,652,855	3,474,623	3,877,789	2,693,470	2,450,513	-	-
Ditambah : Penyusutan & Amortisasi	2,252,753	3,778,024	5,249,925	8,886,108	12,532,759	15,661,372	14,952,224	15,493,920	16,096,268	16,760,647	17,488,700	16,816,710	16,242,778
Arus Kas Operasional	(6,733,358)	3,764,951	11,048,598	23,428,816	30,731,289	34,059,350	39,320,113	38,352,595	33,572,713	33,580,220	23,105,983	20,562,771	10,209,104
Ditambah: Saldo Kas Awal	2,057,632	(6,211,344)	(6,095,208)	(7,901,052)	(5,736,385)	(651,197)	6,914,789	7,845,902	8,176,251	3,329,058	(2,198,914)	(1,354,220)	(3,083,269)
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	666,731	950,691	1,450,267	1,954,009	2,321,209	2,367,109	2,504,809	2,642,509	2,780,209	2,917,909	2,963,809	3,009,709	3,055,609
Equity Pemerintah Daerah - Kebutuhan Investa	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit K	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	(2,202,349)	846,574	(928,772)	(1,979,527)	(906,876)	637,943	601,997	(287,901)	363,185	(38,897)	1,105,486	542,758	25,403,882
Kas Sebelum Kewajiban Pinjaman	(6,211,344)	(649,128)	5,474,885	15,502,247	26,409,236	36,413,205	49,341,707	48,553,105	44,892,357	39,788,290	24,976,365	22,761,018	35,585,325
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333
2. Bunga/Biaya Administrasi Berjalan	-	-	3,640,000	7,735,000	11,830,000	15,470,000	14,438,667	13,407,333	12,376,000	11,344,667	10,313,333	9,282,000	8,250,667
Sub Jumlah	-	-	3,640,000	7,735,000	11,830,000	23,403,333	22,372,000	21,340,667	20,309,333	19,278,000	18,246,667	17,215,333	16,184,000
Jumlah Pembayaran Pinjaman	-	-	3,640,000	7,735,000	11,830,000	23,403,333	22,372,000	21,340,667	20,309,333	19,278,000	18,246,667	17,215,333	16,184,000
Kas Setelah Pembayaran Pinjaman	(6,211,344)	(649,128)	1,834,885	7,767,247	14,579,236	13,009,872	26,969,707	27,212,438	24,583,024	20,510,290	6,729,698	5,545,685	19,401,325
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Fasilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	-	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	40,435,200	49,010,670	52,686,470	49,980,911	6,622,471	21,059,457	22,323,024	23,662,406	25,082,150	8,862,360	9,394,101	9,957,747
Detail Engineering Design	-	1,010,880	1,225,267	1,317,162	1,249,523	165,562	526,486	558,076	591,560	627,054	221,559	234,853	248,944
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	41,446,080	50,235,937	54,003,632	51,230,433	6,788,032	21,585,943	22,881,100	24,253,966	25,709,204	9,083,919	9,628,954	10,206,691
Kebutuhan Pendanaan	(6,211,344)	(42,095,208)	(48,401,052)	(46,236,385)	(36,651,197)	6,221,840	5,383,764	4,331,338	329,058	(5,198,914)	(2,354,220)	(4,083,269)	9,194,634
Dana Pinjaman/Bantuan Pemerintah													
Bantuan Pemerintah (APBN) - dari Project Cost	-	8,000,000	9,000,000	9,000,000	8,000,000	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000	1,000,000	1,000,000	-
Pinjaman - WMD	-	28,000,000	31,500,000	31,500,000	28,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	36,000,000	40,500,000	40,500,000	36,000,000	1,000,000	3,000,000	3,000,000	3,000,000	3,000,000	1,000,000	1,000,000	-
a. Kas Surplus/(Defisit)	(6,211,344)	(6,095,208)	(7,901,052)	(5,736,385)	(651,197)	7,221,840	8,383,764	7,331,338	3,329,058	(2,198,914)	(1,354,220)	(3,083,269)	9,194,634
b. Pembukaan/ Pencairan (Deposito)	-	-	-	-	-	307,050	537,862	(844,912)	-	-	-	-	-
Kumulatif Deposito	-	-	-	-	-	307,050	844,912	-	-	-	-	-	-
c. Penambahan Kekurangan Kas oleh Pemda			0										
d. Saldo Kas Akhir (a+b+c)	(6,211,344)	(6,095,208)	(7,901,052)	(5,736,385)	(651,197)	6,914,789	7,845,902	8,176,251	3,329,058	(2,198,914)	(1,354,220)	(3,083,269)	9,194,634
Kebutuhan Kas minimum 45 hari	3,131,718	3,606,931	4,406,913	4,922,136	6,090,282	6,914,789	7,845,902	8,450,780	9,692,218	10,544,251	12,208,096	13,059,409	14,571,538
Kekurangan Kas - (Rp.000)	(9,343,062)	(9,702,140)	(12,307,965)	(10,658,521)	(6,741,479)	0	0	(274,529)	(6,363,159)	(12,743,164)	(13,562,316)	(16,142,679)	(5,376,903)
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(9,343,062)	(9,702,140)	(12,307,965)	(10,658,521)	(6,741,479)	0	0	(274,529)	(6,363,159)	(12,743,164)	(13,562,316)	(16,142,679)	(5,376,903)

PT AIR MANADO

Tabel Proyeksi Neraca

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	(6,211,344)	(6,095,208)	(7,901,052)	(5,736,385)	(651,197)	6,914,789	7,845,902	8,176,251	3,329,058	(2,198,914)	(1,354,220)	(3,083,269)	9,194,634
Deposito	-	-	-	-	-	307,050	844,912	-	-	-	-	-	-
Piutang Air - Bersih	8,279,083	7,415,940	8,177,871	10,348,411	11,931,297	12,183,914	12,128,387	12,812,380	13,496,373	14,180,366	14,740,374	14,968,371	15,196,369
Piutang Non Air - Bersih	12,945	355,877	768,976	802,930	723,528	141,660	258,219	267,799	268,586	268,651	104,273	90,762	89,652
Piutang Lain-lain	60,636	81,079	223,626	325,440	440,031	542,755	601,153	635,082	669,011	702,940	731,214	742,524	753,833
Uang Muka	625,378	729,732	850,221	968,164	1,175,103	1,312,703	1,479,956	1,599,477	1,846,850	2,015,906	2,341,641	2,512,107	2,804,286
Persediaan	58,715	76,513	193,997	279,753	375,543	464,020	501,418	558,243	620,913	690,008	761,986	820,273	884,673
Jumlah Aktiva Lancar	2,825,414	2,563,933	2,313,639	6,988,312	13,994,306	21,866,892	23,659,947	24,049,232	20,230,792	15,658,956	17,325,266	16,050,768	28,923,448
AKTIVA TETAP													
Tanah	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340
Aktiva tetap air minum diluar Tanah	30,381,431	51,104,471	71,827,511	122,063,448	176,067,080	227,297,513	234,085,546	255,671,489	278,552,588	302,806,554	328,515,758	337,599,676	347,228,630
Akumulasi Penyusutan aktiva tetap air minum	(4,480,159)	(8,199,271)	(13,332,255)	(22,103,762)	(34,524,211)	(50,075,519)	(64,919,881)	(80,308,096)	(96,300,773)	(112,959,901)	(130,349,111)	(147,068,322)	(163,215,551)
Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Akumulasi Penyusutan Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Nilai Buku Aktiva Tetap	51,062,612	68,066,540	83,656,596	125,121,026	166,704,209	202,383,334	194,327,005	200,524,733	207,413,155	215,007,993	223,327,986	215,692,695	209,174,419
Aktiva Dalam Penyelesaian	-	20,723,040	50,235,937	54,003,632	51,230,433	6,788,032	21,585,943	22,881,100	24,253,966	25,709,204	9,083,919	9,628,954	10,206,691
Aktiva Lain-lain	5,905,949	5,847,037	5,730,096	5,615,495	5,503,185	5,393,121	5,285,259	5,179,553	5,075,962	4,974,443	4,874,954	4,777,455	4,681,906
JUMLAH AKTIVA	59,793,974	97,200,550	141,936,268	191,728,465	237,432,133	236,431,379	244,858,153	252,634,618	256,973,875	261,350,596	254,612,127	246,149,871	252,986,464
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	1,799,251	2,062,156	2,413,539	2,710,935	3,279,361	3,636,749	4,155,923	4,501,234	5,281,577	5,795,797	6,876,163	7,435,271	835,347
Hutang Lancar Lain-lain	1,410,163	1,616,215	1,891,611	2,124,695	2,570,198	2,850,302	3,257,204	3,527,841	4,139,435	4,542,455	5,389,192	5,827,392	38,425,974
Hutang Pajak	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Pajak Ps.25	-	-	647,602	2,236,593	2,581,537	1,652,855	3,474,623	3,877,789	2,693,470	2,450,513	-	-	-
Hutang yang akan Jatuh Tempo	-	-	-	-	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333	7,933,333
JUMLAH KEWAJIBAN LANCAR	3,209,414	3,678,371	4,952,751	7,072,222	16,364,429	16,073,239	18,821,084	19,840,198	20,047,816	20,722,098	20,198,688	21,195,996	47,194,655
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Blm Jatuh Tempo	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang - Tunggalan	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	55,504,425	83,504,425	115,004,425	146,504,425	166,571,091	158,637,758	150,704,425	142,771,091	134,837,758	126,904,425	118,971,091	111,037,758	103,104,425
JUMLAH HUTANG JANGKA PANJANG	55,504,425	83,504,425	115,004,425	146,504,425	166,571,091	158,637,758	150,704,425	142,771,091	134,837,758	126,904,425	118,971,091	111,037,758	103,104,425
KEWAJIBAN LAIN-LAIN													
Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Cadangan Dana Meter	666,731	1,617,422	3,067,689	5,021,698	7,342,907	9,710,016	12,214,825	14,857,333	17,637,542	20,555,451	23,519,260	26,528,969	29,584,578
Kewajiban Lain-lain	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284
Jumlah Kewajiban Lain-lain	728,015	1,678,706	3,128,973	5,082,982	7,404,191	9,771,300	12,276,109	14,918,618	17,698,827	20,616,735	23,580,544	26,590,253	29,645,862
MODAL													
Penyertaan Pemerintah Daerah	-	-	-	-	-	-	-	-	-	-	-	-	-
MTI Grant	-	8,000,000	17,000,000	26,000,000	34,000,000	35,000,000	38,000,000	41,000,000	44,000,000	47,000,000	48,000,000	49,000,000	49,000,000
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in Capital/ Modal Disetor	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387
Akumulasi Rugi/Laba	(7,138,154)	(16,124,266)	(16,137,338)	(14,626,267)	(9,407,550)	(3,383,964)	472,696	8,580,150	17,628,325	23,913,089	29,630,952	27,385,416	21,849,477
Rugi/Laba Tahun Berjalan	(8,986,111)	(13,072)	1,511,071	5,218,717	6,023,586	3,856,661	8,107,454	9,048,175	6,284,764	5,717,864	(2,245,537)	(5,535,939)	(14,284,340)
Jumlah Modal	352,121	8,339,049	18,850,120	33,068,837	47,092,423	51,949,083	63,056,537	75,104,712	84,389,476	93,107,340	91,861,803	87,325,864	73,041,524
JUMLAH KEWAJIBAN & MODAL	59,793,975	97,200,551	141,936,269	191,728,466	237,432,134	236,431,380	244,858,154	252,634,619	256,973,876	261,350,597	254,612,127	246,149,872	252,986,465

WORST CASE

PT AIR MANADO													
Tabel Proyeksi Perhitungan Laba/(Rugi)													
<i>Ribuan Rupiah</i>													
Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PENDAPATAN OPERASI													
Penjualan Air	19,150,480	23,200,950	34,452,959	50,138,886	63,956,135	72,398,880	72,750,661	74,157,785	75,564,909	76,972,033	78,027,376	78,027,376	78,027,376
Administrasi & Beban Tetap	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Pendapatan Penjualan Air	19,150,480	23,200,950	34,452,959	50,138,886	63,956,135	72,398,880	72,750,661	74,157,785	75,564,909	76,972,033	78,027,376	78,027,376	78,027,376
Pendapatan Non Air (Sambungan Baru)	157,500	8,000,000	9,000,000	9,000,000	8,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-
Pendapatan Non Air Lainnya (Denda, Samb.Kem)	-	1,499,853	2,227,253	3,241,288	4,134,521	4,680,312	4,703,054	4,794,019	4,884,984	4,975,949	5,044,173	5,044,173	5,044,173
Jumlah Pendapatan Non Air	157,500	9,499,853	11,227,253	12,241,288	12,134,521	4,680,312	5,703,054	5,794,019	5,884,984	5,975,949	5,044,173	5,044,173	5,044,173
Jumlah Pendapatan Operasional	19,307,980	32,700,803	45,680,212	62,380,174	76,090,656	77,079,192	78,453,715	79,951,804	81,449,893	82,947,983	83,071,550	83,071,550	83,071,550
BIAYA OPERASI													
Pegawai	11,949,254	13,318,822	14,830,403	14,344,160	15,936,605	15,936,605	18,327,096	18,648,624	22,185,432	23,294,704	28,064,572	28,064,572	32,274,257
Biaya Energi	2,216,776	2,774,630	3,740,128	5,258,408	6,997,310	8,382,584	8,923,494	9,639,472	10,413,249	11,467,474	12,567,842	13,856,848	15,284,026
Bahan Kimia	2,081,218	2,604,958	3,511,415	4,936,851	6,569,417	7,869,979	8,377,813	9,050,008	9,776,467	10,766,225	11,799,304	13,009,486	14,349,390
Bahan Pembantu/Pemeliharaan	589,667	744,154	1,100,559	1,728,035	2,427,705	3,103,869	3,060,864	3,132,219	3,217,786	3,319,038	3,437,627	3,398,344	3,362,967
Biaya Operasi Lainnya	881,832	1,109,181	1,495,146	2,102,091	2,797,231	3,351,005	3,567,239	3,853,457	4,162,780	4,584,215	5,024,096	5,539,386	6,109,912
Penghapusan Piutang	4,787,620	5,104,209	6,890,592	7,520,833	9,593,420	10,859,832	10,912,599	11,123,668	11,334,736	11,545,805	11,704,106	11,704,106	11,704,106
Administrasi & Umum	3,584,776	3,739,925	4,486,716	4,665,081	5,531,431	5,863,317	7,147,383	7,709,142	9,721,494	10,820,023	13,817,685	14,646,746	17,854,383
Jumlah Biaya Operasional	26,091,144	29,395,880	36,054,960	40,555,460	49,853,120	55,367,192	60,316,488	63,156,590	70,811,946	75,797,483	86,415,232	90,219,487	100,939,043
LABA BERSIH OPERASI	(6,783,164)	3,304,924	9,625,252	21,824,714	26,237,537	21,712,000	18,137,227	16,795,214	10,637,947	7,150,499	(3,343,683)	(7,147,938)	(17,867,494)
Pendapatan Non Operasi	71,152	-	-	-	-	-	-	-	-	-	-	-	-
Biaya Non Operasi	21,345	-	-	-	-	-	-	-	-	-	-	-	-
LABA/(RUGI) SEBELUM PENYUSUTAN & BUNGA	(6,733,358)	3,304,924	9,625,252	21,824,714	26,237,537	21,712,000	18,137,227	16,795,214	10,637,947	7,150,499	(3,343,683)	(7,147,938)	(17,867,494)
Penyusutan	2,223,075	3,533,361	4,776,467	6,892,778	8,263,634	11,111,041	10,643,262	13,936,510	13,108,860	12,533,358	12,057,550	11,011,681	10,653,499
Amortisasi	29,678	58,912	116,941	114,602	112,310	110,064	107,862	105,705	103,591	101,519	99,489	97,499	95,549
LABA/(RUGI) SEBELUM BUNGA	(8,986,111)	(287,349)	4,731,844	14,817,335	17,861,593	10,490,896	7,386,103	2,752,998	(2,574,504)	(5,484,378)	(15,500,722)	(18,257,118)	(28,616,542)
Biaya Bunga + Denda+Jasa Bank	-	-	3,120,000	6,630,000	10,140,000	13,260,000	12,376,000	11,492,000	10,608,000	9,724,000	8,840,000	7,956,000	7,072,000
LABA/(RUGI) SEBELUM PAJAK	(8,986,111)	(287,349)	1,611,844	8,187,335	7,721,593	(2,769,104)	(4,989,897)	(8,739,002)	(13,182,504)	(15,208,378)	(24,340,722)	(26,213,118)	(35,688,542)
Pajak Pendapatan	-	-	483,553	2,456,200	2,316,478	-	-	-	-	-	-	-	-
LABA/(RUGI) BERSIH	(8,986,111)	(287,349)	1,128,291	5,731,134	5,405,115	(2,769,104)	(4,989,897)	(8,739,002)	(13,182,504)	(15,208,378)	(24,340,722)	(26,213,118)	(35,688,542)

PT AIR MANADO

Tabel Proyeksi Perputaran Kas (Arus Kas)

Ribuan Rupiah

Tahun	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Internal Kas Operasional													
Labai/Rugi Sebelum Bunga	(8,986,111)	(287,349)	4,731,844	14,817,335	17,861,593	10,490,896	7,386,103	2,752,998	(2,574,504)	(5,484,378)	(15,500,722)	(18,257,118)	(28,616,542)
Dikurangi : Pembayaran Pajak Pendapatan Ta	-	-	-	483,553	2,456,200	2,316,478	-	-	-	-	-	-	-
Ditambah : Penyusutan & Amortisasi	2,252,753	3,592,273	4,893,408	7,007,380	8,375,944	11,221,105	10,751,124	14,042,216	13,212,451	12,634,877	12,157,039	11,109,181	10,749,048
Arus Kas Operasional	(6,733,358)	3,304,924	9,625,252	21,341,161	23,781,336	19,395,523	18,137,227	16,795,214	10,637,947	7,150,499	(3,343,683)	(7,147,938)	(17,867,494)
Ditambah: Saldo Kas Awal	2,057,632	(6,211,344)	(5,837,101)	(7,289,632)	(4,506,356)	(1,904,984)	2,334,520	(195,208)	(4,959,983)	(14,754,530)	(27,889,286)	(43,163,714)	(62,140,238)
Naik/ (Turun) Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Kewajiban Lainnya	666,731	950,691	1,450,267	1,954,009	2,321,209	2,321,209	2,367,109	2,413,009	2,458,909	2,504,809	2,504,809	2,504,809	2,504,809
Equity Pemerintah Daerah - Kebutuhan Investa	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Pemerintah Daerah - Menutup Defisit K	-	-	-	-	-	-	-	-	-	-	-	-	-
Naik/ (Turun) Modal Kerja	(2,202,349)	959,588	(753,883)	(1,878,666)	(153,215)	1,695,531	1,537,771	98,588	702,957	351,478	1,204,446	422,605	22,829,261
Kas Sebelum Kewajiban Pinjaman	(6,211,344)	(996,141)	4,484,534	14,126,873	21,442,974	21,507,278	24,376,627	19,111,602	8,839,830	(4,747,744)	(27,523,714)	(47,384,238)	(54,673,661)
PEMBAYARAN PINJAMAN NON MOF													
1. Hutang Pokok	-	-	-	-	-	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000
2. Bunga/Biaya Administrasi Berjalan	-	-	3,120,000	6,630,000	10,140,000	13,260,000	12,376,000	11,492,000	10,608,000	9,724,000	8,840,000	7,956,000	7,072,000
Sub Jumlah	-	-	3,120,000	6,630,000	10,140,000	20,060,000	19,176,000	18,292,000	17,408,000	16,524,000	15,640,000	14,756,000	13,872,000
Jumlah Pembayaran Pinjaman	-	-	3.120.000	6.630.000	10.140.000	20.060.000	19.176.000	18.292.000	17.408.000	16.524.000	15.640.000	14.756.000	13.872.000
Kas Setelah Pembayaran Pinjaman	(6,211,344)	(996,141)	1,364,534	7,496,873	11,302,974	1,447,278	5,200,627	819,602	(8,568,170)	(21,271,744)	(43,163,714)	(62,140,238)	(68,545,661)
Kebutuhan Modal Investasi													
Tanah	-	-	-	-	-	-	-	-	-	-	-	-	-
Fasilitas Produksi & Distribusi	-	-	-	-	-	-	-	-	-	-	-	-	-
Penggantian Meter	-	-	-	-	-	-	-	-	-	-	-	-	-
Penambahan Sambungan baru	-	35,942,400	43,565,040	46,832,418	44,427,476	-	6,239,839	6,614,229	7,011,083	7,431,748	-	-	-
Detail Engineering Design	-	898,560	1,089,126	1,170,810	1,110,687	-	155,996	165,356	175,277	185,794	-	-	-
Kontingensi Fisik	-	-	-	-	-	-	-	-	-	-	-	-	-
Kegiatan Penunjang	-	-	-	-	-	-	-	-	-	-	-	-	-
Modal Investasi Tahunan	-	36,840,960	44,654,166	48,003,228	45,538,163	-	6,395,835	6,779,585	7,186,360	7,617,542	-	-	-
Kebutuhan Pendanaan	(6,211,344)	(37,837,101)	(43,289,632)	(40,506,356)	(34,235,189)	1,447,278	(1,195,208)	(5,959,983)	(15,754,530)	(28,889,286)	(43,163,714)	(62,140,238)	(68,545,661)
Dana Pinjaman/Bantuan Pemerintah													
Bantuan Pemerintah (APBN) - dari Project Cost	-	8,000,000	9,000,000	9,000,000	8,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-
Pinjaman - WMD	-	24,000,000	27,000,000	27,000,000	24,000,000	-	-	-	-	-	-	-	-
Pinjaman - 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Jumlah Dana Pinjaman	-	32,000,000	36,000,000	36,000,000	32,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-
a. Kas Surplus/(Defisit)	(6.211.344)	(5.837.101)	(7.289.632)	(4.506.356)	(2.235.189)	1.447.278	(195.208)	(4.959.983)	(14.754.530)	(27.889.286)	(43.163.714)	(62.140.238)	(68.545.661)
b. Pembukaan/ Pencairan (Deposito)	-	-	-	-	-	-	-	-	-	-	-	-	-
Kumulatif Deposito	-	-	-	-	-	-	-	-	-	-	-	-	-
c. Penambahan Kekurangan Kas oleh Pemda			0										
d. Saldo Kas Akhir (a+b+c)	(6,211,344)	(5,837,101)	(7,289,632)	(4,506,356)	(2,235,189)	1,447,278	(195,208)	(4,959,983)	(14,754,530)	(27,889,286)	(43,163,714)	(62,140,238)	(68,545,661)
Kebutuhan Kas minimum 45 hari	3,131,718	3,636,686	4,445,132	4,999,988	6,146,275	6,826,092	7,436,279	7,786,429	8,730,240	9,344,895	10,653,933	11,122,951	12,444,540
Kekurangan Kas - (Rp.000)	(9,343,062)	(9,473,788)	(11,734,764)	(9,506,344)	(8,381,464)	(5,378,814)	(7,631,487)	(12,746,412)	(23,484,770)	(37,234,181)	(53,817,646)	(73,263,188)	(80,990,201)
Kontrol Kas	-	-	-	-	-	-	-	-	-	-	-	-	-
Kebutuhan penambahan kekurangan kas	(9,343,062)	(9,473,788)	(11,734,764)	(9,506,344)	(8,381,464)	(5,378,814)	(7,631,487)	(12,746,412)	(23,484,770)	(37,234,181)	(53,817,646)	(73,263,188)	(80,990,201)

PT AIR MANADO

Tabel Proyeksi Neraca

Ribuan Rupiah

Uraian	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS													
AKTIVA LANCAR													
Kas	(6,211,344)	(5,837,101)	(7,289,632)	(4,506,356)	(1,904,984)	2,334,520	(195,208)	(4,959,983)	(14,754,530)	(27,889,286)	(43,163,714)	(62,140,238)	(68,545,661)
Deposito	-	-	-	-	-	-	-	-	-	-	-	-	-
Piutang Air - Bersih	8,279,083	7,337,330	7,948,667	10,056,549	10,962,242	10,291,742	9,312,595	9,492,734	9,672,872	9,853,011	9,983,122	9,983,122	9,983,122
Piutang Non Air - Bersih	12,945	355,877	768,976	802,930	723,528	59,468	87,080	89,349	89,536	89,551	7,360	605	50
Piutang Lain-lain	60,636	80,176	217,038	315,853	402,895	456,081	458,297	467,161	476,025	484,889	491,538	491,538	491,538
Uang Muka	625,378	740,704	868,491	998,422	1,222,207	1,360,017	1,487,152	1,559,906	1,751,075	1,880,444	2,143,050	2,247,757	2,512,127
Persediaan	58,715	78,894	291,639	393,361	479,785	500,108	532,617	568,119	615,819	666,171	717,363	774,398	
Jumlah Aktiva Lancar	2,825,414	2,755,878	2,715,181	7,958,791	11,799,250	14,981,613	11,650,023	7,181,784	(2,196,903)	(14,965,572)	(29,872,474)	(48,699,853)	(54,784,427)
AKTIVA TETAP													
Tanah	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340	25,161,340
Aktiva tetap air minum diluar Tanah	30,381,431	48,801,911	67,222,391	111,876,557	159,879,785	205,417,948	205,417,948	211,813,783	218,593,369	225,779,729	233,397,271	233,397,271	233,397,271
Akumulasi Penyusutan aktiva tetap air minum	(4,480,159)	(8,013,520)	(12,789,987)	(19,682,765)	(27,946,400)	(39,057,441)	(49,700,702)	(63,637,213)	(76,746,073)	(89,279,431)	(101,336,981)	(112,348,663)	(123,002,162)
Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Akumulasi Penyusutan Aktiva Tetap Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
Nilai Buku Aktiva Tetap	51,062,612	65,949,731	79,593,744	117,355,132	157,094,726	191,521,848	180,878,586	173,337,911	167,008,635	161,661,638	157,221,629	146,209,948	135,556,449
Aktiva Dalam Penyelesaian	-	18,420,480	44,654,166	48,003,228	45,538,163	-	6,395,835	6,779,585	7,186,360	7,617,542	-	-	-
Aktiva Lain-lain	5,905,949	5,847,037	5,730,096	5,615,495	5,503,185	5,393,121	5,285,259	5,179,553	5,075,962	4,974,443	4,874,954	4,777,455	4,681,906
JUMLAH AKTIVA	59,793,974	92,973,126	132,693,186	178,932,646	219,935,323	211,896,582	204,209,703	192,478,833	177,074,055	159,288,051	132,224,110	102,287,550	85,453,928
KEWAJIBAN & MODAL													
KEWAJIBAN LANCAR													
Hutang Usaha	1,799,251	2,088,423	2,457,280	2,783,374	3,392,131	3,750,023	4,162,586	4,384,099	5,011,327	5,413,606	6,294,879	6,615,412	743,624
Hutang Lancar Lain-lain	1,410,163	1,636,801	1,925,893	2,181,469	2,658,582	2,939,080	3,262,426	3,436,037	3,927,626	4,242,912	4,933,611	5,184,828	34,206,726
Hutang Pajak	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Pajak Ps.25	-	-	483,553	2,125,996	1,429,236	-	-	-	-	-	-	-	-
Hutang yang akan Jatuh Tempo	-	-	-	-	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000	6,800,000
JUMLAH KEWAJIBAN LANCAR	3,209,414	3,725,224	4,866,727	7,090,838	14,279,949	13,489,103	14,225,013	14,620,136	15,738,953	16,456,518	18,028,490	18,600,239	41,750,350
KEWAJIBAN JANGKA PANJANG													
Hutang Jangka Panjang - Blm Jatuh Tempo	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang - Tunggakan	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutang Jangka Panjang Lainnya	55,504,425	79,504,425	106,504,425	133,504,425	150,704,425	143,904,425	137,104,425	130,304,425	123,504,425	116,704,425	109,904,425	103,104,425	96,304,425
JUMLAH HUTANG JANGKA PANJANG	55,504,425	79,504,425	106,504,425	133,504,425	150,704,425	143,904,425	137,104,425	130,304,425	123,504,425	116,704,425	109,904,425	103,104,425	96,304,425
KEWAJIBAN LAIN-LAIN													
Jaminan Langganan	-	-	-	-	-	-	-	-	-	-	-	-	-
Cadangan Dana Meter	666,731	1,617,422	3,067,689	5,021,698	7,342,907	9,664,116	12,031,225	14,444,233	16,903,142	19,407,951	21,912,760	24,417,569	26,922,378
Kewajiban Lain-lain	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284	61,284
Jumlah Kewajiban Lain-lain	728,015	1,678,706	3,128,973	5,082,982	7,404,191	9,725,400	12,092,509	14,505,518	16,964,427	19,469,235	21,974,044	24,478,853	26,983,662
MODAL													
Penyertaan Pemerintah Daerah	-	-	-	-	-	-	-	-	-	-	-	-	-
MTI Grant	-	8,000,000	17,000,000	26,000,000	34,000,000	34,000,000	35,000,000	36,000,000	37,000,000	38,000,000	38,000,000	38,000,000	38,000,000
Keuntungan (Kerugian) Luar Biasa	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in Capital/Modal Disetor	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387	16,476,387
Akumulasi Rugi/Laba	(7,138,154)	(16,124,266)	(16,411,615)	(15,283,324)	(10,322,668)	(6,987,784)	(12,635,363)	(19,842,959)	(26,984,860)	(38,949,393)	(53,135,782)	(76,616,202)	(102,111,588)
Rugi/Laba Tahun Berjalan	(8,986,111)	(287,349)	1,128,291	5,731,134	5,405,115	(2,769,104)	(4,989,897)	(8,739,002)	(13,182,504)	(15,208,378)	(24,340,722)	(26,213,118)	(35,688,542)
Jumlah Modal	352,121	8,064,772	18,193,063	32,924,197	45,558,834	40,719,498	33,851,127	23,894,426	13,309,023	318,615	(23,000,117)	(48,352,933)	(83,323,743)
JUMLAH KEWAJIBAN & MODAL	59,793,975	92,973,127	132,693,187	178,602,442	217,947,399	207,838,426	197,273,073	183,324,504	169,516,827	152,948,793	126,906,842	97,830,584	81,714,694

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6 FINANCIAL DATA PEKANBARU PILOT

PPP WATER SUPPLY IN PEKANBARU
Realised cost and financing in May 05 - December 08
(Euro)

	Cost				Financing			
	may-dec 05	2006	2007	2008	Total	DGIS/RW	PWN	MTI
TA					0			
Expatriate								
WFH	34.064	89.394	61.595	87.573	272.626	268.019	4.607	
Brussel accountant		24.196	17.678	3.184	45.058	45.058		
M Consult	3.391	1.680			5.071	5.071		
PWN	8.123				8.123	8.123		
Haskoning - sup IRP1, mast	22.635	41.732	56.244		120.611	120.611		
TA additional ¹⁾	50	7.678			7.728	7.728		
Local					0			
Inowa - sup IRP1, masterpla	31.392		8.904	10.093	50.389	50.389		
Inowa sup IRP1				8.154	8.154	8.154		
Inowa recruitment MD T Riau				1.939	1.939	1.939		
Inowa recruitment MD T Siak				9.430	9.430	4.715	4.715	
Inowa sup PSEP				5.781	5.781	5.781		
Inowa sup IRP 2				8.055	8.055	8.055		
Inowa debt rescheduling support				10247	10.247	10.247		
Waseco - FOPIP				12.689	12.689	6.345	6.345	
CV Okta - genset study				2.110	2.110	2.110		
CV Karya - raw water study				2.342	2.342	2.342		
Visit Indonesian delegation	8.560		7.458		16.018	16.018		
					0	0		
Debt restructuring KTDP		47124	254.037	754.050	1.055.211	832.374	222.837	
					0			
Others (incl .VAT payment KTDP)			217.365	37.900	255.265		255.265	
					0			
OPEX					0			
T Riau			2.613	26.849	29.462	29.462		
					0			
Investments					0			
IRP I	198.884				198.884	198.884		
IRP II		60.000	75.402	43.300	178.702	178.702		
NRW			344.013	267.600	611.613		611.613	
Water meters	64.225	71.662	90.501		226.388		57.708	168.680
House connections		191.829			191.829			191.829
Staff lay off PDAM				200.000	200.000	200.000		
Genset				51.988	51.988	51.988		
Total	371.324	535.295	1.135.810	1.543.284	3.585.713	2.062.115	1.163.090	360.509

WFH's data regarding billing of the Technical Assistance services:

1. TA provided by WFH (and its international advisors) are part of the Dutch grant and not charged to PT Tirta Riau or KTDP;
2. TA provided by local consultants is charged to PT Tirta Riau or KTDP, and financed from loans from WFH to PT Tirta Riau or KDTP;
3. Rates for international consultants are in the range of DGIS rates for shortterm consultants (€ 800-950/working day); DSA is according to UN rates, and air travel is economy class and partly business class;
4. Local consultants are normally hired on the basis of local competitive bidding; rates and contract conditions and are in conformity with market rates
5. Each progress report contains the relevant details on nos. of days worked, nos. of DSA days, nos. of tickets, etc.

Note:

Above data represent the initial overview provided by WMD. It took some time to obtain these data. The data are generated from WMD's Agresso administration. The analysis on the following pages is based on this initial overview.

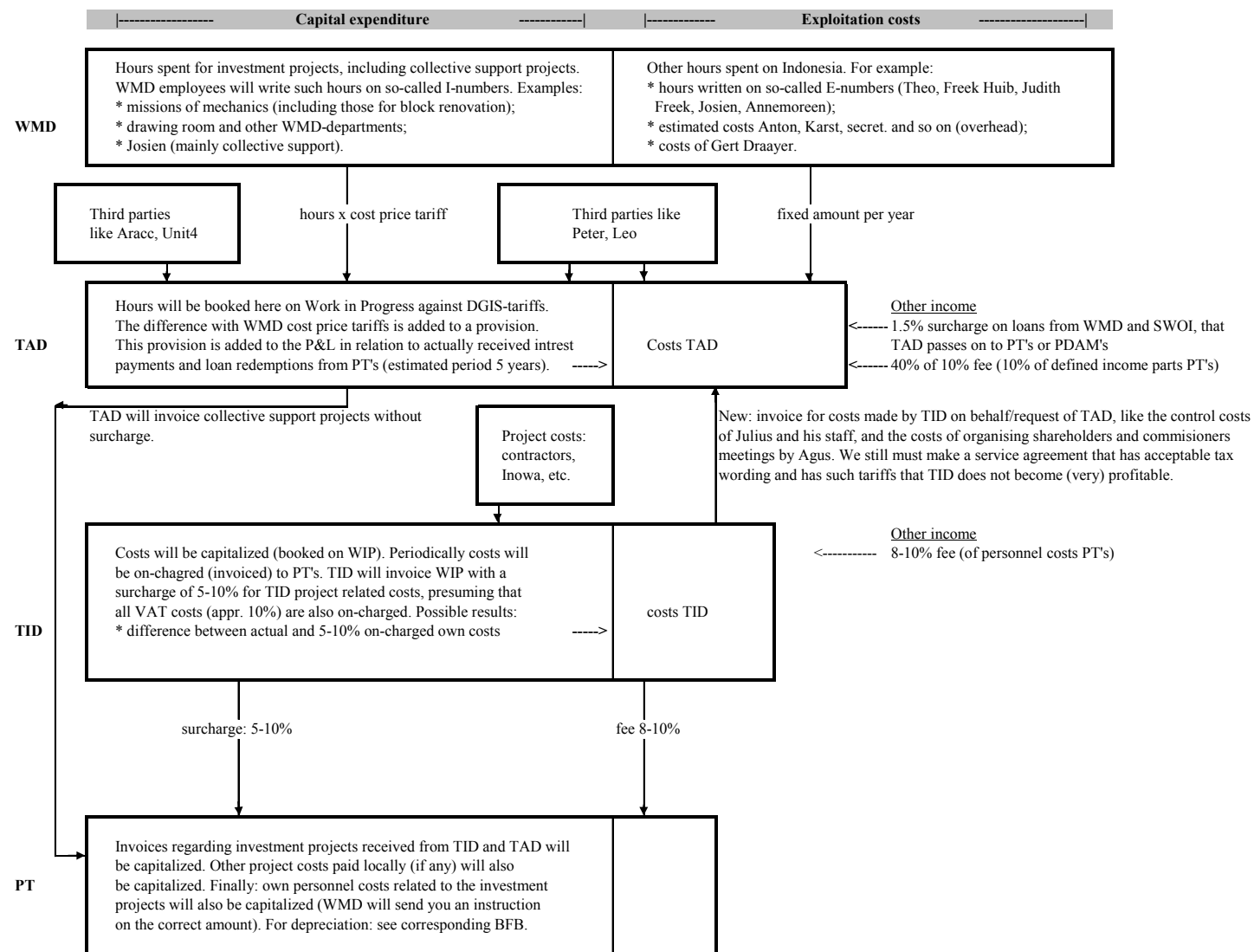
During the Debriefing Meeting on 10 April WMD submitted a revised overview. That document still included expenditures for activities which are not part of P3SW. Moreover, it distinctly deviates from the initial overview in ways that cannot be understood from the supporting text. A comparative analysis and explanation between the initial overview and later overview was not provided.

The MTR has opted for use of the original overview in MTR's Final Report and recommends that the discrepancies are discussed and reviewed as part of the regular monitoring of the programme.

WMD's data regarding billing of the Technical Assistance services:

1. Rates for TA of WMD personnel are said to be based on DGIS rates and appear to be accounted for in different ways: partly on the basis of the volume of days (for shorttermers undertaking assignments in Indonesia or at the head quarters), and partly on the basis of a sort of fixed budget for TA by senior head quarters based staff; for the fixed budget a figure of € 200K per annum was mentioned. MTR assumes that these fixed budget expenditures are booked against the grant budget and not invoiced to the local PT's, but this is clear from available data. The shortterm inputs are charged to the individual PTs. See also attached diagramme on WMD's surcharges;
2. Data on DSA and air travel are not available;
3. The TA services of TID and INOWA are "indirectly" invoiced to the PTs. This is done in the format of a surcharge of 25-35% (possibly 25% for the TA costs and 10% for VAT) on the capital investments in a particular PT. Particular procedures are applied for "central services" that are to the benefit of more or all PTs. See the diagramme on WMD's surcharges.
4. The rates which are applied for TID and INOWA staff were not made available.
5. As the East Indonesia pilot has a very high level of centralised TA costs, WMD was requested to provide data on rates and nos. of days of services by TID and Inowa over the years, per PT, and for centralised services. To date these data have not been made available. It is assumed that these data can be obtained from the Agresso database. This should be further looked into by the regular monitoring missions.

Diagramme WMD regarding surcharges on project invoices



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Budgets for P3SW (PPP) East Indonesia										
	WMD	P3SW	Others	Total	2005	2006	2007	2008	2009	Total
Preparatory Phase										
Mobilisation	300.000	0	0	300.000						
Preparation CAs	350.000	350.000	0	700.000						
Crash Programmes	350.000	350.000	0	700.000						
Subtotal	1.000.000	700.000	0	1.700.000						
Implementation Phase										
Manado (1)	235.000	1.065.000	0	1.300.000	0	400.000	550.000	250.000	100.000	1.300.000
Minahasa	72.000	328.000	0	400.000	0	100.000	100.000	100.000	100.000	400.000
Maluku Utara/Bacan (Temate)	136.000	614.000	0	750.000	0	350.000	200.000	100.000	100.000	750.000
Ambon (5)	136.000	614.000	0	750.000	50.000	250.000	300.000	100.000	50.000	750.000
Seram	27.000	123.000	0	150.000	0	0	0	100.000	50.000	150.000
Jayapura	244.000	1.106.000	0	1.350.000	150.000	400.000	400.000	300.000	100.000	1.350.000
Sorong (2)	208.000	942.000	0	1.150.000	100.000	550.000	300.000	200.000	0	1.150.000
Biak (3)	208.000	942.000	0	1.150.000	150.000	600.000	350.000	50.000	0	1.150.000
Manokwari	117.000	533.000	0	650.000	0	100.000	250.000	200.000	100.000	650.000
Merauke (4)	117.000	533.000	0	650.000	0	100.000	200.000	300.000	50.000	650.000
Subtotal	1.500.000	6.800.000	0	8.300.000	450.000	2.850.000	2.650.000	1.700.000	650.000	8.300.000
Subtotal 1+2+3+4+5	904.000	4.096.000	0	5.000.000						
Grand Total	2.500.000	7.500.000	0	10.000.000						

WMD- East Indonesia Pilot:		Cross sections of total expenditures														
	Building Interest	Calculated WIP	Hardware	Other	TA Int	Ta Local	Travel	WIP income	Total	Agresso						
Manado	94.910		1.769.879	411.968	645.091	333.510	223.302		3.478.660	269121						
Sorong	61.537		818.895	68.777	143.970	201.620	117.428		1.412.227	25981						
Biak	87.539		792.037	52.449	163.235	185.101	96.007		1.376.368	20631						
Merauke	7.790		163.214	26.081	58.629	47.715	26.614		330.043							
Collective Costs	244.572	-99.750	153.879	13.620	2.015.694	1.448.158	420.045	-62.244	4.133.974	412.704						
Ambon									0							
Jayapura	2.871		188.318	31.982		37.538	732		261.441							
Minahasa Selatan	1.214				31.412	1.067			33.693							
Minahasa Utara	1.755					25.124			26.879							
Minahasa	438					19.533			19.971							
Tomohon	5.980		116.841	78		50.317	171		173.387							
Wamena	5.957		72.203	2.020	24.960	15.578	23.102		143.820							
Subtotal	514.563	-99.750	4.075.266	606.975	3.082.991	2.365.261	907.401	-62.244	11.390.463							
%	4,5	-0,9	35,8	5,3	27,1	20,8	8,0	-0,5	100,0							
	5		36	4		56			100							
	514.563		4.075.266	444.981		6.355.653			11.390.463							
	Mobilisation	Quick Scans Contracts	Plans	Systems: Billing, Admin	Intakes WTP	Distr. BRP	Organisation Improvement Project Man	Surveys	Training & Training Centre	office	lab	Central Lab. Manado	Witbo	Others	Total	
Manado			24.125	269.121	1.589.259	1.587.446	5.436							3.273	3.478.660	
Sorong			29.863	25.981	206.343	904.567	26.873	2.346		95.253	19.041			101.960	1.412.227	
Biak			19.340	20.631	695.055	602.054	23.819	1.748						13.721	1.376.368	
Merauke			18.453		5.426	261.071				45.093					330.043	
Collective Costs	663.614	2.161.621		552.632			401.879		38.544		46.670	930.025	165.338	103.676	5.063.999	
Ambon															0	
Jayapura			20.853											240.588	261.441	
Minahasa Selatan			21.354			12.339									33.693	
Minahasa Utara			26.879												26.879	
Minahasa			19.971												19.971	
Tomohon			15.360		15.536	5.609				136.882					173.387	
Wamena			12.292			131.528									143.820	
Subtotal	663.614	2.161.621	208.490	868.365	2.511.619	3.504.614	458.007	4.094	38.544	277.228	65.711	930.025	165.338	463.218	12.320.488	
%	6	19	2	8	22	31	4	0	0	2	1	0	1	4	100	
		27		14		53								6	100	
		3.037.819		1.642.144		6.081.944								628.556	11390463	

Summary Data of WMD Master Plans East Indonesia

Master Plans incl. investment options													
		Investment budget WMD (P3SW+) AR-2009 1)	Initial Facilities	estimated budgets 2005-2020 4)			Total MasterPlan	Implementation Data (Annual Plans 2009)					
				2005-2010	2010-2015	2015-2020		2006	2007	2008	2009	2010	2015
1 Preparatory Phase													
2 Implementation Phase:													
Sorong	Budgets	5.195.000											
	Intakes/WTPs			233.600	521.600	896.400	1.651.600						
	Transmission/Water reservoirs			11.040	225.520	225.940	462.400						
	Distribution network/BRP			1.261.936	1.551.381	816.245	3.629.562						
	Connections			194.832	429.319	790.693	1.414.844						
	others			280.000	0	0	280.000						
	Net Subtotal (Euro)			1.981.408	2.727.820	2.729.179	7.438.406						
	Addit. Cost(OH+Tax):35%			693.493	954.737	955.212	2.603.442						
	Gros Subtotal(Euro)			2.674.901	3.682.557	3.684.391	10.041.849						
	Data infrastructure			2.674.901	6.357.457	10.041.849							
	production (l/s)		330	103	119	231	783						
	Cumulative total production (l/s)			433	552	783		200	200	200	300	300	450
	connections 2)		9035	11000	7000	8000	35035						
	Cumulative total connections 2)			20035	27035	35035		5152	6231	6762	14332	28867	37643
	NRW							53	52	48	45	41	26
	Population served							51601	57087	56814	92248	162579	200081
Biak	Budgets	3.741.000											
	Intakes/WTPs			486.786	518.393	424.196	1.429.375						
	Transmission/Water reservoirs			68.393	134.107	260.625	463.125						
	Distribution network/BRP			648.214	733.214	489.018	1.870.446						
	Connections			167.500	384.375	549.107	1.100.982						
	others			31.250	0	0	31.250						
	Net Subtotal (Euro)			1.402.143	1.770.089	1.722.946	4.895.179						
	Addit. Cost(OH+Tax):35%			490.750	619.531	603.031	1.713.313						
	GrosSubtotal(Euro)			1.892.893	2.389.621	2.325.978	6.608.491						
	Data infrastructure			1.892.893	4.282.513	6.608.491							
	production (l/s)		72	50	55	5	182						
	Cumulative total production (l/s)			122	177	182		50	100	100	150	150	150
	connections 2)		4810	8690	4000	5000	22500						
	Cumulative total connections 2)			13500	17500	22500		4841	5073	5556	9041	17776	21466
	NRW							59	63	57	45	41	28
	Population served							29927	31531	34641	55961	108801	133307
Merauke	Budgets (for Alt 1)	1.194.000											
	Intakes/WTPs			125.388	2.431.013	0	2.556.401			24.980			
	Transmission/Water reservoirs			9.796	112.261	112.261	234.318			9.796			
	Distribution network/BRP			422.047	564.899	235.984	1.222.929			108.874			
	Connections			91.173	164.531	323.388	579.091						
	others			142.857	0	0	142.857			142.857			
	Net Subtotal (Euro)			791.260	3.272.705	671.633	4.735.597			286.507			
	Addit. Cost(OH+Tax):35%			276.941	1.145.447	235.071	1.657.459			100.277			
	GrosSubtotal(Euro)			1.068.201	4.418.151	906.704	6.393.056			386.784			
	Data infrastructure			1.068.201	5.486.352	6.393.056							
	production (l/s)		40	0	50	50	140						
	Cumulative total production (l/s)			40	90	140		40	40	40	40	90	90
	connections 2)		3221	1692	2968	5772	13653						
	Cumulative total connections			4913	7881	13653		3314	3522	3730	4038	4447	7014
	NRW							34	45	41	39	36	26
	Population served							20760	21959	23318	25084	27664	43850
Manado	Budgets	9.183.000											
	Intakes/WTPs			1.130.560	373.500	478.408	1.982.467						
	Transmission/Water reservoirs			778.903	1.097.363	600.704	2.476.971						
	Distribution network/BRP			1.893.943	4.353.309	5.964	6.253.215						
	Connections			858.662	1.918.086	2.726.593	5.503.341						
	others			79.040	0	0	79.040						
	Net Subtotal (Euro)			4.741.108	7.742.258	3.811.669	16.295.035						
	Addit. Cost(OH+Tax):35%			1.659.388	2.709.790	1.334.084	5.703.262						
	Gros Subtotal(Euro)			6.400.496	10.452.048	5.145.753	21.998.297						
	Data infrastructure			6.400.496	16.852.544	21.998.297							
	production (l/s) 3)		1524	0	30	30	1584						
	Cumulative total production (l/s) 3)			1524	1554	1584		768	768	768	888	1038	1038
	connections 2)		13814	22102	34400	48894	119210						
	Cumulative total connections 2)			35916	70316	119210		21226	16226	18026	27626	41054	67204
	NRW							83	82	81	56	45	35
	Population served							137423	107423	117814	175077	256314	414702
Other	Towns / PDAMs												
	Ambon												
	Centralized services												
TOTAL INVESTMENT BUDGET 1)		19.313.000											
	Master Plans: Net Subtotal (Euro)			8.915.919	15.512.871	8.935.427	33.364.217						
	Addit. Cost(OH+Tax):35%			3.120.572	5.429.505	3.127.399	11.677.476						
	Gros Subtotal(Euro)			12.036.490	20.942.376	12.062.826	45.041.693						
	Data Infrastructure:			12.036.490	32.978.867	45.041.693							
	production (l/s)		1966	153	254	316	2689						
	Cumulative total production (l/s)			2119	2373	2689		1058	1108	1108	1378	1578	1728
	connections 2)		30880	43484	48368	67666	190398						
	Cumulative total connections			74364	122732	190398		34533	31052	34074	55037	92144	133327
	NRW												
	Population served							239711	218000	232587	348370	555358	791940
	Net cost per new connection (Euro)			205			209						
	Net cost per new connection (Rp)			3.075.586			3.137.347						
	Gross cost per new connection (Euro)			277			282						
	Gross cost per new connection (Rp)			4.152.041			4.235.418						
Notes: 1) P3SW+WMD+SNS+RNE +Customer contribution New Connection (Rp 1M/connection)													
2)													
3) Data in WMD report incomplete/unclear													
4) Exchange rates (Rps-Euro) for respectively Sorong, Biak, Merauke and Manado				12500	11200	12250	13917						

8 P3SW WORKSHOP IN JAKARTA

Workshop P3SW (PPP) Pilot Programme in the framework of the Mid Term Review (MTR) The Royal Netherlands Embassy, 24 February 2009

SUMMARY RECORD OF DISCUSSIONS

This workshop had the objective to have the various stakeholders in the P3SW Pilot Programme, in particular the Indonesian stakeholders such as Central Government, Local Government and project management staff of WFH/PWN and WMD, sit together and discuss the draft MTR Report (Phase 1) and other issues regarding the Pilot Programme that are of concern to them.

Agenda for the workshop:

- 13:30 – 14:00 Registration
- 14:00 – 14:10 Opening, Introductions
- 14:10 – 14:20 Brief introduction to objectives of P3SW Pilot programme (Gerard van der Kolff)
- 14:20 – 14:30 Approach and set-up Pekanbaru pilot (Pak Adamsyah)
- 14:30 – 14:40 Approach and set-up East Indonesia pilot (Pak Agus Kamiludin)
- 14:40 – 15:00 Review: Institutional – Organisational – Legal aspects (Jan Oomen)
- 15:00 – 15:40 Review: Financial-Economic aspects (Werner Brenner)
- 15:40 – 16:00 Break
- 16:00 – 16:45 Discussion: how to improve the enabling environment and the services delivery
- 16:45 – 17:00 Wrap-up

For those present see Attachment 1.

Summary record of discussions:

1. A question was raised (Pak Amry from BPP SPAM) regarding the TA/Capex ratio in the Dutch pilots. For the Pekanbaru pilot it is in the range of 15-20% for the expenditures to date. For WMD further assessment of data is required; tentative results indicate that the ratio will rather be in the range of 50%. Pak Amry offered to make benchmark data available that are monitored by BPP SPAM. For Palija the TA/Capex ratio is about 6% and supposed to go down to 2% in the coming years.
2. Regarding possible funding to PDAMs and PTs Pak Nugroho (Bappenas) and Pak Tamin (PU/CK) explain that no grants are made available to PDAMs and PTs by Central Government directly. Such grants may be offered to local government, and then be extended to PDAMs. An essential condition for this funding scheme, under development at this time, is that the PDAM needs to be majority owned by the Local Government.
3. Question was raised by Mr. Hoekman from RNE how the WMD pilot should be qualified, in particular from a financial perspective. It could make sense to support the programs with additional financial means to help achieve its final goals. But on the other hand it is important to also discuss a number of serious problems that cause the need for additional funding. It is apparent that Central Government should have been more involved in all stages of the project. From the start the business cases were presented too optimistically. Risks were underestimated. For the upcoming period it is important to learn from these facts.

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4. Pak Tamin agrees that the aim of the cooperation programme is good; alternative sources of funding are scarce. He raises the philosophical question whether the WMD Model shall be qualified as PPP (i.e. Public-Private Participation) or as P3P (Public-Public Participation) in consideration of the fact that WMD, as a limited company, is fully owned by local government in the Netherlands. In the case of Public-Private cooperation he refers to existing laws and regulations in Indonesia (a.o. need for public tender, investment options). He adds that local government may arrange for funding if LG is duly involved and Mayor has the right priorities and commitment for improved water supply. Funding may be loan by a commercial bank with government guarantee. Involvement of commercial banks is hampered by amongst others the lack of effective business management capacity, often resulting in high NRW. At the moment a support programme is running for 230 PDAMs, including structural and non-structural measures. This programme will contribute to the Indonesian MDG 7 target to realize 10 million new house connections. Private sector participation may be invited through tendering.
5. Referring to the remarks about the so-called "Oversight Body" in the draft MTR report, Pak Nugroho mentions that in case of a business-to-business set-up the Oversight Body may not be required. In case of a public-to-private set-up Central Government doesn't really feel comfortable about current arrangements. The role of the Oversight Body needs to be reviewed. Management appointments for regional enterprises are the responsibility of local government. Central government cannot interfere, and only provide guidelines through the Ministry of Home Affairs.
6. As to funding options to PDAMs/PTs, Pak Nugroho adds that GOI cannot extend subsidy to the private sector. Guarantees can be provided to the private sector when working together with the public sector. Local Government can extend subsidized loans to a PDAM that cooperate with the private sector, providing that specific regulations are adhered to (a.o. business plan, audited reports).
7. Pak van der Velden (RNE) mentions a few funding windows, such as: the OBA programme from the Ministry of PU that provides a Rp 2.5M/Connection incentive facility, for which only PDAMs (not PTs) will qualify, under specific conditions. LIP is another potential funding window with Rp 1M/connection. Surabaya is scheduling to install 60,000 new connections in 2 years, working together with BRI under a repayment schedule. The question is raised whether PTs in East Indonesia could qualify for such funding sources in future
8. Ms. Sophia Manuhutu (Board of Commissioners, PT Tirta Remu, Sorong) remarks that under the cooperation programme with WMD the planned and realized investments are not fully clear to local government. More detailed information is awaited from WMD.
9. In reply to a question by Ibu Rina Agustin (PU/Bina Program) the MTR Team confirms that it will present recommendations to principal stakeholders, including PU/CK and LG, regarding measures to adjust and improve the ongoing P3SW Pilot Programme.

Attachment 1

Mid Term Review mission on P3SW cooperation
Tuesday, 24 February 2009, 14.00-18.00 hrs
Meeting Room, Ground Floor
Embassy of the Kingdom of the Netherlands

Attendance Mid Term Review Workshop on P3SW Cooperation:

1. Mr. Nugroho T. Utomo, Head of Subdivision of Water & Waste Water, BAPPENAS
2. Mr. Tamin M. Zakaria Amin, Director of Water Supply Development, Directorate for Human Settlement (Cipta Karya), Ministry of Public Works
3. Ms. Rina Agustin, Directorate for Human Settlement (Cipta Karya), Ministry of Public Works
4. Mr. Amri Dharma, BPPSPAM, Ministry of Public Works
5. Mr. Eddy Akhirwan, PERPAMSI
6. Ms. Rina Napitupulu, PERPAMSI
7. Mr. Adamsyah, KTDP
8. Mr. Leo Gijzel, Tirta Inti Drenthe Manado
9. Mr. Agus Kamiludin, Tirta Inti Drenthe Manado
10. Mr. Jan Wawo, PT AIR MANADO
11. Mr. Joko Suroso, INOWA
12. Ms. Sussy K, INOWA
13. Mr. G.H. van der Kolff, Deltares
14. Mr. Jan Oomen, MTR Team
15. Mr. Rik Dierx, MTR Team
16. Mr. Werner Brenner, MTR Team
17. Ms. Poppy Wijaya, MTR Team
18. Mr. Amir Susanto, MTR Team
19. Mr. El Khobar, University of Indonesia
20. Mr. Yusman Amin, BAPPEDA Pekanbaru
21. Mr. Edwin Supradana, BAPPEDA Pekanbaru
22. Mr. Erizal Muluk, Vice Mayor of Pekanbaru
23. Mr. Andres Kaharson, Staff officer of the Vice Mayor of Pekanbaru
24. Mr. Amir Susanto, Technical Faculty, University of Indonesia
25. Ms. Sophia Manuhutu, Board of Commissioners, Tirta Remu Sorong
26. Mr. Amus Kasi, Tirta Remu Sorong
27. Ms. Ruth Beiter, Tirta Remu Sorong
28. Ms. Renate Pors, RNE
29. Mr. Jaap van der Velden, RNE
30. Mr. Gerrit Hoekman, RNE

9 DEBRIEFING MEETING MTR P3SW AT DGIS, THE HAGUE

**Debriefing results of the Mid Term Review (MTR)
P3SW (PPP)
Ministry of Foreign Affairs, The Hague, 10 April 2009**

SUMMARY Minutes of meeting

The debriefing sessions by the MRT team, as carried out twice, one each in Jakarta and The Hague, had the objective to discuss the results of the Mid Term Review of the P3SW (PPP) Pilot Programme. In the sessions the various stakeholders in the P3SW Pilot Programme, in particular the Indonesian stakeholders such as Central Government, Local Government and project management staff of WFH/PWN and WMD, sat together and discussed issues regarding the pilot that are of concern to them.

Agenda for the debriefing session at The Hague:

1. Opening (P. de Vries, Min. Foreign Affairs)
2. Introduction P3SW and the MTR; finalisation process MTR (G. van der Kolff, Deltares)
3. Main conclusions and recommendations MTR (J. Oomen, DHV)
4. Comments on MTR-report
 - WMD
 - WFH
 - RNE
 - Rijkswaterstaat
 - Foreign Affairs
5. Reaction consultant team
6. Remaining questions
7. Wrap-up, conclusions and follow-up

Summary Minutes of meeting:

1. Opening

P. de Vries welcomed the participants (Attachment 1) and explained the objective of the meeting: inform the (Dutch) parties involved on the results of the MTR and provide the opportunity to comment on the results and discuss possible ways forward.

2. Introduction P3SW and the MTR; finalisation process

G. van der Kolff recalled the intention of P3SW Pilot Programme, to seek new ways to address the MDGs, taking advantage of the experience of Dutch water companies, and introduced the Mid Term Review process, as part of the P3SW programme, to identify the lessons learned. Today's meeting provides the Dutch parties with the opportunity to react on the results of the MTR. Written comments are welcomed, so that the final MTR-report can be issued in May.

3. Main conclusions and recommendations MTR

J. Oomen, team leader of the MTR described the MTR-process. The MTR was carried out in two phases. In order to reflect the interests of the Indonesian partners, after the first phase, it was decided to complement the MTR-team with Indonesian experts. The MTR-team consisted of:

DHV Group

Ir. Amir Susanto MPH

Dr. Ismeth Abidin

Dra. Poppy Wijaya

Ir. Rik Dierx

Dr. Werner Brenner

Ir. Jan Oomen

After a brief description of the MTR methodology, an overview was given of other PPP's in Indonesia and the special characteristics of the WMD- and WFH- P3SW pilots.

The main conclusions and recommendations are summarized in an extensive Executive Summary. This Summary and Excerpts of selected Chapters will also be translated in Bahasa Indonesia, and will be incorporated in the final MTR-report.

4. Comments on MTR-report

K. Hoogsteen compliments the MTR with their final report. The discussions with the MTR team have been fruitful and have contributed to introspection on the side of WMD. Indeed lessons have been learned. A focus on four, rather than on 10 locations will be implemented. However, WMD is of the opinion that the WMD-model within P3SW entails more than just a project. Taking over responsibility of a drinking water company, one cannot simply state that due to disappointing results, the project will stop. WMD is committed to the long term success, and is willing to seek common solutions to emerging problems. The returning of the assets to the PDAM's, before the MTR was carried out, may serve as an example. WMD does not support the idea of presenting different scenario's (best, worst and middle of the road business cases) in the MTR. The assumptions underlying the business cases are not clear, and may not reflect the actual situation. WMD stresses that the support from the local government is essential. WMD has invested a lot in that relation.

B. Jansen is glad to have the opportunity to react on the MTR-report, and stresses that also the Indonesian partners should be able to comment on the report. Apart from some more detailed comments that WFH will present in writing to the MTR-team WFH is of the opinion that the positive developments that have taken place in Pekanbaru deserve more attention. Water tariffs have increased and a new general manager has been installed. Also, the main characteristics of the so-called Rescue Plan could be further elaborated in the report, as they present a solution to a number of difficulties that have been experienced so far.

WFH is happy with the confirmation of the Dutch Embassy that it will process and consider a formal request on behalf of Pekanbaru to support the Rescue Plan. Now that institutional barriers have been overcome, it is time to speed up the necessary implementation. As for the percentage of contribution of the private sector, the contribution of KTDP (estimated by WFH at € 1M) should also be mentioned.

M. den Blanken agrees with the comments made by WFH.

P. de Vries remarks that Indonesia is classified as a Category 3 Country, implying that the bilateral aid volume may quickly diminish. However, within the declining overall budget the percentage allocated to water issues may increase.

J. van der Velden did not share the optimism of WMD and WFH, nor did he support the positive undertone of the MTR report. The results of the P3SW-pilots are disappointing, the basic assumptions were overoptimistic, the problems underestimated. Drastic measures are necessary to realise the envisioned success of the Dutch-Indonesian co-operation. Van der Velden stresses that real cooperation and ownership should be at the centre of the programme.

In Eastern Indonesia, numerous aspects of the co-operation need to be reconsidered. The lack of transparency has had a negative impact on the co-operation between the Netherlands and Indonesia. Major adjustments to the WMD-model are necessary, to involve the Indonesian partners on a proper level, but also to ascertain that the local parties show commitment to improving the drinking water situation.

Without a sense of ownership of Pemko and the water companies, it will be better to stop further GON support.

The Pekanbaru-pilot had a quick but uneasy start. The institutional setting is complex, due to the many parties involved. The contribution to the MDGs should be expressed more clearly, if a follow-up is to be considered.

Dutch operators should focus on their core competences: produce drinking water and deliver to the consumers. They should involve other, more specialized organisations to tackle many of the other problems the PDAM's are facing. The MTR should preferably also provide information on the daily tariffs applied by the Dutch operators for their services. Further detailed comments will be handed over in writing. B. Teeuwen points at the study he has carried out, in order to assess the legal aspects of PPP's in the drinking water sector. The final report summarizes the past and current legislation, and provides recommendations to improve the PPP set-up as well as to further clarify outstanding legal issues.

K. Groen indicates that the main concern for RWS is how to complete Phase 1, and how to complete the committed funds.

J. Bijlmer remarks that Foreign Affairs and RNE still have quite a lot of home work to do. The MTR-report clearly shows that further action is required to develop the P3SW pilots into real partnerships. The Indonesian involvement so far has been rather limited for various reasons. Initiatives are required that lead to more interest from Indonesian Government authorities in the further development of the PDAM and PTs under the pilot programme. It may be true that Foreign Affairs has taken too long to intervene in the process, when signs of delays and difficult progress started to show up in the monitoring reports. He agrees with the MTR-team that the lessons from the MTR should be picked up. Not only as part of the P3SW-programme, but also on a more strategic level: recently, the Dutch drinking water companies have been allowed to direct 1% of their turnover towards projects in developing countries. This will most likely result in new applications and new project proposals. We should beware of the pitfalls we have encountered in the P3SW-pilots. This also holds true for the proposed co-operation in Aceh, where the Dutch drinking water companies have been active after the tsunami disaster. We should discuss with our Indonesian counterparts, how we can improve the co-operation. How can the sense of ownership be restored, how can this be combined with the willingness of the Dutch public and private partners to invest in successful pilots? The follow-up to the MTR should address these issues. Foreign Affairs will also discuss with Rijkswaterstaat, initiator of the MTR, to what extent the recommendations of the MTR will be accepted.

D. van Ginhoven stresses that the achievements on MDGs will have to be one of the most important yardsticks, as contributions to the MDGs were the basis and the justification of the P3SW programme. Another essential criterion is the extent to which the stakeholders have the ability to develop into learning organizations.

7 Wrap-up, conclusions and follow-up

It was decided that the complete Draft Final MTR Report on the P3SW Programme will be distributed to the Indonesian stakeholders through the Netherlands Embassy in Jakarta. Parties will be invited to review the report and send any comments and suggestions regarding the Draft Report within two weeks (i.e. latest by April 30th) to J. van der Velden at the Netherlands Embassy.

An extensive Executive Summary and Excerpts from several Chapters of the report have been distributed earlier. This document will be translated to Bahasa Indonesia, and will be included in the Draft Final Report.

Sufficient copies of the Draft Final Report, with the Bahasa Indonesia edition of "Executive Summary and Excerpts", will be printed this coming Tuesday, and distribution via the RNE will be arranged from Wednesday. It is scheduled that two copies of the Report will be sent to each Walikota/Bupati for further

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distribution locally; at central level copies will be sent to Bappenas (Dedy Priatna, Budi Hidayat, Nugroho), DG CK (Budi Yuwono), CK/Directorate Water Supply (Tamin), CK/Bina Program (Rina Agustin), PU/BPP SPAM (Rachmat Karnadi), Home Affairs, Perpamsi (in total about 20 copies).

WFH and WMD will take care of distribution to their local offices, PDAM, and PTs. For that purpose a revised PDF will be forwarded by next Wednesday, including the BI sections, to WFH/PWN and WMD.

**Debriefing results of the Mid Term Review (MTR)
P3SW (PPP)
Ministry of Foreign Affairs, The Hague, 10 April 2009**

Attachment 1

LIST OF PARTICIPANTS

P. de Vries	Ministry of Foreign Affairs
G. van der Kolff	Deltares
D. Adema	Ministry of Foreign Affairs
K. Groen	Rijkswaterstaat
J. Oomen	DHV
B. Jansen	WFH
B. Teeuwen	(ret.) Min. of Transport, Public Works and Water Management
L. Blom	Ministry of Foreign Affairs
W. Franssen	Ministry of Foreign Affairs
J. Bijlmer	Ministry of Foreign Affairs
J. van der Velden	Royal Netherlands Embassy Jakarta
K. Hoogsteen	WMD
M. den Blanken	PWN
T. Terpstra	WMD
D. van Ginhoven	Ministry of Foreign Affairs

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11 ABBREVIATIONS, ACRONYMS AND EXCHANGE RATES

B2B	Business to Business
BOT	Build Operate Transfer
BPP SPAM	Badan Pendukung Pengembangan Sistem Penyediaan Air Minum Water Supply Development Support Agency
BRP	Block Renovation Programme
BVTS	BV Tirta Sulawesi = Limited liability company Tirta Sulawesi
CA	Cooperation Agreement
CK	Cipta Karya (Public Health Engineering Department)
Deltares	Research and Consultancy Organisation, Delft
DGIS	Directorate General international Cooperation (The Netherlands)
DMA	District Metered Area
JOA	Joint Operation Agreement
JVA	Joint Venture Agreement
JVC	Joint venture Company
KTDP	PT Karsa Tirta Dharma Pangada (Name Private Concessionaire at Pekanbaru)
KPS	Kerjasama Pemerintah Swasta, Public Private Partnership
LG	Local Government
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
MTR	Mid Term Review
O&M	Operation & Maintenance
P3SW	Partnership Publik Private Samenwerking in de watersector = PPP in the water sector
PB-PfW	Programme Bureau Partners for Water
PEMKO	Permerintah Kota; Municipal Government
PDAM	Perusahaan Daerah Air Minum (Water Enterprise)
PPP	Public Private Partnership
PT	Limited Liability Company
PT DSA	Dream Sukses Airindo
PT MTI	PT Mitra Tirta Indonesia
PTAM	PT Air Manado
PT-AM	PT- Air Minum = Water Company/ Water Enterprise
PU	Pekerjaan Umum (Public Works)
PWN	Provinciale Waterleidingmaatschappij Noord-Holland
RNE	Royal Netherlands Embassy
RWS	Rijkswaterstaat
TAD	Tirta Drenthe BV
TID	PT Tirta Inti Drenthe
TOR	Terms of Reference
WE	Water Enterprise
WMD	Waterleiding Maatschappij Drenthe
WFH	Water Fund Holland
WFI	Water Fund Indonesia
WPK	WFH+PWN+KTDP
WS	Water Supply
WTP	Water Treatment Plant

Exchange rates (December 2008): 1 € = Rp 15,000 ; 1US\$ = Rp 11,000



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Betreft Eindrapportage evaluatie P3SW programma

DME -mw Kenmerk
2013.168465

Bijlage(n)
Evaluatie rapport P3SW

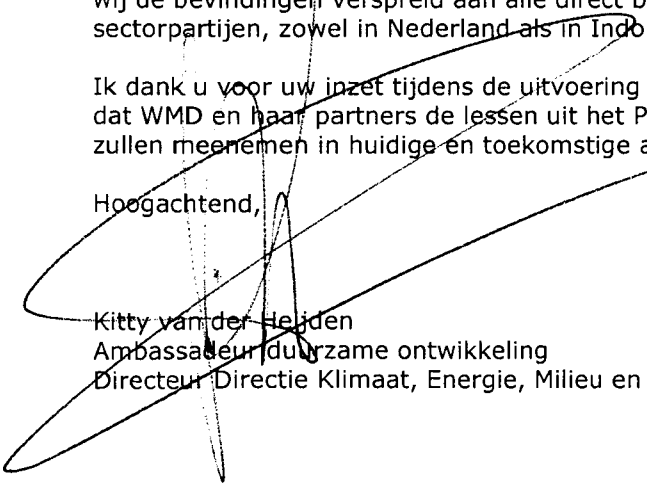
Geachte heer Hoogsteen,

Hierbij stuur ik u het eindrapport van de evaluatie van het drinkwater programma voor Indonesië uitgevoerd door Waterleidingmaatschappij Drenthe en Water Fonds Holland (P3SW).

We zetten ons in om de lessen die geleerd kunnen worden uit dit programma toe te passen in onze eigen programma's en die van onze partners. Daarom hebben wij de bevindingen verspreid aan alle direct betrokkenen en een aantal sectorpartijen, zowel in Nederland als in Indonesië.

Ik dank u voor uw inzet tijdens de uitvoering van dit programma en vertrouw erop dat WMD en haar partners de lessen uit het P3SW programma zoveel mogelijk zullen meenemen in huidige en toekomstige activiteiten.

Hoogachtend,


Kitty van der Heijden
Ambassadeur duurzame ontwikkeling
Directeur Directie Klimaat, Energie, Milieu en Water

Euv. nr: 2013 5790



Final Evaluation of the P3SW Public Private Partnership

Pilot Programme for Pekanbaru and East Indonesia

Main report

Dirk Van Esbroeck
Ken Caplan
Neil Macleod
Agus Rumansara
Risyana Sukarma

Final – January 2013

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Abbreviations and acronyms

BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> (National Development Planning Agency)
B2B	Business to Business
BOT	Build, Operate, Transfer
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> (Finance and Development Supervisory Agency)
BPPSPAM	<i>Badan Pendukung Pengembangan Sistem Penyediaan Air Minum</i> (National Agency for Water System Development)
BRP	Block Renovation Program
CA	Cooperation Agreement
DGIS	Directorate General for International Cooperation (The Netherlands)
GIS	Geographical Information System
IDR	Indonesian Rupiah (1€= 11,600 IDR mid 2012)
IFI	International Finance Institutions
JOA	Joint Operations Agreement
JVC	Joint Venture Company
KTDP	Karsa Tirta Dharma Pangada (Indonesian company that cooperated with WFH in Pekanbaru)
l/s	litre per second
MDG	Millennium Development Goals
MIS	Management Information System
MPW	Ministry of Public Works (Indonesia)
O&M	Operations and Maintenance
P3SW	Public Private Partnership Program
PDAM	<i>Perusahaan Daerah Air Minum</i> (Local drinking water company)
PPP	Public Private Partnership
PUP	Public Utility Partnership
PWN	Waterleidingbedrijf Noord-Holland (Water Company of North Holland)
REOT	Rehabilitate, Expand, Operate, Transfer
RNE	Royal Netherlands' Embassy (also used her to refer to the additional funding by the Embassy for the East-Indonesia component of the P3SW)
RWS	Rijkswaterstaat (Department of Water Management, Ministry of Transport and Water Management)
SWOI	Stichting Waterproject Oost-Indonesië (East Indonesia Water Projects Foundation)
TA	Technical Assistance
TAD	Tirta Drenthe (Subsidiary of WMD)
TID	Tirta Inti Drenthe (subsidiary of Indowater/WMD)
TOR	Terms of Reference
V&W	Verkeer & Waterstaat (Ministry of Transport and Water Management)
WFH	Water Fund Holland
WFI	Water Fund Indonesia
WMD	NV Watermaatschappij Drenthe
WTP	Water Treatment Plant

Executive summary

Background

The P3SW is a Public Private Partnership (PPP) in the water sector that was established in 2002. The programme was an initiative of various Dutch partners to implement PPP pilot projects in the water sector in developing countries. It was aimed at investigating how partnerships between public and private initiatives in the Netherlands could successfully contribute to the consolidation, upgrade and expansion of water infrastructure for rapidly expanding urban populations in the South. Eventually two pilot projects were selected, both situated in Indonesia. One project was to be carried out in the city of Pekanbaru (the capital of Riau Province, Sumatra) with Water Fund Holland (WFH, a joint venture company comprised of five Dutch water companies, geared towards investments and operations of water infrastructure in developing countries) as project implementer. The second project was to be implemented in several cities in East Indonesia (North Sulawesi, Moluccas, Papua) by Waterleidingmaatschappij Drenthe (WMD).

Programme implementation started formally in 2005 and was set to end in December 2010. However, for various reasons the Pekanbaru component was terminated towards the end of 2009, whereas the East Indonesia component was extended until the end of 2011 and thereby was able to benefit from an additional grant from the Dutch Embassy in Indonesia. The initial programme budget amounted to €23.5M (€7M for Pekanbaru, €16.5M for East-Indonesia) of which €16.1M was public funds.

For DGIS, the main aim of this final evaluation was to provide learning that could be used to further develop new PPP approaches in the water sector, one of the key sectors of Dutch development cooperation. The water companies hoped the evaluation would generate useful findings to complement their internal reflection processes and support their further involvement in the Indonesian water sector.

The specific tasks of the evaluation team included the assessment and quantification of the results achieved, assessment of the sustainability of the programme, the identification of key risk and success factors in relation to the chosen PPP approaches and the formulation of recommendations. The evaluation mainly addressed programme developments from January 2009 onwards (i.e. after the mid-term review), including the period beyond the formal closure of both project components. A two-tiered approach was adopted – looking back at past performance and looking forward to reflect on optimal conditions for greatest impact – so as to address both the accountability and learning focus of the evaluation. Site visits covered all major programme locations and were conducted in an interactive way to facilitate exchange with local stakeholders. Much attention was given to triangulating information so as to come to an accurate and balanced understanding of the different perspectives and interests of the programme partners and other stakeholders.

Programme context

As a pilot programme, P3SW was able to benefit from a strongly supply-driven and favourable policy environment, however this did not prevent programme inception from taking a considerable length of time (from 2002 till 2005). Not only did the selected Dutch water companies face various challenges during programme preparation, defining an adequate institutional format for a PPP initiative also proved difficult because of legal and procedural constraints in the Netherlands. Eventually a complex programme setup was defined in which RWS (Rijkswaterstaat, an implementing agency of the Ministry of Transport and Water Management) was put in charge of implementation, whereas DGIS acted mainly as funder. It later became clear that this setup was not accompanied by adequate mechanisms to ensure strategic steering and reflection and, more broadly, that the risks and challenges of the coordination and monitoring of this complex pilot programme were not sufficiently understood. Only in later programme stages did DGIS become somewhat more closely involved with the programme. The strong initial focus on Dutch internal arrangements also meant that little attention was paid to the setup of joint (Dutch-Indonesian) programme mechanisms, which implied that the involvement of Indonesian authorities, at least at the national level, remained limited throughout programme implementation.

Indonesia has defined ambitious targets for the development of its drinking water sector, which include access to piped water for an additional 60 million people between 2004 and 2015. The Government's policy directions plan an increase in coverage and quality of drinking water via support to local drinking water companies, an optimization of the sector's funding by increasing the role of the private sector and the development of an institutional and regulatory framework via the application of a good governance approach at the level of the water utilities.

While important initiatives have been undertaken to modernize sector legislation, there remain many grey areas, creating some uncertainty and serving as a disincentive for private actors to get involved, which explains why, so far, there are still relatively few PPP initiatives in the water sector. The legal framework also provides far-reaching autonomy for districts and municipalities in a number of important areas, including the provision of drinking water, which is mainly taken on by local water companies (PDAMs) that are primarily owned by and operate under the authority of the district head or mayor. Most of these PDAMs are small and performed badly in the past, but – overall – have slowly improved over the last years. Support from national institutions is foreseen but so far has only very partially addressed local institutional, technical and financial needs. Unlike in many other developing countries, customers to date have hardly played a role as stakeholders in their own right, which can be explained by the relative abundance of and relatively cheap access to water in most parts of Indonesia and by the lack of a tradition of collective action and claims in cases where public water supply is failing.

Assessment of the Pekanbaru component

The Pekanbaru PPP had a complex setup which had to be grafted onto an existing PPP – more specifically, a Joint Operations Agreement between the City and its PDAM and

KTDP, the latter being WFH's actual partner. The main feature of the partnership was, at least initially, a REOT (Rehabilitate – Operate – Transfer) type contract for bulk water supply to KTDP, who had an agreement with the local government. The substantial reduction of Non-Revenue Water (NRW), improvement in staff performance and increase in the capacity of piped networks and household connections were other important targets.

After a quick and promising start, involving substantial investments, the programme began to face increasing difficulties. First of all, the complex institutional setup meant that WFH had only a limited direct control over the desired change process, and that no clear responsibilities for specific components of the water supply chain could be delineated. KTDP's financial problems also forced the programme to review its initial targets to keep it afloat. Furthermore, resistance to change at the level of the politically backed PDAM was another major difficulty. It became increasingly clear that the PDAM did not want to improve its governance or performance, as this would have implied giving up the prerogatives it had tacitly acquired over time. This implied that the intrinsically high quality of WFH's inputs eventually produced only limited effect.

WFH and KTDP made various attempts to sort out the fundamental differences in how to co-manage and direct the partnership, but to no effect. From their side, local political authorities increasingly voiced their dissatisfaction with the under-performance of the partnership. The stalemate led to a substantial reduction in the investment plans, which inevitably further affected service delivery performance. Despite several mediation efforts, among others by BPPSPAM (the National Agency for Water System Development), the Pekanbaru government eventually decided to discontinue the cooperation, at which point WFH and KTDP had also de facto given up hope of redressing the situation. This decision signalled the start of a legal dispute related to the repayment of investments to KTDP that was not yet settled at the time of the field visit of the evaluation (June 2012).

The premature closure of this programme component meant that less than half of the initial budget (but 63% of the DGIS budget) had been spent, whereas KTDP had been unable to bring any of its planned contribution. Not surprisingly, more Technical Assistance (TA) than expected had to be mobilised to manage the programme and only 32% of the investment expenditure was realised, largely because of the prudent attitude of the Dutch partner once serious difficulties had started to emerge. For obvious reasons, programme targets related to increased access to water, new connections and decreased NRW could not be achieved at all. A review at the end of the project even revealed great problems with the quality of the water distributed, which, among other things, constituted a danger to public health.

The evaluation's visit to Pekanbaru, more than three years after actual closure of the programme, revealed a further deterioration of the situation: decreased coverage, persistent serious problems with the water quality (acidity) and increased NRW. Many of the technical improvements brought by the programme had proven unsustainable because of failed Operations and Maintenance (O&M). Overall, the PDAM seemed to have lost all credibility, even among the political elite. The failure of the PPP proved however to be in line with earlier similar cooperation experiences with external partners and was largely attributed to the decades-long PDAM and city opposition to

major institutional changes that would endanger their interests. The city population had in the meantime learned to look for other solutions, some with potentially negative environmental consequences (such as shallow boreholes). Drinking water provision is largely met via the private sector. The poorer sections of society in particular are the major victims of the failing public services, but no organised collective action to lobby for improvements has been observed.

Assessment of the East Indonesia component

WMD initially planned to engage in a concession type of cooperation agreement with ten local governments and PDAMs via the creation of local Joint Venture Companies (JVCs) to be established via local WMD subsidiaries. Eventually JVCs were only set up in four cities (Manado, Sorong, Biak, Merauke), of which three were located in Papua, one of Indonesia's least developed areas. WMD's approach was based on its cooperation experience in Ambon city, where a JVC had already been set up in the nineties. The anticipated duration of the partnerships was 15 years, i.e. substantially longer than the P3SW programme. During the actual lifespan of the programme, WMD endeavoured to establish autonomous, sustainable local water companies that would ensure the production and distribution of drinking water on a cost-recovery basis. Programme targets included improved drinking water for an additional 600,000 people, 91,500 new connections, a substantial decrease in NRW via (among other initiatives) the rehabilitation of distribution networks, and the development of local skills and management capacities. An additional project submitted to and approved by the Dutch Embassy in Jakarta was meant to speed up the technical and organisational change process and the realisation of about 45,000 extra connections.

The evaluation found the quality of infrastructure works to be varied, with insufficient O&M in many cases limiting the effects of investments. Some disagreements among partners with regard to investment priorities were also noted. Important improvements were found in the areas of administration and finance that, among other successes, improved the possibilities for combating fraud and corruption; the cost of these improvements was however considered high (in part because of the use of expensive software that local partners felt had been imposed by WMD). Programme spending has been above initial budget provisions, with WMD mobilising extra funds to cover the gap. The high preparation costs in the initial stages were not matched by convincing results, as important initial technical and institutional assumptions proved later to be incorrect. A huge Technical Assistance (TA) component in all types of expenditure (investments, organisational support, ...) was mainly mobilised from within the WMD 'family'. Mixed opinions were recorded on the quality and appropriateness of this TA; in particular the quality of TA provided via Inowa, a local company belonging to the WMD group, was very much questioned.

The nature of the PPPs and particularly the way these have unfolded over time has impacted to a major degree on programme implementation and performance. As at the start of the program the four PDAMs were badly functioning and/or had a dubious track record, WMD from the early stages took precautions to safeguard its interests. The Cooperation Agreements (CAs) included a majority position (51%) for WMD and also contained further provisions to secure the JVCs' operational autonomy against external

(political) interference, given that state-owned companies such as the PDAMs are often controlled by the political elites and used for their, rather than the public's interests. In this regard, WMD intended to adopt a phased approach spread over 15 years in which it aimed to be in full control during the first phase (4-5 years), which was intended mainly to rehabilitate the infrastructure and strengthen local capacities. This phase was then intended to constitute the basis for better operational performance allowing the JVCs, in a next phase, to attract investment loans on the market without external support.

While this setup allowed WMD to engage quickly in a far-reaching transformation process for ailing local companies, which was initially welcomed at the local level, relations among the partners quickly started to deteriorate. WMD's continued operational control led to a lack of local ownership and feelings of disempowerment. While governance structures and procedures were elaborated well on paper, they were not functioning well in practice. Representatives of the local partners were often not motivated or capable of truly assuming their responsibilities and articulating local views and priorities. As such, WMD's prominent role caused local authorities to start to disengage from their responsibilities in the water sector. Only by 2011 did WMD announce a shift from a 'controlling' to a 'facilitating' approach, but by the time of the evaluation this modification had not yet brought much change in practice.

Lack of clarity related to key implementation modalities further impacted negatively on the partnership. In the early years, a long-lasting discussion on the transfer of assets to the newly created JVCs (desired by WMD, but opposed by local authorities) drained a lot of energy and soured relations. There was also a lack of clarity on the nature of WMD support (initially considered a development grant by local partners, always seen as a loan by WMD) and subsequently the terms of the loan arrangements, which were often only formalised long after the loaned funds had effectively been spent. In addition, loans up to 2009 were disbursed directly via WMD's subsidiaries without the local partner exercising any oversight.

In line with full cost recovery principles, WMD wanted programme funds to be converted into loans that would become part of a revolving fund. While this full cost recovery principle is appropriate in itself (and also part of Indonesian policy), its application in the early programme stages was premature. Indeed, the newly created JVCs were built onto ailing PDAMs that in their early years were in need of grants to reach an adequate performance level before they could actually take on loans. The consequence of WMD's policy was that the JVCs quickly accumulated substantial debts, leading to increased local discomfort, the more because these debts were not matched by significant performance improvements. WMD eventually (i.e. after, but not as a result of, the evaluation's visit) decided to drastically review the terms of the loan agreements and to convert part of the loans into grants. A last important element souring partner relations was that local stakeholders also felt they had little influence over decision making with regard to TA (when is which type of TA needed, for what purpose, under which conditions, etc.) and that clear terms of reference, if they existed, were not shared at the local level.

Even when allowance is made for the initial over-ambitious targets, the programme has only realised very modest progress in view of the resources mobilised. Net increases in active house connections and numbers of people with access to water have remained

limited. However, over the last four years, a modest decrease in NRW has been achieved in two of the four programme locations; water tariffs have increased, allowing in principle a move towards full cost recovery. Three locations have noted substantial increases in water sold, although this has been countered by increases in outstanding customer debts in two locations. The issue of customer involvement has remained largely unaddressed, but in any case was not a major focus at the start of the programme. All local companies remain highly dependent on WMD for additional funding; no such funding has been attracted from other sources, although opportunities to do so exist.

At the time of this evaluation, the basic technical, financial and institutional conditions have not yet been fulfilled to ensure continuity of water supply once external support is withdrawn. Additional investments seem necessary to further improve both technical and non-technical performance. To make these investments effective, further changes in the companies' culture, O&M practices and in partnership dynamics seem to be vital. Even in view of WMD's commitment to a longer-term partnership (15 years), progress has remained too modest to as yet confirm the viability of their phased approach.

A detailed look at financial performance indicators has further revealed that despite some progress all companies are still financially weak and vulnerable. Equally important, linkages of the JVCs with national-level institutions and initiatives have remained underdeveloped, preventing them from liaising with programmes aimed at improving performance of local water companies. Relations with local governments are not bad in most locations but lack substance in terms of tangible commitments to what is in essence a public duty. This lack of commitment and even interest by the local political class is compounded by lack of social pressure from the local population.

Overarching P3SW analysis

The P3SW projects under review provide a rich set of experiences from which to draw lessons that can inform how DGIS and RNE can support improvements in access to water supply through PPP arrangements both in Indonesia and elsewhere given their mix of context and approach. Overarching lessons can be drawn from one or both projects around the themes of accountability, capacity building, partnership process and contracting and funding arrangements. Before looking more broadly though, the overarching context in which these partnerships were formed needs to be revisited.

At the time these P3SW projects were being developed, there was significant pressure from within DGIS to seek an active role for Dutch water companies to support ministerial targets around the Millennium Development Goals. The result in this case was a set of contractual relationships that were driven through a competitive process from the Netherlands rather than at the municipal level or national level. As has been well documented, working internationally in municipalities with decentralised responsibility to ensure service delivery, mixed local management and technical skills, low cost recovery, insufficient tariff rates, high political interference and little hands-on regulation proves incredibly difficult.

While they are allowed to engage in PPPs through a tender and procurement process, local governments in Indonesia, often with very limited capacity, are generally left to

their own devices to develop, sign and implement a partnership project with a private firm. Neither central nor provincial government appear to have much influence over what happens at the local level.

In terms of accountability, in practice, in Indonesia, few channels effectively hold any of those in authority to account (nor, in fact, is there a reliable ability to hold customers to account to ensure that they pay their bills). The challenge of creating a customer-centred approach is documented throughout this report from both P3SW cases. Improving the image of the companies, enhancing the ability to respond to customers, and focusing on willingness to pay would create accountability mechanisms that cannot so easily be ignored.

Emerging best practice even back in the mid-2000s suggested that regulatory frameworks relied on realistic, clearly defined and well-negotiated targets as well as roles and responsibilities. With regard to P3SW targets, whilst technically feasible, these were well beyond what could realistically be achieved, with challenges largely coming from institutional and contextual factors that might have been underestimated at the start of the project.

Both P3SW PPP efforts largely operated in a regulatory vacuum, with no formally assigned regulator for PPPs outside the capital. Given moves towards greater decentralisation, neither BPPSPAM nor the Ministry of Public Works has the authority or indeed capacity to monitor progress or get officially involved without a request from the municipality. Beyond a minor regulatory function played by Rijkswaterstaat, there appears to have been no clear mechanism to hold the different parties to account. Civil society has remained largely silent, and there is little relative pressure from the Netherlands, except for the Embassy, which sees the potential damage of less successful projects on bilateral relations. Local government authorities appear to have had their own vested interests with political and other barriers to exercising oversight as the contracting party.

In hindsight, it appears that the PPP was in fact originally designed more around the relationship between the Dutch parties than between a local municipality and a Dutch contracted party. Thus from the start, the Indonesian relationships were left to the Dutch water utilities, and the local partners seem to have claimed very little ownership over the framing documents of the partnership. The lack of local embedding and “true” acceptance of the projects has been a challenge. Local partners’ inability to convey an integrity-based approach to the partnership is a key cause for Dutch partners to avoid handing over more responsibility. Many PDAM had a poor reputation and track record with a history of politics, fraud, corruption and incompetence.

Another issue was the emphasis on the loan repayments and the revolving funds back to Dutch institutions. As the funds were subsequently converted from a grant into a loan that goes into a revolving fund and is reinvested in the water sector in Indonesia, there is some question as to at what point the money stops being linked to the Dutch Government. In essence, the repayment of the loans had become the ultimate proxy for the success of the pilot programs and thereby the main channel for accountability. Neither the Dutch Government nor Indonesian counterparts have much of a say on how the funds are ultimately spent or what happens to the funds after repayment.

In terms of roles and responsibilities (based on capacity and expertise), these had seemingly not been clearly defined by the partners up front. Localized expertise was not sought for the technical elements within each municipality (although some tenders were issued in Pekanbaru). Also, terms of reference for Inowa or other sub-contractors do not seem to have been agreed through a process with clear accountability for performance.

Ultimately in few cases does it appear that there was someone from the side of the PDAM or municipality who actually held the vision, goals and rationale of the entire partnership project. Whichever the model used, it seems there needs to be clear separation between policy and implementation, a definite and much needed goal of WMD in East Indonesia.

Overarching lessons and recommendations

Within the context of Dutch support to PPPs, there may be a need for some greater deliberation about DGIS policy. Working with healthy PDAMs seems unlikely to yield the kinds of poverty alleviation targets expected of Dutch development assistance. While contracts that only focus on production are obviously attractive for many international operators, how best to ensure that such contracts have a more immediate impact on the delivery of services for the poor is not obvious. Working with PDAMs that have low capacity proves incredibly challenging for a host of reasons outlined above. If “unhealthy PDAMs” are the primary focus, **a clearly staged approach starting with shorter term service or management contracts would allow Dutch partners to more adequately assess the need, the state of the infrastructure, and the political and financial context in which the PDAM is operating and then readjust the programme of support as the relationship progressed.** This would also foster a more “learning by doing” approach that somewhat understandably went missing in and amongst the challenges of everyday implementation.

To allow for proper and ongoing investment in expansion and rehabilitation, **funders should seek reassurance from contracting parties (both local government and operators) that financial ringfencing will create a sufficient distance between political and municipal interests in using the water company as a “cash cow”.** Clear business plans should be developed based on comprehensive institutional assessments (i.e. not only technical and financial factors but also social, political and environmental aspects). Other skills beyond the technical and financial may be required to help conduct the analysis but also to negotiate the contract at the local level as well as set (and revisit) realistic targets.

Such political economy analysis suggests that genuine municipal commitment via the mayors’ support is absolutely critical to ensuring the success of such arrangements. **Efforts should be aimed not only at “fixing the problems with the utility” but also at educating the political ruling class (from across political parties) as to what is involved in successfully running a water utility.** Ensuring a customer focus that generates demand on the utility and thereby frames accountability mechanisms is also

critical and may in fact lead to local institutional and political commitment. **Solidly structured PPPs should thereby support capacity not only at the technical level but also across the demand side, working through both the short and long routes to accountability** (through the provider and public authorities respectively).

With regard to capacity building, if funding arrangements are aimed at or supportive of business to business (B2B) contracts, **a jointly defined Dutch-Indonesian review and support mechanism needs to be put in place to ensure that local government capacity building becomes an unequivocal component of the contract.** Towards this end, technical assistance should be framed as part of a broader organizational reform process rather than as an ongoing series of one-off problem solving. Experiences elsewhere have been designed in such a way that incentives around technical assistance initially through international experts have been purposely and strategically declining. The process for designating / recruiting and then managing technical assistance providers should be transparent with jointly agreed ToRs, oversight and quality assurance. Where available, a transparent preference for local providers of technical assistance should be weighed up by the partners, looking at any trade-offs in quality vis-à-vis costs, timing, capacity, etc.

A jointly designed business plan provides the key partnership building activity and the primary accountability document for partners. Again with wider local stakeholders informed and involved, this creates a situation in which everyone knows what to do, when to do it, how much it will cost, what the risks are, etc. Creating the necessary ownership and political support during the process is critical. Interestingly, an emerging practice of inclusive planning processes in Indonesia is seeing civil society engaged in determining what the priorities are. Not simple processes, an emerging body of experience and expertise in a range of countries can inform how best to conduct such multi-stakeholder exercises. **Funding tranches should then be based on widely owned and approved (updated) business plans.**

With regard to partnerships, best practice is now to both focus on investing in partnership building but also to take a wider view, to see which entities outside of the partnership could actually be brought in to help improve the chances of success. In many countries, civil society organizations have been brought in to help overcome some of these barriers, helping to reassert the focus on the consumer by becoming part of the delivery model. In such instances, NGOs and Civil Society Organizations (CSOs) are supporting utilities to reach into poor communities through mobilizing communities, educating consumers on how utilities work, supporting a monitoring and oversight role, etc. **Proposals should be assessed based on how well demand for the service is understood and what plans the partners have for enhancing demand potentially through the use of NGOs and CSOs.** In the P3SW cases, water has not been high on the political agenda and local communities are not very cohesive in making demands on providers.

A wider view would also include **liaising with other initiatives and opportunities** (like those now developed at the national level in Indonesia). Funding from abroad should be strategic, i.e. complement what is locally available or be relatively easy to access. The PPP should, in other words, not be exclusive but open to other actors (not only the private partner and the local government).

In general, efforts at jointly developing priorities and solving problems, efforts to understand each other's risks and an emphasis on the Operations and Maintenance of the partnership itself are absolutely critical in making these arrangements work. **Proposals should explicitly state the joint approach to partnership building and maintenance, and review mechanisms should focus not only on the technical accomplishments of the partnership but also the state of the partnership as well.**

In terms of contracts, again these should be staged starting with simpler institutional arrangements that represent lower-risk service and management contracts and then moving towards lease and concession contracts. A management contract is the option that provides the least risk and the best way to turn around a failed organisation through a partner-supported organisational comprehensive reform process.

Ownership options from the outset should not be a consideration. A key challenge in the early stages of one of the P3SW relationships has been the ownership share of the Joint Venture Company. While it is understood why this was the preferred option for the Dutch operator, it created and fostered an atmosphere of distrust amongst the partners. In the event that a more substantial Joint Venture Agreement is reached, a lease arrangement of the assets (as exists in the various East Indonesia contracts) is a logical approach.

Staged approaches starting with simpler arrangements that later develop into more complex partnerships should also be translated into adapted funding arrangements. In the early stages grants should be used as start-up funds, in particular in the case of 'unhealthy' water utilities that should be a primary focus for DGIS. The terms of the funding arrangement can change into a loan agreement in later stages as the water utility becomes institutionally and financially more viable. Partners can mobilize the necessary loan capital on the local or international markets or via existing financing schemes in the country (of which there are many in Indonesia) and DGIS should consider setting up a guarantee mechanism to cover loans issued to water utilities that are in a transition from 'unhealthy' to 'healthy'.

Public funds should not, as a rule, be used for loan purposes as many accessible funding sources seem to exist, particularly in Indonesia. In case DGIS would nevertheless allow its funding to be used by private partners for loan purposes, a clear mechanism needs to be determined that defines among other elements the ownership of these funds and the way DGIS will be associated to its further use.

A wide range of lessons have been derived from the study and evaluation of the P3SW cases which raise a number of considerations for DGIS support to PPPs more generally. Some of these aspects raise procedural aspects for DGIS around the potential for guaranty funds, how best to stay engaged with the spending both for Monitoring and Evaluation, but also for learning that shapes future activities. They also raise issues around the criteria for support and whether what is expected of the private sector in terms of the MDG targets can be delivered without sufficient attention being paid to contextual factors that are well beyond financial and technical. Finally the P3SW cases also raise the issue of whether DGIS should be supporting utilities with potential or investing to turn around unhealthy utilities with the inevitable costs and challenges that this may involve.

I. INTRODUCTORY PART

1. Introduction

1.1 Programme background and main characteristics

P3SW is the Dutch acronym for a public private partnership (PPP) programme in the water sector that was established in 2002. The programme was an initiative of various Dutch partners to implement PPP pilot projects in the water sector in developing countries. It was aimed at investigating how partnerships between public and private initiatives in the Netherlands could successfully contribute to the consolidation, upgrading and expansion of water infrastructure for rapidly expanding urban populations in the South.

After a call for tenders conducted in the form of a 'beauty contest' in 2003 ultimately two pilot projects were selected, both situated in Indonesia. One project was to be carried out in the city of Pekanbaru (the capital of Riau province, Sumatra) with Water Fund Holland (WFH, a joint venture company of 5 Dutch water companies geared towards investments and operations of water infrastructure in developing countries) as project implementer. The second project was to be in several cities in East Indonesia (North Sulawesi, Moluccas, Papua), implemented by Waterleidingmaatschappij Drenthe (WMD). Both projects were conceived along the same format of cooperation between the Dutch Government and one or more Dutch water supply companies. The latter are publicly owned companies that operate on the basis of business principles, but in terms of ownership are associated with the public sector, as by law water supply is a public affair in the Netherlands. These companies are however, within the limits of Dutch legislation, entitled to operate abroad as private companies.

PPP and private sector participation in the water sector in Indonesia started in the mid nineties, but the 1997-98 financial and economic crisis in South East Asia constituted a serious setback as many private water service operators got into serious financial problems. The thorough institutional and political reforms, such as increased regional autonomy, that started with the end of the Suharto era (1998) have strongly influenced the institutional, political and legal setting of the water sector. In addition, several important laws have been issued prior to the start of the programme and during its implementation. At the start of the programme, the sector in general and the PPP framework for public utilities in particular were (and actually still are) marked by both a lack of institutional and legal clarity and capacity.¹

The key characteristics of the P3SW-supported projects can be summarised as follows:

- Programme implementation started formally in May 2005² and was set to end in December 2010. For various reasons the Pekanbaru component was terminated towards the end of 2009. The Dutch Embassy in Jakarta provided an additional

¹ See chapter 2 for more details on the Indonesian and Dutch context of the program.

² ... but WMD already in 2004 signed cooperation agreements in Sorong and Biak

grant to support the WMD component implemented in East Indonesia. While this grant has to be formally distinguished from the P3SW program, in operational terms it has been closely linked to it; the implementation of this additional project lasted until November 2011;

- The initial total P3SW budget for both projects amounted to €23.5M³ (€7M for Pekanbaru, €16,5M for East-Indonesia), composed of public funds (€16.1M), private funds (€5.4M in contributions from the Dutch water companies) and a €2M loan from a Dutch bank for the East Indonesia component; later on, the Dutch bank disengaged from the project to a major degree, at which time WMD together with the SWOI foundation secured an additional funding of €1.5M to compensate for the bank's withdrawal;
- Both projects were to be implemented along a 'not for profit, not for loss' and full cost recovery approach and to include the creation of a revolving fund that would be resourced through the repayment of loans provided by the Dutch parties; these funds would then be used for further support to local companies⁴;
- Both pilot projects have engaged, using different models, with local city and district administrations that own the local drinking water companies (PDAM);
- The main feature of the Pekanbaru project has been, at least initially, a BOT-type contract for bulk water supply to a local private partner (KTDP) that had a joint operation agreement with the local government for the upgrading and expansion of the local water company; for several reasons, the cooperation between the partners was terminated in late 2009;
- In East Indonesia, WMD initially planned to engage in a concession type of cooperation agreement with ten local governments and PDAM, creating a joint venture company; eventually such agreements were set up in only four towns under the P3SW (a further programme in Ambon had been initiated earlier, independently of P3SW); the originally anticipated duration of the partnerships was 15 years.

A mid-term review was conducted in late 2008 - early 2009 to review whether the P3SW objectives could be achieved and to define the programme adjustments needed to reach the objectives. While the MTR concluded that the programme had the potential to bring about structural benefits to the ailing local water enterprises and poorly served consumer communities, its main conclusions were to a major extent rather critical of both pilots, suggesting that:

- Planning and initial targets were in both cases overly optimistic and based on shallow initial analyses that had been unable to adequately depict the technical, institutional and legal constraints; the MTR estimated that the initial objectives could not be attained within the planned project period and recommended that the initial pilot phases of the programme be extended;
- The local cooperation mechanisms and corresponding contractual arrangements were considered too complicated, not transparent enough and rather a burden in view of optimising operational efficiency;

³ Including the €3.5M grant via the Royal Netherlands' Embassy.

⁴ For WMD, the 'not for profit' notion also implied that the costs which the Dutch partners incur have to be recovered. This means no extra profits and no revaluation of market values upon termination of the partnership. Reward afterwards are possible provided a good result is achieved, but not during the process.

- Substantial parts of the budget had been used for overheads and (expensive) international consultancy support;
- The MTR team was not convinced of the feasibility of the WMD model and its ability to eventually lead to autonomous local companies;
- The overall management and monitoring setup was too weak to allow a strategic steering of this institutionally complex pilot project.

The staff of the Embassy of the Netherlands in Jakarta (RNE) agreed with the main findings and conclusions of the MTR and as a result engaged in carefully monitoring the potential impact on RNE relationships with Indonesian agencies. WMD felt that the report did not fully take into account their vision, approach and significant efforts to make the project work, and the difficult circumstances in which the project had to be implemented.

1.2 Evaluation rationale and purpose

The initial agreement between the Dutch public entities involved in the programme allowed for one or more evaluations of this pilot program. While the MTR had already provided a comprehensive assessment of the program, all key stakeholders agreed for different reasons on the necessity to also conduct an end-evaluation.

From DGIS' and also the RNE's perspective, the evaluation is considered important, as it is aimed at providing learning that would be used to further support the development of new approaches to PPPs in the water sector. Indeed, forming new alliances with business, civil society organisations, knowledge institutions and others is at the heart of the modernisation of development cooperation at the Dutch Ministry of Foreign Affairs. This is also the case in the water sector, which constitutes one of the key sectors for development cooperation of the Netherlands. Improved access to safe drinking water and sanitation is one of the three focal domains in that sector and an area where cooperation with public and private parties is considered key to optimising the existing knowledge and expertise in the sector. A PPP facility (€150M over five years) has recently been set up to promote PPPs in the water sector and is meant to encourage interaction between companies, NGOs, knowledge institutions and local actors.

The Dutch water companies that have been involved in the programme are also interested in the evaluation, in particular in its capacity to generate useful findings and identify lessons learned that can complement the internal reflection processes within the companies and support their involvement in the development of the Indonesian water sector.

The purpose of the evaluation as described in the terms of reference (see annex 1) is to assess to what extent programme targets have been achieved and what lessons can be identified over the programme period. These lessons are important for the future of the P3SW programme and comparable initiatives undertaken by DGIS (the Directorate of International Cooperation). The specific tasks of the evaluation team include the assessment and quantification of the results achieved, the assessment of the sustainability of the programme, the identification of key risk and success factors in relation to the chosen PPP approaches, and the formulation of recommendations

primarily for DGIS in relation to newly established PPP facilities but also for the programme partners (WFH and WMD, local and national counterparts).

1.3 Evaluation scope, approach and implementation

1.3.1 Evaluation scope

The evaluation scope has been defined as follows:

- In terms of *the period to be covered*, the evaluation addressed programme developments from January 2009 until the time of writing. This implies that the evaluation has built on the results of the MTR (conducted late 2008 – early 2009) and not assessed prior programme developments that have already been analysed by the MTR. This choice has however not exempted the evaluation team from duly becoming informed about the background that led to the inception of the P3SW programme and its institutional set up.

On the other hand, the evaluation has also looked at developments *after* and at the legacy *beyond* the formal closing of both project components (late 2009 for the Pekanbaru component, November 2011 for the East Indonesia component). As far as the Pekanbaru component is concerned, it was important to take into account that WFH cannot be held responsible for developments in the post-programme period. In East Indonesia, WMD has continued its partnerships in the post-programme period along its long-stated commitment for a period of time (15 years).

- In terms of *geographical coverage*, the evaluation has assessed both programme components (Pekanbaru and East Indonesia), but for obvious reasons more attention has been paid to East Indonesia. Following the visit to Pekanbaru, a visit was paid to Medan where a similar PPP approach has been adopted by WFH but with more positive results. In East Indonesia, the evaluation team has visited the four cities where the programme has been most prominent: Manado, Biak, Sorong and Merauke.⁵ In addition Ambon has been visited as, being the location where WMD started its work in East Indonesia, it presented helpful learning opportunities for this evaluation.
- In terms of *content*, the terms of reference clearly indicate the main issues to be addressed. The consultations and interviews conducted during the start-up phase further suggested some issues to be addressed more specifically (such as the institutional and administrative setting in the Netherlands), but without altering the foci of this evaluation. Furthermore, it has been decided to include in the evaluation the project funded via the Dutch Embassy for the East Indonesia component, as in the locations where this project was implemented (Manado, Biak, Sorong), it can hardly be distinguished from P3SW.

⁵ Programme expenditure in these four locations covered 95% of total programme expenditure for the East Indonesia component.

1.3.2 Evaluation approach

The double focus of the evaluation (accountability and learning) indicates that it attempted to both *look back*, thereby trying to acquire an understanding of the results achieved and the factors that have played a role in this regard, and *look forward* with the aim of reflecting on the optimal conditions that need to be fulfilled to achieve the greatest impact with PPP approaches. This implies that the evaluation team adopted, on the one hand, a somewhat rigid and structured approach allowing it to come up with valid findings related to project performance, but on the other hand, also used interactive and open-ended approaches in their discussion with key stakeholders to identify lessons learned.

Evaluation methodology

The evaluation methodology has been designed based on the terms of reference. In addition, an evaluation framework (see annex 5) has been developed that operationalizes, where possible, the issues raised in the TOR by defining components (for descriptive questions) and judgment criteria (for evaluative questions). The framework also provides an indication of the data collection tools to be used for each evaluation component.

The following tools/methods were used for collecting, structuring, processing and analysing data in the various phases of the evaluation:

- *Document review*: the team examined a significant number of relevant key documents produced by the P3SW key stakeholders: project proposals (including their assessment), annual and longer term plans, progress reports, monitoring reports, the MTR report, cooperation agreements, audit reports, etc.; an overview of the main documents consulted is presented in annex 3
- *Broader literature review*, which included the study of a limited number of documents such as relevant DGIS policy documents, studies and notes (primarily of other donors and research institutes) related to PPPs in the water sector, particularly with regard to the legal and institutional framework of the sector in Indonesia
- *Semi-structured and unstructured interviews*, with representatives of stakeholders in the Netherlands, Jakarta and the project areas; efforts have also been made to gain at least some understanding of the perception of the target communities of the program
- *Site visits*, in particular to assess the technical quality of infrastructure built or improved with project resources
- *Focus group discussions* dealt with a limited number of issues of major importance for the evaluation.

As is normal practice in such evaluations, in order to understand the projects, the relationships between partners and the impacts of the capacity building and financial investments, stakeholders from across the spectrum were consulted. Efforts were made to understand how perspectives of different stakeholders had been formed based on their actual and expected relationship to the project, their level of seniority, and their role in the projects. As would be expected, key stakeholders were found to have

differing perspectives on the project. This led the team to devote significant attention to the triangulation (cross checking) of information.

Evaluation phases

The table below presents the four evaluation phases and corresponding activities, results and products delivered by the consultants:

Table 1: Overview evaluation phases

Evaluation phase	Key activities	Results	Evaluation products
Preparation and inception phase (April - May)	<ul style="list-style-type: none"> • Finalise terms of reference • Identify and contract evaluation team • Calculate budget • Conduct initial interviews and study project documents • Draft inception report • Meet with key stakeholders to discuss inception report 	<ul style="list-style-type: none"> • TOR finalised • Budget finalised and approved • Evaluation team composed and consultants contracted • Evaluation scope, approach and work plan defined and agreed upon 	<ul style="list-style-type: none"> • Inception report • Evaluation framework
Desk phase (second half of May, early June)	<ul style="list-style-type: none"> • Collect and analyse key documents • Finalise evaluation framework • Finalise evaluation work plan • Produce desk phase report • Identify key resource persons for field phase 	<ul style="list-style-type: none"> • Key documents gathered and analysed • Evaluation methodology finalised • Desk phase report including key information drafted for internal use • List of resource persons to be contacted in each location defined (first draft) • Work plan for field visit further operationalized 	<ul style="list-style-type: none"> • Evaluation framework • Desk phase report • Work plan for field visit
Field phase (6-29 June)	<ul style="list-style-type: none"> • Conduct briefing at the level of Dutch Embassy and Indonesian key institutions • Collect data in Indonesia (Jakarta, project locations, other PPP locations), including sharing of preliminary findings and lessons • Conduct debriefing at the level of Dutch Embassy and Indonesian key institutions 	<ul style="list-style-type: none"> • Local stakeholders adequately informed about evaluation aims and approach • Team informed about local views and expectations • Data and information gathered for valid analysis and judgment, and for identification of lessons learned 	<ul style="list-style-type: none"> • Short presentation with preliminary findings
Synthesis phase (July - November)	<ul style="list-style-type: none"> • Collect additional information and cross checking (via visits to key stakeholders in the Netherlands) • Write first draft of evaluation report • Circulate first draft of evaluation report (25/8) 	<ul style="list-style-type: none"> • All information necessary to write draft report gathered • Preliminary findings, assessments, lessons learned and recommendations checked with key 	<ul style="list-style-type: none"> • Draft final report • Final report

Evaluation phase	Key activities	Results	Evaluation products
	<ul style="list-style-type: none"> • Discuss draft evaluation report with DGIS • Circulate second draft of evaluation report (12/11) • Discuss second draft of evaluation report with stakeholders • Integrate comments in final report 	stakeholders <ul style="list-style-type: none"> • Draft report written and made available • Comments inventoried and assessed • Final report drafted 	

Evaluation team

The evaluation team has been composed of five members with different but relevant backgrounds and profiles, allowing the various requirements of the TOR to be adequately addressed:

- *Dirk Van Esbroeck* has been the team leader for this evaluation. He has been responsible for the overall coordination and management. Together with Ken Caplan, he was in charge of the preparatory phase. He conducted the desk study and three weeks of fieldwork. He visited all but one of the locations included in the program. He is the main author of the synthesis report.
- *Ken Caplan* acted as senior member of the evaluation team. He was jointly responsible for the preparatory phase and conducted two weeks of fieldwork covering both project components. As a specialist in institutional aspects and partnerships in the water and sanitation sector, Ken had a special interest in the institutional aspects of the PPP arrangements. He was also co-author of the synthesis report.
- *Neil Macleod's* broad experience in the management of water utilities enabled him to address the technical and organisational aspects of the program. He participated for one week in the fieldwork, visiting two locations in the East Indonesia component of the project. He also made a limited contribution to the synthesis report.
- *Risyana Sukarma* is a sanitation and environmental engineer and acted as senior local consultant of the team. He contributed his broad contact base to identify knowledgeable resource persons and institutions, both in Jakarta and the field. He has also been involved in the practical preparation of the field visits and been part of the team during the fieldwork period (roughly two weeks); his fieldwork covered all but one location of the East Indonesia component of the program. He also reviewed and provided inputs to the synthesis report.
- *Agus Rumansara* is well acquainted with the development sector and policies in Papua and has been responsible for situating the project within the specific context of Papua (including its status as an area with special autonomy) and facilitating contacts with key institutions and individuals. His role in the evaluation has been limited to field visits to the three locations in Papua (Biak, Merauke, Sorong).

In addition to the five team members, a translator was used for two weeks of the field visit, and logistical support was mobilized for the Pekanbaru visit to book tickets and accommodation, and identify and contact resource persons and institutions in the field locations.

1.3.3 Challenges in view of the validity of evaluation findings

Each evaluation has to cope with certain challenges and develop an approach that ensures the validity of its findings. This evaluation also had to deal with a few particular challenges:

- Limited time was available for the site visits; on average, the team could only spend 2 – 2.5 working days per location. While these visits were well-prepared and local stakeholders extremely helpful and open, this remains a short period to address the often complex history and particularities of each location. In addition, the short time available has made it difficult to go beyond the programme setting and liaise with a broader range of stakeholders;
- The programme component in Pekanbaru stopped prematurely in 2009, which for obvious reasons constituted a challenge for the team in sequencing events during the project, pulling together supporting documentation and juxtaposing the current situation against what was happening at the time when the project ended;
- A major finding for the team is that in most places *'the spirit of the relationship was hardly one of partnership'*. This situation has influenced the evaluation as partners proved to have different perspectives and interests and thereby interpretations of events. Triangulating information in order to make a balanced assessment has been particularly challenging in Pekanbaru and Manado, where the visits of the team coincided with a period of substantial tensions between the local and external partners;⁶
- The assessment of efficiency and effectiveness proved to be a challenge to some extent in Pekanbaru as the programme had stopped there for more than two years at the moment of the visit of the evaluation team; on the other side, it facilitated the assessment of the sustainability of this programme component;
- The evaluation framework did not include well elaborated components to assess in detail Technical Assistance (TA) and the management and dynamics of the PPP setup, which can be explained by the fact that these programme dimensions were not explicitly addressed in the TOR. During implementation their high importance became however gradually apparent, so that they eventually got a major attention in this report without there being a clear underlying assessment framework. In retrospect, such a framework could have helped the evaluation of more systematically address these issues and, above all, to better elaborate lessons learned on the basis of process indicators related to the PPP dynamics.

1.4 Structure of the report

This report is divided into four main parts. The first part contains, in addition to this introductory chapter, a description of the P3SW context. Then follow two parts that

⁶ In Pekanbaru, the visit took place just after a decision of the local court in favor of WFH's partner; that has been brought to case to court after the premature ending of the cooperation agreement by the Pekanbaru Government. In Manado, the cooperation agreement of the city with WMD's local company and the huge debt resulting from this agreement were much debated in political circles at the moment of the team's visit. In addition, a shareholder meeting was upcoming and eventually held a few days after the team's visit.

describe both programmes and their key characteristics, and assess their respective efficiency, effectiveness and sustainability. The fourth part presents an overarching analysis and then identifies the lessons learned related to this programme from a public private partnership angle and presents some recommendations. Five annexes complete the report.

2 The P3SW context

2.1 The Indonesian setting

A comprehensive description of the Indonesian legal, policy and institutional framework with regard to water supply falls beyond the scope of this evaluation. This sub-chapter is therefore limited to the presentation of a selected number of key issues that are important in view of the aims and context of this evaluation.

The Government Regulation 16/2005 related to the development of drinking water systems and, subsequently, the Indonesian policy and strategy for the development of drinking water supply (Decree of the Ministry of Public Works, 20/2006) provide the main water supply related targets to be achieved in view of, among other goals, the Millennium Development Goals (MDGs). The following table presents the targets as formulated in these documents using 1990 as the baseline⁷:

Table 2: Overview of WS targets

	1990	2004	2009	2015
MDG target piped water combined (%)	14	21	32	48
- urban areas (%)	38	41	57	72
- rural areas (%)	6	8	13	30
MDG target non-piped protected water (%)	28	37	37	32
Non-piped non-protected (%)	56	41	32	20

The table above clearly illustrates both the magnitude of the task (e.g. the increase by 27% between 2004 and 2015 of the population with access to piped water represents more than 60 million people to be connected) and the relevance of P3SW as a programme supporting the efforts of the Indonesian Government to increase the provision of piped water, in urban areas in particular.

Five policy directions have been defined to reach these ambitious targets; it should be noted that they include efforts to increase the role of the private sector:

- An increase of the coverage and quality of drinking water in a consistent and phased way via the decrease of non-revenue water and with a priority focus on the poor; this aim is to be achieved (via PPPs among other avenues) through support to the local drinking water companies, the expansion of piped water systems and improved asset management;
- An optimization of the financing of the sector's investment needs in part by increasing the role of the private sector in the funding of drinking water facilities;

⁷ Data are taken from *Peraturan Menteri Pekerjaan Umum nomor 20/PRP/M/2006, Kebijakan dan strategi nasional pengembangan sistem penyediaan air minum* (Regulation of the Ministry of Public Works number 20/PRP/M/2006, National policy and strategy related to the development of drinking water supply systems). Other data of the Directorate of Water Supply, Directorate General Cipta Karya (DGCK) of the Ministry of Public Works are quite different for piped water for 2009 and 2015: MDG target piped water combined: 25.56% (2009; 43.96% in urban areas and 11.84% in rural areas) and 41.03% (2015; 68.32% in urban areas and 19.76% in rural areas).

- The development of an institutional and regulatory framework including the application of a good governance approach at the level of the water utilities;
- An increased availability of water resources for drinking water purposes;
- An increased role and partnership with the private sector (including an improvement in the investment climate).

In line with these policy directions, the Indonesian Government undertook various initiatives to modernize the legislation in the water sector and to accelerate infrastructure development in general. This has led to the facilitation and promotion of PPPs (e.g. through the 2010 Regulation of the Ministry of Public Works on Business Cooperation in water supply system development, which allows local water companies to act as private businesses and to enter into business-to-business cooperation agreements, apparently without needing to engage in public tender procedures). However, there remain many grey areas in the present legal framework and legal provisions with regard to PPPs in the water sector. These grey areas have given rise to different interpretations and often created some uncertainty, serving as a disincentive for interested private partners.

In addition to the regulations mentioned above, the following legal provisions are also important in the context of the P3SW program:

- *The law on regional autonomy (22/1999)* replaced later by the 32/2004 law, provided for far-reaching autonomy of districts and municipalities in a number of important areas, including the provision of drinking water. Whereas it is widely recognized that these laws have provided too much autonomy to local governments and some corrective measures have been undertaken in the meantime, the provision of drinking water (regulation, guidance, supervision) remains decentralized and is mostly taken up by local water companies (PDAM) that are primarily owned by and operate under the authority of the mayor or district head. Overall, the small scale of these PDAMs and the absence of national (or provincial) coordination and authority constitute major handicaps in view of the complexity of drinking water provision and the challenges ahead;
- *The law on water resources (7/2004)* aimed to promote a coherent, integrated approach for sustainable water resources management using a river basin approach as a guiding principle. The law deals with the definition of authority and responsibility in the water sector and also provides for participation of civil society and the business community. The law is to be seen as a global framework to be operationalized further in government regulations such as the above mentioned law on Drinking Water (16/2005). The drafting of these regulations became, however, the duty of sector-based directorates that worked somewhat in isolation, leading to overlaps and lack of coordination among the different regulations and hence to a partial loss of the integrated approach of the framework law.

Within the framework depicted above, the following key institutions can be identified:

- *At the national level:*
 - BAPPENAS, the national planning agency, performs a planning and oversight function but can also provide assistance to local government with the development and implementation of PPPs. The Agency also provides a

consultancy facility that, based on requests from local government, can assist them in developing PPPs. The Agency is also presently considering the establishment of a specialized PPP centre.

- The Directorate for Water Supply Development / Directorate General of Human Settlements (DGCK) under the Ministry of Public Works is establishing long, medium-term and annual development plans for water supply for the country and providing technical guidance to local governments by issuing norms, standards, guidelines and manuals on water supply. The Ministry, through its Directorate General of Water Resources and DGCK, plays an important role in covering the investment needs for the provision of water (resources) for potable water provision that has to be assured via the local governments/PDAM. For the period 2009-2014, IDR 7.4 trillion have been put aside for this purpose.⁸
 - BPPSPAM, the Water Supply System Development Supporting Agency, was established in 2005 to support the development of water supply systems via (among others) the provision of policy and strategic advice to the Government, the monitoring and evaluation of quality standards and the performance of water utilities and the proposal of corrective actions in these areas where necessary, and the provision of advice to the Government with regard to the involvement of cooperatives and the private sector in drinking water provision.
 - PERPAMSI, the Association of Indonesian Water Supply Companies (PDAMs), focuses primarily on developing the capacity of its 394 members that have more than 8.6M customers in total, representing national service coverage of 24%.
- *At the local level:*
 - The local city/district governments are run by elected mayors or district heads with a municipal council or district parliament. Local governments are the owners of the assets and play a key role in the area of water supply, which is part of their jurisdiction. In most areas, local governments own the local water companies and often play an important role in the management and key decision-making within these companies (e.g., among other areas, by appointing their directors, deciding on the tariff levels, supporting investment and determining how to use the revenue of the companies including for purposes not related to water supply). Local elections held every four years often bring new individuals and parties to power, which in many cases also leads to changes in the PDAM direction and local policies. Political interference is broadly considered as one of the major factors leading to underperformance of the PDAM.
 - Municipal councils and district parliaments have the key responsibility of ensuring satisfactory quality of water supplies. However, as explained below, water supply in many cases is not high on the agenda.
 - The PDAM (local water companies) are in charge of the provision of piped water. Most PDAM are small: only 8% have more than 50,000 customers and 79% have less than 20,000 customers. In the past, many PDAM were badly performing; many have accumulated huge debts over decades. While the

⁸ Indonesia's investment needs to cover the water-related MDGs are estimated at IDR 63 Trillion, of which presently only 31 Trillion is covered via the national budget (information provided by BPPSPAM).

performance of the PDAMs has slowly improved over the last few years, 2011 data of BPPSPAM (covering 335 PDAMs) indicate that only 41% can be considered healthy, whereas 38% are less healthy and 21% are in a critical condition.⁹ An important debt restructuring programme has been set up to rescue PDAMs in difficulties provided they meet certain criteria. By 2011, 68 PDAMs in difficulties had already received support via the Ministry of Finance.¹⁰

In the overview above, customers have purposely been omitted. In present day Indonesia, the customers, who are the ultimate target of the water utilities, hardly play a role as stakeholders in their own right. This situation differs substantially from that in many other developing countries in which customers make demands on the system. Several factors seem important to note: (1) the relative abundance of water and thereby the relatively easy and cheap access to it in most parts of the Indonesian archipelago, and (2) the lack of society-wide collective action and claim making in cases where public water supply systems (or indeed other services as well) are failing.

Although many initiatives have been undertaken to promote PPPs in Indonesia and in the water sector in particular, so far there are still relatively few PPP examples in the water sector, with few cited as success stories. The 2011 BPPSPAM report mentions 4 cases of public private partnerships, of which only one had reached the implementation stage, and 11 cities or districts where business-to-business arrangements are being prepared. Major constraints for increased private sector involvement include the limited levels of understanding, competence, experience and acquaintance with PPPs at both the local and to some degree the national levels. National-level support to local governments for the development and implementation of PPPs seems to lack sufficient capacity to reach out to the local level, particularly those in most need of support.

Furthermore, public support for PPPs in the water sector is far from unanimous, as PPPs are often considered too complicated and risky in comparison to more traditional funding mechanisms (e.g. support from the national budget and/or development aid) with which most key actors, including at the local level, are more acquainted. More generally, the public at large often has a negative view of cooperation of public authorities (including state owned companies) with the private sector, which easily sparks suspicion of corruption and collusion of interests.

2.2 Programme setting in the Netherlands

The origins and institutional setting of the P3SW programme have already been analysed extensively in the MTR. This analysis will not be repeated nor further developed here. The evaluation is instead limited to presenting the key characteristics of the programme setting and putting forward a few elements which in retrospect prove to have influenced programme performance and might be important to take into account in view of future PPP promotion.

⁹ BPPSPAM's evaluation of each PDAM is based on 18 indicators grouped under 4 headings: financial condition, services, operational aspects and human resources. The figures for 2004 were: 12% healthy PDAM, 23% PDAM in a less healthy and 65% in a critical condition.

¹⁰ Most of the data pertaining to PDAM conditions are taken from the BPPSPAM annual report.

The initiative to establish the P3SW was taken in 2002 resulting from the desire of the Minister in charge of development cooperation to promote PPPs in the water sector. The Minister's initiative was strongly supported by 'Partners for Water', an institution under the Ministry of Transport and Water Management that was in charge of the management of many international water projects and promoted the involvement of Dutch water companies in international drinking water supply projects.

Despite this strongly supply-driven and favourable policy environment, it took a considerable length of time – till 2005 – before the programme could formally start. The pilot nature of the programme is certainly a major explanation for this difficult start-up. Firstly, it took time to define an adequate format for the PPP cooperation (between the Dutch Government and the Dutch water supply companies). Secondly, the two Dutch water companies that had been selected needed considerable time and resources to adequately prepare their respective partnerships with their Indonesian counterparts. This can at least be partially explained by the complex institutional and political environment in Indonesia, which underwent important changes (revision of the water legislation, promotion of PPPs via new legislation, ...) in the period of programme preparation. In the case of WMD, the time it took to familiarise itself with the specific situation in Papua certainly played a role. WFH from its side was selected by P3SW for a BOT project in Bogor. Contract negotiations with Bogor, however, took a long time and finally failed. By the end of 2004 it was agreed by PFW to replace the PPP in Bogor with the PPP in Pekanbaru.

The Dutch institutional setting for P3SW that resulted from the rather prolonged preparation process can be characterised as follows:

- *DGIS* acted as the funder of the P3SW programme on the basis of the P3SW Activity Appraisal Document; while recognising the pilot nature of P3SW, it was expected that the programme would contribute to the Minister's target to provide 50 million people with access to safe water supply before 2015. *DGIS* also sought to learn lessons from this particular PPP experience.
- *RWS (Rijkswaterstaat)*, an implementing agency of the Ministry of Transport and Water Management (V&W), was in charge of the implementation of P3SW through its executive arm 'Partners for Water'. A major reason for the involvement of *RWS* was that it provided a legal and regulatory framework for public-private cooperation for the selection of executing private partners, whereas *DGIS* could only select private partners via a public tender.
- *An agreement* between the Director of DMW (Department Environment and Water of *DGIS*) on behalf of the Ministry of Foreign Affairs and the Ministry of Transport and Water Management defined the modalities of cooperation between both Ministries.
- *Two Dutch water companies*, namely WFH, a consortium of five Dutch water companies, and WMD were selected to each implement one pilot project in Indonesia. These companies are publicly owned but operate along business principles and are entitled to operate as private companies abroad within the limits of Dutch legislation and under particular conditions of their Boards of Commissioners.

- V&W/RWS as programme managers drafted separate *subsidy dispositions* (not contracts) with the two private parties (WFH and WMD) that were in charge of actual programme implementation in the field. These subsidy dispositions remained rather global and qualitative, and hence, could not really be used as a yardstick for monitoring and eventual accountability. They also failed to define, among other things, the funds to be provided by the private parties, the actual use of the grant (i.e. for investments, technical assistance, etc.) and the procedure and ownership of investments recovered during or after project implementation. As such, the planned establishment of a revolving fund in both pilots did not become part of the contractual arrangements.
- As programme implementing agency, V&W/RWS was also responsible for the *monitoring of programme implementation*, which was mainly assured via regular field visits and bi-annual (later annual) progress reporting.
- *The Dutch Embassy* in Jakarta (RNE) was somewhat involved in the preparatory stages of the P3SW and received regular visits and progress reports from project partners. As the projects progressed and in particular after the MTR, the Embassy became more involved primarily to ensure that Dutch-Indonesian bilateral cooperation relations remained constructive.

2.3 Actual functioning of global programme setup during programme implementation

*The previous sub-chapters described the complicated institutional setup of the programme and the multitude of actors involved. In practice and for obvious reasons, the thrust of programme implementation has however always been situated at the level of the cooperation between the Dutch water companies and their local partners, the PDAM and/or local government. The way this cooperation was shaped and developed over time will be discussed and analysed in the following chapters. The focus here will be on the role and interaction among the **other** Dutch and Indonesian institutions in programme implementation, in particular in view of the pilot nature of the programme and its learning ambitions.*

The Dutch water companies and local government institutions have been the main actors of the P3SW programme throughout its various stages, whereas the involvement of other Dutch and Indonesian institutions, including parties that formally were co-responsible for the programme, and their interaction with other stakeholders has remained minimal. Considering the pilot nature of the programme and the clearly articulated determination to learn from this experience, the evaluators were expecting that the opposite would have occurred. Various factors have played a role in this regard:

- The complex institutional setup in the Netherlands was prompted by the desire to minimise legal and procedural constraints. While this was understandable in itself, key institutions involved failed to deal adequately with the consequences of this complex setting and to define adequate mechanisms to ensure mutual exchange, strategic steering and reflection. The water companies from their side focused mainly on the development of their partnerships at the local level. The highly challenging nature of the coordination and monitoring of the pilot programme was insufficiently understood and addressed, and mechanisms to, for

instance, settle disputes between the supervising and implementing agencies were lacking. In view of the considerable risks and challenges of this pilot programme and its institutional complexity, elaborated programme management mechanisms should have been worked out from the very start. Ideally, these should have included the setup of a mixed (with Dutch and Indonesian representatives) programme monitoring structure that could have closely followed project implementation and insisted on corrective action when necessary.

- On the Indonesian side and notwithstanding the consultations with Jakarta-based institutions during programme preparation and implementation, the involvement of key Indonesian institutions (BAPPENAS, Ministry of Public Works, BPPSPAM) has remained limited. While local and in particular Dutch partners established some contacts with these institutions and in some cases shared progress reports with them, no structural linkages and mechanisms (of regular consultation, exchange or even decision making) were established. The fact that water supply is a decentralised competence and that, particularly in East Indonesia, local governments are often reluctant to involve 'Jakarta' has also certainly played a role in this regard.
- The nature of the contractual relationship between RWS/V&W and the Dutch companies (a subsidy disposition based on project proposals lacking binding targets. made it very difficult for RWS/V&W (and by extension DGIS and the RNE) to influence the course of programme implementation. The fact that the agreements failed to take into account prevailing Indonesian requirements related to PPP projects (such as the use of specific documents including regularly updated business plans, annual plans and reports) implied that neither Indonesian nor Dutch partners had a basis to dialogue with the implementing partners on programme progress.
- Partially as a consequence of the previous points, the Embassy's role has remained limited during the crucial preparation and starting periods of the programme. While the Dutch water companies reported regularly to the Embassy, this seems to have been less the case with the RWS/V&W monitor. Only from 2008 onwards and in particular after the MTR has the Embassy become more involved in programme follow up.

The combined effect of these factors has impacted on project performance as it has implied among other things that:

- Early in the process important miscalculations have been made (e.g. lack of consideration for the pilot nature of the program and its particular challenges, over-ambitious planning, underestimation of technical, cultural and political constraints at the local level, ...) that have impacted implementation considerably but could have been avoided;
- Valuable technical and programme management expertise from associated institutions both in the Netherlands (DGIS), and Indonesia (in particular BPPSPAM,) was not used;

- Global experience acquired with PPPs in the years prior to P3SW (and largely available at the level of knowledge institutions, including in the Netherlands) was not or insufficiently used during preparation and implementation of the program;
- No joint and systematic learning efforts were undertaken. This did not however imply that the implementing partners did not learn from their experiences. They clearly did so, but rather in isolation; higher levels of interaction with other institutions involved would certainly have enhanced and speeded up the learning process.

II. ANALYSIS OF THE PEKANBARU COMPONENT

3. Background

3.1 Inception

The initiative for this programme was taken by WFH¹¹, an association of five Dutch water companies that was incorporated in January 2001 and invests in the rehabilitation, extension and operations of the infrastructure of Indonesian water utilities. It represents a more institutionalized and business-like follow-up of twinning relations that were developed between Dutch and Indonesian water utilities in the eighties.

WFH initially intended to implement a PPP with the city of Bogor (West Java), but after a last-minute decision from the Bogor authorities not to pursue the partnership, WFH was confronted with the challenge of rapidly finding an alternative. It was decided to opt for cooperation with the city of Pekanbaru, which offered an interesting opportunity to develop a PPP. Indeed a few years before, Pekanbaru had concluded a joint operation agreement with KTDP, a local company directed by the previous Managing Director during 8 years of PDAM Tirtanadi (one of the best performing utilities in Indonesia) and also President for 8 years of PERPAMSI. KTDP could not, however, secure the funding needed to honour its contractual commitments. As such, it was in dire need of a strong financial partner such as WFH with whom it could join forces. WFH felt sufficiently confident to enter into an agreement with KTDP in view of the good reputation and track record of its Director and the fact that it had gained similar and positive experience in North Sumatra, among other locations, via a REOT (Rehabilitate, Extend, Operate, Transfer) contract since 2002 with PDAM Tirtanadi in Medan. In January 2005, representatives for the P3SW and from the Dutch Embassy conducted a mission to assess conditions in Pekanbaru.

3.2 Key characteristics

3.2.1 Institutional setup

The Pekanbaru component had a rather complicated institutional setup, as it had to be grafted onto an existing PPP between the city and KTDP. Considered from the local side, the key institutions were the Municipality of Pekanbaru and its PDAM Tirta Siak, which was in charge of the water supply to the city. At the start of the cooperation, the company had two water treatment plants (WTP) of which one was only operating at half of its capacity. The company supplied water to about 20,000 domestic and commercial connections via a network of about 300 km. Prior to the cooperation with KTDP, the city (and its PDAM) had engaged in other cooperation attempts but never succeeded in increasing the quality and coverage of water supply to a level compatible with the scale

¹¹ The P3SW subsidy dispositions (€1M via the Ministry of Foreign Affairs; €4.1M via the Ministry of Transport and Water Management) have been provided to the Water Fund Holland foundation, which consequently signed a service agreement in November 2005 with Water Fund Indonesia to implement the program. For reasons of convenience the WFH denomination is used throughout this report.

and ambitions of the city, which is one of the major economic growth centres of Indonesia. Interviewees suggested that the PDAM had a core of staff who for decades strongly opposed any changes, presumably so as to safeguard their individual interests.¹²

KTDP is an Indonesian company that was incorporated in 1998 with PERPAMSI and the Pension Fund of Indonesian Water Companies as its initial shareholders; ownership subsequently shifted to private hands. In 2003 the company entered into a Joint Operation Agreement (JOA) with Pekanbaru City acquiring the concession to supply water to the city. This JOA, established for a 14-year period, included among other things the obligation for KTDP to upgrade the City's WTP capacity up to 600 l/s and the installation of 20,000 new connections. It allowed for a mixed management setup with the City appointing the PDAM Managing Director and KTDP the technical and financial directors.

For the implementation of the P3SW program, KTDP and WFH set up a joint venture company in 2005, PT Tirta Riau, with WFH as majority shareholder (51%).

The City of Pekanbaru welcomed the partnership between KTDP and WFH but insisted that this should not alter the terms of the initial JOA between itself and KTDP. Although during the evaluation team's visit to Pekanbaru, local authorities complained that WFH never had entered into a direct agreement with the City, the setup of this (or a tripartite KTDP – WFH – City) agreement was not considered when WFH entered the scene, despite the request by WFH, among other reasons because this would require a renewed approval by the local parliament. WFH's position on the City – KTDP JOA was however defined in an amendment to that agreement, which reviewed some of KTDP's initial obligations in accordance with the provisions of the subsidy disposition between WFH and RWS/V&W, i.e. the actual outputs of WFH's proposal (see next section).

In line with the agreement above, PT MTI, a local subsidiary of WFH specialized in new connections, agreed a contract with KTDP for the implementation of 50,000 household connections, 400 km of reticulation systems and the replacement of 20,000 water meters.

From 2006 onwards NV PWN, the water supply company of North Holland Province and a 30% shareholder in WFH, reinforced the PPP in Pekanbaru with funding and Technical Assistance, notably in the field of reducing NRW, public relations and communications, and capacity building in other fields of PDAM operations. PWN availed of a vast body of hands-on experience in working with PDAMs through twinning arrangements since the mid eighties.

3.2.2 Key aims and outputs

The key aim of the PPP as stated in the proposal was *'to provide wholesome and affordable piped water to the citizens in the supply area of the PDAM, as to improve public health and support economic progress and consequently contribute to sustainable*

¹² It is not clear to which extent KTDP and WFH were aware of the rather bad track record of the Pekanbaru PDAM. WFH's project proposal does not identify it as a risk factor.

development and the alleviation of poverty'. To achieve this objective, the main aims were:

- The reduction of non-revenue water (NRW) from 47% to 27%
- The improvement of the performance of PDAM staff through training
- The rehabilitation and extension of the Tampan and Rumbai WTPs from 400 to 900 l/s
- Investments in infrastructure to increase the capacity of transport lines from the WTPs to the town and for the rehabilitation of water towers
- The implementation of 50,000 new household connections and 400 km of reticulation pipes, allowing an extra 250,000 people to receive clean water from the piped network
- The replacement of 20,000 water meters.

The proposal stated that upon completion of these results the PPP would be considered sustainable.

3.2.3 Activities planned and budget

The activities planned were quite straightforward and conceived to achieve the outputs mentioned above. Tirta Riau planned to take over management of production staff from the PDAM and much attention was paid to adequate training to the staff. This training would consist of a mix of classroom teaching and on-the-job training for managerial and operational staff. The training was to be provided via technical experts from Dutch water companies and via Yayasan Tirta Dharma, the training school of PERPAMSI. In addition, regular job performance assessments were planned so as to change the mindset of the operational staff. Once the PPP was completed, it was expected that the PDAM would be comprised of staff that were capable, motivated, well trained and experienced to manage and operate the infrastructure.

The initial budget as included in the proposal amounted to €9.5M, composed of a DGIS subsidy (€5.1M), a KTDP contribution of €1.7M and a contribution from WFH and its subsidiary MTI of €2.7M. The MTR mentions slightly different figures: an €8.9M budget (DGIS: €5.1M; WFH+KTDP €3.8M) to which later a €1.4M loan from PWN (a water company that is a member of WFH) to KTDP had to be added. The 'own' MTI contribution included the customers' payment for new connections.

The approach of this component also included a mechanism to recover the capital expenditure. The grant provided by DGIS (€5.1M) was to be governed by the WFH Foundation, which signed a service agreement with WFI BV (a company), which in turn would loan the funds to Tirta Riau (€4.6M) and MTI (€0.6M) to cover investments respectively in treatment, transport and TA, in household connections and the reticulation system. (In reality, a smaller amount of funds were loaned to Tirta Riau and MTI, while also KTDP received loans.) Tirta Riau was however not required to repay the loan as long as it could not recover the costs of its investments through the sale of water. The agreements further stipulated that if the funds were paid back to WFI BV, the latter

would use these to service its loan to the WFH Foundation. The WFH Foundation would then reinvest the funds in the water sector in Indonesia.¹³

¹³ Article 4.1 of the statutes it follows that one seat of the Board of WFH Foundation is reserved for an "outsider." DGIS and PfW were both invited to take up this position, but did not or perhaps could not do so.

4. Assessment of efficiency and effectiveness

4.1 Programme inputs and activities

4.1.1 Overview of actual spending and correspondence with initial planning

The table below provides a comparison, in terms of funding sources, between the initial budget (including the PWN loan provided to KTDP) and the actual expenditure for this programme component¹⁴:

Table 3: Comparison between budget and actual expenditure (according to source of funding, Pekanbaru)

Source of funding	Initial budget	Actual contribution/use	Difference
DGIS	5,091,304 €	3,222,461 €	1,868,843 €
KTDP	1,739,130 €	-	1,739,130 €
WFH/MTI	2,704,348 €	418,216 €	2,286,132 €
PWN	1,400,000 €	1,340,350 €	59,650 €
Total	10,934,782 €	4,981,027 €	5,953,755 €

The table above clearly illustrates the huge variation between the initial budget and the actual contribution/use of the funds. Only 63% of the DGIS budget has been used, KTDP's contribution could not be mobilized at all (because of its financial difficulties¹⁵), while the contribution of WFH/MTI has remained substantially below the initial budget. The PWN loan to support KTDP has however been provided to a major extent.

A comparison of the planned and actual use with regard to the nature of the expenses provides the following picture:

Table 4: Comparison between budget and actual expenditure (according to nature of expenses, Pekanbaru)

Nature of expenses	Initial budget	Actual contribution/use	Difference
Rehabilitation/extension WTP	2,434,783 €	2,918,453 €	6,181,546 €
Rehabilitation/extension transport & distribution	6,665,216 €		
KTDP loan for debt restructuring	1,400,000 €	1,193,912 € (°)	206,088 €
TA/Indonesian delegations	434,783 €	836,934 €	-402,151 €
Audit costs	-	31,728 €	-31,728 €
Total	10,934,782 €	4,981,027 €	5,953,755 €

(°) up to 2008; data from MTR.

¹⁴ Sources: Initial project proposal (Public Private Partnership (PPP) Plan for Water Infrastructure Development in PDAM Tirta Siak, Pekanbaru City, Riau, Province, Indonesia) and the final report of November 2010.

¹⁵ KTDP concluded the JOA with Pemko in 2003, while the PPP with WFH was put in place in 2005, and PWN joined in 2006. In the period 2003-2006 KTDP has invested some €2.1 million (IDR 25 billion) in rehabilitation of the Pekanbaru water supply system, as confirmed by a BPKP audit performed in 2010. KTDP had financed these investments with various small loans from Indonesian parties. Since the project in Pekanbaru did not generate profit, KTDP has turned to WFH/PWN for debt rescheduling, which happened to an amount of approx. €1.2 million.

As will be discussed in more detail below, also in terms of the actual nature of the expenses, there are major differences between the initially planned and actual use of the funds. Spending for hardware has remained substantially below the initial provisions (only 32% spent), whereas expenses of TA have been substantially higher.

4.1.2 Actual programme implementation

The programme of work saw a quick start with various studies and operation and maintenance related activities for the water production units (2005-2006). Through a substantial investment programme early in 2006, the capacity of the WTP Tampan had been restored from 300 l/s to 550 l/s. (However, insufficient attention was paid to O&M of the plant by PDAM and thereby the condition of the WTP rapidly deteriorated again.)

As a result of this earlier work, the programme then underwent important changes compared to the initial plans. Indeed, in view of KTDP's increasing financial problems, the original setup and targets (implementation of a REOT type agreement related to the treatment plants and the implementation of household connections and public taps) had to be reviewed to keep KTDP afloat and, hence, ensure the continuity of the program. Part of the P3SW budget (€1M) was therefore used for restructuring KTDP's debt under specific conditions (agreed upon by RWS); in addition one of WFH's members (PWN) provided an additional contribution of €1.4M out of its own funds that have for the most part been used for investments in the NRW program.

A major factor impeding implementation of the original setup was the resistance to change by the PDAM, in particular by not granting Tirta Riau the right to become de facto the operator of the plant that would then sell water to KTDP/PDAM. Stagnation of the programme was further deepened by the difficulties of approaching PDAM and involving it in the change process, and having the managing director, who was opposed to the PPP, removed. Each progress report between 2005 and 2009 describes a number of activities that relate to the restructuring of KTDP, investments in infrastructure and attempts to improve the performance of the PDAM (i.e. via staff layoffs and various capacity building activities).

Overall, programme implementation was – understandably – determined by the complex dynamics of the JOA between KTDP and the Pekanbaru Government, including its PDAM. While WFH would have preferred a setup with a clearly delineated responsibility for specific components of the water supply chain, the comprehensive nature of the KTDP – PDAM PPP implied that the competence and responsibilities of the entire chain were entirely attributable to both partners. Pemko consistently refused proposals of KTDP/WFH/PWN to change the JOA to the extent that KTDP would appoint the entire management of the PDAM, including the managing director. Consequently Pemko was able to keep a non co-operative PDAM director in place, and allowed a situation whereby the PDAM was without a managing director for a substantial period of time.

A major concern from the very start was to create a supportive environment to ensure the adequate embedding and sustainability of infrastructural and managerial improvements. The progress and monitoring reports describe many important efforts

to introduce the required changes in terms of improved governance and co-management, but also the strong resistance (and even intimidation of change-minded senior staff brought in by KTDP) of PDAM staff to give up the prerogatives that they had tacitly acquired over time. During the evaluation's visit to Pekanbaru, several representatives from the local government and the PDAM stated that WFH, PWN and KTDP have operated in isolation from PDAM and the City government, and did not associate the latter with key decision-making processes. The team found evidence elsewhere however, that this seems not to have been the case and that planning and review were conducted in an inclusive way. It might however have been that local staff lacked the necessary levels of competence and did not feel sufficiently empowered to engage in discussions with the external partners on an equal footing. PDAM had obvious reasons to maintain the status quo.

Furthermore, the procurement of goods and services in the project (for consultancies, supplies and contracting) followed the prevailing rules (competitive bidding), which prohibited the PDAM from effectively 'controlling' the process. KTDP and WFH refused, for understandable reasons, to entrust the entire management and implementation to the PDAM as the latter would have desired. On the other hand, the fact that the PDAM was the key operator of the water supply system would have made it logical to situate key procedures and competence *within* their administrative system. Tenders of Tirta Riau, KTDP and MTI were supervised by a team consisting of representatives from these companies, Pemko and PDAM. Pemko and PDAM were thus involved, and tenders were based on their procedures and administrative requirements.

WFH/PWN and KTDP undertook various attempts to sort out the fundamental differences on how to manage the partnership, as illustrated by the high numbers of field visits (eight missions in 2009 alone!). As WFH/PWN delivered their inputs via KTDP and the latter was not always performing optimally and faced internal difficulties, they had little grip however on the desired change process. WFH and PWN have had sufficient opportunity to meet directly with Pemko and PDAM management. Almost every field visit was concluded by a joint meeting of KTDP, WFH, PWN, Pemko and PDAM. The stalemate led to a substantial reduction in the investment plans in 2009, which inevitably affected service delivery performance. Even after investments (in e.g. installed production capacity and replacement of pipes) turnover hardly changed. This fact is mentioned several times in the progress reports. However, in early 2009, a far-reaching rescue plan, endorsed by all key partners, initially seemed to provide a lasting solution.

From mid-2009 onwards the relationship between the partners deteriorated substantially. (One reason is that Pemko/PDAM in the end did not agree with making Tirta Riau responsible for O&M of the treatment plants.) The municipality then sent out warning letters to KTDP that it was not meeting the agreed targets and that, hence, it intended to terminate the cooperation. Despite several mediation efforts, among others by BPPSPAM, the Pekanbaru Government eventually decided to discontinue the cooperation. By that time KTDP and its foreign partners agreed with this decision, as all their efforts to bring the partnership on track again had proven fruitless. The final proposal to transfer the JOA to a BOT for water supply production, an option supported by BPPSPAM, was not accepted by Pemko. This was a missed opportunity for PDAM to avail of adequate water in terms of quality and quantity (through Tirta Riau), which

would have allowed PDAM to focus its attention and resources on improving distribution, billing and revenue collection.

As the JOA contained a clause requiring the repayment of investments from the local partner to KTDP in the case of early termination, a procedure was initiated to audit the investments made in the framework of the PPP. The audit was conducted by BPKP¹⁶, but proved to be a cumbersome process because KTDP's financial and administrative records had been inadequately kept and the audit required additional support from WFH. As BPKP did not accept some of the cost items submitted by KTDP, the latter's initial claim of IDR 68 billion was reduced to 57.5 billion.

The actual termination of the agreement was postponed several times because of disagreement on the final sum that the City government was supposed to reimburse. In view of the big differences of opinion, BPPSPAM was then called in by KTDP and Pemko to act as mediator. The results of its investigations indicated that, depending on the scenario applied, the City's debt would vary between IDR 10 billion and IDR 39 billion. BPPSPAM's efforts did not bring the parties closer to an agreement. BPPSPAM recommended both partners to continue discussions. Despite various efforts undertaken by KTDP, Pemko failed to do so. Finally, KTDP decided to bring the case to BANI, the Arbitration Court (*Badan Arbitrase Nasional Indonesia*) that decided in favour of KTDP as did, subsequently, the Pekanbaru court in May 2012. At the time of the evaluation's visit, the City government had not yet decided whether it would appeal or not.

4.1.3 Appropriateness and quality of Technical Assistance (TA) inputs

TA inputs had to be delivered in the context of a local PDAM that had been broadly kept intact under the prevailing PPP between KTDP and the local government. Ample experience has proven that such TA inputs can only bring optimal results in a good enabling environment (support from management and owners) and with local staff that are qualified to take on, or at least open and supportive to, change, which was certainly not the case.

While the initial programme documents do not mention the PDAM's poor track record, KTDP and its Dutch partners seem to have quickly become aware of the long period of the PDAM's mismanagement of public funds and the need to address this constraint initially by replacing the PDAM General Manager (which took 2 years). TA inputs were therefore of a varied nature, including a focus on the badly needed institutional changes. In other words, TA was an intrinsic part of several 'building blocks' of the programme pertaining to the WTP, the distribution system and household connections, staff capacity building and organizational change. TA inputs also included the hiring in of expertise from a successful PDAM in Medan (North Sumatra); initially this move was promising, but later on it was discontinued by the local PDAM. Overall, far more than the planned TA was mobilized, which can be explained by, among other things, the serious institutional difficulties that required a high level of involvement of senior WFH/PWN staff.

¹⁶ *Badan Pengawasan Keuangan dan Pembangunan*, the Financial and Development Supervision Authority, is a state body that exists at the level of every province in Indonesia

As discussed below, none of the PPP 'building blocks' has well withstood the institutional crisis and subsequent premature termination of the cooperation. On the one hand, one can state that attempts to engage in a deep change management process (addressing both the environment and the vision/values/attitude/practices of PDAM staff) have remained all-in-all rather limited. On the other hand, the conditions within the PDAM and local political environment might simply not have allowed for the necessary changes to take place, regardless of the quality of the TA inputs and approach. This leads to the conclusion that the major weakness in the approach of the Dutch partners is situated in the lack of a thorough initial analysis which would have flagged up more of the history of the PDAM, details of its debt situation and previous failed PPP arrangements. This might have forewarned against engaging in a cooperation agreement with the City government.

4.1.4 Appropriateness and quality of investments

Despite some conflicting information provided by various stakeholders, the evaluation team can confirm that key decisions related to investments have as a rule been the result of a joint decision making process by the programme's key partners along clearly established procedures. The same can be stated with regard to the decision, taken by the Dutch partners, to come to the rescue of KTDP, as its survival was key to the continuity of the programme.

The MTR (p. 67) stated that in terms of hardware, a policy was followed of basic upgrading and repairs of existing infrastructure without introduction of sophisticated and/or costly new systems and features. However, the team could not however come to a conclusion on the quality of the investments *at the moment of the termination of the cooperation*.¹⁷

4.2 Achievement of programme aims and outputs

4.2.1 Achievement of programme aims

The initial target of the programme was to ensure access to drinking water for an additional 250,000 people via 50,000 new connections and another 30,000 people via public taps (part of a specific pro-poor policy) and to globally achieve a reliable and dependable water supply.

Technical progress reports (2009) stated that water provision in Pekanbaru was in poor condition and even constituted a threat to public health, among other reasons because of the acidity of the water distributed (pH 4.5) due to the lack of use of chemicals. The water acidity also poses a serious threat of corrosion of the distribution systems and for equipment/systems relying on the use of the piped water. The final report of this programme component (November 2010) stated similarly that important investments

¹⁷ As will be explained later, most of the improvements realised during project implementation could not be maintained after the project period. WFH and KTDP can however not be held responsible for this. PDAM staff also pointed to insufficient quality of some technical interventions, but this claim could not be checked thoroughly.

(also via the local company MTI that realized household connections) of about €5.5M in hardware and TA have not led to better performance of the PDAM, nor to a significant increase of the number of household connections in the city.

4.2.2 Achievement of programme outputs

The table below provides some data with regard to key targets of the project:

Table 5: Comparison of targets and actual achievements (Pekanbaru component)

	Target	Achievements (°)
Additional population served	250,000	Data unavailable
New connections installed	50,000	-1,109 (*)
New water meters	20,000	4,808
Investments (€M)	7	5,5
Actual WTP production (l/s)	900	380
Pro poor public taps	300	Data unavailable
NRW (%)	27	57

(°) Latest data found (often pertaining to the situation by the end of 2008).

(*) The decrease in new connections is to be explained by a cleaning up of the customers' records. In 2008 213 new connections have been implemented; from the project start until 2009 in total about 1,000 new connections would have been established.

Other results achieved include:

- The long promised scheduled water tariff increase was eventually endorsed by the mayor in March 2009; this 50% tariff increase did not however produce any impact on the financial results, as the PDAM claimed that the income increase had been matched by a similar increase in expenses for maintenance and management (there was a strong doubt that this could be true as site inspections revealed bad maintenance, very limited use of chemicals, etc.);
- The efforts to improve the PDAM's management capacities via twinning with Tirtanadi (a successful water utility of Medan) produced initially good results, but later became less effective because of resistance in Pekanbaru (that interviewees attributed to cultural sensitivities of introducing Batak initiatives from Medan in non-Batak Pekanbaru);
- Progress reports state that the revenues roughly covered the utility's operation and maintenance costs. The yearly profits/losses in the period from fiscal year 2005 – 2006 until fiscal year 2009 – 2010 amounted respectively to (figures in IDR billion) -10.071, + 4.707, - 5.251, - 18.292, - 9.483. By the end of fiscal year 2010, the cumulative losses of the PDAM, which had started to operate as an entity under the City government in 1997, amounted to IDR 87.149 billion.

4.3 Conclusion on programme efficiency and effectiveness

The results above clearly indicate that the programme has not reached its targets, while spending has been considerable. As such, there is a clear imbalance between actual

achievements and the resources used. Local partners seem – at least in private – ready to take part of the blame for the failure of the project.

In retrospect, the lack of local embedding and true ‘acceptance’ of the project seems the major explanation for the disappointing results of the project. This lack of acceptance implied that the city government was unwilling to adequately assume its responsibilities under the JOA and undertake necessary actions such as putting in place a competent and open Managing Director. As a consequence, considerable attempts to come to the rescue of KTDP and the many efforts (investments, capacity building) eventually produced little effect. This has meant that good quality (soft and hard) interventions eventually lost their value and relevance. With the benefit of hindsight, one might question whether it would not have been more appropriate to create a more solid basis for such important investments before actually engaging in such an important project.

On the other hand, as WFH pointed out, their decision to go ahead was taken on ‘hard’ positive indications related to, among others, the positive political environment in the Netherlands, the substantial local market potential, the presence of a reliable local partner, etc. A staged approach, starting with low profile measures allowing to get better acquainted with the environment, would however have more adequate.

5. Sustainability of programme benefits

The previous chapters have indicated that the programme failed to a major degree to achieve its envisaged aims and outputs. As such, it makes little sense to assess the sustainability of *the benefits* achieved. During the visit of the evaluation team to Pekanbaru, some data was however provided with regard to the present situation (i.e. about 2.5 years after the actual end of the cooperation) with regard to the city's drinking water supply system. This data is interesting to analyse as it provides an idea of the City's capacity to deal with the situation in the post-programme period.

5.1 Sustainability of water supply

During the project period, actual city coverage by the PDAM was already limited. The PDAM's service area only covered about one third of the city's population (in 5 of the 12 sub-districts of the city) and only an estimated 10-15% of the population were connected to the piped water system. By February 2012, the number of connections had decreased to 13,869 from 18,815 connections in 2008 and 19,924 connections in 2005. The problem of the water acidity had not yet been addressed at the time of the visit by the evaluation team and continued to threaten human health, the distribution system and equipment. Other important data include: the percentage of NRW has increased to 63.7% (57% in 2008) and an estimated 50% of the pumping system had become inoperative.

Discussion with stakeholders that were not related to the PDAM confirmed the decrease of the services of the PDAM. Large sections of the city population have actually stopped relying on the PDAM's services and have looked for other, often more costly solutions.

5.2 Sustainability of technical outputs

Short site visits during the evaluation field phase revealed that many of the improvements achieved during the programme implementation period could not be sustained because of failing operation and maintenance. For example, by early 2006 Tirta Riau had restored production capacity but the condition of the water treatment plant in Tampan deteriorated quickly because of inadequate operation and maintenance by the PDAM. Local technicians also claimed that the lack of a phased and integrated approach during project implementation implied that many improvements achieved remained isolated and, hence, could not produce the intended effect and often were ill maintained for that reason. In this regard, the decision to increase the connections and to change water meters was questioned by PDAM staff, as the investments needed to sufficiently improve and then maintain water production and distribution had not been finalized.

5.3 Economic and financial viability

Some key figures presented by the PDAM management during the field visit are provided below:¹⁸

Table 6: Financial key performance indicators PDAM Pekanbaru (in IDR million)

	2002	2010	2011
Operational revenue	10,795	15,818	14,531
Other revenue	0,052	0,024	2,238
Operational expenses	8,619	10,057	10,037
Other expenses	9,352	16,282	11,779
Profit/loss before taxes	-7,123	-10,497	-5,046

The indicators above illustrate the critical condition of the PDAM. Moreover, the PDAM faces huge challenges to ensure (timely) payment by its customers: only 54% of the bills are paid within one month, 14% with a 2-3 months delay, 8% are outstanding for 4-18 months and 23% for more than 19 months. The outstanding customer debts amounted to IDR 33,120 billion in 2010, an increase of IDR 4,215 billion compared to the previous year. This implies that about one third of the operational revenue eventually ends up as an outstanding debt.

It is therefore not surprising that the PDAM is highly debt-ridden. By December 2011, the company's debt amounted to more than IDR 113 billion, which is roughly the equivalent of 7.5 years of operational revenue. The problematic financial position of the PDAM might have constituted a major impediment for other (foreign) interested donors and investors¹⁹ to engage in a partnership with the company.

5.4 Institutional sustainability

As the PPP has been ended prematurely, the programme has clearly not contributed to institutional sustainability. The negative experience with the P3SW programme has, once again, made it clear to local stakeholders that the PDAM might not be the best suited institution to assure the drinking supply in the city and that other avenues, sidelining the PDAM, need to be explored.

¹⁸ Due to a lack of time, the data below could not be checked thoroughly and discussed with the PDAM management. Hence, key issues such as the depreciation policy and the way bad customer debts have been written off could not be addressed. The same applies for the considerable non-operational revenue for 2011, which is largely explained by the IDR 2,107 billion review of the bad debts that had been written off before.

¹⁹ The interest to invest in the city's water supply is quite understandable. Pekanbaru is an economic growth pole with a substantial annual economic growth (around 9%) and an annual population increase above 4%. The city is the capital of the province of Riau where economic activities are drastically increasing, in particular in the plantation sector. Most of the city's population have a decent income and are ready to pay for a reliable drinking water supply.

5.5 Social and political sustainability

For the same reason as above, the programme has not contributed to social and political sustainability. In this regard and on a slightly broader level, it has become clear that the PDAM has lost virtually all credibility, not only at the level of (potential) customers but also at that of the political elite. Moreover, the organization's track record over 40 years is characterized by a series of failures, which have caused nearly all its (potential) customers to 'give up' and look for other solutions, which are relatively easy to find in Pekanbaru.²⁰ In addition, the private sector has discovered the water sector: indeed, many small companies have emerged that engage in the distribution of water that is often of questionable quality. All these factors, coupled with the fact that Pekanbaru is essentially a city of newcomers with little social cohesion, mean there is a lack of urgency to demand improved permanent water supplies at the level of society. This constraint already existed at the start of the programme and hindered its quest for improved governance and performance. This handicap seems not to have been fully understood by the Dutch programme partners or KTDP, as at no point in time have actions been considered to strengthen the 'demand side'. Convincing the PDAM of the need and then supporting public relations efforts to improve its image towards the public and in socialising the increase in water tariffs were not strong enough to alter or overcome a negative perception among the customers that had been built up over decades.

From a social point of view, the poorer sections of society seem to be the greatest victims of the present situation. Unlike the better-off sections of the local population, they cannot engage in the drilling of shallow wells and, hence, most probably have to devote a substantial part of their income to the purchase of water from informal providers. As they do not possess significant political power, their grievances remain largely unnoticed and unaddressed.

Rather to the surprise of the evaluation team and despite efforts conducted in the early project years to inform the public about the PPP, it was found that virtually nobody is well informed about the development of the programme and the context of its premature termination. The fact that the courts have upheld the KTDP claim on the City has remained largely unnoticed, another illustration of the fact that in Pekanbaru 'water is not a political issue'.

Quite ironically, the failure of the programme in Pekanbaru and the substantial price the City might eventually be obliged to pay for it (provided the present decision of the court is confirmed), might in the end constitute an important trigger for key city stakeholders to consider truly alternative and more viable options (outside the PDAM) to arrange the city's water supply.

²⁰ The water table is situated in most parts of the city at around 10 m. Though water quality is not good, most people resort to the construction of shallow tube-wells; bigger housing schemes go for artesian wells.

5.6 Environmental sustainability

The present water supply system gets its water from the Siak River. As mentioned earlier, the water is of bad quality (high acidity and turbidity). In addition, earlier analyses of the quality of the water by the local university pointed to major pollution from industries (paper, chemical, rubber, oil) situated along the riverbank. Despite the existing environmental legal framework and civil society efforts to curb industrial pollution, river pollution and destruction of the river basin are still on the increase. The massive pumping of groundwater constitutes another ecological threat. In some areas of the city, the water level is said to have decreased already. As most inhabitants have no alternative, it is extremely difficult to address this problem.

5.7 Sustainability of Dutch involvement and learning

The failure of the Pekanbaru programme has been a bitter pill to swallow for the Dutch partners and KTDP. Even if Pekanbaru City eventually reimburses part of the initial investments, the private partners will never entirely recover the losses incurred. In addition, it is still difficult to forecast the effects of an eventual reimbursement on the private partners' image. Local government officials and members of parliament indeed feel bitter in view of the court's decision and find it hard to accept that they have to pay for investments that ultimately have not changed the quality of their water supply system (*how can it be that a cooperation that fails costs us considerable money on top?*).

To the evaluators' knowledge, the programme partners have learned a lot from this experience but have not (yet) engaged in a *systematic* attempt to capture lessons from it. On the other hand, the Pekanbaru experience has not prevented WFH from exploring further possibilities for PPP cooperation in Indonesia largely as a result of other significantly more positive PPP experiences in Indonesia.

III. ANALYSIS OF THE EAST INDONESIA COMPONENT

6. Programme background

6.1 Inception

WMD, a company owned by the Dutch province of Drenthe and 11 communes, produces and distributes drinking water to more than 450,000 inhabitants of Drenthe province. WMD's commitment to assisting drinking water companies in the South dates from the mid-nineties when it started to cooperate with the city of Ambon. The presence of a large Moluccan community in Drenthe has been one of the reasons for WMD to choose East Indonesia, Ambon in particular, as a major location for its international activities.

While initially a twinning approach was followed, through the establishment of Dream Sukses Airindo (DSA), a local water company set up as a joint venture company (JVC) with WMD bringing in 58% of the shares, WMD aspired to achieve a bigger impact on the local water supply situation. WMD decided to stay in Ambon during the very difficult period of civil war that started in 1999 and lasted for a few years. The experience with the JVC in Ambon laid down the foundations of what was later called the 'WMD model' that also has been applied in the P3SW program.

Via its participation in the call for tenders for the P3SW program, WMD aimed to scale up its Ambon experience. An ambitious programme proposal foreseeing the creation of ten JVCs in East Indonesia was submitted for funding. As was the case with the Pekanbaru component, the actual preparation of the project and the processing of the subsidy disposition took a considerable time. During the preparation period the list of cities (JVCs) to be included in the project had to be adapted several times because of contextual changes such as administrative splits within the districts targeted. In addition, some cities proved to be less interested in the WMD cooperation model and thereby declined the cooperation offer. This may, in part, have been due to their sense that working with a private partner would jeopardise relatively free financial support from the national level. In addition, vested personal / political interests in some PDAM might have played a role also in the decision not to cooperate with a foreign partner that was expected to bring in more rational management, accounting and procurement practices.

6.2 Key characteristics

6.2.1 Institutional set up

SWOI (*Stichting Waterprojecten Oost-Indonesië* – Foundation for Water Projects in East Indonesia) was established in May 2005 with the aim of providing and managing the funding for water projects in East Indonesia. The Foundation mobilizes funds (such as the P3SW grant) and provides these funds as loans to its subsidiary Tirta Drenthe BV (TAD) which loans out the funds in conformity with prevailing market conditions to the local joint venture companies. Its Indonesian subsidiary called Tirta Inti Drenthe (TID) is in charge of actual programme implementation together with local water companies.

TID has an office in Manado, the largest programme location, and manages implementation from there. It has also posted a staff member in Biak and Sorong; in Biak a technical member of staff from Inowa, a consultancy company co-owned by WMD, supports the local team.

The key component of the WMD approach is the local joint venture companies, established by particular TAD subsidiaries (Tirta Sulawesi BV in the case of Manado, Tirta Papua BV in the case of Biak, Sorong and Merauke, Tirta Ambon in the case of Ambon), the local government (city or district) and in most cases the local PDAM owned by the local government.²¹ From the start, WMD understandably sought to safeguard the operational autonomy of these companies against political interference, which indeed often constitutes one of the major causes of the poor performance of the PDAMs. So-called '*perusahaan daerah*' (local government owned enterprises) are indeed often controlled by the political elite in power and their management is often entrusted to people selected on the basis of their political affiliation and loyalty to the mayor/district rather than professional experience. Many local governments also use these companies as "cash cows" or, at least, as instruments to reinforce their political power and influence. Finally, many PDAM were known for their high levels of mismanagement and even corruption in which both senior figures (directors, commissioners, local shareholders) as staff members were involved. On the other hand, much improvement in PDAM management has been noted across Indonesia over the last 10 years through the open and competitive selection of PDAM directors, the reform of PDAM supervisory boards to include a consumers' representative, increased transparency of financial statements, benchmarking of key indicators and other measures. Examples of well performing PDAMs are said to include utilities operating in major cities such as Pontianak, Malang, Bogor, Banjarmasin and Jember.

Prior to the conclusion of the cooperation agreements between WMD and the local government, in virtually all locations the PDAMs were badly functioning or had even collapsed (Sorong). The PDAMs all faced substantial debts, could only function on a cash basis and were only able to provide below standard services. In none of the cases were there realistic prospects for improvement. As such, partnerships could not be considered as commercially attractive, at least not in the early years of cooperation. WMD was aware of the challenges ahead, but was committed to engage in a substantial and long-term effort to create viable and well functioning water utilities as part of its social responsibility. To that effect, WMD adopted a phased approach with a first phase of 4-5 years intended to rehabilitate infrastructure and strengthen local capacities and institutions. After this period, the improved water supply performance was expected to constitute the basis for better financial performance, allowing the JVCs to attract investment loans on the market without external support. Eventually (after 15 years) WMD could pull out from the company and use any possible financial gains elsewhere in Indonesia.

²¹ The institutional setup on the WMD side (SWOI - WMD - TAD - TID - Tirta Sulawesi/Papua) is complex, but the same persons play a key role in the companies mentioned. We therefore in most cases will use 'WMD' as a generic denomination for the broad WMD institutional setup. The other companies will only be referred to when there is a specific reason to do so.

Cooperation agreements

Taken *directly* from the cooperation agreements (CA), the following are some of the key characteristics of the highly similar²² arrangements concluded with the local governments in Manado, Biak, Merauke and Sorong:

- Contracting parties: the local WMD subsidiary (BV Tirta Sulawesi or BV Tirta Papua), the local (city or district) government and the local PDAMs (except for Sorong²³) that are owned by the local government;
- These parties agree to set up a JVC: the WMD subsidiary has a majority share (51%) in all JVCs; the local government owns the remaining (49%) shares;
- Duration of the cooperation agreement: 15 years;
- The local government via a decree of the mayor/district head transfers to the JVC the concession to produce, sell and distribute clean water as well as to operate collection systems and treatment in the supply area for 30 years;
- The WMD subsidiary provides the local partner with funds for the payment of its JVC shares, partially (80-90%, depending on the CA) via a loan in € (interest rate 5.5-6%, depending on the CA) to be repaid over 10 years starting the 6th year of the cooperation; the remaining part of the funds (10-20%) constitutes a WMD grant to the local partner;
- The objectives of the cooperation are similar to those mentioned in the P3SW proposal (see also below) and include: the improvement of services to the community by improving and developing water supply, the upgrading of customer services by increasing the service coverage ratio, compliance in due course with the WHO standards for clean and drinking water, improvement and development of operational performance and enhancement of managerial capacity, and support to the economic and social development of the city or district;
- The initial CA foresaw the transfer of PDAM assets to the newly established JVC; later on it became unclear however whether such a transfer would be legal and the transfer process was thereby cancelled;
- After 15 years, the local partner has the right to purchase all the shares owned by the WMD subsidiary. The price of the shares is to be calculated on the basis of the visible net assets value of the JVC; if the local partner does not exercise this right within 5 years, the WMD subsidiary has the right to buy the shares of the local partner at the same price;
- During the first five years, the JVC will pay a yearly contribution to the local government (in Manado: IDR 2.1 billion; in Biak/Merauke/Sorong: 6% of the revenue generated from the water paid by the customers in that year, starting after 3 years of cooperation) and to the local WMD subsidiary (in Manado: IDR 1.5 billion; in Biak/Merauke/Sorong: 4% of the revenue of the water paid by the customers in that year, starting after 3 years of cooperation);
- The water tariff will be calculated on the principle of full cost recovery according to a tariff formula agreed upon by the parties; resulting tariff changes can be

²² We focus here on Manado, Biak, Merauke and Sorong, the locations that have been included in the P3SW program. The Ambon JVC, already created in the nineties and not included in the P3SW, has a slightly different set up.

²³ By the time of the set up of the cooperation agreement, the PDAM of Sorong had become entirely inoperative, which is presumably the main reason why it has not been included in the cooperation agreement.

automatically applied without approval from any party. The local government has the right to make a proposal for differentiation of the tariff for different groups of consumers. The parties can (Biak/Manado/Merauke) or will (Sorong) establish a regulatory body to supervise the tariff policy implementation;

- The WMD subsidiary will apply its best efforts to arrange the financing for the JVC investments;
- The JVC will take on the PDAM personnel, who will keep similar positions; the WMD subsidiary will provide training to improve PDAM performance;
- The JVC will in reasonable time report to the local government and the PDAM on any matters having significant impact on the availability of water service to the customers;
- Yearly operations, maintenance and business control is to be implemented on the basis of master and business plans that will be presented to the local authorities, revised yearly and submitted for approval to the general shareholders meeting;
- WMD and its subsidiaries are paid for the various services rendered based on time inputs and related costs; a contribution payment is also foreseen (see above), and a handling fee for the services by TID and Inowa (a consultancy company co-owned by WMD and based in Bandung, Java).²⁴

The provisions above indicate that once the CA has been concluded, WMD via its subsidiary basically controls the company and, hence, the water supply in the locations concerned. This is in line with WMD's eagerness to improve the local situation, whose model involves the transformation of the local water supply companies into well performing water utilities. In addition, the autonomy of these JVCs towards the local government needed to be assured, so that management and institutional changes could be implemented and external capital mobilized. On the other hand, compliance was sought with local conditions and sensitivities. As such, the implementation of new tariffs, a sensitive issue, has de facto always been subject to consultations with the local government and the possibility to apply a tariff increase annually has not always been followed (see also chapter 7.2). Further, the new companies took over the PDAM employees and salary modifications of government personnel were mostly also applied in the companies.

At least in the early stages, WMD considered its role basically as that of the manager of the comprehensive change process, thereby mobilizing the necessary expertise and funding, providing training, improving financial and administrative management, and rehabilitating production and distribution infrastructure. The P3SW funding was meant to support the start-up phase mainly, for which an estimated duration of 4 years was needed.

Loan agreements

In addition to the CA, loan agreements were concluded covering the expenditure realized mainly by WMD (via its subsidiaries) on behalf of the JVC (or the PDAM in the case of loans covering operating expenditure and provided to the PDAMs before the

²⁴ While most of these costs are charged to the P3SW budget, they eventually become a loan to the JVC, the conditions of which are arranged in separate loan agreements (see below).

actual establishment of the JVC).²⁵ The first series of these agreements became actual addenda to the CAs. Later on (2007-2008), loan agreements were concluded but were only signed well after the actual period of expenditure. As described in more detail below, in several locations the “ex-post” conclusion of these loan agreements has given rise to tensions for various reasons:

- Firstly, some local parties stated that it was never clear to them that the expenses realized with P3SW funds, which they knew were granted to SWOI/WMD by the Dutch Government, would eventually be charged as a loan to the JVC. It should also be noted that the provisions in the CA remain quite unclear on this issue. These CA state only that the WMD subsidiary will use its best efforts to arrange the investments (without reference to operating expenditure) of the JVC and that the water supply operations will be conducted on the basis of full cost recovery and meet the requirements set by the lenders as provided in the financing agreements. WMD states firmly however that from the early stages it has been made clear that the funds used should be considered as loans.
- Further, local partners were only post factum informed of the actual expenditure covering the loaned amount and financing agreements covering these expenses were only concluded ex post also. This changed only from 2009 onwards, when loan agreements were more clearly linked to the investment plans agreed upon.
- Thirdly, until 2010 the loaned funds never transited via the JVC but were directly spent via TID or TAD, i.e. without direct involvement of JVC as borrower of the funds and following procedures that often lacked transparency according to local partners. Only starting in 2011 were payments conducted via the JVC using the funds provided by WMD on a case-by-case basis to cover specific expenditure agreed upon before by WMD.

The loan agreements cover different categories of loans²⁶:

- Operating loans that are used to fund daily operations, salary payments, the paying off of debts to pension funds and energy companies. These loans are granted in local currency with a term of 10 years and a 10% interest rate; they are to be repaid in equal instalments.
- So-called loans for projects which are financed by WMD and the SWOI (from the P3SW and RNE project contributions); a choice has been made for separate project loans so as to give the SWOI and the Dutch government an insight into expenditure. These loans are also granted in local currency with a term of 10 years and a 10% interest rate; they are to be repaid in equal instalments.
- For other expenditure, such as technical support, archiving, administration, contract design and consultancy (called collective support²⁷) interest-free loans are provided in local currency be repaid at the end of the CA.

²⁵ These loans were considered necessary to ensure a bare level of functioning of the (ailing) PDAMs.

²⁶ Very recently WMD decided to review the conditions of these loan agreements; see last section of 7.1.2.

²⁷ ‘Collective support’ refers to various types of expenses that cannot be attributed to one particular JVC. They include among others TA costs (TID director, other ‘global TA’), investments related to the central laboratory in Manado, expenses for training and education and, above all, the considerable

Overall, the loan agreements could be considered as skewed in favour of WMD. They state, among others, that interest and loan repayments should be made any time the company's cash flow allows so and that TAD has the full and irrevocable authority to determine when this is the case. The agreements state further that if the Director is unwilling to cooperate with the transfer of money, this is a valid reason for his immediate dismissal²⁸. On the other hand, no sanctions are applicable if WMD is unable (or unwilling) to honour its commitment to provide loans, as has been the case with the loan agreement concluded for 2012.

6.2.2 Major aims and outputs

WMD received P3SW funding and an additional grant provided by the Royal Netherlands Embassy (RNE) in Jakarta. While it is hard to distinguish between these funding sources in day-to-day implementation, their aims and outputs are presented separately below.

Aims and outputs as formulated in the P3SW proposal

The programme aims as mentioned in the programme proposal of June 2005 can be summarized as: *To achieve within 15 years the establishment of autonomous, sustainable local water companies that ensure on a cost recovery basis the production and distribution of drinking water for the entire population in the company's service area.*

The achievement of this aim implies, among other things:

- The application of the full cost recovery principle using tariffs that are checked by an independent regulator taking into account the WHO norms with regard to the cost of water as a percentage of the global family income;
- The sustainable strengthening of local management and operational capacities, allowing the local company to become financially independent;
- Improved quality of life, health and economic opportunities for the population.

The proposal also contains some clear targets:

- Improved drinking water supply in about 10 cities ensuring 91,500 new connections which will provide access to water for an additional 600,000 people;
- Achievement of 85% coverage in these cities (about 1.8 million people) in 15 years;
- Gradual increase of water provision to 24 hours per day; and
- Rehabilitation of the distribution networks including a decrease of NRW from 70% to 15%.

preparatory costs (estimated at €2,982,391 including emergency costs in Sorong at the very start of the cooperation; see also 7.1.2 below).

²⁸ One would expect that such provisions, which deal with the operations of the companies, are not included in a formal agreement.

In addition the programme aims to expand Dutch expertise abroad and increase experience with PPPs and innovative forms of development cooperation.

In terms of outputs,²⁹ the proposal mentions the following:

- Establishment of PPPs with local PDAMs using a JVC approach, with WMD having a majority share (51%); no dividend payment during the partnership period but continued re-investment of generated cash and profit;
- Rehabilitation of the distribution networks with a reduction of leakages to 15%;
- Improvement of the service delivery level via the rehabilitation of water production
- Improvement of the willingness to pay (via service improvement, attention to poor consumers and the introduction of social tariffs within a full cost recovery approach);
- Development of local skills and management, among other things via a dedicated training centre in Manado;
- Collection and treatment of wastewater using a business approach;
- Improved knowledge of integrated water resources management so as to protect the water catchment areas;
- Improved water provision to economic areas (ports, industry) so as to improve the cash-flow of the PDAMs;
- Strengthened awareness of drinking water and sanitation;
- Respect for local values without making a distinction between cultures, religion or political convictions;
- Global development of drinking water supply in East Indonesia via the mobilization of additional funding and connection with programs of international financing institutions (IFIs).

Aims and outputs as formulated in the additional request submitted to the RNE

The additional request aims to speed up the technical and organizational change process initiated via the P3SW support, so as to improve the financial position of the three JVCs concerned (Manado, Biak, Sorong) so that the services can be expanded via funds that have been generated by the companies and via external funding.

The best way to achieve this aim is via the realization of 45,380 extra connections, which implies an improvement of the water production via a complete rehabilitation of the WTP and a decrease of the NRW via the accelerated introduction of BRP. In addition, efforts will be undertaken to improve the image of the local companies so as to attract additional customers.

6.2.3 Activities planned and budget

P3SW program

The proposal describes in detail an important number of **activities** that are not specifically linked to outputs, but can be summarised as follows:

²⁹ Not all issues listed can be considered as 'outputs' in the definition used by the DAC in the context of results based management; all issues are nevertheless worth reviewing.

- Preparatory activities including the identification of potential joint venture partners, consultations with local and Dutch stakeholders, contract negotiations and the setup of a local office;
- Start-up activities (at the level of each of the locations selected): technical and organisational appraisals, emergency interventions in case local water supply is at risk, the drafting of a master plan, a business and investment plan;
- Implementation of the activities foreseen in the master plan, which describes the plans to improve the technical infrastructure and is further operationalized in a business plan; to the extent possible, these plans are to be defined in close cooperation with the local stakeholders. A yearly review of the plans will be needed;
- Once the JVCs have become operational they will be supported via a two-fold approach:
 - Technical improvements of infrastructure (decrease of NRW, improvement of water intake where needed, construction of public taps, expansion of household connections), and
 - Institutional strengthening of the company (improvement of management and company culture and of accountability; improved client focus and monitoring).

The P3SW **budget** is composed of a €7.5M grant from DGIS and a €2.5 contribution by WMD. In addition, SWOI has attracted a €1.5M loan from the Dutch Rabobank and PT Air Manado a €0.5M loan from SNS bank; these loans were meant mainly to fund the renovation of the Paal 2 WTP in Manado. The project proposal further provides the following preliminary estimate for the use of the initial funding:

- Costs during the preparation phase (mobilisation, contract preparation, crash programme): €1.7M;
- Costs during implementation: €8.3M;
- Total capital expenditure (10 locations): €6.8 M.

Proposal to RNE

The following main **activities** are mentioned in the proposal:

- Accelerated implementation of the block renovation programme to identify and decrease leakages;
- Accelerated implementation of investments related to the rehabilitation of the water treatment plants in Manado and Sorong;
- Replacement of most pumps in Biak;
- Launch of a promotion campaign to improve the JVCs' image and generate more demand among the public to be connected;
- Plan a micro-credit scheme to facilitate the funding of household connections;
- Intensification of the Agresso³⁰ training programme and purchase of additional computers to deal with the expansion of the client base.

³⁰ Agresso is the software introduced by WMD in the JVC that deals with customer registration and billing, among others.

The total grant is €3.5M, and is part of a broader funding arrangement also including local contributions (connection costs, paid by the customers) of €3.24M and a WMD contribution of €1.3M, which suggests a total **budget** of €8.04M. This is meant to cover investments related to water treatment (€0.73M), promotion and Agresso training (€0.1M), household connections (€6.48M) and unforeseen expenses (€0.73M).

7. Assessment of efficiency and effectiveness

7.1 Programme inputs and activities

7.1.1 Overview of actual spending and correspondence with initial planning

From the start of programme implementation onwards, overall spending of the P3SW funds has been ahead of schedule: at the time of the MTR (end 2008), actual spending had already reached 114% of the budget foreseen for the 2005 – 2009 period. On the other hand, actual achievement of the envisaged outputs lagged behind for various reasons (see below). The RNE funds as such have been a welcome addition to try to achieve the initial programme targets.

The table below provides a comparison, in terms of funding sources, between the initial P3SW and RNE budgets (including bank loans that were actually not planned initially), and the actual expenditure for this programme component³¹:

Table 7: Overview of programme funding sources (East Indonesia component; P3SW + RNE)

Source of funding	P3SW budget	RNE budget	Actual use/spending	Difference
DGIS	7,500,000 €		7,546,071 €	-46,071 €
RNE		3,500,000 €	3,576,829 €	-76,829 €
WMD	2,500,000 €	1,301,262 €	4,791,253 €	- 989,991 €
Bank loans	2,000,000 €		2,000,000 €	0 €
Local contribution (°)		3,241,429 €	837,760 €	2,403,669 €
Total	12,000,000 €	8,042,691 €	18,751,913 €	1,290,778 €

(°) Based on own calculations, using the data of the audited yearly accounts; the local contribution was to be financed via new customers signing up for new connections.

The table clearly illustrates that actual spending for each category has been above the initial budget, with the exception of the local contribution, which is below the budgeted amount due to less than anticipated connections. WMD has mobilized these extra funds from its own resources, which is a clear illustration of the company's commitment towards the programme and its capacity to access additional funding when necessary.

In addition it should be mentioned that the RNE's initial budget was elaborated on the basis of an exchange rate of 14,500 IDR/Euro. As during the implementation period of the project (2008 – 2011), the Euro has weakened substantially against the IDR, the initial budget has been insufficient to ensure the achievement of the project targets. There were however also other factors influencing a below-target achievement of the objectives (see below).

³¹ Source: 2011 financial report unless stated otherwise.

An overview of expenditure by category provides the following picture:³²

Table 8: Overview of expenditure by category

Nature of expenses	Total spending (€)	Total spending (%)
Water production and rehabilitation/extension WTP (of which TA)	3.937.334 € 738.179 €	20.9 % 3.9 %
Rehabilitation/extension of transport & distribution (of which TA)	6.683.347 € 2.492.871 €	35.5 % 13.2 %
Organisational support (of which TA)	1.968.746 € 1.156.866 €	10.5 % 6.1 %
Collective support (of which TA)	5.323.176 € 4.483.379 €	28.3 % 23.8 %
Unspecified expenses (of which TA)	906.541 € 839.365 €	4.8 % 4.3 %
Total (of which TA)	18.819.144 € 9.710.660 €	100 % 51.6 %

The table above shows that TA and TA-related expenses (travel, board and lodging) constitute slightly more than half of the program expenses. This figure correlates with the findings of the MTR that calculated that by the end of 2008 around 56% of program expenses were TA related. The table indicates also that since 2008 the relative share of TA expenses has slightly decreased. TA costs remain high however for a program with a strong focus on construction and rehabilitation.³³ In addition, they provide some indirect indication of the limited sustained effect of capacity building efforts of JVC staff and thereby brought forward questions at the local level about the relevance and effectiveness of part of the external TA (see 7.1.3 below).

As can be learned from the table below, most programme expenses have been incurred in Manado. 30% of the actual expenses are labelled 'collective support' and include in more than half of instances expenses related to the start-up phase; other important 'collective support' expenses include the central laboratory in Manado, expatriate TA (TID Director, other global TA) and programme management expenses. Percentage wise expenditure in the four cities all in all is relatively in line with original budgetary provisions.

³² The reviewers were not able to reconcile the differences related to total expenditure between tables 7 to 9. The differences can be attributed to different databases being used, which have not entirely aligned, and to some own calculations. They remain however relatively minimal and do not affect the overall picture.

³³ Note that about one third of the TA costs are connected directly to investments (water production and rehabilitation/extension of WTP, and rehabilitation/extension of transport and distribution).

Table 9: Overview of planned and actual programme expenses by location (East Indonesia component; P3SW + RNE)

Location	Budget (€) (*)	Actual expenses (€) (**)	Budget (%)	Actual expenses (%)
Biak	1,150,000	2,077,594	9.58	11.60
Manado (°)	3,300,000	6,136,953	27.50	34.26
Merauke	650,000	462,368	5.42	2.58
Sorong	1,150,000	3,020,360	9.58	16.86
Elsewhere	4,050,000	892,281	33.75	4.98
Collective support	1,700,000	5,324,596	14.17	29.72
Total	12,000,000	17,914,152	100.00	100.00

(*) As included in original budget (as presented in MTR, p. 59).

(°) Budget includes bank loans of €2,000,000.

(**) Data from the final WMD financial statement; the difference of € 904,991 with the previous table relates to expenses that apparently could not be assigned to any of the locations.

7.1.2 Actual programme implementation

Preparation and start-up

Understandably during the programme start-up phase the emphasis has been on studies, planning, programming and – at least in financial terms – on contract negotiations and quick scans. An estimated €2,159,192 has been spent, mainly in the 2004 – 2006 period, for this purpose. In the case of Sorong where the PDAM had become inoperative, these activities had to be combined with an emergency programme (cost: €194,115) to ensure a minimum level of service delivery. This included far reaching measures such as the search for former PDAM staff and the payment of seven months' salary arrears to convince former staff to resume their activities.

Even without considering the special efforts undertaken in Sorong, preparatory costs have been very substantial (€2,982,421), far more than the €700,000 earmarked for such activities in the DGIS P3SW budget.³⁴ As such, the relatively high levels of spending during the first years (€1,208,926 in 2004, €2,148,870 in 2005 and €2,064,304 in 2006) can be attributed largely to these substantial start-up expenses. Investments in this period only reached an estimated €2.1M.

At the same time and as amply described in the MTR, the quality of this preparatory phase could have been stronger. Eventually, WMD could only engage in four out of the ten locations in a partnership along its preferred model. The four CAs were concluded in August 2004 (Biak and Sorong) and October 2005 (Manado and Merauke). Attempts to set up partnerships in other locations have continued for quite a long period, despite external recommendations (from the external monitor and the MTR) to concentrate efforts on the four existing partnerships.

As has been the case in many PPPs for water and sanitation around the world, an important number of key findings and assumptions in the initial plans have proven to be incomplete or incorrect later on; these include the quality of local infrastructure, the

³⁴ ... which implied that a considerable part of WMD's own contribution went into the funding of these expenses.

level of support from local government and the quality and strength of the PDAM, which were all assessed too optimistically. In addition dealing with sometimes long standing mechanisms of fraud, often initiated or covered up by senior staff and/or their political affiliates, proved to be a true challenge and a source of tensions between the partners. Even so, much wisdom and tact was required to implement efforts to ring-fence the companies and avoid that cash was withdrawn (under the form of dividend payments or otherwise).

In retrospect, WMD was understandably convinced that the expertise and experience gained in Ambon provided a solid basis for a high quality initial assessment of other municipalities. In hindsight though, while technical assessments may have been sufficient, weaknesses recorded in this analysis have more often been due to institutional and contextual factors.

While to a certain extent it can be understood that WMD's assessment of the institutional environment was not truly adequate, this is less the case for the weak technical assessment that deals with WMD's core business. It is not clear to what extent WMD has learned lessons out of this experience and to what extent these technical failures are an indication of a lack of *technical* capacity with regard to the specific situation in East Indonesia³⁵.

Infrastructure improvements

Investments in the rehabilitation and expansion of infrastructure (WTP, distribution) and to address the substantial losses of water via Block Renovation Programs (BRP) reached substantial levels from 2005 in Biak and Sorong and from 2007 onwards in Manado and Merauke. Progress was however hampered by the important but complex discussion related to the transfer of assets from the local PDAMs (local governments) to the newly created JVCs. While expert advice on this issue has not been uniform, key players such as BAPPENAS and PERPAMSI told WMD quite early in the process that there were serious risks that such transfers would prove not to be legally acceptable. This issue cast a shadow on the partner relations for a long period. Eventually only by September 2008 did WMD agree to reverse the asset transfer process.

Opinions on the quality of the infrastructure works are mixed. Rehabilitation work on the WTP Paal Dua in Manado is considered of good quality. In one case (the Lotta WTP, also in Manado), rehabilitation efforts were however very much hampered by earlier design errors for which WMD and its consultants were not responsible. In other places (e.g. Biak) some installations (realized by the project) are of good quality whereas others show deficiencies. The ambition, put forward in the RNE proposal, to reach a 24/7 water supply in the service areas concerned in Biak, Manado and Sorong via the rehabilitation of the WTP and important BRP efforts proved far from realistic (see below). Consequently, the option, under the RNE project, to invest substantially in network extension can be questioned as no continuous water supply could be guaranteed. Indeed, while more customers might have been connected, a discontinuous water supply puts a heavy strain on the distribution system, leading to increased

³⁵ This is referred to again under 7.1.3, as local stakeholders are not unanimously positive about the quality of expatriate (and local) TA.

maintenance and repair, a decrease in the life of the network and increased non-revenue water.

Partnership relations

From 2009 onwards, the programme focused de facto on the four cities included in this assessment, with the exception of some activities in Jayapura. This relative concentration on a limited number of cities seems to have been beneficial for the programme. Despite institutional tensions (see below), spending levels remained high during the subsequent years until the end of 2011, when external funds from P3SW and RNE had been entirely spent. Important efforts have also been undertaken to improve internal management and efficiency, to introduce measures to improve internal transparency and combat fraud and corruption. The availability of the RNE funds brought about renewed important efforts to reduce NRW via a BRP approach and important new investments to ensure increased water production and treatment, and expand the distribution network.

In discussions between the evaluation team, local WMD staff and staff of the JVCs and the city/district leadership, the difficult relationship between the JVC partners has always been cited as an important issue. In the early stages a strongly interventionist approach by WMD had been accepted by the local parties in view of their under-performing PDAMs and WMD's eagerness to redress the situation. But major issues soon emerged in all locations as follows:

- Notwithstanding the fact that key decisions have been adequately formalized (in meetings of the board of commissioners and in general shareholder meetings) and captured in writing (through master and business plans, annual plans and budgets, ...), the agenda seems to have been set largely by WMD and its subsidiaries and key decisions taken at their level;
- The view heard frequently during the evaluation from local partners was that external TA (expatriate, from Inowa) is mobilized without their prior consultation and consent. The cost of TA³⁶ constitutes a very high part of the expenditure (56% at the time of the MTR, 52% for the entire project period). As addressed in more detail below (see 7.1.3), local stakeholders have cast doubts about the quality and appropriateness of part of this TA that is mobilized from within the WMD "family" without considering whether there was a valid reason to outsource or without clear terms of reference on the basis of which the provider of the TA can be held to account.
- WMD has introduced the use of Agresso, its own software for financial and administrative management (customer management, billing, accounting, stock management, ...³⁷). While the quality of this software is broadly accepted, local partners questioned the relevance of its use in the Indonesian context³⁸. The Agresso software is costly compared to similar locally available software (such as that used by the local branches of the PLN, the national electricity company); the

³⁶ ... including travel costs and other TA related expenses.

³⁷ Most JVCs only use the customer management (including billing) module as they consider the entire software package as too expensive.

³⁸ WMD stated that when the software was being introduced, no other options were available. This could not be verified by the evaluation team.

final financial report mentions a €363,349 expenditure related to Agresso, mostly at the level of the Manado JVC. In addition, the use of the software is quite demanding, while local staff have not been fully trained and depend on Bandung-based Inowa staff for backup support and supervision, which have a cost³⁹. In addition, cash transactions cannot yet be directly entered in the accounting module and additional time-consuming operations have to be performed to fully conduct accounting operations in Agresso. The Evaluation Team was also told that the update of the Agresso software would be very costly, which has led at least one JVC to consider a switch to a less costly software.

- The nature of the support by WMD (loan versus grant) to the JVC has been the major issue of contention. As noted above, WMD suggests that it has been clear on this issue from the very start of the partnership, but local stakeholders deny this. The CAs do not provide much clarity on this issue. While '*full cost recovery*' and '*no profit no loss*' are principles that partners have shared since the very start of the cooperation, the application of these principles does not automatically imply that all external support should be considered as a loan. The fact that WMD only started attempts to structurally settle the loan issue in 2009 by submitting loan agreements for approval to local partners, and that these agreements included relatively high interest rates (around 10% for expenses related to investments and operations; no interest on 'collective support' expenses), has strained the relationship. A major concern for local parties was that the loan amount has not resulted in actual significant water supply improvements. Moreover the payment of most expenses that were included in the loans had been made via TIA/TAD, often without clear communication to the JVCs concerned and without their prior knowledge of the actual costs of the investments.

These tensions with regard to the loan size, the terms of the loan agreements and the way loans were issued and calculated have had an impact on programme implementation. This was particularly the case in Manado where the disputes among the partners led to a years-long standstill in the investment programme.

At the time of the evaluation visit⁴⁰, this issue was about to be brought to the political floor. In some sense, local JVC management perceives their foreign partners as pursuing their business interests and insufficiently valuing local knowledge and expertise.

The setup of a revolving fund and loan repayments

The conversion (to a major degree) of the P3SW grant into a loan at JVC level finds its justification in the application of the *full cost recovery* principle in the implementation of the PPPs. While the application of this principle is relevant and also part of Indonesian policies, a review of project implementation suggests that the definition of its modalities in the context of development aid directed at weak local institutions has not been

³⁹ Backstopping from Inowa can however be provided via phone/internet; only in very rare cases is it necessary that specialised staff has to conduct a visit to one of the companies.

⁴⁰ One week after the visit of the Evaluation, important meetings have been held (Board of Commissioners and General Shareholders Meeting of PT Air Manado, the Manado JVC) where decisions have been taken that might have resolved the problem. See more details further in this sub-chapter.

conducted thoroughly during the preparation and early phases of the project. The same can be stated with regard to the setup of the connected revolving fund that is only referred to in broad terms in the initial programme documents and not at all in the CA. Also at the level of the funding agencies (DGIS and RWS), no reflection has taken place on the status of grant funds that are used for loan purposes.

As mentioned earlier, WMD started its cooperation at a time when local companies were in bad shape; in some locations support to cover operating expenses was even provided *before* the signing of the CAs to ensure at least a minimum service level. Credit support for covering operating expenses coupled with investment support and capacity building has continued for some years after the signing of the CAs. Presently, all JVCs still need loans to cover their capital expenditure.

While the relevance of this support is beyond doubt, the decision to provide it entirely as a loan can be questioned. Taking (or providing) loans to cover *operating* expenses is questionable from an economic and financial point of view and can easily lead the borrower into a situation of indebtedness from which it is difficult to recover, especially when loans are provided under conditions that make it difficult to achieve financial viability.⁴¹ This has been the case in most JVCs that have experienced a steady growth of their loans from WMD. As described above, this has caused unrest and even tensions because of the (perceived) lack of clarity around the calculation of the loans. Fortunately, WMD has understood the problem and recently taken the decision to drastically review their loan conditions (see next section describing important recent changes). This is a welcome, albeit late development. In retrospect a clearer and better initial design would have avoided difficulties and tensions that now have impacted negatively on the relations between the partners.

Since last year some of the JVCs have started repaying their loans. The loan amounts repaid so far are:

- Ambon: IDR 900M (€78,261)
- Sorong: IDR 250M (€21,739)
- Biak: IDR 1,000M (€86,957)

While these repayments are undoubtedly an illustration of progress, they are relatively small in view of the outstanding debts. In addition, both the Sorong and Biak management stated that these repayments have deprived their company of the necessary cash to run the company adequately. Whether the JVCs will eventually be able to completely repay their loans will very much depend on their capacity to develop into well performing companies in the future. The reviewers' analysis (see 8.3, among others) indicates that this cannot be confirmed at present.

A final consideration relates to the authority over and ownership of the revolving fund. These are presently vested in the SWOI Foundation, which is formally independent from WMD but *de facto* well connected to it. The decision to entrust the ownership and management of the revolving fund solely to a Dutch foundation is regretted in Indonesia.

⁴¹ The interest rates were fixed at 10%, for operating expenses and investment projects, which is well above inflation, less than the rates applied by commercial banks but higher than the rates applied in donor support programmes similar to P3SW.

Indonesian institutions state they are better placed to take the most relevant decisions on the future use of the funds and question whether it is logical to channel grant aid back to the Netherlands, when it will eventually be used again in Indonesia.⁴²

Important recent changes initiated by WMD

WMD has not been unaware of these difficulties and, to their credit, has engaged in efforts to adapt their model and take into account the grievances of their partners. A major change has been the shift in the WMD approach from 'controlling' to 'facilitating', decided upon during a strategic reflection meeting early 2011. The new approach was then explained during a workshop with the directors of the JVC. While it has not fully become clear to the review team how this shift has worked out in practice, important changes are taking place. The new WMD approach is also to be viewed against the background of its decision to merge its offices in Indonesia (TID, Inowa and PLN, the central laboratory in Manado) into one country office so as to improve communication and coherence of its support to its five partner JVCs.⁴³

In practice, from 2011 onwards the WMD country office has offered its partners an integrated package of services (technical services such as project supervision, review of engineering design, TA for operating activities; water quality services including training via the water laboratory; financial services including an annual audit; legal and institutional support; and Agresso/IT support). For these services, WMD charges a yearly fixed fee of IDR 30,000 per active house connection (increased yearly by 6%). At the time of the review, only the JVCs of Biak and Merauke have accepted WMD's offer and signed a service agreement.

In addition, since 2011, investments and expenditure for operating expenses are to be realized by the JVCs themselves (not via TID/TAD), either using their own resources or via loans (from the WMD group, from banks...) on the basis of yearly action and investment plans. Since 2009, loan agreements have been roughly concluded on time (not retrospectively). The loan amounts included in the 2011 agreements were however substantially reduced by WMD in September 2011; WMD mentioned the low level of repayment of the earlier loans as the reason for this decision.

In an effort to unblock the stalemate in Manado, WMD via its Director, who also occupied the position of President Commissioner of PT Air Manado (the Manado JVC), proposed during the June 25, 2012 meeting of the board of commissioners to (1) write off all outstanding loan interest for the period 2007-2011, (2) write off all collective support loans for 2007 and 2008, and for 2009 - 2010. This proposal was accepted by the board and later on by the general assembly of the shareholders held on the same day. The evaluation has been told that a similar decision is expected to be taken for the other JVCs.

⁴² A member of the SWOI contacted by the Evaluation stated that the SWOI would consult local stakeholders such as BAPPENAS in future decisions on the use of the revolving fund.

⁴³ The four JVCs analysed here plus Ambon. WMD, via its subsidiary PT Tirta Ambon, is shareholder of DSA, the Ambon based JVC. The director in Ambon brings sufficient technical and management skills that allows for a significantly reduced reliance on WMD. No P3SW and RNE funds were intended to be nor have been spent in Ambon.

7.1.3 Appropriateness and quality of TA inputs

While TA inputs have been very considerable in the project (56% of expenditure at the time of the MTR, 52% at the end of the project), as mentioned above, local stakeholders did not consider all TA relevant and of the desired quality. WMD strongly disagrees with this opinion. It has been difficult for the evaluation to assess this issue in depth. A few considerations can nevertheless be put forward:

- As WMD mobilises TA internally (belonging to a company of its own group, Inowa included), TA has never been tendered; local staff who often were highly critical of the effectiveness of this external TA, also because they recognised that it was expensive and it increased the company's loan.
- Local stakeholders suggested they had little influence on decision making with regard to TA (when is TA needed, for what purposes and under which conditions: time period, local or international, fee, ...) and that clear TOR, if existing, were not shared at the local level. This might have impacted negatively on the eventual TA relevance and effectiveness. TA inputs were often considered as external, which might have contributed to the poor quality of follow-up O&M in many cases.
- The evaluation recorded varied assessments related to the quality of international TA; while the language barrier constituted a handicap, some of this TA was able to engage in fruitful relationships with the JVC staff and contribute to local capacity building. In some cases however (notably in Manado), doubts were cast on the actual quality of the TA input that, it was claimed, was unable to provide added value. In other cases cheaper local TA might have been available to do the job.
- Local partners have been without exception highly critical towards TA inputs from Inowa. The quality of their work has often been questioned and examples were cited of Inowa staff that had too little experience for the job and provided below quality work. Some consultancy jobs were not implemented or implemented with considerable delay and local partners suggest it was difficult for them to hold Inowa accountable for their underperformance. The fact that the Inowa Director is a member of the Board of Commissioners in several JVCs proved to be an additional constraint in this regard.

7.1.4 Appropriateness and quality of investments

With a few exceptions, there is little doubt about the relevance and quality of investments *as such*, but the subsequent operation and maintenance is often insufficient, which affects the eventual contribution of these investments to higher performance of the water supply system. Whether insufficient operation and maintenance are due to the lack of an 'O&M culture' or to the fact that the revenue is insufficient to cover O&M costs, is difficult to determine. As will be further explained, investments did not necessarily lead to the anticipated increased revenue, apparently for a number of reasons (amount of new customers below target, continued high levels of NRW and illegal connections, etc.). In addition, there was often (e.g. in Merauke) disagreement on investment priorities between the partners. A good example was the decision to expand the distribution network in Sorong when the treatment capacity and the water resource were unable to meet the increased demand. In addition the financial viability of the

proposal to expand the network did not seem to take into account the cash flow needed to support this investment.

During interviews, the quality of the master and investment plans came into question in terms of relevance of the underlying strategy to develop the water supply system and the lack of qualified managers whose selection was not necessarily based on their expertise. While the different investments planned might have been relevant, one might ask whether they have been implemented in the right order (see Sorong example in previous paragraph). Discontinuous water supply puts a heavy strain on the distribution system and, hence, increases operation and maintenance costs and eventual sustainability⁴⁴.

The performance of water treatment works is affected by bottlenecks within these plants and imbalances between the various treatment phases. For example the clarifiers at a waterworks in Sorong are not able to meet the load put on them by heavy sediment loads during periods of rainfall and should be doubled in capacity. In another works there, the hydraulic design of a recent amendment to the treatment plant makes it difficult to operate the sand filters correctly because the top water level of the storage tank is above the floor of the filters.

7.2 Achievement of programme aims and outputs

A consistent assessment of the level of achievement of programme aims and outputs has been a challenge for various reasons: the substantial differences between the planned and actual activities in the programme locations, the lack of quantified aims and outputs in the programme proposal and the fact that it is not clear to what extent the RNE targets are additional to the initial P3SW targets or replacing these.

The evaluation has on the other hand been helped by important changes in WMD's reporting practice; from 2008 onwards the progress reports contain a series of highly relevant performance indicators (pertaining to consumers, human resources, production, distribution and income) that have been reported on fairly consistently over the 2008-2011 period.⁴⁵ The evaluation has also received TO reports related to the five locations, which with the exception of Ambon can be considered as a baseline.⁴⁶

⁴⁴ A network that does not operate under continuous water pressure is also susceptible to the ingress of polluted water, which affects the water quality in the network. In addition the pressurisation and depressurisation of water mains puts hydraulic strains on the pipes and joints and leads to the accelerated failure of the network and increased leakage from pipe joints and fittings.

⁴⁵ These data are to an important degree similar to the data BPPSPAM requests the PDAM to provide on an annual basis (see chapter 2.1 above). In view of the Paris Declaration principles (alignment to national systems), it can be queried why WMD when setting their key performance indicators did not adopt the BPPSPAM approach. This would have facilitated the provision of the requested performance data to BPPSPAM.

⁴⁶ The 'baseline' data included in these reports refer to 2004 (Biak, Sorong), 2005 (Manado, Merauke) and the first half of 2006 (Ambon). With the exception of Ambon, they must reflect the situation before the start of the P3SW intervention or the situation during the first months of this intervention.

7.2.1 Achievement of programme aims

The programme aims have been presented above (see 6.2.2). The main programme aim is to: *'achieve **within 15 years** the establishment of autonomous, sustainable local water companies that ensure on a cost recovery basis the production and distribution of drinking water for the entire population in the company's service area'*. The programme aim describes a target that is situated clearly *beyond* the programme review period that covers 2004 – 2011 (P3SW + RNE project), i.e. roughly half of the 15 years. Thereby the level of achievement of this aim cannot be fully assessed at this time; however in chapter 8 of this report (Sustainability of programme benefits) an attempt is made to judge the probability of continuity of the benefits achieved and reflect on how the water companies might develop in the future. This will at least allow an estimate of the future level of achievement of the programme aims. In addition, the level of achievement so far, which can be assessed to a large extent, provides an indication (but not more than that) of what will be achieved after 15 years. Such an assessment can be made on the basis of the targets presented in the initial programme documents, the achievement of which is presented in table 10 on the next page.⁴⁷

7.2.2 Achievement of programme outputs

Annex 4 presents five tables containing 15 key performance indicators for the four locations under study plus Ambon, the evolution of which has been compared over time. Many but not all of these indicators are included in the analysis below.

The analysis of the level of output achievement in table 11 (immediately following table 10 below) follows the same format as the analysis at the level of the programme aims using a comparative table. The 'outputs' as mentioned in the first column constitute a logical combination of the outputs mentioned in the P3SW and RNE proposals.

⁴⁷ Some of these targets are also included in the KPI tables presented in annex 4 and in the next section that analyses the achievements at output level. The compilation of these data has been complicated by the existence, in a number of cases, of different data pertaining to the same indicator. Data with regard to the baseline have been taken or derived from the baseline reports and/or the RNE proposal where some baseline data were also mentioned, but have not been used in case of major discrepancies with other data pertaining to the subsequent years. The data covering the years 2008-2011 have been taken from the yearly progress reports, with the exception of the financial data for the period 2009-2011 for which the audited accounts have been used (thereby using the latest data available pertaining to a particular year in case of the existence of different data on that particular year).

Table 10: Comparison between targets and actual achievements at programme aim level (East Indonesia component)

Target	Level of achievement	Comments
<p>The application of the full cost recovery principle using tariffs that are checked by an independent regulator and taking into account the WHO norms with regard to the cost of water as percentage of the global family income</p>	<ul style="list-style-type: none"> • The full cost recovery principle is adhered to <i>in principle</i> everywhere, as it is part of the Indonesian policy. • The principle has been included in the CAs that also contain a clear mechanism to introduce annual adaptations of the water tariffs. The yearly tariff increase should be at least the inflation rate + 2%. • Actual adaptation of the water tariffs did take place, but not on an annual basis. Average yearly increase of average water tariff (<i>period of comparison in years between brackets</i>): <ul style="list-style-type: none"> ○ Biak: 34% (2) ○ Manado: 5.6% (7) ○ Merauke: 8.5% (3) ○ Sorong: 9.9% (2) ○ Ambon: 8% (2) • The possible (or compulsory) setup of an independent regulator is mentioned in the CAs but has nowhere been realized. • To the evaluation team's knowledge no analysis has been conducted with regard to the WHO norms; as is mostly the case in Indonesia, there exists a diversified tariff structure everywhere foreseeing subsidized rates for the economically poor. The programme has not truly developed a pro-poor focus as yet. 	<ul style="list-style-type: none"> • Yearly inflation in the period under study has ranged between 4 and 7%, which implies that the yearly tariff increase should vary between 6 and 9% so as to follow the provisions of the CAs. This has apparently been achieved. • Nowhere has the position of an independent regulator been considered. One might wonder whether it would not have been better to entrust such a function to a higher (provincial or national) level, notwithstanding the fact that this would question the competence of the district/city level with regard to water supply.
<p>The sustainable strengthening of local management and exploitation capacities, allowing the local company to become financially independent.</p>	<p>This issue will be addressed in chapter 8.</p>	
<p>Improved quality of life, health and economic opportunities for the population.</p>	<p>To the evaluation team's knowledge, this issue has not yet been analysed so far.</p>	
<p>Improved drinking water supply in about 10 cities ensuring 91,500 new connections, which will provide access to water for an additional 600,000 people.</p>	<ul style="list-style-type: none"> • Only 4 cities have been covered by the program. • It is difficult to give an exact figure with regard to the number of 'new' connections; the evaluation team has assumed that the target refers to <i>net new connections</i> (actual increase of <i>active HC</i>)⁴⁸. 	<ul style="list-style-type: none"> • The target to cover 10 cities has been clearly far too ambitious for this pilot programme. • The net increase in active household connections (8,763 for the 4 locations

⁴⁸ The number of net new connections equals to the total number of new connections minus the number of clients that are disconnected (mostly because of non-payment).

Target	Level of achievement	Comments
<p>The RNE mentions the figure of 45,380 new connections to be realised in Biak, Sorong and Manado.</p>	<ul style="list-style-type: none"> • Net increase in active household connections (period covered between brackets): <ul style="list-style-type: none"> ◦ Biak: 698 (2004 - 2012) ◦ Manado: 7,074 (2008 - 2012) ◦ Merauke: 340 (2005 - 2012) ◦ Sorong: 651 (2005 - 2012) ◦ Ambon: 2,607 (2006 - 2012) • Additional people having access to water⁴⁹ (period covered between brackets): <ul style="list-style-type: none"> ◦ Biak: 1,368 (2004 - 2012) ◦ Manado: 41,780 (2005 - 2012) ◦ Merauke: 5,648 (2005 - 2010) ◦ Sorong: 36,936 (2005 - 2012) ◦ Ambon: 12,851 (2008 - 2011) 	<p>included in the evaluation) lags substantially behind the initial targets (that might have been far too ambitious even when one takes into account the midterm nature - 15 years - of this target), but also behind the RNE targets that have been defined at a moment WMD had gained far more operational experience.</p> <ul style="list-style-type: none"> • Total increase of the number of people having access to water (in the 4 locations under study) is estimated at 85,732, which also remains far below the initial targets.
<p>Achievement of 85% coverage in these cities (about 1.8 million people) in 15 years.</p>	<p>2012 coverage unless mentioned otherwise (coverage in baseline year between brackets):</p> <ul style="list-style-type: none"> • Biak: 36% - 2010 (25%) • Manado: 35% - 2008 (25%) • Merauke: 34% - 2010 (35% - 2008) • Sorong: 48% (31%) • Ambon: 70% (61%) 	<p>On average, only a coverage increase of 10% has been realised, which implies that the ambition to reach 85% in 15 years might be too ambitious in the 4 locations studied; it might however be achieved in Ambon.</p>
<p>Gradual increase of water provision towards 24 hours per day.</p>	<p>Present situation:</p> <ul style="list-style-type: none"> • Biak: 24 hours per day (30%); 18 hours per day (30%); 2 times a week 10 hours/day (40%) • Manado: no specific data could be obtained • Merauke: 2-4 hours per day • Sorong: 4-6 hours per day during 2-3 days per week • Ambon: varying between 3 and 20 hours/day 	<p>This target seems to be too high to be achieved in 15 years.</p>
<p>Decrease of NRW from 70% to 15%</p>	<p>Present situation (baseline between brackets):</p> <ul style="list-style-type: none"> • Biak: 66% (61%) • Manado: 66% (79%) • Merauke: 50% (30% - 2008) • Sorong: 51% (80%) • Ambon: 28% (56%) 	<p>At current rates of investment and progress, this target seems to be too high to be achieved in 15 years.</p>

⁴⁹

These data are to be interpreted with caution, as it is not clear whether the coverage area has been defined in the same way in the years being compared.

Table 11: Comparison between targets and actual achievements at programme outputs level (East Indonesia component)

Target	Level of achievement	Comments
<p>Establishment of PPPs with local PDAMs using a JVC approach, with WMD having a majority share (51%); no dividend payment during the partnership period but continued re-investment of generated cash and profit.</p>	<p>PPPs have been established in four locations for a duration of at least 15 years, with the local government and (in three cases) the local PDAMs as partner. The cooperation agreements for these four PPPs are highly similar and foresee a majority share (51%) for WMD's local company (BV Tirta Sulawesi or BV Tirta Papua).</p> <p>The CAs include a provision that no dividend will be paid during the first 15 years of the agreement. This provision has effectively been followed. However, the CAs also include a clause foreseeing substantial 'contribution fees' for both the local government and the WMD subsidiary:</p> <ul style="list-style-type: none"> • in Manado: IDR 2.1 billion for the local government and IDR 1.5 billion for the WMD subsidiary yearly during the first five years of the cooperation; the amount of the contribution is to be negotiated for the period later on; • in Biak/Merauke/Sorong: 6% of the revenue generated from the water paid by the customers in that year, starting after 3 years of cooperation and 4% of that revenue to the local WMD subsidiary, also starting after 3 years of cooperation. <p>While the contribution fee to the local government can be considered as a compensation for the use of local infrastructure, the rationale for the contribution to the WMD subsidiary is more difficult to understand, considering that most of the services/investments provided via WMD are loaned to the JVC. WMD states that this contribution is meant to cover costs that are not charged to the JVC.</p>	<p>As mentioned earlier, the CAs do not contain clear targets to be achieved via the PPP, neither do they include the terms of the loan agreements.</p> <p>The contributions for the local government and the local WMD subsidiaries are quite substantial. For instance, in Manado the IDR 3.6 billion to be paid yearly is slightly more than 10% of the yearly gross revenue from the JVC. In the three other locations, the combined contribution is equal to 10% of the revenue related to the water sales, which is slightly less than in Manado.</p> <p>The appropriateness of these contributions at least as long as the JVC are financially and operationally weak can be questioned. Actual payment of these contributions deprives the JVC of the barely needed cash (note however that in some cases the payment of these contributions has been delayed; for Manado, it has recently been decided to pay the local government the outstanding contribution for the 2007-2011 period in five yearly instalments starting in 2013, despite the financially precarious situation of the JVC).</p>
<p>Rehabilitation of the distribution networks with a reduction of leakages to 15%, including (RNE) accelerated implementation of the block renovation program.</p>	<p>Considerable funds have been devoted to the rehabilitation of distribution networks and block renovation programs, but these have not led to substantial decreases in NRW (see previous table: NRW has decreased in two of the four locations only and remains above 50% everywhere, far away from the 15% target). The relatively limited progress made is not in accordance with the resources spent. WMD seems to have believed strongly that BRP may resolve the issue of leakages and NRW could then be reduced accordingly. As a matter of fact, non-technical losses attributed more significantly to the high NRW, as became evident in Merauke and Biak. This high NRW due to non-technical losses, many of them due to 'illegal' connections. If the situation permits, customers will try to avoid properly paying for water.</p>	<p>The fact that the Manado JVC has succeeded in substantially reducing NRW in 2011, i.e. in a period without financial resources available to address this challenge, seems to suggest that non-technical factors play an important role in addressing the NRW issue and that the existing PPPs might have failed to create a business culture that was able to eradicate or considerably diminish corrupt practices or illegal connections that constitute a major factor of high NRW levels.</p>

Target	Level of achievement	Comments
<p>Improvement of the service delivery level via the rehabilitation of water production, including (RNE) accelerated implementation of investments related to the rehabilitation of the water treatment plants in Manado and Sorong, and replacement of most pumps in Biak.</p>	<p>The increase in water production has been as follows in the five locations (<i>evolution in .000 m3 and percentage wise; period of comparison between brackets</i>):</p> <ul style="list-style-type: none"> o Biak: + 785; +29% (2008 - 2011) o Manado: -1,639; -8% (2008 - 2011) o Merauke: -69; -10% ((2005 - 2011) o Sorong: +818; +8% (2008 - 2011) o Ambon: +179; +6% (2006 - 2011) <p>The increase of water sold, which at least partially is resulting from the water production and the capacity to reduce RNW, has been as follows in the five locations (<i>evolution in .000 m3 and percentage wise; period of comparison between brackets</i>):</p> <ul style="list-style-type: none"> o Biak: -41; -3% (2008 - 2011) o Manado: 1.871; +51% (2008 - 2011) o Merauke: +384; +45% ((2005 - 2011) o Sorong: +693; +21% (2008 - 2011) o Ambon: +831; +63% (2008 - 2011) 	<p>The figures suggest that the huge efforts to improve water production and distribution have been successful in terms of the increase of water sold in three locations. The lack of correlation between 'water produced' and 'water sold' points to the importance of addressing both physical and other causes of NRW.</p>
<p>Improvement of the readiness to pay (via service improvement, attention for poor consumers and the introduction of social tariffs within a full cost recovery approach);</p>	<p>We can consider the relative importance of <i>non-active connections</i> as a first (proxy) indicator for the readiness to pay⁵⁰. The evolution of the percentage of active connections (as part of the total number of connections) has been as follows:</p> <ul style="list-style-type: none"> o Biak: 99% - 81% (2008 - 2012) o Manado: 68% (2011) o Merauke: 95% - 76% ((2005 - 2011) o Sorong: 99% - 74% % (2005 - 2011) <p>Another interesting indicator relates to the <i>actual payment behaviour</i> of the customers. While this indicator is not only determined by the quality of the services, it is certainly very much influenced by it. The team tried to calculate, as proxy indicators, the evolution in the total amount of the customer debts (comparison between two subsequent years - in percentage of turnover) and the amount of outstanding customer debts as a percentage of yearly water sales. The results are summarised below.</p>	<p>While the data from the initial years are to be dealt with carefully, one can assume that the 2011/12 data are valid. These data point to a high number (about one quarter) of non-active connections.</p>

⁵⁰ One must be careful about too strict an interpretation of the results related to this indicator. The policies with regard to disconnecting customers vary among the locations and in time, as is the case with their actual application.

Target	Level of achievement	Comments				
		Biak	Manado	Merauke	Sorong	Ambon
Total water sales 2011 (in IDR 000,000)		5.879	32.426	5.351	8.051	
Year increase of customer debts (*)		1.195	546	160	1.059	
Debt increase as % of water sales		20,3	1,7	3,0	13,2	
Total water sales 2009 (in IDR 000,000)		4.998	23.806	5.172	5.070	7.822
Year increase of customer debts (*)		1.526	1	-409	2.212	961
Debt increase as % of water sales		30,5	0,0	-7,9	43,6	12,3
Evolution 2011 against 2009 (%)		-10,2	1,7	10,9	-30,5	-12,3
Outstanding debt customers as % of water sales 2011 (*)		172	35	20	82	
Outstanding debt customers as % of water sales 2009 (*)		141	49	26	68	25
Evolution 2011 against 2009 (%)		31	-14	-6	14	
(*) Without taking into account writing off of bad debts						
(*) Comparison with 2010 in the cases of Manado, Sorong and Ambon						
<p>The table above suggests that overall debts (in percentage of water sales) have not increased in the period 2009-2011. However, the amount of outstanding debts is a major reason for concern in Biak and Sorong. In these locations, customer arrears were already considerable in 2009 and have increased since. In Manado and Sorong there are less problems in this regard and both locations succeeded in diminishing the outstanding debts (as % of water sales).</p> <p>Thus the evolution in payment practice from the customers cannot be concluded to suggest either an improved or reduced willingness to pay.</p> <p>In all locations there exist differentiated tariff structures for different categories of customers. For each category, the tariffs increase along with consumption increases. There exists much tariff differentiation; e.g. the lowest tariff (so-called</p>						

Target	Level of achievement	Comments
	social tariff, applied for most families) is in Sorong only 20% of the highest tariff (applied for the harbour).	
Improved water provision to economic areas (ports, industry) so as to improve the cash flow of the PDAMs.	This has not been addressed in any of the locations visited.	This is a significant contributor to improved cash flows and improved financial viability and therefore should have received more attention.
Launching of a promotion campaign to improve the JVCs' image and spark more interest among the public to be connected + launching of a micro-credit scheme to facilitate the funding of household connections.	Promotion/public relation campaigns have only been launched occasionally (e.g. at the moment of a tariff increase). None of the JVCs has established a fully-fledged customer policy. The micro-credit scheme to facilitate the payment of household connections has not been set up, but new clients got the opportunity to spread the payment for their connection over a number of months.	
Development of local skills and management, among others via an own training centre in Manado; (RNE) intensification of the Agresso training programme and purchase of additional computers to deal with the expansion of the client base.	Considerable efforts have been undertaken to improve local managerial, financial and technical skills, with positive results, in particular related to administration and finance. Some JVC would have preferred more in-depth training on Agresso to further reduce dependency from Inowa. Areas that were not that successfully addressed in the envisaged change process relate to customer relations and strategic positioning in the local context.	See discussion with regard to the Agresso software elsewhere in this report (among others under 7.1.2).
Collection and treatment of wastewater using a business approach.	The programme has not addressed this issue (yet).	
Improved knowledge of integrated water resources management so as to protect the water catchment areas.	This issue has not been addressed either, whereas in Sorong destruction of the catchment area has increased turbidity of the water at the major intake. In Merauke, the source located in the Wasur conservation area is also under threat of destruction, although less seriously.	
Strengthened awareness towards drinking water and sanitation.	This issue has been addressed occasionally but is not an integrated part of the JVC's business approach. PR campaigns have however been organised in Manado, Biak and Sorong.	
Respect for local values without making a distinction	No indications have been found that this would not be the case. Staff in Papua for instance belong to different ethnic groups. (In Papua alone there are more than 250	In terms of water as a common good, local values related to how to use water can only be observed

Target	Level of achievement	Comments
<p>between cultures, religion and political convictions.</p>	<p>ethnic groups, and hence adapting to other cultures is common.)</p>	<p>with regard to rivers or wells, whereas piped water systems are managed via a 'modern' management approach. This issue will however become important when the water companies also deal with the management of the catchment areas of the water supply rivers.</p>
<p>Global development of drinking water supply in East Indonesia via the mobilization of additional funding and connection with programs of international financing organisations (IFI).</p>	<p>This target is actually to be considered rather an <i>effect</i> of the program. So far, the institutional development of the JVC has not been sufficiently convincing whereby access to additional funding from commercial sources can be successfully pursued. In addition, JVC management seems still to only consider WMD as the source for funding. No coherent efforts have been undertaken so far to analyse let alone compare other funding alternatives, both locally and nationally.</p>	<p>As mentioned earlier, there exists an - apparently incorrect - conviction at the local level that water utilities that have set up a JVC with a foreign company are excluded from national support.</p>

7.3 Conclusions on programme efficiency and effectiveness

The assessment of the efficiency and effectiveness of the programme has been a challenge for various reasons: the substantial differences between the planned and actual activities in the programme locations, and between initial budget and actual spending, the lack of quantified aims and outputs in the initial programme proposal and the fact that it is not clear to what extent the RNE targets are additional to the initial P3SW targets or replacing these. As such, no straightforward judgement can be provided.

On the other side, the findings of the evaluation unambiguously indicate that the programme has not reached its aims, while programme spending has been considerable. Even when abstraction is made from the big initial ambitions and targets as stated in the P3SW and RNE proposals, it can be safely stated that actual achievements are not in balance with the resources used. The net increase in terms of additional people having access to water and of increased active house connections remains substantially below the initial targets and those having access to water rarely enjoy a 24/7 service as initially aimed for. This disappointing outcome can be explained by a number of factors that have been mutually enforcing, such as the limited effect of efforts to achieve efficiency gains via decreasing NRW, rehabilitation of treatment plants and distribution networks, and improvement of administrative and financial management. While the set-up of the JVC undoubtedly has been beneficial for the local PDAM and even saved some of them from bankruptcy, for many reasons the multiple efforts from WMD and its local partners have not brought the JVCs to the envisaged levels in terms of competence and institutional and financial strength. The difficulties, of various nature, in the cooperation between the partners seem to constitute a cross-cutting factor impacting negatively on the many in essence genuinely positive efforts that have been undertaken to develop the water companies.

Our conclusion needs to be nuanced however. First, one should continue to remember the difficult initial conditions in the four locations where the project has been implemented. Further, WMD has opted for a 15 years long involvement, points to the fact that we are only half way through this period and is convinced that it can reach far better results within a few years. Finally and while WMD has clearly been in the driving seat so far, the local partners should also be held accountable for the poor performance of the JVC that eventually should become entirely locally owned companies.

8. Sustainability of the programme

The sustainability of the programme has been assessed at two levels:

- the sustainability of the programme purpose, which is increased water supply;
- the sustainability of the programme's outputs at technical, economic/financial, institutional, social political and ecological level.

Both levels are interconnected, as sustainability of water supply in the four locations will be guaranteed by a combination of the underlying technical, economic/financial and other factors that need to be fulfilled to ensure continuity (and if possible expansion) of the water supply. We will first address sustainability at programme purpose level, while most of the underlying factors are addressed in the subsequent sections of this report.

8.1 Sustainability of water supply

Overall, it can be stated that in none of the four locations the basic (technical, financial, institutional) conditions are fulfilled to a degree that allows true affirmation of the sustainability of water supply in the years to come. On the other hand, in none of the locations is the situation so dramatic that there is no prospect at all with regard to future sustainability.

Key to future sustainability of the water supply seems the ability, in all locations, to attract additional resources for *effective* investments to improve both technical and non-technical performance, while priority investments seem to be situated rather at the institutional level. At this moment, the JVCs' performance is indeed too weak to itself generate the necessary financial resources for this purpose. Achieving higher levels of non-technical performance seems to depend not only on additional resources but also on the extent to which these can contribute to the much needed change in the company's culture, management and O&M practices.

The fact that WMD is committed to continue its partnership for quite a long period (15 years) is certainly an important asset in this regard. However, the experiences over the previous 7-8 years make clear that the challenge remains for WMD to adapt its intervention model in such a way that sustainable progress is realized in the various areas that are key to ensuring sustainable water supply. The local partners are confronted with a similar challenge to change their ways of interacting with their foreign partner so as to engage in a cooperation dynamic that ensures effective contributions from the external partner that can be fully embedded in the company's structure and functioning.

8.2 Sustainability of technical outputs

Important efforts have been undertaken to rehabilitate/improve and expand the existing infrastructure, both related to the production and treatment of water and to distribution. Thereby technologies have been used that are locally accessible, manageable and applicable. While in some cases there are doubts about the

appropriateness of the interventions undertaken at a particular juncture in time (see above), the major concern seems to be related to operation and maintenance of the expanded or rehabilitated infrastructure. The team visited many sites where the necessary levels of maintenance were not guaranteed. In some cases at least, this was to be attributed to neglect by JVC staff rather than to actual ignorance on how to proceed. But cases were also found where equipment had been provided without sufficient instructions for proper installation (e.g. generator sets). Excessively high expectations (from the Indonesian partners) on the Dutch partner (WMD) have also led to the adoption (by the Dutch partner) of simple operation and maintenance practices that local partners could have taken up themselves (with the exception of Ambon).

As mentioned above, local JVC staff have been trained in the Agresso software but only to a certain level; WMD states that additional training has been offered on numerous occasions, but considered too expensive by the JVCs. As such, they remain dependent on back-up support from Inowa. Such support seems to be guaranteed as long as the JVCs have the necessary resources to pay for the services needed. At least one JVC is considering switching to alternative software in case they need to buy an expensive update of Agresso. In such a case, they feel Inowa should assist them in the transition process.

8.3 Economic and financial viability

Table 12 at the end of this chapter presents some key financial figures and ratios related to the four JVCs (+ Ambon for comparative purposes). These data are based on the audited financial reports for the years 2009 – 2011, but have to be dealt with in a cautious way and should only be used to identify *overall* findings and tendencies.⁵¹ As such, the table allows us to draw the following conclusions:

⁵¹ The audited financial reports are evidently a key reference for the analysis of the financial viability of the JVCs. However, their analysis (including yearly comparisons of the accounts) has to be conducted with care for several reasons:

- Sometimes major accounting corrections are introduced covering several years (e.g. transfer of assets from/to the JVC from the PDAM, retroactive depreciation exercises covering several years), which might be relevant but render yearly comparisons difficult. Sometimes also, there are major changes in yearly key figures related to expenditure and income that are difficult to understand in view of the operations of the JVC.
- For several reasons, the results as stated in the financial reports provide a financial picture that is more positive than the actual situation:
 - Expenditures related to loan interest have, mainly for tax reasons, not (yet) been included in the books. While this issue might have lost its relevance in view of WMD's recent decision to write off the interest on regular loans, there remains an important debt related to the loans issued for the payment of the shares of the companies (around 6% yearly);
 - Depreciation of assets is conducted at nominal book value, not at the basis of the actual purchase price; while WMD states that this is current practice in water companies, it implies that the assets are not valued at their current replacement cost and that this value is not used as a basis for calculating depreciation. As assets (*including the PDAM assets*) are not depreciated at their replacement cost, there will be insufficient cash to replace assets at the end of their useful lives unless other measures are taken.
 - The policies followed to write off customer debts imply that the account receivables gives an overly optimistic picture;

- Overall, none of the four JVCs is presently making profit; while the situation has improved in Manado (slightly) and Sorong (considerably⁵²) between 2009 and 2011 and remained stable in Biak, losses remain considerable everywhere. The main reasons for this are:
 - While revenues have gone up in the four locations, the same has been the case for the costs of goods sold, which has implied that – with Sorong as an exception - gross revenue has decreased in the period 2009 – 2011;
 - Only in Sorong can we note a substantial positive change in operational profit (i.e. less losses), both in pure financial terms and in terms of loss per cubic meter water sold.

The data of Ambon illustrate however that the situation can be reversed quickly.

- All four companies presently have (i.e. about seven years after their incorporation) negative equity and are in urgent need of recapitalization, in particular when external funds are to be attracted;
- None of the companies has been able to improve its liquidity position during the period studied; the liquidity position of both Biak and Manado is precarious, and that of Sorong is poor⁵³. For 2011, EBIT (earnings before interest and taxes) is negative in all JVC, whereas EBITDA (earning before interest, taxes, depreciation and amortization) is positive in Manado, slightly positive in Sorong and negative in Biak and Merauke. When yearly variations in debtors and creditors are incorporated, the operational cash flow becomes negative in all locations.
- Although the number of years for comparison is limited, none of the four locations presents clear signs of moving towards financially breaking even.

Using the data of the table as a main reference, there is little evidence of a strong impact of the use of the programme resources on the financial performance of the JVCs over the last four years.⁵⁴ Overall, there might be a slight improvement, but even if so it would be difficult to attribute this to the program's efforts. In this regard, it should be mentioned that over recent years the situation of the PDAM has improved across Indonesia; furthermore, the case of Manado (2011) seems to suggest that performance gains can be realized under good leadership and under external pressure (i.e. when external financial support is not available).

From a sustainability perspective, the present financial situation of the JVCs offers reasons for concern. There seems not to be a single reason for the weak present performance. While the heritage from the past is certainly one element, it does not explain the present weak financial performance. Overall, the following elements seem to

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- The audited accounts provide a picture on the basis of cash transactions only, which implied that goods/services purchased are not included in the books when they have not yet been paid for.

⁵² In the case of Sorong, any positive comparison taking 2009 as a reference year should be dealt with cautiously in view of the poor overall performance of 2009.

⁵³ In this regard, it becomes obvious that the appropriateness of recent repayments, by these two companies, of their WMD loans can be questioned.

⁵⁴ ... but we can safely assume that without external support the situation would be far more dramatic.

play an important role: (1) the investments realised under P3SW fail to sufficiently create the anticipated gains in terms of increased production and productivity while they continue, via depreciation and increased O&M, to influence the financial results: (2) while in some locations some gains have been realised in terms of decreasing NRW, the figures remain too high to allow reaching a level of (at least) break even in a sustainable way; (3) relations with consumers are far from optimal resulting in high degrees of default (unpaid bills, disconnections). It seems that financial sustainability will only be achieved if these elements can be addressed jointly and adequately.

Under the present conditions, none of the JVCs seems able to generate substantial internal revenue to redress the situation. Major issues of concern include the negative equity and precarious cash position of the JVCs, the inability (or unwillingness?)⁵⁵ to address NRW and default payments of customers in a consistent way, and the inability to safeguard productivity and production gains made possible by major infrastructure investments. As long as these issues are not addressed more effectively, there seems to be little hope for improved financial performance.

Also, while water tariffs have been regularly increased in the past (see above), such increases have not ensured full cost recovery. A further substantial increase of the tariffs seems however (politically and socially) unfeasible and is not really an aim of the JVCs. This also seems to be the case for water charges for commercial and industrial customers as well as government facilities, which have the potential to substantially increase cash flows as these customers can be disconnected for non-payment of accounts. Concluding, it seems the JVCs also feel that the improvement of their financial position should be realized via efficiency gains.

On a broader note, one might wonder how the JVCs will be able to address their capital expenditure needs in the future. As is illustrated by the table, they do not (sufficiently) generate cash internally, whereas WMD's capacity/readiness to provide additional (interest free?) loans might be limited. In the past, WMD has provided loans to the local partners for all expenditure needs (see above), even to pay for the companies' equity at the moment of their establishment. WMD's contributions have been crucial to redress the precarious starting situation in most locations. On the other hand, none of the JVCs has so far explored other possibilities to attract funding (from the local government, from the national government, from other donors) nor have they been empowered to do so, which implies they remain dependent on WMD, at least in the short term.

Finally, the analysis above indicated that at least for the years to come it is unrealistic to expect substantial loan repayments from the JVCs to WMD. The hope that these loans could truly be used as a revolving fund is, at least at this moment in time, not realistic.

8.4 Institutional sustainability

As amply described in the previous chapter, the difficult relations between the JVC management and staff on the one hand, and WMD on the other have led to feelings of disempowerment and lack of ownership at the local level. This situation might continue

⁵⁵ The recent experience in Manado where important successes have been achieved in addressing NRW that has been a long-standing problem, provides some reason for optimism.

as long as WMD effectively uses its majority position to take, if necessary unilaterally, key strategic decisions. In this regard, WMD states that its management style has been induced by the lack of pro-active engagement of the local partner. Further, it underlines that it has changed its approach from 'controlling' to 'facilitating', but this is not yet experienced as such at the local level. Apparently, local staff and management have become too acquainted with the situation of the past, so that now they cannot truly proactively make use of the opportunities that might exist.

The assessment of efficiency and effectiveness revealed that the internal functioning of the JVCs has undoubtedly improved over recent years, in particular with regard to administration and finance. This has however not yet led to the desired effects, e.g. in terms of improved payments by customers and less NRW due to non-physical causes. Technical performance seems not to have improved. Overall, JVCs still seem to lack the drive that is necessary to turn them into well performing companies.

As explained in chapter 2, the setup of PPPs is part of national policies but not all government agencies seem to be unambiguously in favour of PPPs in the water sector. It can nevertheless be stated that the programme aligns with the national policies. This does however not imply that the 'WMD model' *as such* is the best option in the present policy framework and institutional setting in East Indonesia. As will be discussed further, the WMD approach has caused a lot of uneasiness and concern, particularly in its early stages. While the situation has improved in the meanwhile, actual linkages with national-level institutions remain weak and are in some instances even strained, among other reasons because of the lack of transparency by WMD as perceived at the national level (a refusal to provide BPPSPAM the data with regard to key performance indicators and the CA terms as a key case in point). JVC and WMD alike seem so far not to have acquainted themselves either with the existing possibilities for specialized (related to PPP) and financial support.

WMD's initial concern to protect the JVCs from external interference was justified in view of experience in the past with PDAMs that were often used for short-sighted political interests. Overall, the operational autonomy of the JVCs has been well respected, but this has often required considerable efforts from WMD, in particular in the early stages. Local authorities could however have been more supportive in providing the adequate level and kind of backing in the organizational change process, among others with regard to the selection of capable and reform-minded JVC directors.

8.5 Social and political sustainability

As already mentioned elsewhere in this report (see 5.5, among others), for many reasons the issue of (failing) drinking water supply is often not high on the local social and political agenda. The local population in most instances has become used to resorting to alternative water provision in case local supply systems fail; for example everywhere there exist well performing private distribution systems (of clean and drinking water).

The lack of strong social pressure has its corollary at the political level. Water supply is still too rarely a political issue⁵⁶. This implies that the JVCs are well protected against unacceptable political interference⁵⁷. But coupled with WMD's insistence on the company's independence, this has also led to a lack of genuine local interest and commitment. This is illustrated for example by the lack of authentic ownership in the JVCs (and resulting seemingly inadequate oversight at the general shareholders and board of commissioners level) and, more seriously, in a de facto disengagement of local government whereas this should remain in essence a key public duty and concern. As such, the JVCs cannot call upon government support when this might be really useful, for instance to assist in addressing key problems such as default payments of customers, illegal connections and the mobilization of additional capital (via local or national channels). On the other hand, politicians and administrators are understandably not eager to react to the consumers' misbehaviour as long as service performance is (perceived to be) low. Lack of political support might become a problem in Biak where one of the main sources (a shallow groundwater well in Snerbow) is located in a military (Air Force) area. The military instances are presently raising questions for the PDAM with regard to the continuation of the use of the source in the future.

8.6 Environmental sustainability

Neither the P3SW programme nor the RNE project have addressed the environmental dimension of sustainability, but, with the exception of Sorong (environmental degradation in the catchment area of the main source of water intake, due to traditional farming practices) and Merauke (conversion of protected forest areas) no major ecological threats seem to be present.

8.7 Sustainability of Dutch involvement and learning

As has become clear from this analysis, the programme can so far not be considered a success. This is recognised by WMD, which states it has learned important lessons from its East Indonesia experience, which helps it to revise its approach in current and new initiatives. The recent institutional changes creating a grouping of WMD's local companies under one umbrella, is a clear step towards embedding WMD capacity in the Indonesian context.

Overall, WMD's commitment in the South is embodied in the charismatic personality of the present WMD Director. While WMD's involvement in East Indonesia is certainly not only the Director's doing (many WMD staff have conducted support visits to the country), he remains the clear and unequivocal driving force of the initiative with little evidence of succession and sustainability planning were he to leave WMD and the organisation then to be headed by somebody who does not share the same interest in the South.

⁵⁶ ... except when it leads to a considerable build-up of public debt, as was the case in Manado recently.

⁵⁷ ... abstraction made from interventions to use the funds of the companies for other purposes.

In the Netherlands, the incorporation of the SWOI has been an attempt to organise in a structured way the mobilisation of additional funding for activities in the South. It is important to note however that the revolving fund is not yet operational, which will not only lead to further erosion of the funds loaned, but might also put pressure on WMD for additional funding. It is not clear whether WMD is ready/capable to mobilise more funds. If WMD chooses, for whatever reason, not to provide additional funds it is possible that the same will happen with the four JVCs as with Ambon, i.e. that operational cooperation effectively comes to an end.

Table 12: Key financial data related to the JVC

Key figures (mostly in IDR 000.000)	Blak		Manado		Merauke		Sorong		Ambon	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Revenue (1)	5.566	6.248	26.056	34.171	5.429	5.555	5.708	9.934	7.823	9.955
Costs of goods sold (2)	2.803	3.711	14.612	15.096	3.755	4.555	4.745	4.704	5.518	5.521
Gross revenue (3)	2.763	2.538	11.444	19.074	1.674	997	963	5.230	2.305	5.521
Change gross revenue 2009 - 2011 (%) (4)		-76		-24		-8		427		
Operational costs (5)	5.721	10.077	22.162	30.208	2.670	4.467	6.230	8.423	3.745	3.535
Water produced (.000 M3) (6)	3.149	3.285	24.737	25.148	1.053	974	3.497	3.680	2.464	2.713
Operational cost ratio ((2+5)/6) (7)	2.707	4.197	1.487	1.801	6.102	9.263	3.138	3.567	3.759	3.338
Operational revenue ratio (1/6) (8)	1.768	1.902	1.053	1.359	5.156	5.703	1.632	2.699	3.175	3.669
Operational profit per m3 water sold (8-7)	-939	-2.295	-433	-443	-946	-3.560	-1.506	-868	-584	331
Change in operational profit/m3; 2009 - 2011 (%)		0		8		-71		64		
Profit out of operations	-2.959	-7.540	-10.718	-11.134	-996	-3.463	-5.267	-3.193	-1.440	900
Change in operational profit 2009 - 2011 (%)		-12		26		-97		59		
Other costs/revenue	21	255	-4.836	1.869	150	7	-217	7	151	138
Net profit	-2.938	-7.284	-15.554	-10.486	-846	-3.463	-5.485	-3.187	-1.288	1.038
Change in net profit 2009 - 2011 (%)		0		53		-132		60		
Total equity	-558	-7.682	-17.768	-21.733	-2.432	-3.780	-20.117	-18.855	5.592	6.630
Acid test ratio (cash+equiv./current liabilities; %)	131	148	2	2	379	154	74	366	535	743

IV. CONCLUDING PART

9. Overarching analysis

The P3SW projects under review provide a rich set of experiences from which to draw lessons that can inform how DGIS and RNE can support improvements in access to water supply through PPP arrangements both in Indonesia and elsewhere. The reviewers have thereby understood the task to be that of drawing conclusions from the numerous specific findings of these P3SW cases (as carefully documented above) that could be applied more generally. The understanding is that DGIS recognises that the mix of context and approach of these WMD and WFH cases are unlikely to be repeated or found elsewhere. Indeed it is also understood that it would be inappropriate to hold these DGIS-supported PPPs in Indonesia that were formed some time ago to approaches that are currently considered best practice. That said, however, by 2005 there had already been a wealth of information and guidance generated on how best to develop PPPs in the water and sanitation sector from a range of experiences around the world. Admittedly many of these had been framed differently from P3SW in that they were based on tender processes at the municipal level (rather than the global nature of the DGIS call for proposals), framed around emerging regulatory processes at the national level, and contracted with multinational firms that had a clear private sector profile and approach. Interestingly enough though, this evaluation suggests that many of the same institutional challenges around accountability and partnership issues of communications crop up regardless of whether the contracting party is from the private or public sector in their originating country.

Needless to say, all that is written below does not apply equally to both sets of P3SW projects. There are a few key differences between Pekanbaru and the East Indonesian cases. A primary difference is around how WFH was told, in essence, to remain behind the scenes leaving KTDP to be the sole contracting party with the Pekanbaru municipality. Thereby whilst there was certainly interaction between WFH/PWM/PfW with the Pemko, WFH's ability to shape the discussions with the municipality was contractually via a second party, KTDP, with whom it however had some trust and previous working experience. In contrast, WMD has been the clear, unequivocal lead in the East Indonesia projects. Secondly, unlike the WMD projects, the initial scope of the Pekanbaru project was framed around improving production only, although it was quickly drawn into distribution as well. The ownership structures around assets and investments were different between the two approaches (as explained in other parts of this document).

Differences in the contract aside however, the striking similarity is in the dynamics between the contracted and contracting parties and the contextual factors that have made these arrangements challenging for all parties, with the externally derived PPP, to varying degrees depending on the location, becoming embroiled in local power plays. Many of the observations below are indeed speculative in an attempt to unpack the multiple interpretations of events and approaches in order to reach certain conclusions about what might have helped the various relationships to have been more successful.

Similarly it is easy in hindsight to see where each party carries a certain level of responsibility for relationships that have either gone badly or lost time during which the partnership could have been working more effectively and efficiently. What is clear is that despite the challenges, WMD has remained remarkably committed to a long-term engagement which eventually, as has happened in Ambon, will hopefully result in a trend in the right direction towards a viable set of utilities and that WFH appears to have tried everything against all odds to save the relationship in Pekanbaru.

9.1 Public-Public Partnerships in a wider PPP context

Perhaps one of the most challenging elements of these P3SW arrangements revolves around the public-public aspect of the partnerships. This sees the arrangement as “non-commercialised” whereby two public sector entities engage in a relationship to support the public good. The challenges of public-public partnerships are captured effectively by Boag and McDonald as follows:

“Language barriers, cultural differences, uneven technological skills, dissimilar hydrological contexts, disparate labour-management relations, varied histories of water commodification, different interpretations of equity, and a host of other large and small discrepancies can lead to competing – even contradictory – objectives and tensions in partnership frameworks. Though sometimes glossed over in the enthusiasm to identify and promote alternatives to privatisation, virtually all of the literature on PUPs [Public Utility Partnerships] is cognisant of the difficulties associated with operationalizing them.”⁵⁸

Indeed many of these difficulties noted in the quote above apply to the P3SW cases as amply detailed in the previous chapters of this report. As the list quoted above suggests (and the analysis herein supports), success of such arrangements rarely hinges merely on shared or transferred technical competence but significantly more on institutional and contextual factors. As such, the analysis in this concluding section focuses more on these than on the specific technical elements of either the Pekanbaru or East Indonesia cases.

Whilst acknowledging the difficulties of such PUP arrangements, putting the P3SW PPPs into a wider global context, as noted above, by the time these contracts were signed, there had been a wealth of relevant experience around the world that brought different Northern and Southern utilities together through different modalities. It is not obvious to the evaluators that at the time of framing these contracts any party actually made a concerted or significant effort to understand what the World Bank, French multinationals, academic / research institutions and even civil society organizations had already learned about how best to structure these kinds of relationships. At the time, there was an emerging emphasis on somewhat more voluntary or loose public-public partnerships through programmes like Water Utility Partnerships or Water Operator Partnerships between public entities in the North and in the South. Indeed, WMD had already engaged in a fruitful twinning arrangement with the municipality of Ambon. Such public-public arrangements were again seen as an antidote to the highly

⁵⁸ Boag, G. and D. McDonald. “A Critical Review of Public-Public Partnerships in Water Services”. Water Alternatives Vol. 3: Issue 1 (2010) (available at www.water-alternatives.org)

contentious and highly polarized debates about the role of the (international) private sector in the delivery of water and sanitation services. Thus, the relationship under review here was cast as public-public and thereby evoked significantly less ideological resistance to or even technical comparisons with private northern partnerships with public southern institutions. This is evidenced by the dearth of analytical information on these particular relationships and other public-public partnerships either through general internet scans or in the literature. Thus, for better or worse, public-public constructs like those reviewed here have largely been run under the radar, quite unlike the huge scrutiny of public-private contracts like that in Buenos Aires, Manila or even Jakarta.

Ultimately, apart from the not-for-profit/not-for-loss approach of the northern partner (discussed further elsewhere in this document), only a few features distinguish this PPP from the more strictly public-private partnerships advocated earlier primarily in the 1997-2007 period by the World Bank. One did not have to look very far to see these kinds of PPPs in operation in Indonesia, as two had been established in the late 1990s to serve the whole of Jakarta. While the large scale and scope of the Jakarta cases are hardly comparable to Pekanbaru or projects in East Indonesia, even by 2005, there were a number of lessons learned from these projects that do not seem to have influenced the design of the P3SW. In fact, the World Water Forum in The Hague in 2000 played a crucial role in airing and framing the debates about PPPs, the role of the private sector and early lessons learned about how best to design contract modalities for either a supporting role or more comprehensive relationships between foreign operators and local public entities. Many of these lessons had by this time been captured in toolkits published by, for example, the World Bank, the UK's DFID and the Swiss SDC-SECO-Swiss Re collaboration.

By 2005-6 or so, the notion of staging varying forms of contracting from service or management contracts that then evolved, as appropriate, into longer-term lease or concession contracts was becoming more of a standardized approach. This reduced the immediate risk to both parties, provided time for the two sides to get to know each other better, and allowed for the contracted party to understand what was actually "under the ground" in terms of infrastructure. It is the evaluators' opinion, and certainly confirmed in interviews with both of the Dutch partners, that this kind of staged approach would have helped to avoid a number of key difficulties in each of the cases reviewed.

At the time these P3SW projects were being developed, there was significant pressure from within DGIS to seek an active role for Dutch water companies to support Dutch ministerial targets around the Millennium Development Goals. The technically competent Dutch water sector was seen by the Dutch Government to offer a less profit-oriented approach to international work. Admittedly the learning curve for these companies has been as steep (though with less exposed financial and publicity risks) as that of any of the French or other western companies involved in similar partnerships. As has been well documented and as the French companies quickly began to understand, although there were some successes like the PPP lease contract in Senegal and the management contracts in Johannesburg and Kampala, working internationally in municipalities with decentralised responsibility to ensure service delivery, mixed local management and technical skills, low cost recovery, insufficient tariff rates, high

political interference and little hands-on regulation proves incredibly difficult. Interestingly with the exception of Deltares which entered into a management by proxy role for the Dutch Government, it is unclear whether Dutch expertise and knowledge was called upon at the early stages of these PPPs from a range of research / academic institutions, NGOs with experience of working in poor communities in the developing world, or wider engineering organizations with utility operational expertise.

9.2 Indonesian wider PPP context

Within Indonesia, the water and sanitation sectors were largely decentralized down to municipal level as part of a comprehensive decentralization process that started with the promulgation of the 1999 law on regional autonomy. Thus the responsibility for ensuring that services are delivered effectively and efficiently is primarily the responsibility of the mayor or district head usually through local public utilities (PDAMs). The Ministry of Public Works (MPW) supports municipalities by issuing technical regulations and providing norms, standards, guidelines and manuals. Within MPW, the Water Supply Supervisory Support System Agency (BPPSPAM) works as a consultative body at national level and gives recommendations to local government on water supply provision systems, including on cooperation with the private sector. BPPSPAM is neither a contracting authority nor regulatory body. The establishment of a water supply regulatory body is the responsibility of local government.

While this is perhaps not the place for a longer discussion on the role of PPPs in the water sector in Indonesia, a brief reference is required to set the analysis and findings into context. Indonesia's experience in PPPs for water production and distribution is relatively minimal outside of Jakarta. As noted in a recent article from Global Water Intelligence on PPPs, "33 projects on the central government's list from 2010 were cancelled [in 2011] because of lack of progress. Of the 24 water projects on the government's updated list from 2011, only four [had] reached the prequalification stage by April 2012 and not a single one has yet come to tender."⁵⁹

Various funding schemes have been put in place⁶⁰ to support the development of water supply projects and to encourage an appropriate role for the private sector to bolster the limited capacity at local level. Interviews with a wide variety of stakeholders throughout the evaluation process revealed, however, a lack of clarity around the new laws and regulations and also whether PPPs inhibit access by participating municipalities to public funds. What is clear, however, is that as the sector is decentralized and responsibility lies with local government to ensure a viable water service, they are allowed to engage in PPPs through a tender and procurement process with or without support from BAPPENAS (the national planning agency). Alternatively, to make it easier to engage the private sector in a PPP, a municipality can classify the

⁵⁹ GWI, Volume 13, Issue 4, April 2012.

⁶⁰ Various funds and facilities were mentioned during the evaluation interviews. Among these, the **Indonesia Infrastructure Guarantee Fund**, with funding from the World Bank and the Asian Development Bank, provides support to municipalities that enter into agreements with private companies through competitive tendering processes. BAPPENAS is creating a **Viability Gap Fund** that will allocate funds to private parties as appropriate. BAPPENAS is also thinking to create a **Project Development Fund** to provide feasibility studies and transaction advice. This is still under development and mirrors a similar facility that was perhaps prematurely established in 2007 (with funding from the Dutch Government).

utility (PDAM) as a private entity, thereby allowing it to enter into a business-to-business (B2B) arrangement with a private firm (local, national or international) without requiring approval from central government.

Local governments can request support from central government in the preparation of these arrangements to help screen projects and to develop capacity to work with the private sector. Practically speaking, due to a lack of capacity and to avoid (seeming to be) meddling in local government affairs, central government cannot offer this support without being asked. According to many interviewees, in fact many local governments would not welcome central government involvement in their affairs and prefer this independence from Jakarta, in particular in peripheral areas of the Indonesian archipelago. The critical aspect of this development is that local governments, often with very limited capacity, are generally left to their own devices to develop, sign and implement a partnership project with a private firm. While BAPPENAS and BPPSPAM require that local governments provide information on service provision and the status of the utility and regional/provincial governments can only get involved when aspects of service delivery cross jurisdictions, neither central nor provincial government appear to have much influence over what happens at the local level. The emphasis is on PDAMs developing appropriate plans that are then approved by municipal authorities (in essence requiring the backing of the mayor or the district head).

Interestingly enough, Dutch partners have followed their local government counterparts and not really sought out support from the central level as well, acting to some degree in isolation. Apart from interaction with Perpamsi, there is little memory of any interaction with other donor-supported programs in the sector, like that of the World Bank, USAID and others. In some sense, there is even a query as to whether WMD-supported JVCs were openly refusing to cooperate with national authorities by not providing service delivery figures to BPPSPAM, for example.⁶¹

Coming back to PPPs more generally, when asked which PPP project in the water sector had been most successful, interviewees were generally at a loss. The Medan case was noted although it was designed as a PPP for production without all the added complications of distribution. This kind of arrangement has been noted by MPW and BPPSPAM as an emerging preference for private companies. The Tangerang case was also noted as a successful case. However, this contract had only been signed in 2010-11, and while seemingly on the right track and potentially well-designed, it might be too early to declare this 20-year concession contract from production to distribution with Aetra as the only bidder as a model.

Unlike with the original British and French contractors in Jakarta, there is also a further factor that came up in various conversations – that of the special affinity particularly in East Indonesia for the Netherlands (whereby Manado used to be called the twelfth province of the Netherlands and Papua remained under Dutch administration until 1963). Thus there was a familiarity and almost symbolic element to support from WMD on both sides. This combined with the image of the Netherlands as the fairly undisputed “water experts” brought a certain set of underlying assumptions to the table for both the Dutch and the Indonesians. This historical element has probably cast as much of an

⁶¹ While the evaluators are unaware of how they initially became involved, BPPSPAM did take on a facilitation role between WFH-KTDP and the municipality and PDAM of Pekanbaru.

influence over the relationships of late as perhaps it was a source of positive framing at the beginning.

9.3 Accountability

Ideally accountability is framed around the three-way relationship between customers, public authorities and service providers. The clearest route sees the customer directly holding the provider to account for the services bought. More often than not though, customers also need to rely on a longer route of accountability whereby users' voice is channelled through the public sector and/or elected officials⁶² to put pressure on service providers. In practice, in Indonesia this set of relationships is still largely missing. Due probably to some combination of having alternative sources for water and their low expectations of public officials to resolve issues to the benefit of their constituencies, as noted in the findings of the report, neither customers nor potential customers are making demands on the system.⁶³ Interviews in each of the cities visited revealed a similar lack of engagement on the part of citizens. In such cases, "extra actors are often needed, such as water boards, regulatory bodies and/or asset owners as well as alternative providers [and NGOs] to clarify expectations, strengthen client power and hold people or organizations in a position of authority to account."⁶⁴ In essence, few channels are effectively holding any of those in authority to account (nor, in fact, is there a reliable ability to hold customers to account to ensure that they pay their bills).

The challenge of creating a customer-centred approach was noted numerous times in the analysis in earlier sections of this report from both P3SW cases. Improving the image of the companies, enhancing the ability to hear from and then respond to customers, and focusing on willingness to pay will create accountability mechanisms that cannot so easily be ignored and, along with recovering outstanding debts, will help put the companies on a more stabilised financial footing.

Accountability through regulation

Emerging best practice even back in the mid-2000s suggested that regulatory frameworks relied on realistic, clearly defined and well-negotiated targets as well as roles and responsibilities in order to keep track of progress, mediate conflicts and resist external political pressure. Much of this would generally be reflected in the documents (contracts, MoUs, etc.) that bind the partners together. With regard to targets, there is reason to question whether the targets set have been realistic. Again while technically feasible, the challenge to meeting the targets has largely come from institutional and contextual factors that might have been oversimplified or underestimated at the start of the project. In fact, what quickly became apparent for both Dutch parties was that they held the responsibility as the "manager of a comprehensive change process."

⁶² Adapted from World Bank World Development Report 2005: Making Services Work for the Poor.

⁶³ It was also suggested that particularly in the case of Pekanbaru, there is a sense that the city is a transitional one whereby many residents do not consider themselves as permanent but seeking to move on to bigger cities or perhaps even back to their rural roots. Such a demographic is also unlikely to make demands on the system.

⁶⁴ BPD Water and Sanitation. Improving Partnership Governance in Water Services: Accountability and Transparency, June 2011. (available at www.bpdws.org)

In large part, even though the contract agreements in East Indonesia contain a clause that foresees the possible establishment of a local regulatory body, both P3SW PPP efforts operated in a regulatory vacuum. While in Indonesia, there is a regulator for the PPPs in Jakarta, there is not a formally assigned regulator for PPPs operating in cities and towns outside of the capital. BPPSPAM and the Ministry of Public Works have different functions to support and facilitate but neither has the authority or capacity to monitor progress or to get more officially involved. As noted above, BPPSPAM makes recommendations to improve performance and provides consultant support to create business plans, cost recovery plans, etc. It has no direct authority; while it can advise, it can impose no penalties for non-compliance.⁶⁵

To some degree, a minor *regulatory function* was played by Deltares, assigned to monitor progress on behalf of the Dutch Government and also to step in to resolve conflicts towards the end at least of the Pekanbaru case. Although the representative from Deltares was asked to act impartially, it might not have been clear to the Indonesian parties on whose behalf Deltares was acting. Beyond this role for Deltares, farmed out on behalf of the two Dutch agencies involved (DGIS and Rijkswaterstaat), there appears to have been no clear mechanism from any angle to hold the different parties to account. Civil society has remained largely silent or resigned to maintaining their low expectations, particularly in the case of Pekanbaru, but also in Manado where one interviewee noted that “people from Manado are very calm and difficult to spark”. The Dutch companies’ shareholders or the foundations responsible for managing the revolving funds seemed to recognize the experimental “pilot” nature of the exercise and thus have provided some leeway. Thus while there are losses at stake for both WFH and WMD, according to interviewees, the shareholders have either trusted the lead to achieve what they can in each case in due course, did not expect the finances to actually be recovered in the first place, or otherwise do not seem to have made onerous demands to rectify the various situations.⁶⁶ In other words, there is little relative pressure from the Netherlands. If anything, the pressure for accountability comes mostly from the Royal Netherlands Embassy who see the potential damage that failed projects could have on the reputation of Dutch assistance and more importantly on bilateral relations.

From the Indonesian side, government stakeholders at the national level certainly lacked the authority but also perhaps the capacity, experience and clarity to step in. Local government authorities (again also without the in-house expertise) appear to have had their own vested interests, political processes and other concerns that prevented them from exercising any oversight as the contracting party. (This is in direct contrast to local PDAM employees in Pekanbaru in particular who did exercise not oversight but sufficient power to threaten the ability of the contracting party to deliver.)

In hindsight, it appears that the PPP was in fact originally designed more around the relationship between the Dutch parties than between a local municipality and a Dutch contracted party. Dutch documentation often refers to the PPP as the grant provisions

⁶⁵ BPPSPAM did step in to play a meaningful role in long and frequent meetings with both parties in Pekanbaru to come up with the “10-point rescue plan” that was agreed by all.

⁶⁶ In the case of Drenthe and WMD, the sense of commitment is overwhelming and only partially reflected in the Euro 3.5 million commitment of own money allowed by WMD shareholders. Commitment also stems in part from the historical relation between the Netherlands and East Indonesia and the huge immigrant population particularly from Ambon in that part of the country.

made from DGIS/RWS to WFH and WMD. Thus from the start, as the Dutch parties became preoccupied with finding an appropriate arrangement in the Netherlands and leaving the Indonesian relationships as part of the competence of the Dutch water utilities, the local partners seem to have ended up with very little ownership over the framing documents of the partnership. As noted in earlier sections of the report (particularly with reference to Pekanbaru), the lack of local embedding and “true” acceptance of the project had been its downfall.

A related point is the emphasis on the loan repayments and the revolving funds back to Dutch institutions. As the funds were subsequently converted from a grant into a loan and then the repayment of the loan goes into a revolving fund that is then reinvested in the water sector in Indonesia, there is some question as to at what point the money stops being public funds provided by the Dutch Government. While the Dutch Government did not accept a seat on the foundations’ governing bodies, in essence, the repayment of the loans had become the primary and ultimate proxy for the success of the pilot programs. This thereby becomes the main channel for accountability and neither the Dutch Government, nor Indonesian counterparts for that matter, then has much of a say on how the funds are ultimately spent or what happens to the funds after repayment.

Clarifying targets and roles and responsibilities

Beyond acting in a regulatory vacuum, ambitious targets had been defined and again from a technical viewpoint, there is no reason to assume that these could not have been achieved for either case. Once the political and other partnership elements were factored in though, these targets quickly turned out to be well beyond what could realistically be achieved.

Similarly roles and responsibilities (based on capacity and expertise) had seemingly not been clearly defined by the partners up front. For example, it was not clear to the evaluators what the formal obligations of the local government partners were. In the case of the East Indonesia projects, commissioners play more of an advisory role but in essence on behalf of each of the partners. From the WMD side, practicality has suggested the WMD managing directors in Indonesia also take on a commissioner role. Local commissioners may or may not be strong enough to provide any countervailing force. In the end, no real check and balance mechanism seems to exist that can quickly resolve problems or even anticipate their emergence.

A clear technical assistance role was taken on by the Dutch partner in each case. With support from a distance and through various visits from Dutch experts, this function has largely been managed by a pre-designated Indonesian partner, Inowa, which was established in essence as a Dutch subsidiary. Technical assistance was therefore never tendered as Inowa is part of the “family” of companies and thereby a legitimate part of the Joint Venture agreement. While there may have been terms of reference for Inowa or other sub-contractors’ work, these do not seem to have been agreed through a clear process. In the event that Inowa did not perform well, as their invoices were paid for in the first instance by TID/TAD and then charged back to the PDAM/municipality, requests for accountability were after the fact and became muddled in with other arguments. Admittedly there was much ill feeling expressed towards Inowa in each of

the cities visited. There was speculation as to whether their technical skills were sufficient, whether their role as Commissioner was in fact a conflict of interest even if they excused themselves from agenda items where contracts for Inowa were discussed, and whether more localized expertise would have been sufficient to handle various tasks assigned to the consulting firm.⁶⁷ Thus localized expertise was not sought for the technical elements within each municipality although tenders were issued for the construction and some studies in the case of Pekanbaru.

As for conflict resolution, no clear and agreed mechanism seems to have been established in East Indonesia. The JOA in Pekanbaru spells out the procedure through amicable settlement, then involvement of expert and finally arbitration. Usually this is done by designating a party (or individual) at the outset that is trusted by both sides to act objectively and fairly in the case of a dispute. Perhaps, as noted elsewhere in this document, the partners did not sit down at the outset and determine a sense of what could go wrong and where the risks in the relationship might lie. As it turned out, it is difficult to imagine which party or individual in any of the specific cases could act in this way to manage disputes between the parties.⁶⁸ Each party, (whether the MPW, BPPSPAM, Deltares, Perpamsi, etc.) seems to have come to the table with perceived preconceptions.

9.4. The 'partnership' in PPPs

Many research papers from academics as well as the IFC and World Bank and others over the last few years have suggested that PPPs will only work if sufficient thought and emphasis is placed on the final "P" – partnership. In this case, it is difficult to see many of the characteristics of what might be considered a genuine partnership. For obvious reasons, as noted in the detailed narrative of how the two PPPs unfolded, in many instances efforts at building a clear partnership with local stakeholders through transparent communications have not been overwhelmingly successful.

Changes in local government have brought in different political interests, with the resulting need to invest again in developing relationships and managing expectations. In particular for East Indonesia, this has been challenging due to the Dutch partners' use of specific contractors to manage elements of the technical work, questions around the ownership of the assets and the division of shares, the reluctance to share key performance data with Indonesian counterparts, that [for WMD] "all major projects were managed from Assen" and the reluctance to co-manage available funding, which have aroused suspicion or even downright distrust on the part of local partners. (In fact, it seems that even the Dutch funders did not have access to the contracts that they were partially funding and that underpinned the entire relationship at the local level.)

⁶⁷ Again the PDAMs were far from corruption-free zones prior to when the Dutch partners arrived on the scene and thus the desire to control the funding on the part of the Dutch partner is understandable. One could easily speculate, and many interviewees did, that the desire of local politicians and local stakeholders to give contracts to local companies had less to do with costings and efficiencies but rather to allow for some of the funding to actually pass through Indonesian hands. Inowa bore the brunt of much of this resentment.

⁶⁸ There exists in Indonesia a practice of conflict mediation in many domains (for example in land conflicts) and a mediator need not necessarily come from the water sector.

Local partners' inability to convey an integrity-based approach to the partnership is also a key cause for Dutch partners to avoid handing over more responsibility. Many PDAM had a poor reputation and track record with a history of fraud, corruption and incompetence. Managing directors had been / are generally political appointees who at best may not understand the water business and at worst may have vested interests to protect. Certainly in the case of Pekanbaru, the original Managing Director was actively working against the partnership even well after he had been removed from the position.⁶⁹ Thus the whole spirit of the relationship on both sides was hardly one of partnership but came across rather as a series of tactics.

It is easy to look back in hindsight and see where different turning points or critical moments further soured the different relationships. Similarly it is easy to misremember, gloss over, or redirect the emphasis of certain incidents, and the evaluators have had to triangulate various aspects of what actually occurred by corroborating with the documentation (minutes of meetings, for example). What has been telling is that, given the Indonesian culture's emphasis on saving face, the level of open acrimony that frames the Indonesian perspective suggests a clear clash of cultures. Although relatively small in the scheme of things, a revealing point was that at no time during the evaluation period and through the wealth of interviews conducted by the team was there any mention of the notion of "we" as partners. All conversations were largely framed around an "us" and "them".

In many interviews, there was a sense from Indonesian counterparts (particularly PDAM staff) that there had been little real engagement in decision-making, suggesting that the partnership was something that "was happening to them rather than with them." Various interviewees from the Indonesian side in numerous municipalities recognized that their capacity was weak but also had hoped for more investment to build up their skills. It is difficult to judge the effectiveness of technical assistance not so much in terms of resolving technical problems but to ensure that staff (who may again have had other interests) were capable of fixing problems should they reappear. In one instance, staff proclaimed a reluctance to get involved in fixing an issue for which they suggested they had the skills and capacity, for fear that any tinkering they did with the system would result in the foreign partner renouncing their efforts and in essence "removing the warranty".

Evidence suggests that in all cases annual plans with investment schemes were discussed in joint annual planning meetings between the partners. While it is blatantly untrue to say (as some did) that Indonesian counterparts were never involved (as there are minutes to prove otherwise), whether these were balanced forums to debate targets, investment options, contractor quality or other issues, even as the plans and the reality deviated further and further, remains debatable. What remains unclear is how these meetings were conducted and whether, for example, the Indonesian partner really had the wherewithal to negotiate on the technical aspects, to debate costings, etc. Here again the cultural nuances come in; speculation about whether Dutch and Indonesian working styles can be sufficiently compatible was questioned by all parties – Dutch and

⁶⁹ There has been much speculation as to his role in various acts of sabotage as well as physical threat to KTDP senior staff and physical property. Interviewees in Pekanbaru suspected that employees were afraid that they would lose their jobs or worse their side businesses. "Without the Mayor's backing, KTDP can't touch us" was the general sentiment expressed.

Indonesian. As one Dutch interviewee suggested, "it is hard but one needs to not think like a Dutchman" to make these communications work. So while indeed Indonesians may have been in the room and agreeing with their Dutch counterparts "in public", like in other Southeast Asian cultures, saying 'yes' does not always translate into actions. Similarly in Indonesian culture, meetings are essentially meant to formalize decisions that have already been taken informally beforehand, thus Indonesian counterparts may have thought of the outcomes of these sessions as pre-arranged and/or the Dutch partner might have overlooked the importance of engaging in informal decision making before key meetings were held.

Ultimately in few cases does it appear that there was someone from the side of the PDAM or municipality who actually held the vision, goals and rationale of the entire partnership project. The mayor's support was universally noted as critical to endorse the efforts of the utility to the general public and to ensure that customers pay, to support penalties against non-effective employees, and to seek support from national bodies as needed. A key challenge here is that these partnerships span political cycles and thereby as a new mayor comes in, the general practice is to denounce the contracts signed by the previous mayor, even if they are not clear what other options they may have but to keep the contract in place. Ultimately they can name the PDAM managing director as the PDAM is a state owned enterprise.

As noted above and discussed further below, historically there is also a sense that the water utilities have served as a money-spinner or "cash cow" for the municipality and thereby political interference unsurprisingly appears to be the norm. Attempts to ringfence the utility financially and protect it from political cycles and interference have proven difficult across the board. When asked how best to get around this problem of political interference, the only practical solution that arose from a wide range of stakeholders was that a business plan that had been widely shared amongst the partners, the local media and consumers held the key to accountability and continuity.

In addition and as mentioned above, there are positive examples of improved PDAM performance in a number of cases, where the political cycles have played a positive role. These might be part of a general evolution in Indonesia towards improved institutional performance.

Whichever the model used, it seems there needs to be clear separation between policy and implementation so that the politicians can set the policies and the tariffs, as informed by the company. Then the company management must be allowed to get on with the business of running the company - that is: appointing competent staff, collecting revenue, managing the assets and the customers, etc. The P3SW experience, among others, has illustrated that politicians do not usually make good business people with regard to public services and so need to be kept out of operational decisions. If they get too close to the day-to-day operational issues they also compromise their ability to exercise oversight over the performance of the water utility. It is certainly clear in the case of East Indonesia that WMD has been appropriately trying to create this separation.

9.5 The nature of the contract

As noted above, the contracts for each of these pilot programs were largely initiated as a function of funding becoming available from the Dutch Government. In the case of Pekanbaru, Dutch funding is channelled through WFH to KTDP who served as the primary interlocutor and contractor with the municipality. WFH was asked outright to be kept at a distance by the Mayor for two major reasons: 1) for fear that KTDP would renounce its earlier contractual obligations and 2) to avoid re-engaging with local council to get their permission to sign an agreement with another entity. In the case of WMD, funding was channelled via SWOI through the company and then directly towards investments in Indonesian municipalities. In this case, Dutch Government funding was augmented with WMD funds and a bank loan agreed by the company's shareholders as noted above. In neither case did the funding ever really touch the hands or enter the accounts of the PDAMs. In both cases, funding was granted by the Dutch Government and, though without initially being mentioned in the Contracting Agreements, these funds were then converted almost exclusively into loans to the Indonesian municipalities. The loans were to be repaid into revolving funds that would then fund activities in other or the same municipalities. It appears that the main difference in terms of the funding mechanism is that by the end of the contract, the value of the Pekanbaru-KTDP-WFH joint venture would essentially have been zero (with all the funding having been repaid with interest) and the East Indonesia Joint Ventures would be assessed at their net book value.

From the Dutch side, the funding was geared around a series of pilot programs. This suggests both an experimental element but also that a learning component would be sufficiently built in so that all stakeholders could learn from the experience, both good and less good. In fact, a formal learning component was not really created for either partnership. Individuals involved all claimed to have learned a lot but this learning has not been formally captured. The framing of the original paperwork was set out as a "subsidy grant" with rather loose deliverables. At the time of framing, this made sense given the experimental nature provided that clearer pathways towards the targets would be set at some moment in time. In due course though each of the parties began to scrutinize the documents to better understand what was binding for either side. Master plans with year-on-year goals and targets were either not established at the outset or not really used as a benchmark.

During the evaluators' discussions in Indonesia, there was significant reference to the loan element of the funding. The East Indonesia CAs only define the modalities of the loan provided for the purchase, by the local partner, of the shares of the JVC, but are not dealing with other forms of loan funding. That might be the reason that several Indonesian interviewees noted that they did not realize that the funding they were receiving was a loan rather than a grant. They stated that when a loan is issued, it is common practice that the borrower receives the funds from the lender and spends these according to his needs, which has not been the case in the P3SW programme. Even if WMD might have been clear on the status of its support, it is not unthinkable that the Indonesian partner would believe that they could eventually convince the lender to reduce the terms, to convert the loan into a grant or to find another way to be bailed out,

effectively writing off the amount owed.⁷⁰ It is also possible as more than one interviewee noted, that a mayor signed the agreement knowing full well that the terms of repayment would come into force after his term in office.

In retrospect it is difficult to determine what has happened exactly. It is however clear that the initial lack of clarity has given rise to many difficulties later on when, several years after the signing of the CAs, WMD requested that the JVC sign loan agreements covering past expenses.

There is also perhaps a difference in interpretation around the role and meaning vested in contracts but also the historical psychology around development assistance. For the Dutch partners, the contract was a clear record of agreement. For the Indonesian parties, it is possible the contract was seen as referring to the beginning rather than the end of a conversation. Suffice to say, interviewees provided a wide range of anecdotes that suggested that the spirit in which the contracts had been negotiated was less than helpful and that partnerships in several cases did not start off well. (In Manado, it was noted that an almost bankrupt PDAM started buying things on credit as soon as the contract had been signed suggesting that "the private sector will pay". While it is true that the situation in the utility needed severe remedial actions and funding was used in several instances to pay for operating costs even before the actual signing of the CA, there does seem to be a general consensus that the "emergency phase" in which WMD controlled as many of the shots as possible "was allowed to continue for too long" before more of a spirit of partnership was re-attempted.)

As noted above, the contract had not been shared with the Dutch government funding parties and thereby any monitoring done by Deltares or the Embassy more generally allowed them to comment on what they were seeing but without really knowing what they were looking for, beyond the overarching and ambitious targets in the original proposal. Similarly it is unlikely that many staff in the PDAMs actually understood what was in the agreements.

⁷⁰ This happens with domestic loans too as there are programs to support highly indebted PDAMs at present. Moreover, WMD has recently substantially decreased the loan amounts and softened the loan terms (see above).

10. Overarching lessons and recommendations⁷¹

As noted above, the experiences described in this document provide a wealth of rich learning for all parties involved. Below are a series of lessons learned and recommendations primarily aimed at strengthening future programming for DGIS' new PPP funding stream. Obviously these recommendations stem from either one or both experiences documented above in Indonesia. The evaluators expect, however, that, as per the terms of reference for the study, there may be wider application beyond Indonesia in how these recommendations could be applied. Thus the approach taken by the team has been reflective rather than a direct linear relationship between the findings and analysis of the two P3SW cases and the discussion below.

Wider PPP context and water sector delivery

Several issues have been raised above with regard to the wider PPP context and water sector delivery more generally. Again there has been a wealth of information, analysis and toolkits developed for the design, implementation and monitoring of PPPs. While in the Netherlands, water is delivered through public entities, their entry into the international arena through more contractual mechanisms (i.e. beyond twinning arrangements) puts them more in line with private sector providers operating on a contract basis to a set of expected deliverables and outcomes. Thus many of the lessons learned in the past decade around the design and delivery of PPP constructs should become clear points of reference for any new contracts put in place. *(1) Should DGIS not feel they have the requisite skills in-house to assess these proposals and contracts, an advisory or ad hoc review group could easily be formed.*

Within this context, there may be a need for some greater deliberation about DGIS policy. Working with healthy PDAMs seems unlikely to yield the kinds of poverty alleviation targets expected of Dutch development assistance. While contracts that only focus on production are obviously attractive for many international operators, how best to ensure that such contracts have a more immediate impact on the delivery of services for the poor is not obvious. Working with PDAMs that have low capacity proves incredibly challenging for a host of reasons outlined above. If "unhealthy PDAMs" are the primary focus, *(2) a clearly staged approach starting with shorter term service or management contracts would allow Dutch partners to more clearly assess the need, the state of the infrastructure, and the political and financial context in which the PDAM is operating.* This kind of approach would more readily lend itself to a "piloting" and experimental mentality that set appropriate and realistic expectations for all parties and a general understanding that partners would readjust together as the programme progressed.

(3) DGIS should not only make the learning focus explicit in their calls for proposals and their funding arrangements but also invest more clearly in the learning coming out of these experiences. Such learning should be as much aimed at including Indonesian partners at local and national levels as possible. The "learning by doing" approach that was implicit in these initial P3SW activities largely and somewhat understandably went missing in and amongst the challenges of everyday implementation.

⁷¹ While recommendations are embedded in the text, please note that for easy referencing they are numbered (1), (2), etc. They are also found in table form at the end of this section.

Accountability

To allow for proper and ongoing investment in expansion and rehabilitation, *(4) funders should seek reassurance from contracting parties (both local government and operators) that financial ringfencing will create a sufficient distance between political and municipal interests in using the water company as a "cash cow".* Clear business plans should be developed based on comprehensive institutional assessments (i.e. not only technical and financial factors but also social, political and environmental aspects). Towards this end, more time should thus be made available to understand the institutional arrangements and relationships, looking at the competencies, risks and vested interests of various actors. *(5) Other skills beyond the technical and financial may be required to help conduct the analysis but also to negotiate the contract at the local level as well as set (and revisit) realistic targets.* (Traditionally transaction advisors have focused more comprehensively on the technical and financial aspects of the arrangement rather than the more (emerging or evolving) political economy, social and environmental aspects.)

Such political economy analysis suggests that clear and genuine municipal commitment via the mayors' support is absolutely critical in ensuring the success of such arrangements. Efforts should be aimed not only at "fixing the problems with the utility" but also at educating the political ruling class (from across political parties) as to what is involved in successfully running a water utility. *(6) The JVC should thus be put into a broader context, seeking to work across a range of stakeholders who could ultimately influence (positively or negatively) the effectiveness and efficiency of the PDAM.* Ensuring a customer focus that generates demand on the utility and thereby frames accountability mechanisms is also critical and may in fact lead to local institutional and political commitment. (This may require skills beyond public relations as well.) Solidly structured PPPs should thereby support capacity not only at the technical level but also across the demand side, working through both the short and long routes to accountability.

Capacity building

For Indonesia specifically, if funding arrangements are aimed at or supportive of business to business (B2B) contracts, *(7) a more clearly defined joint Dutch-Indonesian review and support mechanism needs to be put in place to ensure that local government capacity building becomes an unequivocal component of the contract.* Depending on the scale of the funding provided and the number of PDAMs supported, a more concerted effort could be designed with BPPSPAM, for example, to work with PDAMs, not only to extract information but also to facilitate regular partnership meetings, to facilitate cross learning and sharing between different PPP projects (both Dutch supported or otherwise), and to inform central government actors on emerging ways to best support such partnerships. Regular forums with national stakeholders in this way will help to inform refining of laws and delineation of roles and responsibilities between different levels, but also to further expand the competencies and capacity at the national level to work with local level stakeholders.

(8) Technical assistance should be clearly framed as part of a broader organizational reform process rather than as an ongoing series of one-off problem solving. Experiences elsewhere have been designed in such a way that incentives around technical assistance

initially through international experts have been purposely and strategically declining⁷². The process for designating / recruiting and then managing technical assistance providers should be transparent with jointly agreed ToRs, oversight and quality assurance. Where available, a clear preference for local providers of technical assistance should be weighed up by the partners, looking at any tradeoffs in quality vis-à-vis costs, timing, capacity, etc. Admittedly WMD's new model that sees Inowa as a more formalized part of the partnership through a "one-stop-shop" is more transparent and seems to give PDAMs the option whether to make use of their services or not.

Partnership processes

A jointly designed business plan provides the key partnership building activity and the primary accountability document for partners. Again with wider local stakeholders informed and involved, this creates a situation in which everyone knows what to do, when to do it, how much it will cost, what the risks are, etc. Creating the necessary ownership and political support during the process is critical. Interestingly, there is an emerging practice of inclusive planning processes in Indonesia whereby civil society is engaged in determining what the priorities are. These are not simple processes but there is an emerging body of experience and expertise in a range of countries that can inform how best to conduct such multi-stakeholder exercises. *(9) Funding tranches should then be based on widely owned, clear and approved (updated) business plans.*

As noted above, the evaluators have observed that the approach to service delivery has largely been that of fixing technical problems with the partnership then being boiled down to the financial and transactional aspects between contracting party and contractor. While this is understandable and in a vacuum the targets set have been, by and large, technically and financially feasible, wider political and institutional forces have inhibited progress. Best practice in partnerships is now to take a wider view, to see which entities outside of the partnership could actually be brought in to help improve the chances of success. In many countries, civil society organizations have been brought in to help overcome some of these barriers, helping to reassert the focus on the consumer by becoming part of the delivery model. In such instances, NGOs and Civil Society Organizations (CSOs) are helping utilities to expand reach into poor communities through mobilizing communities, educating consumers on how utilities work, supporting a monitoring and oversight role, etc. The evaluators' recommendation is to *(10) assess proposals on how well demand for the service is understood and what plans the partners have for enhancing demand potentially through the use of NGOs and CSOs.*

By and large, as noted above, there has been very little "we" expressed among partners throughout the exercise. The perception, rightly or wrongly, is that the designer, provider, overseer, payee and re-investor (through SWOI) are all the same organization – at least in the case in East Indonesia. Efforts thus need to be made to find the glue that will bind partners together more effectively. In general, efforts at jointly developing

⁷² In the Johannesburg case, the management contract was structured to bring about specific improvements in the operation of the company over 5 years. The private operator that provided this support had to achieve certain targets related to improved customer service, the introduction of an asset management system and an asset register, the implementation of a customer management system, the appointment and training of 15 key top managers, etc. In the latter example, the private operator had to phase out all but one of their staff over the 5-year period.

priorities and solving problems, efforts to understand each other's risks and an emphasis on the Operations and Maintenance of the partnership itself are absolutely critical in making these things work. *(11) Proposals should explicitly state the joint approach to partnership building and maintenance, and review mechanisms should focus not only on the technical accomplishments of the partnership but also the state of the partnership as well.*

Contracting and funding arrangements

Again contracts should be staged starting with simpler institutional arrangements that represent lower-risk service and management contracts and then moving towards lease and concession contracts. A management contract is the option that provides the least risk and the best way to turn around a failed organisation. If assets are to be managed under this model then a lease arrangement is only required if the operator is expected to invest capital in improving these assets. If not, the assets can remain under the ownership of the public utility/company.

Ownership options from the outset should not be a consideration. A key challenge in the early stages of these P3SW relationships has been the ownership share of the Joint Venture Company. While it is understood why this was the preferred option for the Dutch operator, it created and fostered an atmosphere of distrust amongst the partners. In the event that a more substantial Joint Venture Agreement is reached, a lease arrangement of the assets (as exists in the various East Indonesia contracts) is a logical approach.

(12) The staged approach starting with simpler arrangements that later develop into more complex partnerships should also be translated into adapted funding arrangements. In the early stages grants should be used as start-up funds, in particular in the case of 'unhealthy' water utilities that should be a primary focus for DGIS. The terms of the funding arrangement can change into a loan agreement in later stages as the water utility becomes institutionally and financially more viable. Partners can mobilize the necessary loan capital on the local or international markets or via existing financing schemes in the country (an option preferred above the Dutch partner bringing in capital himself) and *(13) DGIS should consider setting up a guarantee mechanism to cover loans issued to water utilities that are in a transition from 'unhealthy' to 'healthy'.*

(14) Public funds should not as a rule be used for loan purposes as many accessible funding sources seem to exist, particularly in Indonesia. In case DGIS would nevertheless allow its funding to be used by private partners for loan purposes, a clear mechanism needs to be determined that defines among other elements the ownership of these funds and the way DGIS will be associated to its further use.

Overview of recommendations

Proposal stage

(1) Should DGIS not feel they have the requisite skills in-house to assess PPP proposals and contracts, an advisory or ad hoc review group could easily be formed.

(2) A clearly staged approach starting with shorter term service or management

contracts should be encouraged, allowing Dutch partners to more clearly assess the need, the state of the infrastructure, and the political and financial context in which the PDAM is operating.

(3) DGIS should not only make the learning focus explicit in their calls for proposals and their funding arrangements but also invest more clearly in the learning coming out of these experiences.

(4) Funders should seek reassurance from contracting parties (both local government and operators) that financial ringfencing will create a sufficient distance between political and municipal interests in using the water company as a “cash cow”.

(5) Transaction advisors could be engaged to help conduct the initial analysis but also to negotiate the contract at the local level as well as set (and revisit) realistic targets.

(6) The JVC should be encouraged and expected to show how they are operating in a broader context, with evidence that they are seeking to work actively across a range of stakeholders who could ultimately influence (positively or negatively) the effectiveness and efficiency of the PDAM.

(7) A more clearly defined joint Dutch-Indonesian review and support mechanism needs to be put in place to ensure that local government capacity building becomes an unequivocal component of the contract.

(10) PPP proposals should be assessed on how well demand for the service is understood and what plans the partners have for enhancing demand, potentially through the use of NGOs and CSOs.

(11) Proposals should explicitly state the joint approach to partnership building and maintenance, and review mechanisms should focus not only on the technical accomplishments of the partnership but also the state of the partnership.

Ongoing

(8) Technical assistance should be clearly framed as part of a broader organisational reform process rather than as an ongoing series of one-off problem solving.

(9) Funding tranches should be based on widely owned, clear and approved (updated) business plans. (12) The staged approach (starting with simpler arrangements that later develop into more complex partnerships) should also be translated into adapted funding arrangements.

(14) Public funds should not as a rule be used for loan purposes, as many accessible funding sources seem to exist, particularly in Indonesia. (13) However, if loans are determined appropriate, DGIS should consider setting up a guarantee mechanism to cover loans issued to water utilities that are in a transition from ‘unhealthy’ to ‘healthy’.

ANNEXES (separate volume)

1. Terms of reference

2. Itinerary and persons met

3. Main documents and references consulted

4. Key Performance Indicators (five locations)

5. Evaluation framework

Final Evaluation of the P3SW Public Private Partnership

Pilot Programme for Pekanbaru and East Indonesia

Annexes

Dirk Van Esbroeck
Ken Caplan
Neil Macleod
Agus Rumansara
Risyana Sukarma

Final – January 2013

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1. Terms of reference

Terms of reference final evaluation P3SW Indonesia

1 Introduction

The P3SW programme aims at piloting the extent to which innovative approaches to public private partnerships can assist in solving the problems in the water sector of Indonesia.

Basic programme data:

Contribution DGIS: EUR 13.2 mln

Contribution partners: EUR 7.2 mln

Programme goals:

- *Institutionally, technically and administratively rehabilitate involved water utilities.*
- *Provide 870.000 people with safe drinking water within the timespan of the pilot.*
- *Attract external finance to cover the follow-up phases of the pilot beyond 2010*
- *Gain experience with different PPP modalities.*

Start date: May 2005

End date pilot phase: Dec 2010

End date partnerships: Dec 2020 (15 yr joint ventures)

P3SW combines aspects of traditional investment projects, technical assistance and water operator partnerships (WOPs) in a long term commitment aiming at (financial) sustainability. The foreseen income generated by water utilities as part of the programme was intended to be reinvested in the water sector through a revolving fund.

Important characteristics of the P3SW programme are:

- A business approach aiming for full cost recovery
- Working according to not for profit not for loss principles
- Particular attention to vulnerable groups in society
- Adequate training for management and staff of local water utilities.

The Eastern Indonesian pilots are managed by WMD (The Dutch water utility from the province of Drenthe) and Water Fund Holland (WFH) for the pilot in Pekanbaru.

The pilot phase of the programme already ended in December 2010. Given the long term commitment of WMD to the partnership with the local utilities and the importance of PPPs in the new development policy of the Netherlands an end evaluation of this programme is desirable.

2 Purpose of the evaluation

Given the pilot nature of the programme the emphasis of the evaluation is on identifying lessons for the future. The final evaluation aims at assessing the extent to which programme targets have been achieved and what lessons can be identified from the experience over the programme period. These lessons are important for the future of the P3SW programme as well as for comparable initiatives in the DGIS portfolio.

At **project level** the evaluation focuses on the results of the WFH pilot in Pekanbaru and the pilot of WMD in 10 locations throughout Eastern Indonesia.

At **programme level** the focus is on the overall set-up of the P3SW programme. Including the division of labour between the different partners, the institutional support and the strengths and weaknesses of the PPP-models applied by WFH and WMD. The evaluation will cover the following items:

- A description of both PPP-models and the expected results
- An assessment of the extent to which the programme has worked according to the original (and adjusted) plans.
- An assessment of the extent to which the original (and adjusted) targets have been achieved.
- Establish to what extent sustainable water supply will be achieved if the pilot are continued along the same lines as set out in the original plans.
- As far as possible identify technical, financial and institutional success- and risk factors in relation to the chosen PPP approaches.

3 Specific tasks

- Establish the provided inputs of the partners involved (both in terms of financial means and in terms of capacity)
- As far as possible quantify the results achieved (in relation to the original targets) on:

- Water production (quantity, quality, continuity)
- Distribution (network, reservoirs, non-revenue water, meters)
- Number of working house connections and public stand posts.
- The total number of people with access to safe drinking water.
- Capacity building (no. of people trained, at what level)
- Involvement of water users, communication
- Effectiveness of utility management
- An assessment of the sustainability of the programme
 - Technical aspects (quality and maintenance of components)
 - Financial/economic aspects (accountability, client administration, billing, affordability, tariffs, cost control)
 - Institutionally (Institutional set up of the programme and the extent to which the counterpart utilities can operate independently, quality of management information, planning and control)
 - Socially and politically (pro poor approach, alignment with national, regional and local politics)
 - Commitment of financial institutions for follow-up funding.
 - Ecologically (impact on catchment/water system)
- Identify key risks and success factors in relation to the characteristics of the chosen PPP approaches.
- Formulate recommendations for the programme specifically and for DGIS more generally

4 Evaluation team

In consultation with WMD en WFH, the Dutch Embassy in Jakarta, DGIS and Deltares will compose an evaluation team. DGIS as is responsible for the final composition of the team. Given the complexity of the P3SW programme and the geographical distribution the team will consist of two international consultants and two local consultants. The team has to have a good mix of competencies in the area of drinking water facilities, institutional development, business economics and PPPs. Experience in Indonesia and knowledge of the Indonesian language is an advantage.

BPP-Spam has also expressed their interests in a review and is willing to provide one of the local consultants. Given the role of (local and national) government in the programme, a more neutral consultant might be the preferred option. The embassy is requested to advise on this.

5. Approach

The consultants will use a mix of desk study, interviews with key people in the Netherlands and Indonesia (local and national) and field visits. The P3SW-projectproposals, annual plans, progress reports (of WMD and Deltares) and Mid Term Review (MTR)-reports are available as documentation.

The P3SW-pilots implemented in different locations. For WFH it concerns Pekanbaru (Sumatra); for WMD 10 different locations across eastern Indonesia.

The final evaluation will at least evaluate the situation in Pekanbaru (WFH) and Manado (WMD). From the other WMD-locations, the final evaluation will concentrate on the locations where the cooperation will continue: Sorong, Biak en Merauke. And visit at least one location where the project didn't get off the ground. The choice of sites will be finalized during the inception phase.

The evaluation team will have discussions on Indonesian side with the central government (BPP-SPAM), the local authorities and representatives of PDAM's/JV's. At the Dutch side, there will be interviews with WMD, WFH, DGIS, The Netherlands Embassy, Deltares (responsible for the monitoring of the programme) and the DHV (who implemented the mid-term review in 2009).

The evaluation will be carried out in phases. The evaluation team will firstly produce an inception report in which the basis for the evaluation will be documented. Specific attention will be paid to the indicators on which the achieved results will be determined and the way the business model for the programme will be assessed.

6. Deliverables

- Inception report (including presentation to stakeholders in the Netherlands)
- Preliminary findings report (to be presented to Netherlands Embassy in Jakarta at the end of the fieldwork period).
- Final draft of evaluation report (including a presentation to stakeholders)
- Final report

The reports will be produced in English and will have to be submitted to the Ministry of Foreign Affairs electronically.

7. Indicative schedule final evaluation

March 2012	determine ToR in consultation with DGIS
Feb-March 2012	Selection evaluation team
Mid April 2012	Start
Early May 2012	Completion and discussion inception report
Early June 2012	Presentation preliminary findings at Embassy Jakarta
Mid June 2012	Completion final draft evaluation report and presentation to stakeholders in the Netherlands.
Late June 2012	Completion final report.

2. Persons met

Program partners and stakeholders in the Netherlands

- DGIS
 - Pim van der Male, Senior Policy Officer Water Management
 - Roelofs Karin, Head Water and Environment Division
 - Dick C. van Ginhoven, Senior Water and Sanitation Advisor
 - Roel Biesgraef, Policy advisor water governance

- WFH/Aquanet/PWN
 - Bert Jansen, Director WFH
 - Leo Commandeur, Director Aquanet (international branch PWN)

- WMD
 - Karst Hoogsteen, Director
 - Theo Terpstra, Chief Financial Officer
 - Antoon
 - Peter Schouten

- Gerard van der Kolff, Deltares (program monitor)
- Jan Oomen, DHV, team leader of the MTR
- Bart Teeuwen, consultant (institutional expert) – *phone interview*
- Mrs. G. de Vries – Leggedoor, Vice chairman Stichting Waterprojecten Oost-Indonesië

Program partners and stakeholders in Indonesia

1. Jakarta

- Royal Netherlands Embassy
 - Tjeerd de Zwaan, Ambassador
 - Peter de Vries, First Secretary
 - Christien Hukom, Program Officer for Development Cooperation
 - Nathalie Lintvelt, Head of Economic Affairs Department
 - Cees Cramer, Senior Administrative Officer

- BPPSPAM:
 - Amry Dhamri, PPP Expert, member of administrators
 - Tamin M. Zakaria, Secretary

- BAPPENAS: Bastary Pandji INdra, Director of Public Private Partnership Development
- Ministry of Public Works: Danny Sutjiono, Director Water Supply Development (+ about 10 staff)
- PERPAMSI: Dwiki Riantara, Head of Training and Partnership
- IUWASH: Foort Bustraan, Deputy Chief of Party/Watsan Technical Advisor
- Infrastructure reform sector development project:
 - Louis Braam, Team Leader/PPP Transaction Specialist
 - Proyono, PPP Advisor

- Kumala Siregar, Director of KTDP
- Irma Damayanti, Palyja, Water for All Initiative

2. Pekanbaru and Medan

- City parliament/council:
 - Desmianto, Head of Parliament
 - Kudus, Commission Secretary
 - Adwiar, Secretary of the parliament
- PDAM:
 - T. Ahmad, Head financial dept.
 - Gyahri Rahmad, Head of technical dept.
 - Ukrawati, Head of Rumbai section
 - Suhandi, Head of Infrastructure section
 - Mohamad Nasir, Head of Production section
 - Surasi, Planning Department
- City Government:
 - H. Firdaus, Mayor
 - Yuzanri Yakub, Secretary
 - Zulpikar, 2nd Assistant
 - T. Ahmad, PDAM
 - Suhandi, PDAM
 - Isyandi, PDAM
 - Masirya, Head Economic Administration Section
 - DEdi Gusmiadi
 - Sartidjah, PDAM
- Dewi Anggraini, former staff KTDP
- Riko Kurniawan, Director ELAN (NGO)
- Erizal, former Vice Mayor
- Fakhurrodzi, Rosi, Ilham, journalists
- Dwipa Dalius, Cateleya (legal aid foundation)
- Ahmad Zazali, Scale-up (NGO)
- Oni Suryana
- Ir. Mardianto Manan, M
- Abdi Suscipito, former Director PDAM Pekanbaru

3. Manado

- TID
 - Josien Ruyter, Director TID
 - Ida Sukmanati

- PT Air Manado (local JVC)
 - Otniel Kojansow
 - Albert Wuysang, Vice President Board of Commissioners
 - Tommy Sumakul, Commissioner
 - Vecky Gandey, Commissioner
 - Vicky Silimau, senior staff
 - Yan Wawo, general director
 - Denny, Head Production and Laboratorium Dept.
 - Ferry, Head Technical Planning and Supervision Dept.
 - Flepy, Head Distribution Dept.
 - Lonto, NRW team

- Didi Sjafii, Director PDAM
- Paulus Tallulembang, former TID staff
- BPPSPAM (on mission to Manado)
 - Sri Nursanti
 - Dwipa Dalius
 - Arie Yanuar Taba
 - Amry Dharma

- City government
 - Vicky Lumentu, Mayor
 - Haefrey Sendoh, Secretary
 - Several staff members

- Seth Walo, former member of parliament
- Willy Areros, member of parliament

4. Ambon

- Alfons Tetelepta, Director of PT DSA
- Effendi, Commissioner
- Aka, PDAM Supervisory Board
- Other members of Supervisory Board

5. Biak

- PT War Besrendi:
 - Arnold Asyarem, Director
 - Albert Mallow, Commissioner
 - Nanik Riyanti, Vice Director
 - Suryan, Production Dept.
 - Hasael Rumabar, Head of Financial Dept.

- Ester Toni, Public Relations Division
 - Wahyu Pramuji, Planning Dept.
 - Khairul Anam, Distribution
 - Susmanto, Maintenance division,
 - Dewi, Financial Division
 - Wawan Syariful Anwar, TID – controller
 - M.Z. Tobing, Public Relations Division
 - Poli Rumasep, Distribution
- A member of the Biak district parliament

6. Merauke

- PT Wedu Merauke:
 - Frans Tuapattinaja, Director
 - Simon Abraham, Commissioner
 - Heni Astuti Suparman, Commissioner
 - Katrina Rapar, General Manager
 - Paulus Teurupun, Head Technical Dept.
 - Bernardus Yamu, Head General Section
 - Maryana Somar, Head Financial Section
 - Budi Prasetyo, Head Sales and Marketing Section
 - Hendra Rusdiyanto, Head Distribution Section
 - Amarudin Lagne, Technical planning
 - Aidin, Head Maintenance Unit
 - Sudarsono Borlak, Head Production Unit
 - Ferdinandus Renwarin Head General Unit
- T.H. Pasaribu, TID coordinator
- YASANTO (local NGO): Jago Bukit, Anton Maskim

7. Sorong

- PT Tirta Remu:
 - Sophia Manomutu, Director
 - Amos Kasi, member of the board of Commissioners
 - Vicky Mundiahi, head of the financial dept.
 - Tommy Na, head of technical dept.
 - Sastra Weliza, head of general & customer service dept.
 - Other team members
- City government:
 - Drs. Ec. Lambert Jitmau, Mayor
 - Dr. H. E. Sihombing, MM, City Secretary
 - Abubakar Alhamid S.Sos, M.Si, 2nd Mayor Assistant

3. Main documents and references consulted

At the level of the DGIC

- Key documents related to the P3SW approval process:
 - Letters/notes between WFH, RWS and the Ministry of Foreign Affairs (letter of WFH of 2/6/05, letter of RWS of 13/6/05, mails of WMD providing technical clarifications, letter of MoF of 13/7/05)
 - Covenant between RWS and MoF
 - Beoordelingsmemorandum Pilot Project Public-Private Partnership (June 2005)
- Important letters of MoF: letter of 8/02/2011, mail of 24/05/2011; exchange of mails between RNE in Jakarta and DGIC related to P3SW midterm review and final evaluation
- B. Knapen, Staatssecretaris Buitenlandse Zaken, Beleidsbrief 'Water voor Ontwikkeling' gericht aan voorzitter van de Tweede Kamer der Staten-Generaal, Januari 2012, 17 p.
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- Ministry of Foreign Affairs, A guide to Public-Private Partnerships (PPPs), A practical handbook on launching an effective public-private partnership, The Hague, January 2010, 36 p.

Key documents related to P3SW planning and implementation

- *The FWH/Aquanet component*
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 - Stichting WFH, Public Private Partnership for water infrastructure development in Pekanbaru City, Riau Province, Indonesia, Final Report, November 2010, 9 p. + 13 annexes
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 - Mails of G. van der Kolff to DGIS with regard to MTR and its follow up
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- Stichting WFH, Public Private Partnership for water infrastructure development in Pekanbaru City, Riau Province, Indonesia, progress report nr. 6, Period July – December 2008, May 2009
 - PPP Water supply in Pekanbaru, Realised cost and financing in May 05 – December 08
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 - van der Kolff, G., letter to DGIS, September 2007
 - Programma Partners voor Water, Projectvoorstel WFI, April 2005, 12 p.
 - WFI, Public Private partnership (PPP) plan for water infrastructure development in PDAM Tirta Siak, Pekan Baru City, Riau Province, Indonesia, April 2005, 24 p. + 3 annexes
 - WFI, Checklist for Organisational Capacity Assessment (COCA), 9 p. + annexe
- **The WMD component**
 - Internal WMD documents/memos/... and documents produced on request evaluators
 - Financieel overzicht RNE: Drinkwatervoorziening Oost-Indonesië
 - Mails and letters between WMD and its local partners, in particular mail of 9 April 2011 and letter of October 17, 2011
 - Overzicht aflossingen PT's t/m Juni 2012
 - Revolving fund: overzicht projectuitgaven PT's t/m juni 2012
 - Rules for the board of Directors and for the board of commissioners of PT Air Manado as determined in the meeting of March 16, 2007
 - WMD master plans simplified
 - Progress reports:
 - Progress Report East Indonesia P3SW-RNE, 2011, 41 p.
 - Progress Report East Indonesia P3SW-RNE, January – June 2011, 38 p.
 - Progress Report East Indonesia P3SW-RNE, 2010, 81 p.
 - Progress Report East Indonesia P3SW-RNE, January – June 2010, 85 p.
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 - Aanvraag aanvullende fondsen (RNE project), 33 p.
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 - JVC in Ambon (PT Dream Sukses Airindo):
 - PT Dream Sukses Airindo, Company Profile
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- Water supply City of Ambon Maluku 1999 – 2006, WMD project Water for Indonesia, Summary of activities until December 2006, November 2007, 19 p.
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 - Circular resolution of the General Meeting of Shareholders of PT Air Manado, June 2012, 5 p.
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- PT Tirta Remu, powerpoint presentation, June 2012
 - Sosialisasi kenaikan tariff air bersih, May 2012, 2 p.
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 - Independent Auditors Report to financial statement of PT Tirta Remu for the year ended December 31, 2011 and 2010
 - Loan agreement between PT Tirta Inti Drenthe, PT Tirta Remu and Tirta Drenthe BV for 2010, February 2012, 14 p.
 - Loan agreement between PT Tirta Inti Drenthe, PT Tirta Remu and Tirta Drenthe BV for 2009, August 2011, 14 p.
 - Water supply City of Sorong Papua 2004 – 2007, WMD project Water for East Indonesia, Summary of Activities October 2004 – July 2007, August 2007
 - Loan agreement between PT Tirta Papua and PT Tirta Remu contract nr. 4, January 2007, 6 p.
 - Loan agreement between PT Tirta Papua and PT Tirta Remu contract nr. 3, January 2007, 7 p.

- Independent Auditors Report to financial statement of PT Tirta Remu for the year ended December 31, 2011 and 2010
 - Independent Auditors Report to financial statement of PT Tirta Remu for the year ended December 31, 2010 and 2009
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 - Cooperation Agreement PDAM/Kabupaten Biak Numbor/BV Tirta Papua, August 2004
- JVC in Merauke: PT Wedu Merauke
 - Ringkasan data produksi – distribusi PT. Wedu Merauke, Tahun 2011
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 - WMD, Drinkwatervoorziening Oos Indonesië, Een demonstratie van een publiek-private samenwerking, June 2005, 44 p. (+ covering letter)

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- Water P-NOTES, issue 41, Public-Private Partnerships for Urban Water Utilities, A Review of Experiences in Developing Countries, April 2010, 4 p.

4. Key Performance Indicators (five locations)

4.1 Biak

Indicators	Baseline	2008	2009	2010	2011	Evaluation	Changes (°)
Consumer data							
Population service area	120.849	129.267	132.201	135.202	142.521		21.672
Number of HC		5.390	5.845	6.603	7.127	7.127	1.737
Number of active HC	5.110	5.327	5.711	6.352	5.808	5.808	698
People served by public taps							
Nr. of public taps			22	27	?		
Inhabitants having access to water	30.660	34.641	38.561	48.501		32.028	1.368
Connection density - active HC (%)	25	25	26	28	24		-1
Coverage (%)	25	27	29	36			11
Human resources							
Number of employees	42	47	40	42	43		1
Staff efficiency (Active HC/employee)	122	113	143	151	135		13
Production							
Water production (.000m3)		2.754	3.149	3.285	3.539		785
Specific energy use (kWh/m3)		0,43	0,40	0,48	0,54		0,11
Distribution							
Water sold (.000 m3, via HC and trucks)		1.429	1.324	1.373	1.397	1.388	-41
NRW (%)	66	48	58	58	61		-5
Income							
Total operational income (000,000 IDR)		4.712	6.582	5.641	6.413		1.701
Income from water sales (000,000 IDR)	3.450	4.642	6.507	6.248	5.879		2.429
Average tariff (IDR/m3)	950 (?)	2.198	3.804	3.973			1.775
Income after taxes (000,000 IDR)		-2.414	1.914	-7.284	-2.929		-515

(°) Baseline (2004) against latest data available

4.2 Manado

Indicators	Baseline	2008	2009	2010	2011	Evaluation	Changes (°)
Consumer data							
Population service area	405.000	450.780	468.811	487.563	426.411	410.481	5.481
Number of HC	25.284				33.914		8.630
Number of active HC	32.000 (?)	16.608	17.057	21.834	22.930	23.682	7.074
People served by public taps							
Nr. of public taps	17	121	121	121			
Inhabitants having access to water	91.590	114.214	125.277	133.370			41.780
Connection density - active HC (%) (*)	47 (?)	22	22	27	32	35	13
Coverage (%)		25	27	27		35	10
Human resources							
Number of employees	318	350	350	285	276	276	-42
Staff efficiency (Active HC/employee)		47	49	77	83	86	39
Production							
Water production (.000m3)	27026 (?)	21.444	24.737	25.148	19.805		-1.639
Distribution							
Water sold (.000 m3, via HC and trucks)		3.638	4.309	5.258	5.509		1.871
NRW (%)	79	83	83	79	72	66	-13
Income							
Total operational income (000,000 IDR)		20.187	27.050	28.560	35.722		15.535
Income from water sales (000,000 IDR)		19.116	25.159	34.171	32.426		13.310
Average tariff (IDR/m3)	2.950	3.084	4.002	3.978		4.299	1.349
Income after taxes (000,000 IDR)		-12.630	-15.554	-9.265	-7.313		5.317

(°) Baseline (2005) against latest data available

(*) = (Active HC * 6)/population service area

4.3 Merauke

Indicators	Baseline	2008	2009	2010	2011	Evaluation	Changes (°)
Consumer data							
Population service area		70.864	72.614	74.408	77.131		77.131
Number of HC	3.199				4.467	4.465	1.266
Number of active HC	3.049	3.330	3.406	3.329	3.380	3.389	340
People served by public taps		5.000	5.000	5.000			
Nr. of public taps	22	?	?	?			
Inhabitants having access to water	19.326	24.980	25.436	24.974			5.648
Connection density - active HC (%)		28	28	27	26		-2
Coverage (%)		35	35	34			-1
Human resources							
Number of employees	45	66	66	66	56	56	-45
Staff efficiency (Active HC/employee)	68	50	52	50	60	61	-7
Production							
Water production (.000m3)	844	970	1.053	974	1.228	1.228	384
Specific energy use (kWh/m3)		1,40	1,28	1,23	1,39		-0,01
Distribution							
Water sold (.000 m3, via HC and trucks)		683	687	633	614	614	-69
NRW (%)		30	35	35	50	50	20
Income							
Total operational income (000,000 IDR)		5.376	5.428	5.555	5.902		526
Income from water sales (000,000 IDR)		5.031	5.171	5.376	5.351		320
Average tariff (IDR/m3)	5.950	6.028	7.700	7.627			1.677
Income after taxes (000,000 IDR)		-1.805	-846	-3.462	-1.963		-158

(°) Baseline (2005) against latest data available

4.4 Sorong

Indicators	Baseline	2008	2009	2010	2011	Evaluation	Changes (°)
Consumer data							
Population service area	172.803	188.443	193.963	199.646	207.632	188.477	15.674
Number of HC	9.035	6.802	7.224	11.258	11.867	12.978	3.943
Number of active HC	8.985		7.224	7.486	7.012	9.636	651
People served by public taps							
Nr. of public taps	62		300				238
Inhabitants having access to water	53.910	40.812	60.323	61.897		90.846	36.936
Connection density active HC (%)	31	0	22	22	20	31	0
Coverage (%)	31	22	31	31		48	17
Human resources							
Number of employees	133	131	127	121	121	119	-14
Staff efficiency (Active HC/employee)	68		57	62	58	81	13
Production							
Water production (.000m3)	340 (°)	3.253	3.497	3.680	4.051	3.946	693
Specific energy use (kWh/m3)		0,40	0,46	0,65	0,51		0,11
Distribution							
Water sold (.000 m3, via HC and trucks)	1019 (°)	1.518	1.511	1.479	1.597	1.636	118
NRW (%)	80	53	57	60	61	51	-29
Income							
Total operational income (000,000 IDR)	3666 (°)	4.401	5.708	9.934	10.179		5.778
Income from water sales (000,000 IDR)		3.881	5.070	8.162	8.051		4.170
Average tariff (IDR/m3)	1000 (?)	2.547	3.075	3.075			528
Income after taxes (000,000 IDR)	-4589 (°)	-8.647	-3.394	-3.186	-2.168		6.479

(°) Baseline (2005) against latest data available

(°) Atypical year because of disconnection from power grid

4.5 Ambon

Indicators	Baseline	2008	2009	2010	2011	Evaluation	Changes (*)
Consumer data							
Population service area		57.750	58.200	58.654	60.801	68.079	10.329
Number of HC					7.374	7.374	7.374
Number of active HC	4.767	5.696	6.044	6.342	7.374	7.374	2.607
People served by public taps		800	800	800			
Nr. of public taps							
Inhabitants having access to water		34.976	37.064	38.052		47.827	12.851
Connection density - active HC (%)		59	62	65	73	73	14
Coverage (%)		0,61	0,64	0,65		0,70	0,10
Human resources							
Number of employees	40	45	50	50	53	52	12
Staff efficiency (Active HC/employee)	119	127	121	127	139	142	23
Production							
Water production (.000m3)	2.757	1.968	2.464	2.713	2.936		179
Specific energy use (kWh/m3)	0,41	0,52	0,55	0,44	0,03 (?)		0,03
Distribution							
Water sold (.000 m3, via HC and trucks)		1.329	1.453	1.668	2.160		831
NRW (%)	56	32	41	38	26	28	-28
Income							
Total operational income (000,000 IDR)		4.725	7.823	9.955	7281 (*)	12.637	7.912
Income from water sales (000,000 IDR)		4.394	6.717	8.760	5912 (*)		4.366
Average tariff (IDR/m3)		3.157	3.449	3.689			532
Income after taxes (000,000 IDR)		-2.794	-1.288	1.037	1.697		4.491

(*) Baseline (first half of 2006) against latest data available

(*) Figures for 9 months only

5. Evaluation framework

Key task/issue	Question/judgement criterion/ indicator	Document review	Broader literature review	Interviews the Netherlands	Interviews Jakarta	Interviews field	Site visits & observation	Focus group discussions	Case study	Comments/clarifications
1. Establish provided inputs of partners involved	1.1 How many financial means have been spent on the program origins of these means?	X								
	1.2 Relation between actual spending and initial planning? Reasons for deviations?	X	(X)	(X)		X				
	1.3 Nature of spending (TA, investments, ...) and level of correspondance with initial planning? Reasons for deviations?	X	(X)	(X)		X				Entire program period to be considered, but no analysis of period before MTR
	1.4 Relevance and quality of TA inputs	(X)	(X)	X	X	X		X	(X)	
	1.5 Relevance and quality of investments	(X)	(X)		X	X	X		(X)	
	1.6 Relevance and quality of other uses of financial means (if any)	(X)	(X)		X	X	(X)	X		Some overlap with questions under 3 and 4
2. Description and assessment of the PPP models	2.1 PPP in Pekanbaru	X								
	2.1.1 Historical background	X		X	X	X				
	2.1.2 Major aims	X		X	X	X				
	2.1.3 Description: contract modalities, financing, regulatory environment, actual implementation and stakeholder engagement	X	X	X	X	X		X		
	2.1.4 Assessment of the model (strong and weak points, benchmark with international practices, key risk and succes factors, ...)	X	X	X	X	X		X	X	Benchmark with international practices both at time contracts were signed and today
	2.2 PPP in East Indonesia									
	2.2.1 Historical background	X		X	X	X				
	2.2.2 Major aims	X		X	X	X				
	2.2.3 Description: contract modalities, financing, regulatory environment, actual implementation and stakeholder engagement	X	X	X	X	X		X		
	2.2.4 Assessment of the model (strong and weak points, benchmark with international practices, key risk and succes factors, ...)	X	X	X	X	X		X	X	Benchmark with international practices both at time contracts were signed and today

4. An assessment of the sustainability of the program													Assessment at level of consumer
4.1 Pekanbaru	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.1 To which extent has the improved level of water supply (achieved at the end of the implementation period) been maintained?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.2 To which extent have the technical achievements (related to outputs 1-4) of the project component been preserved (adequate O&M, ...)?	X	(X)	X	X	X	X	X	X	X	X	X	X	X
4.1.3 To which extent can counterpart utilities ensure financial/economic viability (cost control, billing, tariffs, commitment of financial/political institutions for follow-up funding, ...)?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.4 To which extent are local counterpart utilities institutionally sustainable (good accountability; good internal systems of planning, implementation and control; sufficient political back; sufficient level of operational independency, ...)?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.5 To which extent is social and political sustainability ensured (political embedding of the water utility; alignment with regional and national policies; pro poor orientation, ...)?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.6 To which extent is the drinking water system ecologically sustainable?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.1.7 To which extent are the results with regard to increased Dutch involvement in the water sector sustainable?	X	X	X	X	X	X	X	X	X	X	X	X	Desired focus: increased involvement as such, or lessons learned?
4.2 East-Indonesia	X	X	X	X	X	X	X	X	X	X	X	X	X
4.2.1 To which extent has the improved level of water supply (achieved at the end of the implementation period) been maintained?	X	X	X	X	X	X	X	X	X	X	X	X	X
4.2.2 To which extent have the technical achievements (related to outputs 1-3) of the project component been preserved (adequate O&M, ...)?	X	(X)	X	X	X	X	X	X	X	X	X	X	X
4.2.3 To which extent can counterpart utilities ensure financial/economic viability (cost control, billing, tariffs, commitment of financial/political institutions for follow-up funding, ...)?	X	X	X	X	X	X	X	X	X	X	X	X	X

Final Evaluation of the P3SW Public Private Partnership

Pilot Programme for Pekanbaru and East Indonesia

Executive Summary (Bahasa Indonesia)

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P3SW adalah sebuah PPP (Public Private Partnership atau Kemitraan Pemerintah - Swasta) di sektor air yang telah dibentuk pada tahun 2002, dan merupakan prakarsa dari berbagai mitra Belanda untuk melaksanakan proyek proyek perintis PPP dalam sektor air di negara-negara berkembang. Program ini ditujukan untuk meneliti bagaimana kerja sama antara prakarsa publik dan swasta di negeri Belanda dapat secara berhasil menyumbang pada konsolidasi, peningkatan dan perluasan prasarana air bagi penduduk perkotaan yang berkembang cepat di kawasan negara-negara berkembang. Pada akhirnya dua buah proyek uji coba dipilih, keduanya berlokasi di Indonesia. Satu proyek dilaksanakan di kota Pekanbaru (ibukota provinsi Riau, Sumatra) bersama dengan Water Fund Holland (WFH, sebuah usaha patungan yang terdiri dari lima perusahaan air Belanda, yang ditujukan bagi investasi dan operasi infrastruktur air di negara-negara berkembang) sebagai pelaksana proyek. Proyek kedua dilaksanakan di beberapa kota di Indonesia Kawasan Timur (Sulawesi Utara, Maluku, Papua) oleh Waterleidingmaatschappij Drenthe (WMD) sebagai pelaksana.

Pelaksanaan proyek dimulai secara resmi pada tahun 2005 dan ditetapkan untuk selesai pada bulan Desember 2010. Namun demikian, karena berbagai alasan komponen Pekanbaru dihentikan menjelang akhir 2009, sementara komponen Indonesia Kawasan Timur diperpanjang sampai dengan akhir tahun 2011; dengan demikian komponen kedua ini dapat memetik manfaat dari tambahan hibah yang diberikan oleh Kedutaan Besar Belanda di Indonesia. Anggaran awal dari program ini berjumlah €23.5M (€7M untuk Pekanbaru, €16.5M untuk Indonesia Timur) dimana €16.1M diantaranya bersumber dari dana publik.

Bagi DGIS (Direktorat Umum untuk Kerjasama Internasional), tujuan utama dari evaluasi final ini adalah untuk menyediakan sebuah pembelajaran yang kelak dapat digunakan bagi pengembangan lebih lanjut dari pola pendekatan PPP di sektor air, yang merupakan salah satu sektor andalan dalam kerjasama pembangunan Belanda. Perusahaan-perusahaan air Belanda berharap hasil evaluasi ini dapat menghasilkan temuan-temuan bermanfaat guna melengkapi proses refleksi internal mereka, dan mendukung keterlibatan mereka lebih lanjut dalam sektor air di Indonesia.

Tugas khusus dari tim evaluasi antara lain adalah penilaian dan perhitungan kuantitatif dari hasil yang dicapai, penilaian atas kemungkinan keberlanjutan dari program, identifikasi dari risiko-risiko utama dan faktor-faktor keberhasilan dalam hubungannya dengan pola pendekatan PPP yang dipilih, dan perumusan rekomendasi. Evaluasi terutama ditujukan pada perkembangan-perkembangan dari program terhitung sejak Januari 2009 (setelah evaluasi jangka menengah/mid-term review dilaksanakan), termasuk periode setelah penutupan resmi dari kedua komponen proyek. Pendekatan evaluasi yang diambil memiliki dua sisi – pada satu sisi melihat kinerja masa lalu, dan pada sisi lainnya melihat kedepan untuk merefleksikan kondisi-kondisi optimal guna mencapai dampak yang terbesar – sedemikian sehingga dapat mencakup baik sisi akuntabilitas maupun sisi fokus pembelajaran dari evaluasi ini. Kunjungan ke lapangan meliputi semua lokasi utama program dan dilaksanakan secara interaktif guna memfasilitasi pertukaran pendapat dengan

semua pemandu kepentingan pada tingkat lokal. Banyak perhatian telah diberikan pada proses triangulasi informasi sedemikian agar dapat mencapai pemahaman yang akurat dan berimbang tentang perspektif dan kepentingan yang berbeda-beda dari para mitra program dan pemangku kepentingan lainnya.

Konteks Program

Sebagai proyek uji-coba, P3SW telah dapat memanfaatkan iklim kebijakan yang menguntungkan yang disertai dorongan prakarsa yang kuat dari pihak Belanda. Namun demikian hal ini tidak mencegah berlalunya waktu yang cukup panjang (dari 2002 sampai 2005) sebelum program ini dapat terlahir. Perusahaan perusahaan air Belanda yang terpilih tidak saja menghadapi berbagai tantangan selama persiapan program, namun ternyata menentukan format kelembagaan yang memadai untuk suatu prakarsa PPP juga sulit karena adanya berbagai kendala legal dan prosedural di negeri Belanda. Akhirnya ditentukanlah sebuah bentuk program yang kompleks dimana RWS (Rijkswaterstaat, sebuah badan pelaksana dari Kementerian Transportasi dan Pengelolaan Air Negeri Belanda) ditunjuk sebagai pimpinan pelaksanaannya, sedangkan DGIS terutama berperan sebagai penyandang dana. Belakangan menjadi jelas bahwa bentuk program ini tidak di sertai mekanisme mekanisme yang memadai guna memastikan pengendalian dan pemikiran strategis dan , secara lebih luas , bahwa resiko resiko serta tantangan tantangan dalam rangka koordinasi dan pengawasan proyek uji-coba yang rumit ini ternyata tidak dipahami secara memadai. Pada tahapan tahapan lanjut barulah DGIS mulai terlibat agak lebih dekat dengan program ini. Fokus di awal yang kuat pada masalah masalah pengaturan internal di sisi Belanda, juga berarti bahwa hanya sedikit perhatian yang telah diberikan kepada pembentukan mekanisme program kemitraan (Belanda-Indonesia), yang pada gilirannya menyiratkan bahwa keterlibatan pihak yang berwenang dari sisi Indonesia (paling tidak pada tingkat nasional) tetap terbatas sepanjang pelaksanaan program.

Indonesia telah menentukan sasaran sasaran yang tinggi bagi pembangunan sektor air bersih, antara lain termasuk akses kepada air PAM untuk 60 juta penduduk lagi antara tahun 2004 dan 2015. Arahan kebijakan pemerintah merencanakan peningkatan dalam jangkauan/liputan dan mutu air bersih melalui dukungan kepada perusahaan perusahaan air minum daerah (PDAM), optimalisasi pendanaan di sektor air dengan cara meningkatkan peran sektor swasta, dan pembangunan suatu kerangka kerja kelembagaan dan aturan melalui penerapan pendekatan pemerintahan yang baik (good governance) pada tingkat perusahaan perusahaan air.

Sementara berbagai prakarsa penting telah dilakukan guna memperbaharui kerangka hukum pada sektor ini, masih banyak wilayah abu abu yang tertinggal yang menciptakan beberapa ketidakpastian dan menjadi penghambat bagi para pelaku swasta untuk turut terlibat. Hal ini juga yang menjelaskan mengapa prakarsa PPP di sektor air sejauh ini tetap saja relatif sedikit jumlahnya. Kerangka kerja legal juga memberikan otonomi yang menjangkau jauh bagi kabupaten dan kota di beberapa bidang penting, termasuk bidang penyediaan air bersih yang umumnya ditangani oleh perusahaan perusahaan PDAM yang terutama dimiliki dan dioperasikan dibawah kewenangan bupati atau walikota. Kebanyakan dari PDAM ini berukuran kecil dan di masa lalu memiliki prestasi yang kurang memuaskan, namun – secara umum – lambat laun meningkat selama beberapa tahun terakhir. Dukungan

dari lembaga lembaga nasional telah disediakan, namun sejauh ini hanya secara sangat parsial menyentuh kebutuhan lokal bidang kelembagaan, teknis dan keuangan. Berbeda dari apa yang terjadi di banyak negara berkembang lainnya, para pelanggan disini sampai hari ini nyaris tidak memainkan peran sebagai pemangku kepentingan berdasarkan haknya. Hal ini dapat dijelaskan dengan adanya kelimpahan air yang relatif besar dan akses air yang relatif murah di sebagian besar wilayah Indonesia, serta kurangnya tradisi aksi dan tuntutan kolektif dalam kasus gagalnya penyediaan air bersih untuk umum.

Kajian terhadap Komponen Pekanbaru

PPP Pekanbaru memiliki bentuk yang rumit yang kemudian harus dicangkokkan pada sebuah PPP (atau lebih tepatnya sebuah Perjanjian Kerjasama Operasional antara Pemerintah Kota/Pemkot dan PDAMnya, dengan pihak KTDP – sebuah perusahaan Indonesia) dimana KTDP lah yang merupakan mitra WFH yang sesungguhnya. Ciri utama kemitraan ini, setidaknya pada masa awal, adalah sebuah kontrak tipe REOT (Rehabilitate – Operate – Transfer) untuk memasok air secara curah kepada KTDP yang memiliki perjanjian dengan pihak Pemkot setempat. Berkurangnya NRW (Non Revenue Water) dalam jumlah besar, perbaikan dalam kinerja staf dan peningkatan dalam kapasitas jaringan pipa dan sambungan rumahtangga merupakan sasaran penting lainnya.

Setelah sebuah awal yang cepat dan menjanjikan yang melibatkan investasi jumlah besar oleh WFH, program ini mulai menghadapi kesulitan kesulitan yang meningkat. Pertama-tama, bentuk kelembagaan yang rumit mempunyai arti bahwa WFH hanya memiliki kendali langsung yang terbatas atas proses perubahan yang diinginkan, dan bahwa tanggungjawab yang jelas atas komponen komponen spesifik dari matarantai pasokan air tidak dapat ditentukan. Masalah keuangan KTDP juga memaksa program ini untuk meninjau ulang sasaran sasaran awalnya agar program dapat tetap berjalan. Selanjutnya, resistensi untuk berubah pada tingkat PDAM yang didukung kalangan politik, merupakan kesulitan besar lainnya. Semakin lama menjadi semakin jelas bahwa bahwa PDAM tidak berkeinginan untuk memperbaiki tata kelola ataupun kinerjanya, karena hal ini akan berarti melepaskan hak hak istimewa yang secara diam-diam telah diperolehnya selama ini. Ini menyiratkan bahwa masukan masukan WFH yang pada hakekatnya bernilai tinggi, pada akhirnya hanya memberikan hasil yang terbatas.

WFH dan KTDP telah melakukan berbagai upaya untuk menyelesaikan perbedaan perbedaan mendasar terkait pengelolaan dan pengarahan kemitraan ini, namun tanpa hasil. Pihak otoritas politis setempat semakin lama semakin menyuarakan ketidakpuasan mereka atas kinerja yang rendah dari kemitraan ini. Kebuntuan ini membawa kepada pengurangan rencana investasi yang substansial, yang tanpa bisa dihindari berdampak pada kinerja layanan. Meskipun telah diadakan beberapa kali upaya mediasi, antara lain oleh pihak BPPSPAM, pemerintah kota Pekanbaru pada akhirnya memutuskan untuk menghentikan kerjasama, pada saat mana WFH dan KTDP secara de facto sebenarnya juga sudah tidak berharap untuk dapat memperbaiki keadaan. Keputusan ini merupakan tanda dimulainya sebuah sengketa hukum berkenaan dengan pembayaran kembali investasi kepada KTDP, yang belum diputuskan pada saat kunjungan lapangan dari tim evaluasi (Juni 2012).

Penghentian dari program ini sebelum waktunya, berakibat bahwa kurang dari separuh anggaran awal (namun 63 % dari anggaran DGIS) saja yang terserap, sedangkan KTDP tidak berhasil merealisasikan sesuatu apapun dari rencana kontribusinya (dimana perlu dicatat bahwa KTDP telah membiayai investasi investasi pada periode 2003 – 2005). Tidaklah mengherankan jika mobilisasi Bantuan Teknis (Technical Assistance/TA) guna mengelola program menjadi lebih banyak daripada yang direncanakan, dan hanya 32% belanja investasi yang terrealisasikan, sebagian besar disebabkan oleh sikap hati-hati mitra Belanda begitu masalah masalah serius mulai muncul. Karena alasan alasan yang nyata ini maka target target program yang berkenaan dengan peningkatan akses kepada air bersih serta sambungan baru dan penurunan NRW sama sekali tidak dapat dicapai . Sebuah peninjauan pada saat proyek berakhir bahkan mengungkapkan masalah besar pada mutu air yang di distribusikan, yang antara lain merupakan ancaman bagi kesehatan umum.

Kunjungan tim evaluasi ke Pekanbaru lebih dari tiga tahun setelah program benar-benar dihentikan, mengungkapkan kemerosotan lebih jauh dari keadaan : penurunan jangkauan distribusi, berlanjutnya masalah serius pada mutu air (keasaman), dan NRW yang meningkat. Banyak diantara perbaikan perbaikan teknis yang dibawa oleh program ini ternyata tidak dapat berkelanjutan disebabkan oleh gagalnya O & M (Operations & Maintenance). Secara keseluruhan PDAM nampaknya telah kehilangan segala kredibilitasnya, bahkan diantara kaum elit politik. Sebenarnya kegagalan dari PPP nampak sejalan dengan pengalaman sebelumnya dalam kerjasama serupa dengan mitra luar , dan sebagian besar disebabkan oleh penolakan PDAM dan Pemkot selama bertahun-tahun terhadap perubahan perubahan penting dalam kelembagaan yang dapat mengganggu kepentingan kepentingan mereka. Sementara itu penduduk kota telah belajar untuk mencari solusi solusi lain , diantaranya solusi yang mempunyai potensi untuk berdampak negatif terhadap lingkungan (seperti sumur bor dangkal). Penyediaan air minum kebanyakan dipenuhi oleh sektor swasta. Bagian dari masyarakat yang berpendapatan lebih rendah merupakan korban utama dari kegagalan layanan publik, namun tidak terlihat adanya aksi kolektif yang terorganisir guna melobby demi perbaikan.

Kajian terhadap komponen Indonesia Kawasan Timur

Pada awalnya WMD berencana untuk melibatkan diri dengan sepuluh pemkot beserta PDAMnya masing masing, melalui sebuah perjanjian kerjasama model konsesi membentuk Usaha-usaha Patungan (Joint Venture Companies atau JVCs) yang didirikan melalui anak anak perusahaan WMD setempat. Pada akhirnya JVC tersebut hanya didirikan di empat kota (Manado, Sorong, Biak, Merauke), dimana tiga diantaranya berada di Papua, salah satu wilayah Indonesia yang paling tertinggal pembangunannya. Pendekatan WMD ini didasarkan pada pengalaman kerjasamanya di kota Ambon, dimana sebuah JVC telah didirikan di tahun '90an . Periode kemitraan yang ditentukan pada awalnya adalah 15 tahun, yang dengan demikian secara substansial berjangka waktu lebih lama daripada program P3SW. Sepanjang jangka waktu berjalannya program ini, WMD telah berusaha untuk membentuk perusahaan perusahaan air minum setempat yang bersifat otonom dan berkelanjutan, yang akan memastikan adanya produksi serta distribusi air minum berbasis "cost recovery". Target target program meliputi perbaikan air minum untuk 600.000 penduduk, 91.500 buah sambungan rumah yang baru, pengurangan NRW secara substansial antara lain melalui rehabilitasi jaringan distribusi, dan pengembangan kapasitas

keampilan dan pengelolaan lokal. Sebuah proyek susulan yang telah diajukan dan disetujui oleh Kedutaan Besar Kerajaan Belanda di Jakarta, dimaksudkan guna mempercepat proses perubahan teknis dan organisasi, dan realisasi dari kurang lebih 45.000 sambungan baru tambahan.

Kajian ini menemukan bahwa mutu infrastruktur bervariasi, dengan O&M kurang memadai yang dalam banyak kasus membatasi dampak investasi. Juga dicatat beberapa ketidaksepahaman antara para mitra mengenai prioritas investasi. Ditemukan beberapa perbaikan penting pada wilayah administrasi dan keuangan yang antara lain memperbaiki kemungkinan untuk memerangi kecurangan dan korupsi ; namun demikian biaya untuk melakukan perbaikan ini dianggap terlalu tinggi (sebagian disebabkan oleh penggunaan perangkat lunak yang mahal, yang pemanfaatannya oleh mitra lokal dirasakan sebagai dipaksakan oleh WMD). Pengeluaran program melebihi ketentuan awal anggaran, dimana WMD memobilisasi dana tambahan guna menutup kesenjangan yang terjadi itu. Tingginya biaya persiapan pada tahap awal tidak diimbangi dengan hasil yang meyakinkan, karena berbagai asumsi awal penting bersifat teknis dan kelembagaan, belakangan ternyata tidak tepat. Sebuah komponen besar TA (Technical Assistance) dalam berbagai jenis pengeluaran (investasi, dukungan organisasi, ...) telah dimobilisasi terutama dari dalam lingkungan "keluarga" WMD. Kajian ini telah merekam pendapat-pendapat yang beragam mengenai mutu dan kesesuaian TA ini ; khususnya yang sangat dipertanyakan adalah mutu TA yang disediakan oleh Inowa, sebuah perusahaan lokal milik kelompok WMD.

Sifat dari program PPP ini dan khususnya perkembangannya dari awal sampai dengan saat ini, telah berdampak besar pada pelaksanaan dan kinerja program. Karena pada saat dimulainya program keempat PDAM tersebut berkinerja buruk dan/atau memiliki rekam jejak yang meragukan, sejak tahap awal WMD telah mengambil langkah-langkah pencegahan guna melindungi kepentingannya. Perjanjian Kerjasama (Cooperation Agreements/Cas) meliputi posisi mayoritas (51%) bagi WMD, dan juga mengandung ketentuan-ketentuan lebih jauh untuk mengamankan otonomi operasional JVCs terhadap intervensi eksternal (politis), dimana biasanya perusahaan-perusahaan negara/daerah seperti PDAM sering dikendalikan oleh kaum elit politik dan lebih banyak digunakan untuk kepentingan para elit tersebut ketimbang untuk kepentingan umum. Dalam hal ini WMD bermaksud untuk mengambil sebuah pendekatan bertahap sepanjang masa 15 tahun, dimana WMD bertujuan untuk memegang kendali penuh pada tahap pertama (4 – 5 tahun), yang dimaksudkan terutama untuk merehabilitasi infrastruktur dan memperkuat kapasitas lokal. Tahap ini kemudian dimaksudkan agar menjadi dasar kinerja operasional yang lebih baik guna memungkinkan JVCs dalam tahap berikutnya menarik kredit investasi yang tersedia di pasar tanpa dukungan eksternal.

Meskipun bentuk kerjasama ini telah memungkinkan WMD untuk secara cepat terlibat dalam sebuah proses transformasi berjangkauan jauh bagi perusahaan-perusahaan yang kurang sehat, yang pada awalnya mendapat sambutan baik pada tingkat lokal, namun hubungan antara para mitra segera mulai memburuk. Kendali operasional WMD yang berlanjut membawa pada kurangnya rasa kepemilikan dan rasa ketidakberdayaan pada sisi lokal. Walaupun struktur dan prosedur tata kelola telah diuraikan dengan baik di atas kertas, dalam praktek ternyata tidak berfungsi secara baik. Wakil-wakil dari mitra lokal sering tidak

termotivasi, atau kurang mampu untuk mengemban tanggungjawabnya dan mengartikulasikan pandangan serta prioritas lokal dengan sesungguhnya. Dengan demikian, peran WMD yang menonjol menyebabkan pemerintah setempat mulai melepaskan diri dari tanggungjawab mereka di sektor air. Baru pada tahun 2011 WMD mengumumkan sebuah pergeseran pola pendekatan dari 'mengendalikan' menjadi 'memfasilitasi', namun pada saat kajian ini dilakukan pergeseran pola ini dalam praktiknya belum membawa banyak perubahan.

Kurangnya kejelasan terkait dengan modalitas implementasi utama berdampak negatif lebih lanjut terhadap kemitraan. Pada tahun-tahun awal, suatu pembahasan panjang tentang pengalihan aset-aset kepada perusahaan-perusahaan JVC yang baru dibentuk (diingini oleh WMD namun ditentang oleh otoritas lokal) telah menghabiskan banyak energi dan mengeruhkan hubungan kedua belah pihak. Juga terdapat kekurangjelasan mengenai sifat dukungan yang diberikan WMD (semula dianggap sebagai hibah pembangunan oleh para mitra lokal, namun oleh WMD selalu dipandang sebagai sebuah pinjaman), kemudian juga mengenai syarat-syarat pinjaman yang sering kali telah ditetapkan secara formal jauh setelah dana-dana pinjaman tersebut secara efektif telah dibelanjakan. Tambahan lagi, pinjaman-pinjaman sampai dengan tahun 2009 dicairkan langsung melalui anak-anak perusahaan WMD, tanpa pengawasan dari mitra lokal.

Sejalan dengan prinsip pemulihan biaya sepenuhnya (full cost recovery), WMD menghendaki agar dana-dana program dikonversikan ke dalam bentuk pinjaman yang akan menjadi bagian dari suatu dana bergulir. Walaupun prinsip full cost recovery ini adalah suatu prinsip yang layak (dan juga merupakan bagian dari kebijakan pemerintah Indonesia), penerapannya pada tahap-tahap awal program adalah terlalu dini. Memang, perusahaan-perusahaan JVC yang baru ini dibangun atas perusahaan-perusahaan PDAM yang kurang sehat, yang pada tahun-tahun awalnya memerlukan hibah untuk bisa mencapai tingkat kinerja yang memadai, sebelum mereka benar-benar dapat mengambil pinjaman. Konsekwensi dari kebijakan WMD ini adalah bahwa perusahaan-perusahaan JVC tersebut secara cepat mengakumulasi hutang dalam jumlah besar yang membawa peningkatan rasa tidak nyaman di pihak lokal, terlebih lagi karena hutang-hutang ini tidak diimbangi oleh perbaikan-perbaikan kinerja yang berarti. Pada akhirnya (yaitu setelah, tetapi bukan sebagai akibat dari kunjungan tim evaluasi ini) WMD memutuskan untuk secara drastis mengkaji ulang syarat-syarat perjanjian pinjaman dan mengkonversikan sebagian dari pinjaman menjadi hibah. Elemen penting terakhir yang berdampak negatif terhadap hubungan antar para mitra adalah bahwa para pemangku kepentingan lokal juga merasa bahwa mereka hanya mempunyai sedikit pengaruh atas pengambilan keputusan menyangkut TA (kapan dan jenis TA mana yang dibutuhkan, untuk tujuan apa, dalam kondisi bagaimana dst.), dan bahwa kerangka acuan yang jelas, kalau memang ada, tidak disampaikan pada tingkat lokal.

Andaikatapun target-target awal yang terlalu berambisi tidak ikut dipertimbangkan, program ini hanya mampu mewujudkan kemajuan yang sedang-sedang saja jika dilihat dari sumber daya yang telah dikerahkan. Peningkatan netto dalam sambungan rumah aktif dan jumlah penduduk dengan akses kepada air masih tetap terbatas. Namun demikian, sepanjang empat tahun terakhir telah dicapai sedikit penurunan dalam tingkat NRW dalam dua dari empat lokasi program; tarif air telah ditingkatkan yang pada prinsipnya memungkinkan pergerakan ke arah full cost recovery. Pada tiga lokasi telah dicatat

peningkatan besar dalam jumlah penjualan air, walaupun hal ini diimbangi oleh peningkatan tunggakan pembayaran pada dua lokasi. Isu keterlibatan pelanggan pada umumnya masih tetap tidak tersentuh, namun setidaknya tidak merupakan fokus utama pada permulaan program. Seluruh perusahaan lokal tetap sangat tergantung pada WMD untuk pendanaan tambahan ; tidak ada pendanaan sejenis yang dapat dipikat dari sumber sumber lain, walaupun kesempatan untuk itu tersedia.

Pada saat evaluasi ini dilakukan, kondisi kondisi dasar teknis, finansial dan kelembagaan yang diperlukan guna memastikan kelanjutan penyediaan air pada saat dukungan eksternal ditarik, belum terpenuhi. Nampaknya diperlukan investasi tambahan untuk perbaikan lebih lanjut dari kinerja teknis dan non-teknis. Agar membuat investasi ini lebih efektif, nampaknya sangat diperlukan perubahan perubahan lebih lanjut dalam kultur perusahaan perusahaan, praktek praktek O&M dan dalam dinamika kemitraan. Tanpa mengabaikan komitmen WMD pada jangka waktu kemitraan yang lebih panjang (15 tahun), kemajuan yang dicapai tetap saja terlalu sederhana untuk dapat mengkonfirmasi kelayakan pola pendekatan bertahap ini.

Sebuah tinjauan yang rinci atas indikator kinerja finansial selanjutnya mengungkapkan bahwa walaupun terdapat beberapa kemajuan, semua perusahaan tetap masih lemah dan rentan secara keuangan. Juga sama pentingnya, keterkaitan JVC dengan lembaga lembaga dan prakarsa prakarsa tingkat nasional masih tetap tidak berkembang, hal mana menghalangi mereka untuk berhubungan dengan program program yang ditujukan bagi perbaikan kinerja perusahaan perusahaan air minum pada tingkat lokal. Pada umumnya hubungan dengan pemerintah kota dan kabupaten tidak buruk, namun mengalami kekurangan substansi dalam bentuk komitmen nyata terhadap apa yang pada dasarnya merupakan kewajiban layanan publik. Kurangnya komitmen bahkan minat dari para pejabat politik ini juga diperparah oleh kurangnya tekanan sosial dari penduduk lokal.

Rangkuman analisis P3SW

Melihat keanekaragaman dalam konteks dan pola pendekatannya, proyek proyek P3SW yang sedang ditinjau ini memberikan seperangkat pengalaman yang beragam darimana dapat ditarik pelajaran pelajaran yang bisa memberi informasi bagaimana DGIS dan RNE (Kedutaan Besar Kerajaan Belanda) dapat mendukung perbaikan perbaikan dalam akses kepada air melalui PPP baik di Indonesia maupun di tempat lain. Pelajaran pelajaran yang merangkum dapat ditarik dari satu ataupun kedua proyek, sekitar tema tema akuntabilitas, pengembangan kapasitas, proses kemitraan dan pengaturan pengaturan kontrak dan pendanaan. Namun sebelum melihat secara lebih meluas, rangkuman konteks didalam mana kemitraan kemitraan ini dibentuk perlu ditinjau ulang.

Pada masa proyek proyek P3SW ini sedang di kembangkan, terdapat tekanan yang signifikan dari dalam DGIS untuk mencari peran aktif bagi perusahaan perusahaan air Belanda guna mendukung target target kementerian sekitar Millenium Development Goals (MDGs). Dalam hal ini hasilnya adalah seperangkat hubungan kontraktual yang didorong melalui sebuah proses kompetisi di dalam negeri Belanda, ketimbang di tingkat kota ataupun nasional di Indonesia. Sebagaimana telah didokumentasikan dengan baik, bekerja secara internasional di kota kota dengan tanggung jawab yang telah terdesentralisasi guna

memastikan tersedianya layanan, pengelolaan dan ketrampilan lokal yang beragam, cost recovery yang rendah, intervensi politik yang tinggi dan sangat sedikitnya peraturan peraturan praktis, terbukti sangat sulit.

Sementara mereka diperbolehkan untuk terlibat dalam pola pola PPP melalui proses tender dan pengadaan, pemerintah kota dan kabupaten di Indonesia (sering dengan kemampuan yang sangat terbatas) umumnya dibiarkan sendiri untuk mengembangkan, menandatangani dan melaksanakan proyek kemitraan dengan perusahaan swasta. Baik pemerintah pusat maupun propinsi nampaknya tidak banyak memiliki pengaruh atas apa yang terjadi pada tingkat lokal kota.

Mengenai akuntabilitas, dalam prakteknya di Indonesia hanya sedikit sarana yang secara efektif bisa menuntut mereka yang memiliki kewenangan untuk bertanggungjawab (demikian juga dalam kenyataan, tidak terdapat kemampuan yang bisa diandalkan untuk memastikan para pelanggan membayar tagihan mereka). Tantangan untuk menciptakan sebuah pendekatan yang berpusat pada pelanggan telah didokumentasikan di sepanjang laporan dari kedua kasus P3SW ini. Memperbaiki citra perusahaan perusahaan air, meningkatkan kemampuan mereka untuk tanggap terhadap pelanggan, dan fokus pada kemauan pelanggan untuk membayar dapat menciptakan mekanisme akuntabilitas yang tidak dapat diabaikan begitu saja.

Bahkan sudah semenjak pertengahan 2000-an praktek terbaik yang muncul menyarankan bahwa kerangka kerangka kerja peraturan bertumpu pada target target maupun peran dan tanggungjawab yang realistis, jelas dan telah dinegosiasikan dengan baik. Sehubungan dengan target target P3SW, walau layak secara teknis, namun secara realistis jauh melampaui apa yang dapat dicapai, disertai tantangan tantangan yang sebagian besar datang dari faktor faktor kelembagaan dan kontekstual yang mungkin telah diremehkan pada saat proyek dimulai.

Kedua upaya PPP P3SW ini sebagian besar beroperasi dalam sebuah kehampaan peraturan, tanpa regulator yang ditugaskan secara resmi untuk menangani PPP di luar ibu kota. Dengan adanya pergerakan kearah desentralisasi yang lebih besar, maka baik BPPSPAM maupun Kementerian Pekerjaan Umum tidak memiliki otoritas atau bahkan kapasitas untuk mengawasi kemajuan proyek ataupun terlibat secara resmi tanpa adanya permintaan dari pihak Pemkot. Diluar sedikit fungsi regulasi yang dijalankan oleh Rijkswaterstaat, nampaknya tidak ada mekanisme yang jelas untuk meminta para pihak mempertanggungjawabkan tugas masing masing. Masyarakat sipil sebagian besar tinggal diam dan hanya ada sedikit tekanan relatif dari negeri Belanda, kecuali dari pihak Kedutaan Besar Belanda yang melihat potensi terjadinya dampak negatif pada hubungan bilateral yang disebabkan oleh proyek proyek yang kurang berhasil. Pejabat pejabat pemerintah setempat nampaknya mempunyai hambatan kepentingan pribadi, politis dan hambatan lainnya untuk melakukan pengawasan layaknya selaku salah satu pihak pemegang kontrak.

Dalam melihat kebelakang, nampaknya PPP ini nyatanya semula dirancang lebih di sekitar hubungan antara para pihak di Belanda ketimbang antara pihak pemerintah kota dan kabupaten dengan pihak Belanda yang dikontrak. Jadi, sejak awal hubungan hubungan dengan pihak Indonesia diserahkan kepada perusahaan perusahaan air Belanda, dan

nampaknya mitra mitra lokal ternyata sangat kurang dalam usaha untuk menuntut kepemilikan atas dokumen dokumen yang mengatur kemitraan. Kurangnya penanaman atau sosialisasi proyek dan akseptasi yang sesungguhnya terhadap proyek pada tingkat lokal merupakan tantangan. Kekurangmampuan mitra lokal untuk menyiratkan suatu pendekatan kemitraan berdasarkan integritas merupakan penyebab utama para mitra Belanda menghindari untuk menyerahkan tanggung jawab yang lebih besar lagi. Banyak PDAM memiliki reputasi buruk dan rekam jejak dengan sejarah politisasi, penggelapan, korupsi dan ketidakmampuan.

Persoalan lainnya adalah perhatian atau tekanan pada masalah pengembalian pinjaman dan pada masalah dana bergulir kembali ke lembaga lembaga Belanda. Karena dana dana ini belakangan dikonversikan dari sebuah hibah menjadi sebuah pinjaman yang masuk ke dalam suatu dana bergulir, dan kemudian diinvestasikan kembali dalam sektor air di Indonesia, muncul pertanyaan mengenai pada saat manakah sebenarnya dana tersebut tidak lagi dihubungkan dengan pemerintah Belanda. Pada dasarnya, pengembalian pinjaman telah menjadi tolak ukur utama keberhasilan program program uji coba ini dan dengan demikian merupakan sarana utama bagi akuntabilitas. Baik pemerintah Belanda maupun mitra mitra Indonesia tidak memiliki suara untuk menentukan bagaimana dana tersebut pada akhirnya dimanfaatkan ataupun apa yang terjadi dengan dana itu setelah pengembaliannya.

Peran dan tanggungjawab (berdasarkan kapasitas dan keahlian) nampaknya tidak didefinisikan secara jelas oleh para mitra sejak awal. Keahlian asal lokal untuk memenuhi elemen teknis kurang di upayakan di setiap kotamadya (walaupun sesuai peraturan tender tender diselenggarakan di Pekanbaru). Demikian juga kerangka acuan bagi Inowa atau subkontraktor lainnya nampaknya tidak disepakati bersama melalui suatu proses dengan akuntabilitas yang jelas demi kinerja. (Di Pekanbaru TOR untuk jasa jasa yang diberikan oleh para konsultan/kontraktor seharusnya terlebih dahulu disepakati oleh para pihak yang berkepentingan, termasuk PDAM)

Pada akhirnya hanya dalam sedikit kasus saja nampak bahwa ada seseorang dari pihak PDAM atau pemerintah kotya/kabupaten yang benar benar berpegang pada visi, cita cita dan azas dari keseluruhan proyek kemitraan ini. Model manapun yang digunakan, perlu pemisahaan yang jelas antara kebijakan dan pelaksanaan, sebuah tujuan yang pasti dan sangat dibutuhkan dari WMD di Kawasan Timur Indonesia.

Rangkuman pelajaran dan rekomendasi

Dalam konteks dukungan Belanda kepada PPP, mungkin terdapat kebutuhan untuk pertimbangan yang lebih luas mengenai kebijakan DGIS. Bekerjasama dengan PDAM yang sehat kelihatannya tidak akan membuahkan jenis pengentasan kemiskinan yang diharapkan dari bantuan pembangunan Belanda. Sementara kontrak kontrak yang hanya fokus pada produksi jelas lebih menarik bagi kebanyakan operator internasional, tidaklah jelas bagaimana cara terbaik untuk memastikan bahwa kontrak kontrak seperti itu mempunyai dampak yang lebih langsung pada pemberian layanan bagi kaum miskin. Bekerjasama dengan PDAM yang berkapasitas rendah terbukti sangat menantang karena berbagai alasan yang telah diuraikan di atas. Jika "PDAM kurang sehat" yang menjadi fokus utama, maka

sebuah pendekatan yang ditahap dengan jelas dan dimulai dengan kontrak kontrak jasa atau pengelolaan berjangka lebih pendek akan memungkinkan mitra mitra Belanda untuk secara lebih memadai mengkaji kebutuhan, kondisi infrastruktur, dan konteks politis dan keuangan didalam mana PDAM tersebut beroperasi, lalu kemudian menyesuaikan kembali program dukungan ini sementara hubungan kemitraan berkembang. Hal ini juga akan menumbuhkan sebuah pendekatan yang lebih bersifat “belajar dari melakukan”, sesuatu hal yang - bisa dimengerti – menjadi hilang di tengah tantangan tantangan yang dihadapi dalam pelaksanaan sehari hari.

Guna memungkinkan investasi yang tepat dalam ekspansi dan rehabilitasi dapat berlanjut, para penyandang dana harus meminta kepastian dari para pihak dalam kontrak (baik pemerintah maupun para operator pada tingkat lokal) bahwa pemisahan asset akan menciptakan jarak yang cukup antara kepentingan politis dan kepentingan kota/kabupaten dalam penggunaan perusahaan air sebagai “sapi perahan”. Rencana usaha yang jelas harus dikembangkan berdasarkan kajian kelembagaan yang komprehensif (i.e. tidak hanya menyangkut faktor teknis dan keuangan, namun juga aspek aspek sosial, politik dan lingkungan). Selain teknis dan keuangan, mungkin ketrampilan lain juga dibutuhkan untuk melakukan analisis tetapi juga untuk menegosiasikan kontrak pada tingkat lokal maupun menetapkan (dan meninjau ulang) target target yang realistis.

Analisis ekonomi politis seperti itu menyarankan bahwa komitmen yang sungguh sungguh dari pihak kotamadya/kabupaten melalui dukungan walikota/bupati adalah sangat penting guna memastikan keberhasilan usaha ini. **Upaya upaya harus diarahkan tidak hanya kepada “pemecahan persoalan pada tingkat sarana/prasarana” tetapi juga kepada usaha mendidik kalangan penguasa politis (dari lintas partai politik) tentang apa yang dibutuhkan untuk menjalankan perusahaan air minum secara berhasil.** Mengembangkan fokus pada pelanggan yang menghasilkan permintaan bagi sarana air minum dan dengan demikian membentuk mekanisme akuntabilitas, juga penting dan dalam kenyataannya bisa menghasilkan komitmen kelembagaan dan politis lokal. **Karena itu proyek proyek PPP yang terstruktur kokoh harus mendukung kapasitas tidak hanya pada level teknis, namun juga di seluruh sisi permintaan, bekerja baik melalui jalan pendek maupun jalan panjang menuju akuntabilitas (masing masing melalui penyedia layanan dan pejabat publik).**

Mengenai pengembangan kapasitas, jika pengaturan pendanaan ditujukan kepada atau mendukung kepada kontrak kontrak business to business (B2B), **kiranya perlu ditempatkan sebuah mekanisme peninjauan dan dukungan yang didefinisikan secara bersama oleh Belanda dan Indonesia, untuk memastikan bahwa pembangunan kapasitas pemerintahan lokal menjadi komponen yang jelas dari kontrak.** Untuk tujuan ini, maka TA harus dibingkai lebih sebagai bagian dari proses perbaikan organisasi yang lebih luas ketimbang sebagai sebuah rangkaian pemecahan masalah satu per satu yang terus menerus. Pengalaman pengalaman di tempat lain telah dirancang sedemikian rupa sehingga insentif insentif terkait TA yang semula melalui tenaga ahli internasional, secara sengaja dan strategis menurun. Proses penunjukan/merekrut dan kemudian pengelolaan para penyedia TA harus transparan dengan kerangka acuan, pengawasan dan jaminan mutu yang disepakati bersama. Dimana tersedia, para mitra harus mempertimbangkan preferensi yang transparan terhadap penyedia TA lokal, dengan memperhatikan kompensasi kompensasi dalam perbandingan mutu terhadap biaya, waktu, kapasitas dll.

Sebuah rencana usaha yang dirancang bersama merupakan kegiatan utama membangun kemitraan dan dokumen akuntabilitas utama bagi para mitra. Sekali lagi, dengan lebih luasnya kalangan pemangku kepentingan yang terinformasi dan terlibat, hal ini akan menciptakan keadaan dimana setiap orang mengetahui apa yang harus dilakukan, kapan, berapa biayanya, apa saja resikonya dst. Selama proses berlangsung, sangat penting untuk menciptakan dukungan kepemilikan dan politis yang yang diperlukan. Menariknya, sebuah praktek yang muncul di Indonesia berupa proses perencanaan inklusif, memperlihatkan bagaimana masyarakat sipil ikut terlibat dalam penentuan apa saja yang merupakan prioritas. Proses proses tersebut tidaklah sederhana. Sebuah kumpulan pengalaman dan keahlian yang muncul di berbagai negara dapat menginformasikan bagaimana cara terbaik untuk menyelenggarakan kegiatan yang melibatkan banyak pemangku kepentingan. **Karena itu, tahapan tahapan pendanaan harus didasarkan pada rencana rencana usaha yang luas kepemilikannya dan disetujui (dimutakhirkan) secara berkala.**

Mengenai kemitraan, praktek terbaik sekarang adalah untuk fokus pada berinvestasi dalam pengembangan kemitraan, tetapi juga untuk mencoba memandang lebih secara lebih luas guna melihat badan badan mana saja diluar kemitraan yang sebenarnya dapat diajak serta untuk membantu meningkatkan peluang keberhasilan. Di banyak negara, organisasi organisasi kemasyarakatan telah ikut dilibatkan untuk membantu mengatasi beberapa hambatan tersebut, membantu dalam menegaskan kembali fokus kepada pelanggan dengan cara menjadi bagian dari model penyediaan layanan. Dalam keadaan seperti itu, para NGO dan LSM (CSO) mendukung penyedia layanan untuk menjangkau ke dalam komunitas komunitas miskin melalui cara memobilisasi komunitas tersebut, mendidik pelanggan tentang bagaimana sebenarnya layanan publik tersebut bekerja, mendukung pengembangan sebuah peran pemantauan dan pengawasan dst. **Proposal proyek harus dikaji berdasarkan seberapa baik permintaan akan layanan itu dipahami, dan rencana apa saja yang dimiliki para mitra untuk secara potensial meningkatkan permintaan melalui pemanfaatan NGO dan LSM.** Dalam kasus kasus P3SW air tidak pernah merupakan prioritas dalam agenda politik, dan masyarakat lokal tidak begitu menyatu dalam membuat tuntutan pada para penyedia layanan.

Sebuah tinjauan yang lebih luas juga termasuk upaya untuk berhubungan dengan prakarsa dan peluang lainnya (seperti yang sekarang sedang dikembangkan pada tingkat nasional di Indonesia). Pendanaan dari luar negeri seharusnya bersifat strategis, yaitu melengkapi apa yang tersedia atau yang dapat secara relatif mudah diakses di tingkat lokal. Dalam kata lain, PPP seharusnya tidak bersifat eksklusif namun terbuka bagi aktor lainnya (tidak hanya mitra swasta dan pemerintah daerah).

Secara umum, upaya upaya untuk secara bersama-sama mengembangkan prioritas dan memecahkan masalah, upaya upaya untuk memahami resiko masing masing dan perhatian pada O&M dari kemitraan itu sendiri adalah sangat penting dalam membuat usaha ini berhasil. **Proposal proposal harus secara tegas dan jelas menyatakan pendekatan terhadap pembangunan kemitraan dan pemeliharaan adalah pendekatan bersama (joint), dan mekanisme peninjauan ulang harus fokus tidak hanya pada pencapaian teknis dari kemitraan ini, namun juga pada keadaan/kondisi kemitraan itu sendiri.**

Dalam hal kontrak, sekali lagi, harus dilakukan penahapan dimulai dengan pengaturan kelembagaan yang lebih sederhana yang merupakan kontrak jasa dan pengelolaan yang beresiko lebih rendah, kemudian bergerak ke arah kontrak sewa dan konsesi. Sebuah kontrak pengelolaan adalah opsi yang memberikan resiko paling sedikit dan jalan yang terbaik untuk memulihkan suatu organisasi yang gagal, melalui sebuah proses perbaikan organisasi komprehensif yang didukung oleh para mitra.

Semenjak awal opsi kepemilikan seharusnya tidak menjadi pertimbangan. Sebuah tantangan awal yang utama dalam salah satu kasus hubungan P3SW adalah masalah kepemilikan saham JVC. Sementara bisa dimengerti mengapa opsi ini lebih disukai oleh pihak operator Belanda, hal ini telah menciptakan dan menumbuhkan suasana ketidakpercayaan diantara para mitra. Dalam hal tercapainya sebuah Perjanjian Usaha Bersama yang lebih luas, sebuah perjanjian sewa aset (sebagaimana yang ada dalam berbagai kontrak di Kawasan Indonesia Timur) , merupakan pendekatan yang masuk akal.

Pendekatan pendekatan bertahap yang dimulai dengan pengaturan yang lebih sederhana, yang kemudian berkembang ke dalam bentuk kemitraan yang lebih kompleks, juga harus diterjemahkan ke dalam pengaturan pendanaan yang sesuai. Dalam tahap awal hibah harus digunakan sebagai dana untuk memulai (start-up), khususnya dalam kasus perusahaan air yang 'kurang sehat' yang harus menjadi fokus utama bagi DGIS. Persyaratan pengaturan pendanaan dapat berubah menjadi perjanjian pinjaman pada tahap lebih lanjut ketika perusahaan secara kelembagaan dan keuangan menjadi lebih mampu untuk hidup mandiri. Para mitra dapat memobilisasi modal pinjaman yang dibutuhkan pada pasar lokal atau internasional, atau melalui skema pendanaan yang sudah ada di dalam negeri (banyak terdapat di Indonesia), dan DGIS harus mempertimbangkan untuk membuat suatu mekanisme untuk menjamin pinjaman yang diberikan kepada perusahaan air yang sedang dalam masa transisi dari 'kurang sehat' menjadi 'sehat'.

Sebagai sebuah aturan, dana publik seharusnya tidak digunakan untuk tujuan pemberian pinjaman, karena khususnya di Indonesia, nampaknya banyak tersedia sumber pendanaan yang bisa diakses. Namun demikian, dalam hal DGIS akan mengizinkan pendanaan yang diberikannya digunakan oleh para mitra swasta untuk tujuan memberi pinjaman, perlu ditentukan mekanisme yang jelas yang mendefinisikan antara lain kepemilikan dari dana tersebut dan cara bagaimana DGIS akan dilibatkan dalam penggunaannya lebih lanjut.

Berbagai pelajaran telah diperoleh dari studi dan evaluasi kasus P3SW yang kemudian menghasilkan beberapa pertimbangan bagi dukungan DGIS terhadap PPP secara lebih umum. Beberapa diantara aspek ini menimbulkan aspek prosedural bagi DGIS sekitar dana penjamin, bagaimana cara untuk tetap terlibat dalam pemanfaatannya, baik untuk alasan Pemantauan Evaluasi, maupun juga untuk alasan belajar yang akan menggariskan kegiatan masa depan. Pelajaran ini juga membawa isu-isu sekitar kriteria untuk dukungan, dan apakah apa yang diharapkan dari sektor swasta dalam hal target MDG bisa dicapai tanpa memberi perhatian yang memadai kepada faktor kontekstual yang jauh melampaui masalah keuangan dan teknis. Pada akhirnya kasus P3SW juga mengangkat isu apakah DGIS harus memberikan dukungan kepada perusahaan layanan publik yang sehat, atau berinvestasi untuk memperbaiki

keadaan perusahaan perusahaan layanan publik yang kurang sehat yang melibatkan biaya dan tantangan yang mungkin tidak terhindarkan.



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Datum 28 maart 2013
Betreft Evaluatie PPP drinkwater Oost Indonesië

Kopie aan
WMD, Dhr. Karst Hoogsteen

Geachte heer Tichelaar,

Naar aanleiding van ons telefoongesprek van maandag 18 februari jl. over bovengenoemd project stuur ik u de definitieve versie van het evaluatie rapport.

Uit dit rapport blijkt dat de problematiek breder is dan de door ons besproken schuldenpositie van de dochterondernemingen van WMD in Indonesië. Op basis van de evaluatie, en op basis van de Mid-Term Review (2009), zou ik het toejuichen wanneer WMD de samenwerking met de Indonesische bedrijven herzielt. Bij deze herziening geldt dat het bij deze PPPs expliciet ging om pilotprojecten bedoeld om ervaring op te doen met de gekozen benadering. Nu blijkt dat de pilots niet zijn geslaagd, ligt het niet voor de hand dat de kosten (in belangrijke mate gemaakt met behulp van OS-gelden) te verhalen op de Indonesische partijen. Ik stel daarom voor de herziening van de samenwerking tussen WMD en de Indonesische bedrijven langs de volgende lijnen vorm te geven:

- WMD zou de leningen aan de dochterondernemingen in Indonesië, welke grotendeels betrekking hebben op financieringen met OS gelden, structureel kunnen heroverwegen. De capaciteit van de dochterondernemingen om deze leningen volledig terug te betalen ontbreekt. WMD erkent het probleem van de schulden en scheldt momenteel jaarlijks op een hoc basis een deel van de schuldenlast kwijt (bv de rentelasten). Van belang is dat een meer structurele oplossing wordt getroffen die de Indonesische bedrijven voldoende perspectief geeft voor bedrijfsontwikkeling op midden-lange termijn.
- WMD zou de deelnemende steden de mogelijkheid moeten geven zich uit de samenwerking terug te trekken. Dit kan alleen als ook de schuldenlast aan WMD (grotendeels) wordt kwijtgescholden.
- Daarnaast is het van belang dat WMD, in de steden waar de relatie wordt voortgezet, de partnerschapsrelatie met de dochterondernemingen versterkt. Hiervoor zal WMD minder directief en meer faciliterend moeten optreden.

De ambassade Jakarta, dat de financiering met WMD nog administratief dient af te ronden, en de Directie Klimaat, Energie, Milieu en Water (DME) zullen als onderdeel van hun reguliere taken WMD en haar partners desgevraagd van advies voorzien bij het proces van schuldsanering en afbouw van de samenwerkingsrelatie. Eveneens is er bereidheid om mee te denken over de volgende generatie bedrijfsplannen van de dochterondernemingen van WMD in de steden die opteren voor een continuering van de samenwerking. Ook zal de post dit jaar nog een afrondend monitoring bezoek brengen aan de projectlocaties. Ik zal geen aanvullende financiering meer voor dit programma beschikbaar stellen. Onze referentie

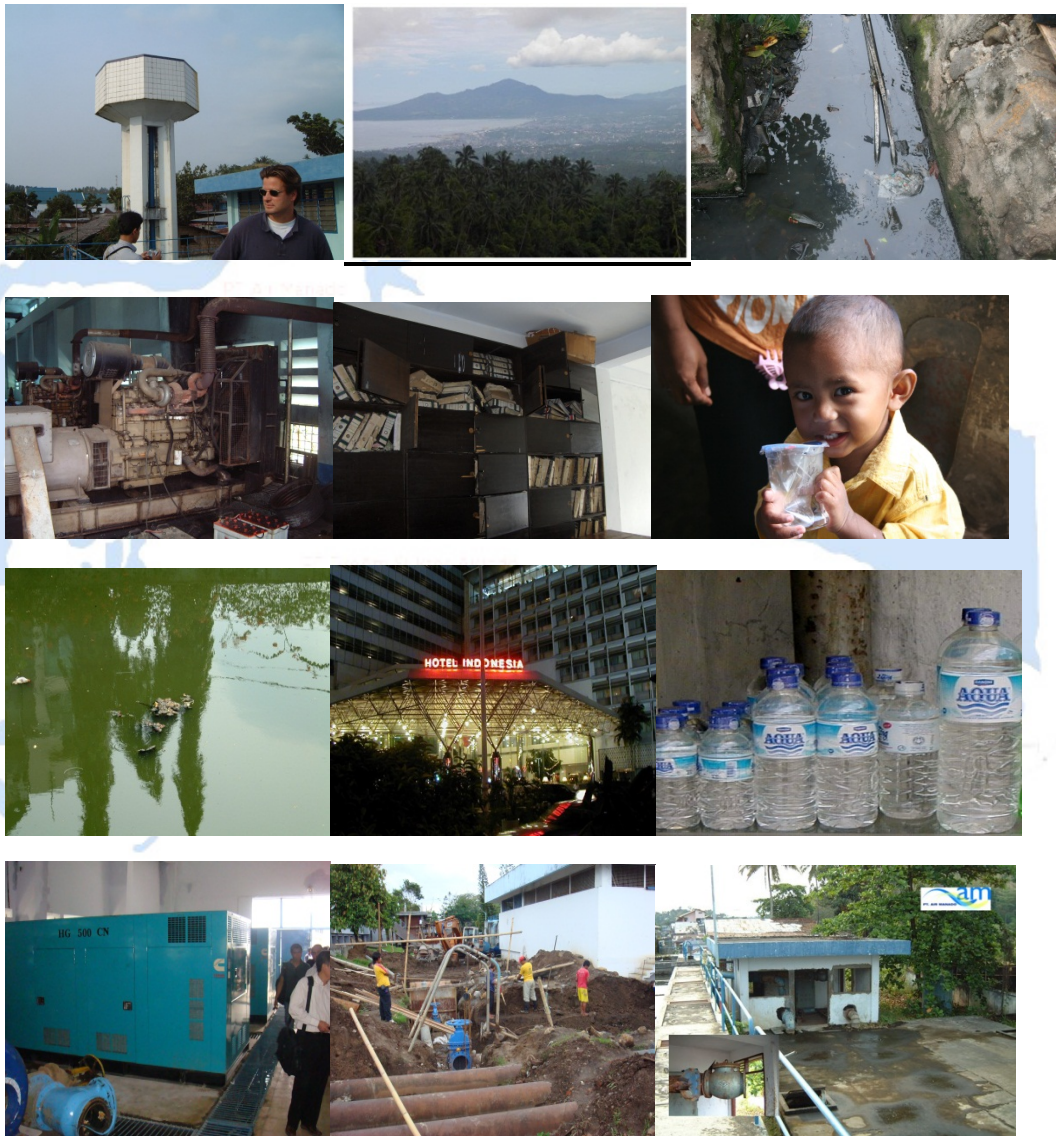
Om het leereffect van deze evaluatie te waarborgen en om volledige transparantie in acht te nemen zal de evaluatie beschikbaar worden gesteld aan alle direct betrokken partijen in Indonesië en in Nederland. WMD wordt in de gelegenheid gesteld om een managementreactie te schrijven welke samen met het rapport aan alle betrokkenen wordt gestuurd.

Ik vertrouw erop u hiermee voldoende te hebben geïnformeerd.

A handwritten signature in black ink, appearing to read 'Lilianne Ploumen', with a long horizontal flourish extending to the right.

Lilianne Ploumen
Minister voor Buitenlandse Handel en Ontwikkelingssamenwerking

*Reisverslag van het bestuur van Stichting
Waterprojecten Oost-Indonesië (SWOI)
aan Indonesië
22-29 januari 2012*





Het bestuur van de Stichting Waterprojecten Oost-Indonesië (hierna: SWOI) bestaat uit:



Voorzitter : Jacques Tichelaar, Commissaris van de Koningin in Drenthe



Vice voorzitter : Greetje de Vries-Leggedoor,
Lid van de Eerste Kamer der Staten Generaal
en voormalig Gedeputeerde van de provincie Drenthe



Penningmeester : Sjoerd Kremer, voormalig burgemeester van gemeente De Wolden

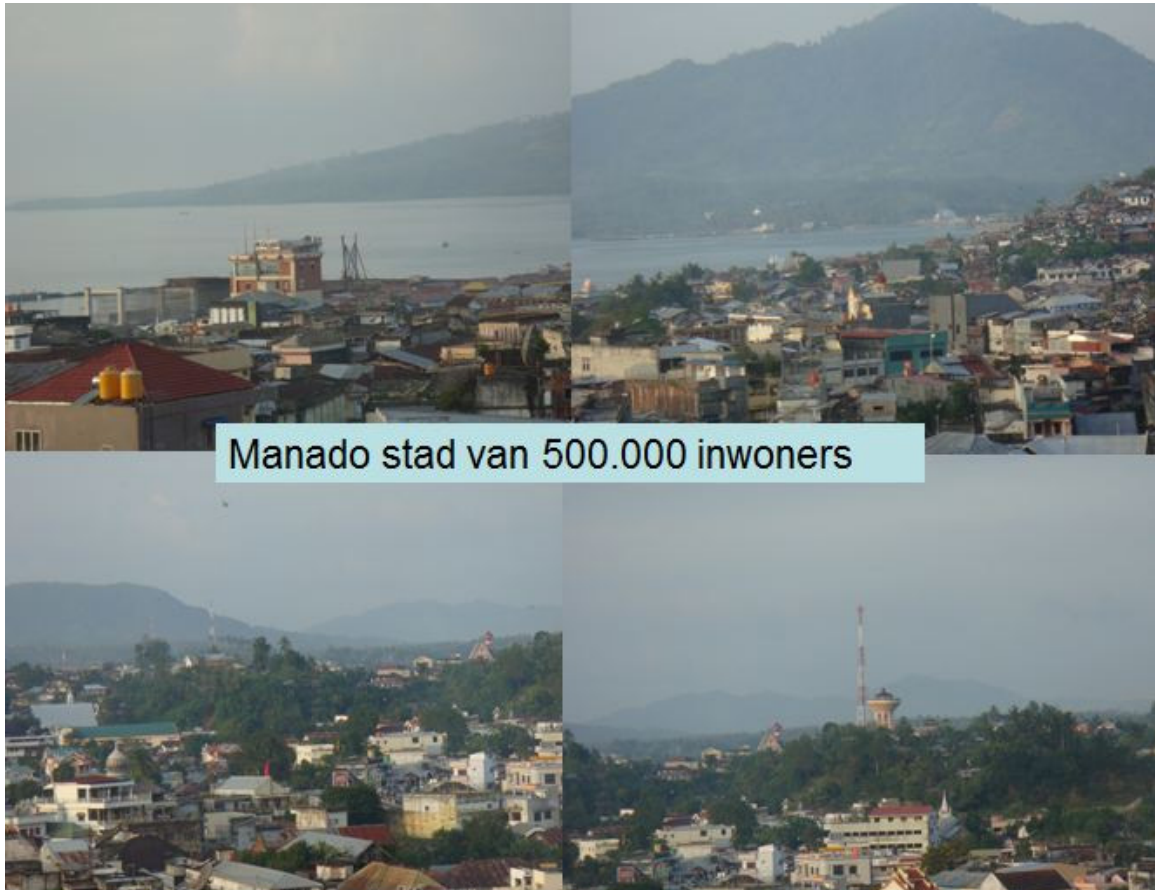


Secretaris : Karst Hoogsteen, directeur van Waterleidingmaatschappij Drenthe

Zondag 22 januari 2012

Vertrek met SQ naar Singapore.

Maandag 23 januari 2012



Aankomst ca. 13.30 in Manado met Silk Air na een uitstekende vlucht.



We worden ontvangen door de directie en de commissarissen van het bedrijf PTAM in de VIP-ruimte op het vliegveld. Wel moeten de delegatieleden een vingerafdruk en oogscan maken vanwege hun bezoek aan Indonesië. Verder worden de visa verzorgd.

Otniel Kojansow, directeur van waterbedrijf PT Air Manado (hierna: PTAM), houdt een inleiding over Manado en laat een film zien van PTAM en het toerisme van de stad.



Directeur OtnielKojansow aan het woord

Onder politiebegeleiding worden we naar het hotel gebracht. Deze agenten zullen twee dagen tot onze beschikking staan.



Gedurende deze reis zijn dit onze trouwe begeleiders vanuit WMD holding.



Joko Suroso, directeur PT Inowa in Bandung



Josien Ruijter, directeur van TID in Manado

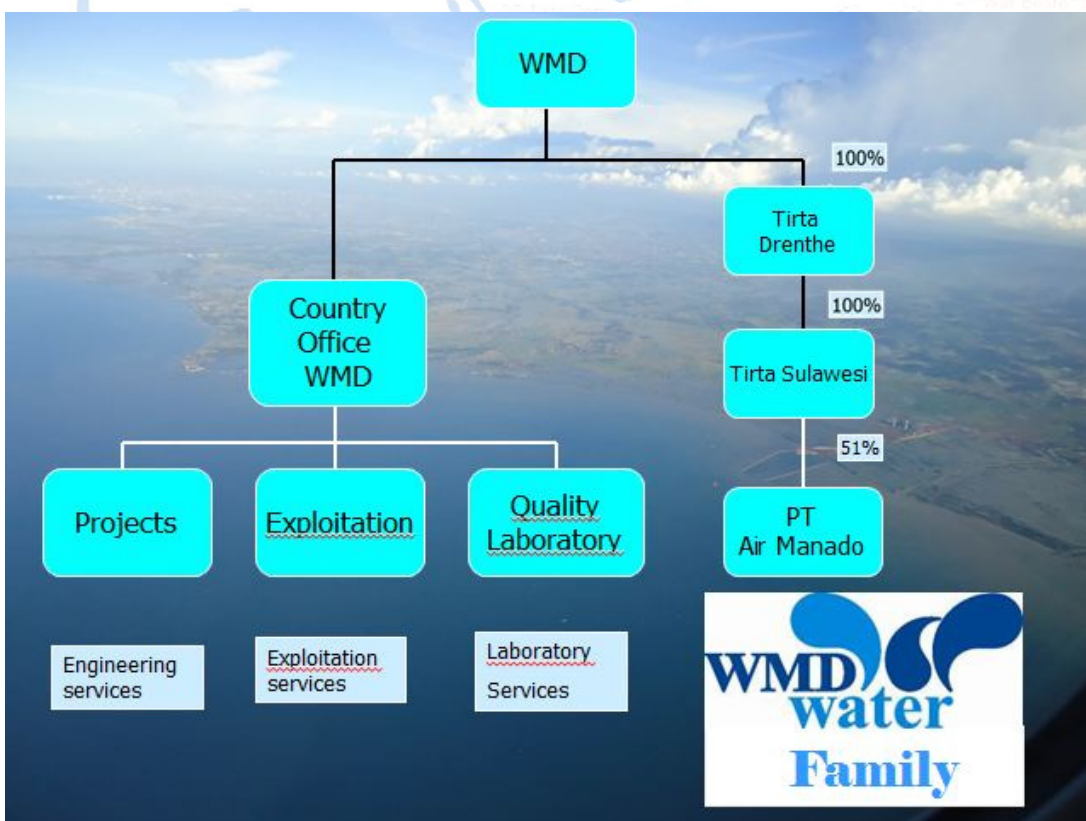
Vanaf 1 januari wordt in Indonesië gewerkt met een landenkantoor bestaande uit drie entiteiten. Deze vormen, zoals dit bij WMD genoemd wordt, het “country office”.

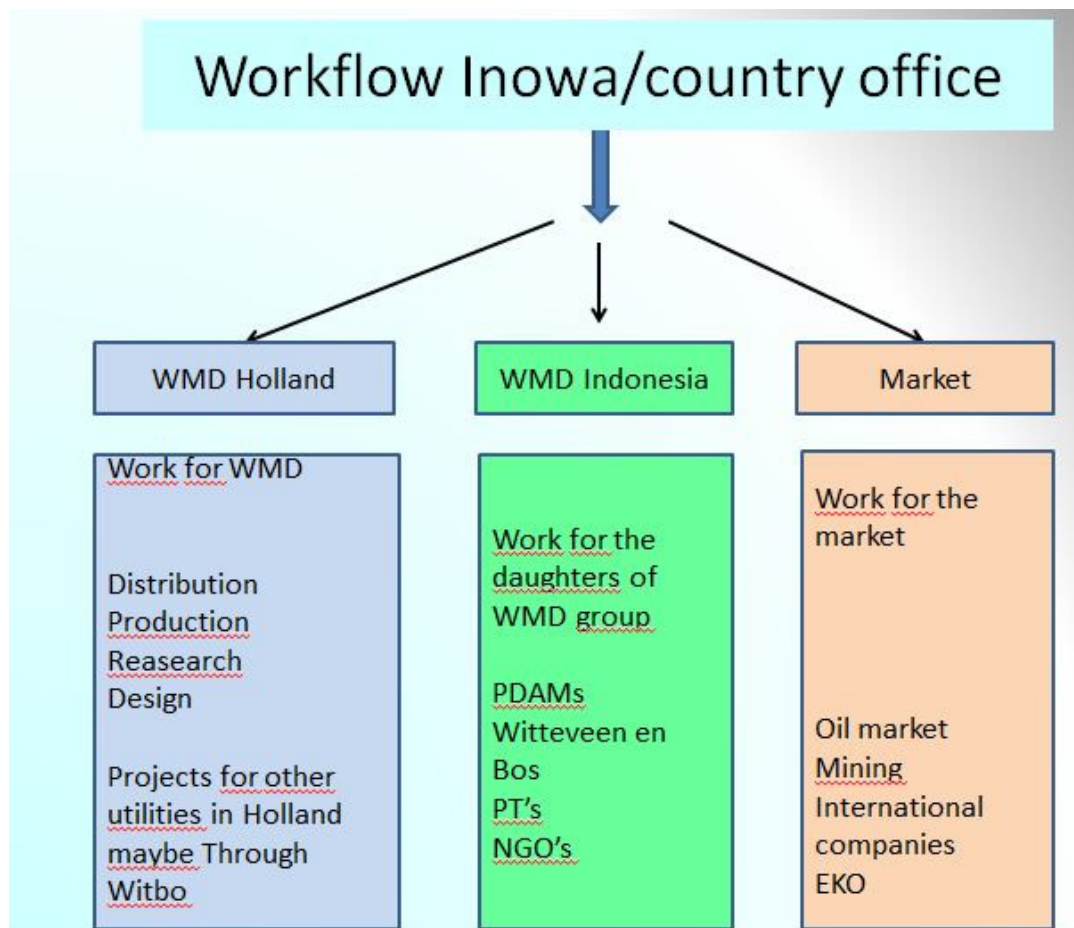


Wie zijn de stakeholders?



Hoe is het georganiseerd?





Bij het hotel aangekomen is het programma voor de rest van de dag als volgt:

- 1) Vergadering tussen directie PTAM en de heer Hoogsteen

Eerst een overleg met de directie en de Board of Commissioners (RvC) om de agenda van de AvA voor te bereiden. Het overleg duurt tot ca. 17.00. Er wordt afgesproken om na het diner verder te vergaderen in de lobby van het hotel.

- 2) Omstreeks 18.00 uur diner met Joko Suroso, Josien Ruijter en de delegatie.
- 3) Vervolg van de middagsessie van de voorbereiding van de aandeelhoudersvergadering van dinsdag 24 januari.

Na het diner wordt met het gehele gezelschap van directie en commissarissen en de delegatie van de SWOI vergaderd. De onderwerpen zijn:

- a) Lening 2009
- b) Lening 2010
- c) Tarief 2012

De RvC wordt het uiteindelijk eens over de aanpak van deze onderwerpen in de aandeelhoudersvergadering.

Ten aanzien van de leningen 2009 lijkt het volgende compromis haalbaar:

- a) De projectleningen 2009 lijken akkoord, waarbij in ogenschouw wordt genomen dat het verificatieteam in 2010 alles onderzocht heeft en goed bevonden.
- b) De lening collective support is nog niet akkoord en zal een onderwerp zijn voor nader overleg. Ondanks een reductie van 5 naar 3 miljard Roepia blijven ze twijfelen aan het feit of deze kosten wel allemaal terecht zijn doorbelast.
- c) De exploitatieleningen lijken ook akkoord.

Vervolgens worden de leningen van 2010 besproken. Hierover is in de vorige vergadering afgesproken dat een team ernaar zou kijken. Dat is gebeurd en de vicevoorzitter van de RVC heeft daarover een brief geschreven vorige week. Hierin staan de bevindingen weergegeven.

- d) De projectleningen 2010 lijken akkoord met uitzondering van 3 miljard Roepia die niet door de boeken van PTAM is gelopen. Hierbij moet in ogenschouw worden genomen dat het bedrag eerst veel hoger was maar daar is men uitgekomen.
- e) De lening collective support is akkoord.
- f) De exploitatielening is akkoord.

Over het tarief zijn we het eens dat het nu ingevoerd moet worden. PTAM heeft twee jaar lang geen tariefstijging doorgevoerd vanwege een verzoek om uitstel in verband met de verkiezingen. Wel zijn alle kosten gestegen en is het salaris aanzienlijk toegenomen in deze twee jaar. Ook de ziekteverzekering is verhoogd ten behoeve van het personeel. Laten we niet vergeten dat er voor de samenwerking geen pensioenbetalingen waren ten behoeve van de gepensioneerden en dat er in zes jaar geen salarisverhoging was geweest. Dus geen discussiepunt, maar verhogen in lijn met de afspraken in de PPP overeenkomst. Bovendien wordt dit ook nog eens afgedekt door een besluit van de burgemeester die de tarieven in lijn met het PPP-contract voor zes jaar heeft goedgekeurd (was niet nodig, maar voor de zekerheid).

Paal Dua

Een aantal jaren geleden is het pompstation Paal Dua gerenoveerd. Het is geopend door wijlen SWOI-voorzitter Relus ter Beek. Morgen zullen we een bezoek brengen aan het pompstation.



Dinsdag 24 januari 2012

In het oorspronkelijke programma zouden we het volgende gaan doen:

- 1) 9.00- 10.00 uur : vertrek hotel ca. 08.30

Bezoek van de delegatie aan de burgemeester



Het bezoek bestaat uit twee delen

Deel a is een kort privégesprek tussen burgemeester en het SWOI-bestuur. Mogelijk zal hij zich laten vergezellen door de vice-burgemeester en de secretaris van de gemeente. Dit gesprek duurt ongeveer 15 minuten.

Deel b is het officiële deel, dat zal bestaan uit de gehele delegatie, inclusief directeuren en commissarissen van de PT met Josien Ruijter en Joko Suroso.

Doel hiervan is vooral een beleefdheidsbezoek. De beste aanpak is om hem laten vertellen wat hij vindt van de samenwerking.

Althans, zo was het de bedoeling. Maar we krijgen in de ochtend te horen dat hij ziek is. Misschien kunnen we hem voorafgaand aan het vieren van het 5-jarig bestaan morgenochtend spreken. We hopen het, want het is wel belangrijk.

- 2) 09.00-10.30: Bezoek aan Lotta

Zuiveringsstation Lotta ligt in de bergen en is door WMD geheel gerenoveerd. Het ligt op 200 meter boven zeeniveau. Het water wordt onder vrij verval naar de stad getransporteerd.





Voor de renovatie van 2009-2010



Na de renovatie van 2009-2010



Tijdens het bezoek vallen een paar zaken op. Op het eerste oog ziet het er redelijk goed uit, maar schijn bedriegt toch wel een beetje.

Een opsomming van de zorgpunten:

- 1) De inname van het water uit de rivier

Na de bandjir van 2007/2008 toen heel Lotta, in het bijzonder het innamepunt, werd vernield, zie de foto van voor de renovatie, is er vorig jaar weer een zeer zware regenval geweest. Opnieuw is het inname werk geheel ontzet en dus zal er weer moeten worden gerenoveerd. Op de foto is dit duidelijk te zien.



Afgesproken wordt dat er aan de ene kant een wand moet komen om het water tegen te houden zodat het niet de mengruimtes instroomt en deze vernielt. Er moeten ook twee definitieve dammen worden gemaakt en een bypass aan de overkant van de rivier.



Schetsmatig globaal weergegeven: In rood de muur en in blauw de twee dammen. Geconstateerd is dat de dosering niet werkte.



Wat duidelijk veel ernstiger is, is dat de overstorten van de sedimentatie helemaal niet waterpas staan en dus zorgen voor een ongelijke bezinking . De vlokken blijven deels in het water en belasten de snelfilters veel te zwaar, waardoor onvoldoende waterkwaliteit in het net wordt afgeleverd. Dit water bevat dus nog deeltjes die in het net voor problemen kunnen zorgen als ze bezinken en leidingen gaan verstoppen.



Aandachtpunten Lotta samengevat:

- a) Innamepunt renoveren
- b) Dosering in orde brengen
- c) Waterpas van de overstorten bij de sedimentatie
- d) Hardhouten deuren
- e) Schoonhouden chemicaliën gebouw

Dit moet voor mei dit jaar in orde worden gemaakt. Alsnog opnemen in het jaarplan voor 2012.

3) 11.00-12.00 Bezoek aan Malalayang

De delegatie brengt een bezoek aan Malalayang. Opvallend is, net als in Lotta, de slechte staat van onderhoud. Onderstaand voorbeeld is de WC. Op een pompstation dient de hygiëne in orde te zijn.



De ruwwateraanvoer bestaat uit twee bronnen:

- a) Directe inname in de kelder vanuit de bron.

De water- en grindbak waar het water in opgevangen wordt als het uit de berg komt, moet gerenoveerd worden en bovendien moet het land eromheen aangekocht worden om het goed te onderhouden. Dit water gaat zo het net in en dat vraagt dus zorgvuldigheid. Dit dient zo spoedig mogelijk onderzocht worden. Het moet alsnog in het jaarplan 2012 worden opgenomen.

- b) Inname vanuit een riviertje dat in de droge tijd geen water afvoert.



In de natte tijd wordt hier water ingenomen en naar de zuivering getransporteerd.

Dit ziet er goed uit.



4) 12.00-13.00 Lunch

Het programma voorzag in het volgende onderdeel:

5) Aandeelhoudersvergadering PTAM in het kantoor PTAM

Na de lunch gaat de heer Hoogsteen met de commissarissen en de aandeelhouder PDAM in conclaaf op het kantoor van PTAM.

Het gesprek spitst zich toe op de leningen van 2009 en 2010 en de tariefstijging die is afgesproken voor 2012. Na twee jaar geen stijging wordt het nu echt noodzakelijk geacht. Anders komt PTAM nooit uit het dal.



Het zuiveringsstation Paal Dua confessioneel bevat drie processtappen die op zich simpel zijn. Inname en dosering, bezinking en filtratie. Soms komt na deze stap nog desinfectie en dan gaat het water naar de klant.



Vanuit de inname een overzicht van het zuiveringsstation.



7) 22.00-00.15: Vervolg van de aandeelhoudersvergadering in het hotel

Na het diner nodigt de heer Hoogsteen het SWOI bestuur uit om mee te vergaderen om ook en indruk te krijgen van het proces.

De tafelschikking is duidelijk met twee partijen en een als het ware voorzittend SWOI bestuur. Het ontstond ter plekke:



Het lijkt wel een supreme court in de opstelling van de vergadering.

In deze vergadering gaat het bij voortduring over de notulen en de leningen. Samengevat levert 4 uur discussiëren het volgende op:

- a) De leningen 2006-2007 en 2008 staan niet ter discussie en worden beschouwd als afgedaan
- b) Ten aanzien van de notulen van december, wordt vastgesteld dat we het eens zijn over het tariefbesluit zonder voorwaarden maar met de intentie om als het is ingevoerd te gaan werken aan verbetering. Dit wordt getekend door de aandeelhouders.
- c) De inhoud en het niveau van de leningen wordt vastgesteld en de discussiepunten benoemd
- d) Lening 2009 wordt in Assen definitief afgerond. Nu is de situatie als volgt:
- e) Lening 2010 wordt in Assen definitief afgerond.
- f) Lening 2011 zal ook worden afgerond en er wordt geen probleem verwacht.
- g) Het renteniveau van de lening 2009 staat vast op 10%. DE SWOI en WMD hebben een rente voor 2010 van 2,8% voorgesteld voor de projectlening en van 6% voor de exploitatieleningen.
- h) Er komt een bezoek van de commissarissen en directie aan Assen in de 4^e week van februari of de eerste week van maart met de volgende agenda:
 - a. Lening 2009
 - b. Lening 2010
 - c. Lening 2011
 - d. Service Agreement 2011 TAD naar PTAM
 - e. Jaarplan 2012
 - f. Lekverlies probleem en eventuele oplossing
 - g. Exploitatie van zuiveringsstations in relatie tot investeringen. Mogelijk een EPC contract voor bulk water levering
- i) Socialisatie van het tarief gedurende de periode 3^e week januari tot 4^e week februari.

Woensdag 25 januari 2012

1) Vandaag viering van het 5-jarig bestaan van PT Air Manado

Bij deze viering staan verschillende plichtplegingen centraal. Er zullen ook speeches gehouden worden. Na het ontbijt vertrekken we naar het 5-jarig bestaan van PTAM. Zoals altijd een prachtig georganiseerd feest met alles erop en eraan. Opmerkelijk is dat al het personeel aanwezig is en dat de sfeer uitstekend is. Iedereen is gemotiveerd en positief. Dit is in tegenstelling met de sfeer binnen de RVC en AvAvan de vorige dag.

Daarna volgt een kerkdienst en opnieuw zang. De burgemeester is nog ziek en hij laat zich vertegenwoordigen door zijn adjudant en zijn assistent Hendrik.





2) Lunch

Tijdens deze lunch is er gesproken met de PTAM commissarissen over hun opstelling. Zij beloofden de aandeelhouder een brief te laten schrijven om meer duidelijkheid te verschaffen en om tot een oplossing te komen.

3) Opwachting bij de gouverneur

Plotseling krijgen we van PTAM-directeur OtnielKojansowde vraag of we bij de gouverneur willen komen in een hotel. We besluiten te gaan. Het hotel wemelt van mensen en ambtenaren. Er is een belangrijke bijeenkomst aan de gang. Het duurt eindeloos. We besluiten te vertrekken naar het vliegveld.

4) Vertrek naar vliegveld

Het is ongeveer een half uur rijden naar het vliegveld waar Joko Suroso alles al geregeld heeft. We wachten in de VIP-ruimte op het vertrek.

5) Inchecken en plotseling ontmoeten we de burgemeester bij de gate.

In de vertrekhal is er plotseling rumoer: de zichtbaar zieke burgemeester komt zich persoonlijk verontschuldigen.



- 6) Vlucht naar Jakarta met Garuda. Aankomst omstreeks 17.30 in Jakarta.
- 7) Inchecken in het hotel Kempinski, voormalig hotel Indonesia.

Dit hotel heeft een volledige metamorfose doorgemaakt. Het is helemaal gemoderniseerd en behoort nu toe tot de keten Kempinski.



De oude hoofdingang van hotel Indonesia.

- 8) Diner bij de Plaatsvervangend Ambassadeurmevrouw Annemarie Ruigrok

We worden met de volledige delegatie inclusief Joko Suroso en Josien Ruijter ontvangen door de Plaatsvervangend Ambassadeur Annemarie Ruigrok in haar woning. De ambassadeur, de heer Zwaan, is op dit moment in Nederland.

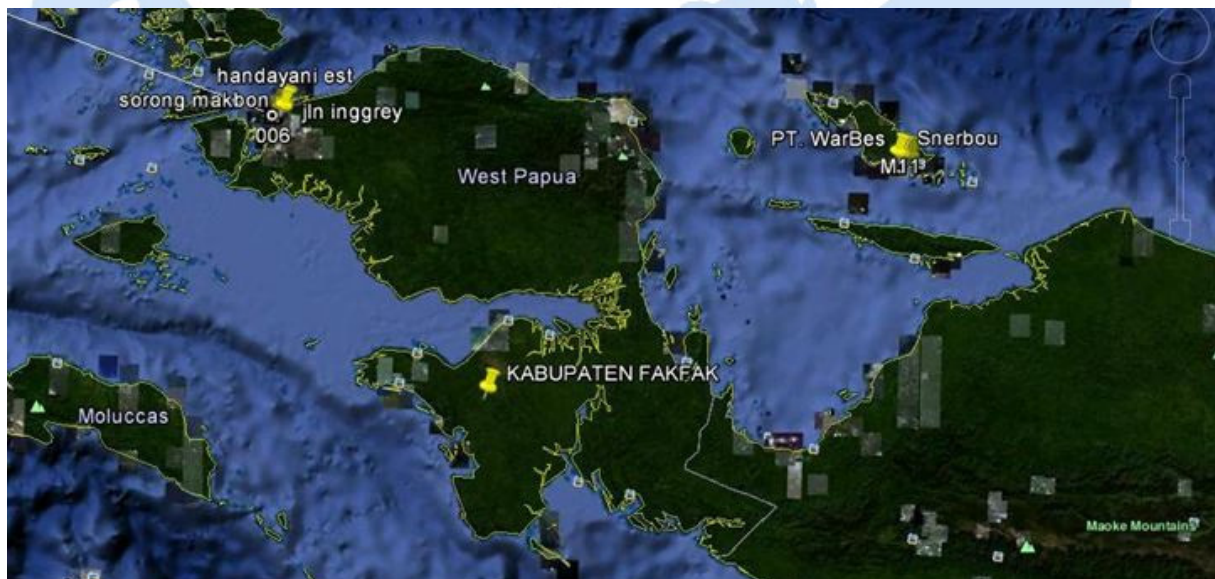
Mevrouw Ruigrok wordt geassisteerd door vier medewerkers: politiek adviseur, economische medewerker, medewerker cultuur en water adviseur Peter de Vries.

Er ontspint zich een geanimeerd gesprek tussen alle deelnemers. Het bestuur neemt duidelijk nota van de nieuwe geïntegreerde aanpak van Ontwikkelingssamenwerking in zijn algemeenheid. Op de gebieden water, landbouw en economie worden alleen geïntegreerde projecten verder in behandeling genomen. Voorbeeld kan zijn water en sensoren of water en landbouw. Het bestuur is onder de indruk van de positieve setting van de aanpak van de ambassade en zijn hoopvol voor de volgende dag als we zakelijk gaan spreken over de projecten Oost-Indonesië.

Donderdag 26 januari 2012

- 1) Overleg met de delegatie van Fak-Fak onder leiding van de Bupati (regent) van Fak-Fak.

De delegatie van Fak-Fak geeft aan het erg op prijs te stellen technisch en organisatorisch advies van WMD te ontvangen. Ze hebben voor de komende jaren budget gereserveerd om de watervoorziening naar een hoger plan te tillen. We geven aan dit in overweging te nemen.





Picture 3.3 Source Air Besar



Picture 3.5 WTP Nemewikarya paket steel capacity 40 l/sec

2) Bezoek ambassade

Het gesprek was heel constructief. Aan het einde van het gesprek hebben we naar elkaar uitgesproken dat we op een andere manier naar elkaar gaan communiceren: vanuit de positie dat we elkaar moeten ondersteunen en versterken. Het gesprek heeft zeker twee uur geduurd.

Ten aanzien van de onderwerpen het volgende:

a) Communicatie

Het wordt als een gemis ervaren dat er geen, of onvoldoende communicatie is tussen WMD en de ambassade. Afgesproken wordt dat Josien Ruijter en Peter de Vries dat direct met elkaar oppakken.

b) Project P3SW en RNE afronden

Het project RNE is op 30 november 2011 afgesloten en wordt niet verlengd. Gevraagd is hoe de afwikkeling verder gaat verlopen. Duidelijk is gemeld dat de kosten die tot en met 30 november gemaakt zijn ingediend kunnen worden. Deze komen voor vergoeding in aanmerking. Opvallend was de uitspraak van Peter de Vries dat het een project was dat niet zozeer ging over de doelstelling het aantal aansluitingen te maken en te halen wat gezegd is Maar veeleer een versnellingsproject om de drie PT's sneller financieel gezond te maken. Afrekening zal niet zozeer gedaan worden op basis van de groei van het aantal aansluitingen. Dit was voor ons verrassend. Positief, maar niet verwacht. Vooral de heer Kremer was blij met de toezegging dat alles ingediend kon worden tot 30 november. De heer Kremer kon het niet nalaten nog eens onder aandacht te brengen dat hij het toch wel als heel positief zou ervaren dat het overblijvende bedrag alsnog zou kunnen worden aangewend. De heer De Vries gaf hier niet direct antwoord op, maar zei ook niet pertinent nee.

c) Problemen voorschot en afboek mechanisme

De nieuwe bedrijfseconomische medewerker vertelt iets over het probleem dat de ambassade heeft ten aanzien van het uitbetalen van een voorschot. Ze mogen het niet afboeken en kunnen pas iets als

- 3) Bezoek aan viceminister DedyPriatnawan Bappenas (niveau staatssecretaris van Planning infrastructuur)



Het gesprek vond plaats in aanwezigheid van mevrouw Annemarie Ruigrok en de heer Peter de Vries. Ook dit gesprek was positief van aard en duidelijk werd gemaakt dat de heer Dedy Priatna positief denkt over WMD. Hij gaf ook aan dat hij coördinerend voorzitter wordt van alle wateractiviteiten tussen Nederland en Indonesië en daarbij coördinerend werkt tussen de Indonesische ministeries. Er is vooral gesproken over de projecten in Bandung Barat en de grote infrastructurele werken in deze regio. Ook zijn de MOU's de revue gepasseerd die WMD heeft afgesloten en er is kort gesproken over Fak-Fak. Verder was het vooral een beleefdheidsbezoek.

- 4) Tekenen van een twinning overeenkomst tussen 5 PDAM's en de WMD



Er zijn enkele toespraken door de deelnemers, o.a. door de heer Rachmat, directeur van BB SPAM, het adviesorgaan van de minister van Public Works. Het is voor iedereen duidelijk dat dit een nieuw begin is. Een nieuwe vorm van technische assistentie die vooral voor het landenkantoor kansen gaat bieden om zich te profileren. Elke PDAM heeft in de MOU aangegeven wat ze verwachten. Basis is dat ieder zijn eigen kosten draagt en dat deze vijf PDAM's de verworven kennis ook weer gaan delen met andere PDAM's. Perpamsi draagt 55.000 dollar bij in dit proces en WMD in het eerste jaar ca. 40.000 euro. Deze bijdrage zal voornamelijk besteed worden aan verblijfskosten van mensen, die op locatie de waterbedrijven gaan bezoeken. De interne uren en reiskosten zijn voor rekening van de PDAM's.



MoUsigningceremony

5) Vertrek naar Bandung per auto

We zijn omstreeks zes uur vertrokken en we hebben lang in de file gestaan om Jakarta uit te komen. Onderweg gestopt en wat gedronken en gegeten. Omstreeks 10 uur aangekomen in het Hotel Padma.

Vrijdag 27 januari 2012

1) Ceremonie van de eerste steen van het project Bandung Barat

Het drinkwater- en sanitatieproject Nyenang van Rotary, Simavi en WMD staat op het programma. Vandaag staat in het teken van het leggen van de eerste steen. Om ca. 8 uur uit het hotel vertrokken naar het dorp Nyenang. Vooraf gegaan door een politiewagen. Het heeft wel wat, alleen reed hij wel erg hard, wat tot enige zorg van de delegatie.

Het project bestaat uit het aanleggen van watertappunten en sanitatie-eenheden (17). De raming is ca. 75.000 euro waarvan door de drie partijen Rotary, Simavi en WMD ieder een derde wordt gedragen.

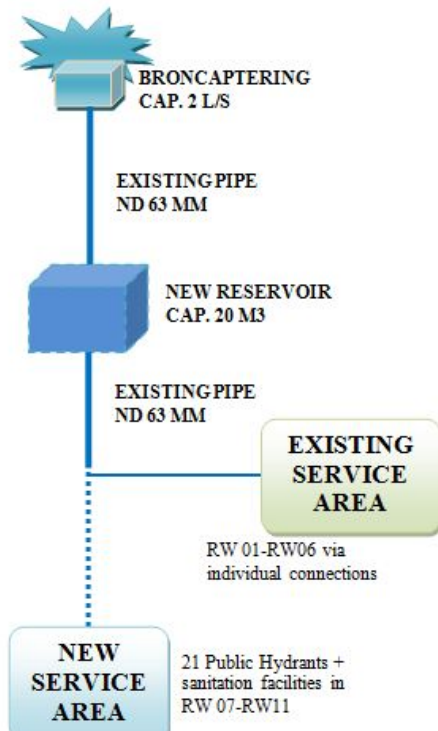




Figure 4.6. Public Toilet

Nu ontbreekt het in het dorp grotendeels aan watertappunten en zeker aan sanitatiegebouwen.

Schematic lay-out of the proposed System Nyenang Village



Vanmorgen de ceremonie van de eerste steen in het project Bandung Barat. Het is een mooie bijeenkomst met veel festiviteiten. Een schitterende ontvangst met veel toespraken.



Onder de gasten was ook de heer Dedy Priatna, viceminister van Bappenas. Het dorpshoofd nam naast zijn dankwoord in zijn toespraak ook de gelegenheid te baat om bij de viceminister te pleiten voor een verbetering van de onverharde weg door het dorp. Het wel op orde brengen van drinkwater- en sanitatievoorziening zonder verharde weg, dat kan toch niet.

Na hem was de heer Hoogsteen aan de beurt. Hij riep op om het project ook goed te onderhouden in de toekomst en verzocht de viceminister en de Bupati om in te gaan op de vraag van het dorpshoofd. In partnerschap zou dit gedragen kunnen worden, voor iedere partij een derde. Deze uitdaging is door de viceminister opgepakt in zijn toespraak en vervolgens door de heer Tichelaar bevestigd. Afgesproken is dat Inowa deze weg met een maximaal budget van 150.000 euro, ieder 50.000, gaat aanleggen. WMD kan bijdragen in het kader van 75 jarig bestaan uit haar sponsor budget (1% Koppejan gelden).

In combinatie met het drinkwater- en sanitatieproject is dit een ware stap voorwaarts voor dit dorp. Er komen 17 sanitatie-eenheden en watertappunten. Het drinkwater en sanitatie project zal z.s.m. starten en moet dit jaar gereed komen.



Na de lunch vertrekt de SWOI-delegatie naar het kantoor van de wijk waaronder Nyenang valt. Hier zal de heer Tichelaar om één uur lokale tijd een interview geven voor Radio Drenthe vanuit het Kecamatan kantoor van Cipendeuy. Een echt oud kantoor met een wel heel bijzondere vergaderopstelling voor de wijkraad met een ultramoderne typemachine.



Alles is uitstekend verlopen met een vaste telefoon die tegelijkertijd diende als facsimile.



Daarna stappen we in de auto om de resterende 90 km naar Jakarta te overbruggen om ca. 15.00 aan te komen in het hotel.

2) Terugreis van Bandung naar Jakarta

Helaas buiten de waard gerekend. Er is een demonstratie op de tolweg die geheel werd afgesloten. Dit voor een hoger minimumloon. We namen dan maar over de oude kronkelige weg. Langzaam vorderde het. Tot een km of 25 voor Bekasi. De demonstratie had zich nu verplaatst naar Bekasi. Het verkeer kwam hierdoor tot een volledige stilstand.

Omstreeks elf uur 's avonds weer in hotel Kempinski aangekomen.



Skyline van Jakarta

Zaterdag 28 januari 2012

1) Bespreking met delegatie uit Ambon.

In het hotel is door een deel van de delegatie een gesprek gevoerd met een afvaardiging van de gemeente Ambon. Onderwerpen waren:

- Evaluatie samenwerking WMD en gemeente Ambon
- Herbebossing

2) Vertrek naar Amsterdam met Singapore Airlines om 19.00 uur.

3) Om half zes op de zondagmorgen 29 januari landen we op Schiphol. Het is koud in Nederland.

Helder water, helder bestuur

Strategische positie WMD



Juni 2015

Rapport Onderzoekcommissie WMD

Aangeboden aan de algemene vergadering van aandeelhouders WMD op 25 juni 2015

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Bijlage 1. Samenstelling commissie

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Samenvatting

Waterleidingmaatschappij Drenthe (WMD) voorziet de inwoners van Drenthe van drinkwater. WMD is het kleinste waterbedrijf van Nederland. Deze omvang is mede aanleiding voor een steeds terugkerende discussie over de vraag of een grotere schaal niet beter zou zijn voor de drinkwatervoorziening in Drenthe.

De raad van commissarissen (RvC) van WMD heeft eind 2014 besloten om een externe commissie te vragen onderzoek te doen naar de toekomstige positie van WMD. Het rapport van de commissie, die onder leiding stond van mevrouw M. de Boer, ligt nu voor. Voor het onderzoek is gebruik gemaakt van diverse documenten en is een groot aantal betrokkenen geïnterviewd.

Korte kenschets WMD (hfdst. 2)

Het bedrijf WMD, de infrastructuur, de activiteiten en de aansturing worden kort geschetst.

De positie van WMD in de drinkwatersector (hfdst. 3)

De commissie heeft eerst het functioneren van WMD in kaart gebracht aan de hand van twaalf criteria rond de thema's kwaliteit, kwetsbaarheid en kosten. De commissie komt op basis van deze analyse tot de conclusie dat WMD een goed functionerend drinkwaterbedrijf is, dat de inwoners van Drenthe nu en in de toekomst voldoende en schoon drinkwater kan leveren tegen een relatief lage prijs. Het bedrijf staat er wat betreft de drinkwateractiviteiten financieel goed voor en is actief op het gebied van maatschappelijk verantwoord ondernemen. De commissie vindt dat de governance van WMD verbeterd moet worden en doet daarvoor een aantal aanbevelingen (zie hfdst 3.5, conclusies en aanbevelingen positie WMD in de drinkwatersector). De commissie vindt daarnaast dat de komende jaren in het bijzonder aandacht moet worden besteed aan het vervangingsprogramma AC leidingen, dienstverlening, kwaliteitsmanagementsysteem en personeelsbeleid.

Ander Water (hfdst. 4)

WMD heeft, naast de drinkwatervoorziening, ook een aantal activiteiten op het gebied van Ander Water, zoals gietwaterlevering, productie van industriewater, activiteiten voor het Dierenpark Emmen, terreinonderhoud, de Bottelarij en de activiteiten in Indonesië. Deze activiteiten zijn ondergebracht in de BV NoordWater, waaronder nog diverse andere rechtspersonen bestaan. De commissie heeft zich verdiept in deze activiteiten en BV's en daar een weinig transparante situatie aangetroffen rondom activiteiten die op zichzelf maatschappelijk betekenis hebben. Deze transparantie is uiterst noodzakelijk, zodat stake- en shareholders hier goed zicht op hebben. Dit geldt ook voor de governance, waarbij de rolverdeling tussen RvC en AVA goed onderscheiden moet worden.

WMD en de waterketen (hfdst. 5)

Samenwerking in de waterketen tussen gemeenten, waterschappen en drinkwaterbedrijven is nodig om stappen te zetten op weg naar een circulaire economie, gericht op kringloopsluiting, energiebesparing en behoud van grondstoffen. WMD is actief als het gaat om samenwerken met waterschappen rond watertechnologie en Ander Water activiteiten. Deze samenwerking kent vaak een vakinhoudelijke basis. In Noord Nederland zijn diverse samenwerkingsverbanden op het gebied van de waterketen, waarbinnen ook WMD participeert. De commissie heeft onderzocht in hoeverre WMD op de korte of middellange termijn op zou kunnen gaan in deze structuren. Dit blijkt geen realistische keuze, omdat de vorming van zo'n soort organisatie in Noord Nederland, waar ook een goede rol voor de drinkwaterbedrijven is weggelegd, nog heel ver weg is. De commissie gaat er vanuit dat door een proces van onderop, gebaseerd op inhoudelijke meerwaarde, de samenwerking de komende jaren zal toenemen. Daaruit zullen vermoedelijk ook nieuwe structuren voortvloeien, waarbij het op dit moment niet is te voorzien welke plek de drinkwatervoorziening daarin zal krijgen.

Keuze in strategische positie (hfdst. 6)

Hoewel de analyse geen aanleiding geeft voor de noodzaak tot opschalen, heeft de commissie toch onderzoek gedaan naar de twee opties die vaak worden geopperd: samengaan met het Waterbedrijf Groningen (WBG) of aansluiten bij het waterbedrijf Vitens. Van beide opties heeft de commissie de voor- en nadelen in beeld gebracht.

Wat betreft aansluiten bij Vitens, ziet de commissie in het algemeen voordelen vanwege (beperkte) schaalgroottevoordelen, optimalisatie interprovinciale watervoorziening, afname personele kwetsbaarheid en ruimte voor innovatie. De relatief geringe verschillen tussen de prestaties van Vitens en WMD en de geringe omvang van WMD in vergelijking met Vitens, brengen de commissie tot de conclusie dat er echter geen omvangrijke financiële voordelen of belangrijke veranderingen voor de klant te verwachten zijn. Uit de gesprekken is ook gebleken dat er bezwaren bestaan tegen het opheffen van het Drentse bedrijf WMD, het verdwijnen van werkgelegenheid uit Drenthe, het verlies van het hoofdkantoor in de Drentse hoofdstad en het verlies van regionale binding. De commissie constateert dan ook dat aansluiten bij Vitens vanuit de drinkwatervoorziening wel een reële optie is, maar geen noodzaak kent en politiek bestuurlijk gezien te weinig draagvlak heeft.

Een fusie met WBG heeft ook een aantal voordelen op het gebied van optimalisatie interprovinciale watervoorziening, afname personele kwetsbaarheid, besparing op personeel, gebouwen en materieel. Van schaalgroottevoordeel bij fusie met WBG moet naar het oordeel van de commissie echter niet teveel worden verwacht. Samen zouden deze bedrijven nog altijd het kleinste drinkwaterbedrijf van Nederland vormen. Ook voor de klant ziet de commissie geen duidelijke voordelen. De commissie heeft in de gesprekken bij WMD en Drentse partijen weinig enthousiasme bespeurd voor een dergelijke fusie, iets wat naar het oordeel van de commissie een belangrijke voorwaarde is voor een succesvolle fusie. Dit, gecombineerd met de betrekkelijk geringe meerwaarde voor de drinkwatervoorziening in Drenthe en de met een fusie gepaard gaande onrust, maakt dat de commissie een fusie met WBG op korte termijn niet als een optie met toegevoegde waarde ziet.

Conclusies en aanbevelingen (hfdst. 7)

De commissie komt tot de conclusie dat WMD de komende jaren als een zelfstandig nutsbedrijf kan blijven functioneren. Voor de nabije toekomst zijn er twee punten waarvan de commissie vindt dat deze moeten worden opgepakt. Dit betreft de governance en de Ander Water activiteiten. Wat betreft Governance is het volgende nodig:

- Implementatie van de geactualiseerde statuten en reglementen.
- Versterken van functioneren van de aandeelhouders. Hier ligt een taak voor de organisatie WMD door de transparantie en de informatievoorziening voor de aandeelhouders te verbeteren. Daarnaast zouden zowel de RvC als de algemene vergadering van aandeelhouders zich meer inhoudelijk in hun statutaire rol kunnen verdiepen en moet er meer oog zijn voor de wederzijdse rol en verantwoordelijkheid.
- Overwegen of voor een actievere opstelling van de aandeelhouders de bestaande stemverhouding ten gunste van de gemeentelijke aandeelhouders gewijzigd moet worden. Er zijn vergelijkbare bedrijven waarbij de stemverhouding is aangepast om dominantie van één of meerdere partijen te voorkomen. De verdeling van de aandelen hoeft daarbij niet te worden gewijzigd.
- Zorgen voor voldoende specifieke deskundigheid in de RvC en verminderen van de verwevenheid met de Drentse (bestuurlijke) samenleving. Het publiek werven van commissarissen op basis van profielschetsen zou zo snel mogelijk opgepakt moeten worden. Om de band met het lokaal bestuur in stand te houden zou een lid namens de Vereniging van Drentse Gemeenten kunnen worden voorgedragen.
- Het is belangrijk dat er in de organisatie een goed samenspel is tussen de RvC en de bestuurder van de onderneming enerzijds en tussen de bestuurder en het management anderzijds.

Countervailing power is belangrijk voor een organisatie. Het is aan de RvC om ook hierop toe te zien.

Wat betreft Ander Water beveelt de commissie aan om een heldere visie op Ander Water in relatie tot de kernactiviteiten te ontwikkelen. Deze visie vormt de basis voor de te maken strategische keuzes zoals de selectie van de te ontwikkelen dan wel af te bouwen activiteiten, de selectie van eventuele samenwerkingspartners, de aard en de omvang van de eigen bijdrage en de organisatievorm. Deze visie zou naar het oordeel van de commissie in elk geval uitgangspunten moeten bevatten op het gebied van:

- De toegevoegde waarde van de Ander Water activiteiten voor de drinkwatervoorziening op het gebied van kennis, kwaliteit of kosten;
- De kostendekkendheid;
- De entiteit en aansturing van de activiteiten;
- Het risicoprofiel;
- Relatie tot vergelijkbare activiteiten door marktpartijen (marktverstoring).

Een diepgaande bezinning over de Ander Water activiteiten is uiterst gewenst. De commissie ondersteunt de voornemens van de RvC om de activiteiten in Indonesië af te bouwen. Mogelijk dat in de toekomst aangesloten kan worden bij een landelijke samenwerkingsorganisatie voor buitenlandse projecten.

Tot slot

De commissie beveelt aan WMD als zelfstandige entiteit verder te laten gaan. Het lijkt de commissie zinvol om de samenwerking met andere partijen op basis van inhoudelijke wederzijdse toegevoegde waarde verder vorm te geven. De commissie is er van overtuigd dat daarmee op termijn nieuwe verbanden van onderop zullen ontstaan.

1. Inleiding

Waterleidingmaatschappij Drenthe (WMD) voorziet inwoners van de provincie Drenthe van drinkwater. WMD is het kleinste drinkwaterbedrijf van Nederland. De afgelopen jaren kwam met enige regelmaat de vraag aan de orde of deze schaal op de langere termijn nog wel houdbaar is en of een vorm van opschalen niet gewenst zou zijn. In het licht van de nadere pensionering van de huidige directeur is besloten om deze vraag opnieuw te onderzoeken. De raad van commissarissen van Waterleidingmaatschappij Drenthe heeft daarom op 21 november 2014 besloten om een commissie te vragen onderzoek te doen naar de toekomstige positie van WMD. De opdracht van de commissie luidt:

De commissie verricht een verkenning naar de toekomstige positie van WMD in de waterketen. Het advies zal gebaseerd zijn op

- Beschrijving huidige situatie en omgeving WMD*
- Verkenning samenwerking met een andere organisatie in de gehele waterketen*
- Verwachte ontwikkelingen in de waterwereld*

Deze commissie is onder leiding van mevrouw M. de Boer eind 2014 gestart. Voor de samenstelling van de commissie zie bijlage 1.

In dit rapport doet de commissie verslag van haar bevindingen. Allereerst is er een korte kenschets van WMD. De commissie heeft er voor gekozen om een toetsingskader op te stellen, dat als leidraad dient voor de beoordeling van de positie van WMD. Het toetsingskader is tot stand gekomen op basis van een analyse van (inter-)nationale ontwikkelingen en bestaande studies naar het functioneren van de Nederlandse drinkwatersector. Dit toetsingskader (vet weergegeven in de tekst) wordt in hoofdstuk 3 gebruikt om de huidige WMD en de te verwachten ontwikkelingen systematisch in beeld te brengen. In hoofdstuk 4 wordt aandacht besteed aan de activiteiten die WMD verricht naast de wettelijke taak, dus naast de primaire drinkwatervoorziening. De ontwikkelingen in de samenwerking in de waterketen komen aan bod in hoofdstuk 5.

Deze analyses vormen de bouwstenen voor de mogelijke strategische keuzes van WMD, omdat daaruit is af te leiden welke kansen en knelpunten een rol zouden moeten spelen bij het bepalen van de strategische positie. In hoofdstuk 6 verkent de commissie de strategische keuzes die hieruit zouden kunnen voortvloeien. Hoofdstuk 7 besluit met conclusies en aanbevelingen.

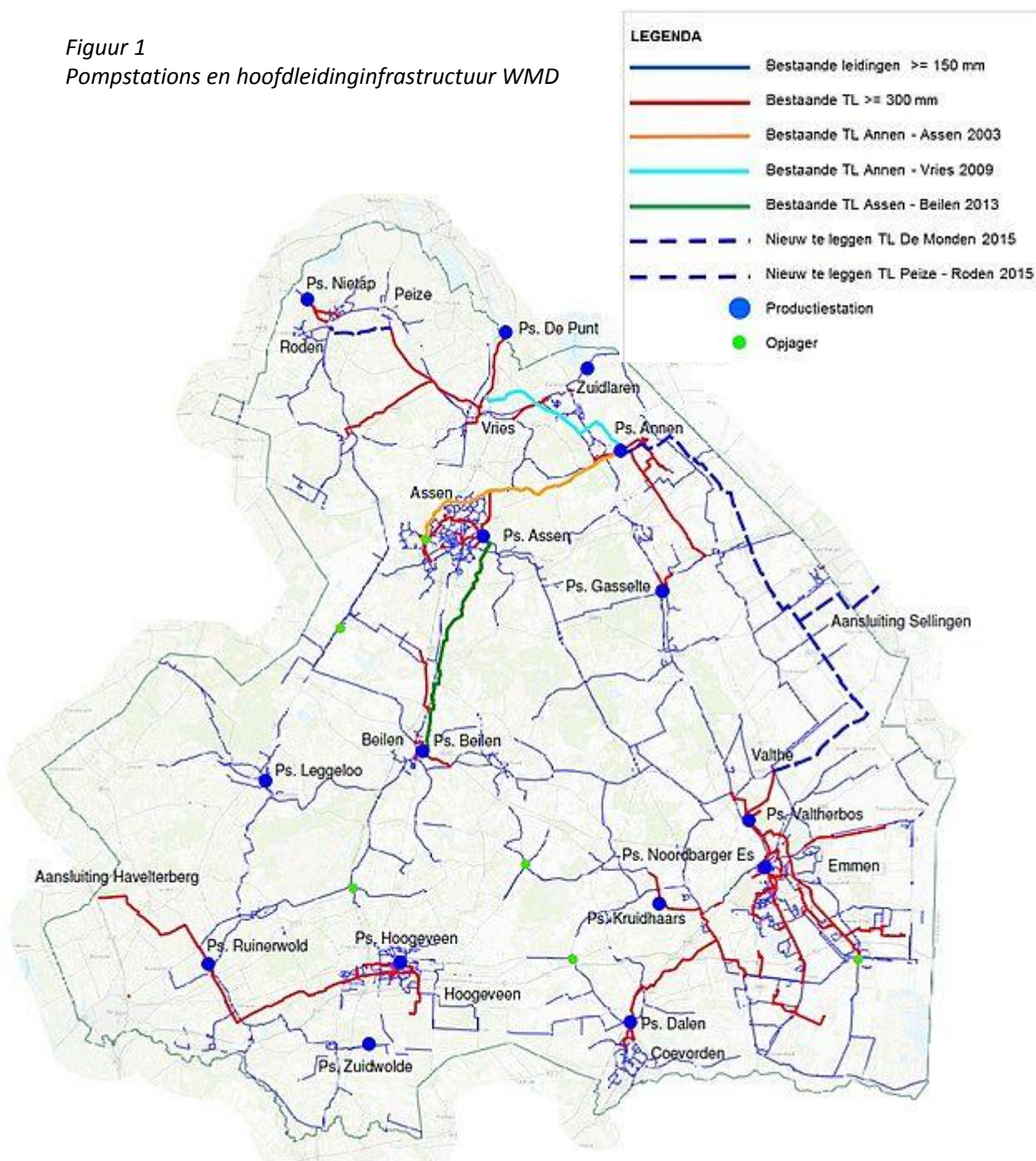
De commissie heeft voor haar werk gebruik gemaakt van diverse documenten en heeft vertegenwoordigers van diverse organisaties gesproken, zie bijlage 2.

2. Korte kenschets WMD

Waterleidingmaatschappij Drenthe is opgericht in 1937. Anno 2014 voorziet WMD met ruim 200.000 aansluitingen ongeveer een half miljoen inwoners in de provincie Drenthe van drinkwater. Dit is ongeveer 3 % van alle aansluitingen in Nederland, waarmee WMD het kleinste drinkwaterbedrijf van Nederland is.

WMD heeft twaalf productiestations. In 2013 leverde WMD in totaal 31 miljoen m³ water. Het water wordt via een hoofdleidingnet met een totale lengte van 4915 km naar de afnemers gedistribueerd.

Figuur 1
Pompstations en hoofdleidinginfrastructuur WMD



Het geleverde water is van goede kwaliteit. De kosten per afgeleverde m³ in 2012 waren € 1,07 (landelijk € 1,29).¹ In 2013 bedroeg de omzet van WMD 49.1 miljoen euro.

WMD gebruikt uitsluitend grondwater als bron voor drinkwaterbereiding. Afgezien van rampen (uitvallen van locaties, ingrijpende verontreinigingen), is de waterbeschikbaarheid in Drenthe daardoor zeker. De wingebieden kunnen voorzien in de huidige en toekomstige vraag. Aandachtspunten hierbij zijn het op peil houden en beschermen van de grondwatervoorraden en het monitoren van de kwaliteit van het water dat op weg is naar de winningen.

WMD kende in landelijk perspectief een relatief hoog aantal storingen in het leidingnet, o.a. veroorzaakt door de slechte staat van een aantal asbestcement (AC) leidingen. Om die reden is WMD vanaf 2009 bezig met een grootschalig vervangingsprogramma.

WMD is een NV met de provincie Drenthe (50%) en elf Drentse gemeenten (50%) als aandeelhouders. De raad van commissarissen bestaat voornamelijk uit leden met een gemeentelijke achtergrond. De voorzitter wordt op voordracht van de provincie Drenthe benoemd door de algemene vergadering van aandeelhouders. WMD heeft één directeur en een adjunct directeur. Het hoofdkantoor staat in Assen. Per 1 januari 2015 zijn 165 mensen in dienst.

WMD is met Waterbedrijf Groningen (WBG) aandeelhouder van Water Laboratorium Noord (WLN). WMD heeft samen met WBG en WLN één ICT afdeling, GiGA. WMD levert water aan Vitens en aan WBG. Een deel van het voorzieningsgebied van WMD krijgt water uit Groningen, omdat dit uit oogpunt van waterverdeling en transport doelmatiger is. De afgelopen jaren is ook op andere terreinen de samenwerking met WBG opgezet. Het succes daarvan is wisselend. Diverse keren is de mogelijkheid van fusie met WBG aan de orde geweest.

Naast de drinkwatervoorziening, wat een wettelijke taak is, levert WMD gietwater aan de glastuinbouw en proceswater voor Cabot en NAM. WMD werkt samen met waterschap Vechtstromen in NieuWater BV, waarbinnen activiteiten voor industriewater (waaronder NAM) worden uitgevoerd. Ook heeft WMD een samenwerking met het Dierenpark in Emmen en neemt zij deel in vijf waterbedrijven in Indonesië. Alle genoemde 'Ander Water' activiteiten zijn ondergebracht in de dochtermaatschappij NoordWater.

¹ Benchmark 2013, bedrijfspresentatie Smalle Benchmark WMD, Vewin/Accenture 2014

3. De positie van WMD in de drinkwatersector

3.1 Inleiding

De Drinkwaterwet (2011) stelt dat de primaire taak van het drinkwaterbedrijf de levering van deugdelijk drinkwater is. Om na te gaan hoe WMD deze primaire taak uitvoert, heeft de commissie een toetsingskader opgesteld. Daarvoor is gebruik gemaakt van “de drie K’s”, waarbij bedoeld wordt op kwaliteit, kosten en kwetsbaarheid.² Onder kwetsbaarheid wordt ook begrepen de zorg over het beschikbaar hebben van voldoende mensen en middelen om uitvoering te geven aan de opgaven in de toekomst. Er zijn in totaal 12 aspecten onderscheiden.

Kwaliteit

- Wettelijke vereisten
- Kwaliteit water
- Kwaliteit dienstverlening
- Meerwaarde voor mens en omgeving

Kwetsbaarheid

- Beschikbaarheid bronnen
- Distributiesysteem
- Personeel
- Risico's
- Visie op de toekomst
- Governance

Kosten

- Tarieven
- Financiële situatie

Hieronder wordt per aspect een korte beschrijving gegeven van de relevante (inter)nationale ontwikkelingen en wordt vervolgens het toetsingscriterium vermeld. Daarna volgt een beschrijving van de mate waarin WMD aan het criterium voldoet. De criteria zijn afgeleid uit diverse vergelijkende studies en achtergronddocumentatie. De gegevens zijn afkomstig uit de Vewin-publicatie *Water in zicht 2012*, tenzij anders is aangegeven.³ Paragraaf 3.5 sluit af met conclusies en aanbevelingen.

3.2 Kwaliteit

3.3.1 Wettelijke vereisten

De Drinkwaterwet (2011) met het bijbehorende besluit beschrijft waaraan de drinkwaterbedrijven in Nederland zich moeten houden. Op grond van deze wet gaat het om bedrijven met publieke aandeelhouders. Zij houden zich bezig met het in stand houden van de openbare drinkwatervoorziening, zij dragen bij aan de bescherming van de bronnen en aan het verantwoord omgaan met drinkwater door afnemers. Drinkwaterbedrijven moeten beschikken over een gecertificeerd kwaliteitsmanagement systeem. De Inspectie Leefomgeving en Transport (ILT) houdt toezicht op de drinkwaterbedrijven.

² Waterketen 2020, Slim, betaalbaar en robuust, Eindrapport Visitatiecommissie Waterketen 2014

³ Water in zicht 2012, Bedrijfsvergelijking drinkwatersector, Vewin/Accenture 2013

Toetsingscriterium wettelijke vereisten
Er wordt voldaan aan wettelijke kaders.

Het kwaliteitsmanagementsysteem van WMD is gecertificeerd voor NEN ISO 9001:2008. In 2013 is WMD geaudit door de ILT.⁴ ILT geeft aan dat WMD voldoet aan de vereisten van niveau 2 van het compliance groeimodel, dat een geïmplementeerd en gecertificeerd management systeem conform ISO 9001 vraagt. Dit niveau is vergelijkbaar met meer dan de helft van de waterbedrijven. Een aantal waterbedrijven zit op niveau 3 en groeit door naar het hoogst haalbare niveau 4. Het behalen van niveau 3 vergt een betere borging van de regelnaleving en het verbeteren van de naleving. WMD heeft hiervoor in overleg met ILT een aantal acties opgezet en hoopt midden 2015 niveau 3 te kunnen bereiken.

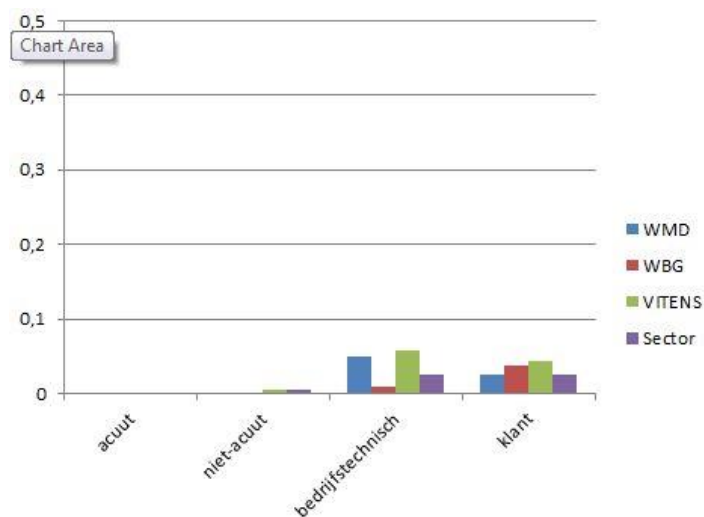
3.2.2 Waterkwaliteit

De kwaliteit van het Nederlandse drinkwater is hoog en zit onder de wettelijk vastgestelde normering. Daarvoor zijn wel steeds investeringen in (nieuwe) technieken nodig om ook moeilijk verwijderbare stoffen en pathogenen uit het water te kunnen halen. De sector hanteert een benchmark van waterkwaliteit, de in samenwerking met RIVM ontwikkelde Water Kwaliteitsindex (WKI), waarbij op vier groepen van parameters wordt gelet: acute en niet acute gezondheidskundige parameters, bedrijfstechnische en klantgerichte parameters.

Toetsingscriterium Waterkwaliteit

De kwaliteit van het geleverde water voldoet aan de wettelijke normen.

Ook WMD produceert drinkwater dat beter is dan wat de Drinkwaternorm minimaal vereist. In onderstaande figuur is de prestatie van WMD voor de vier groepen van waterkwaliteitsparameters uit de WKI ten opzichte van de sector en ten opzichte van de twee buurwaterbedrijven Vitens en WBG weergegeven. De Drinkwaterwetnorm is op 1 gesteld. Getallen onder de 1 geven een score beter dan de Drinkwaternorm. De score 0 is de door de sector gedefinieerde optimale kwaliteit. WMD scoort voor drie van de vier kwaliteitsparameters beter dan het landelijke gemiddelde.



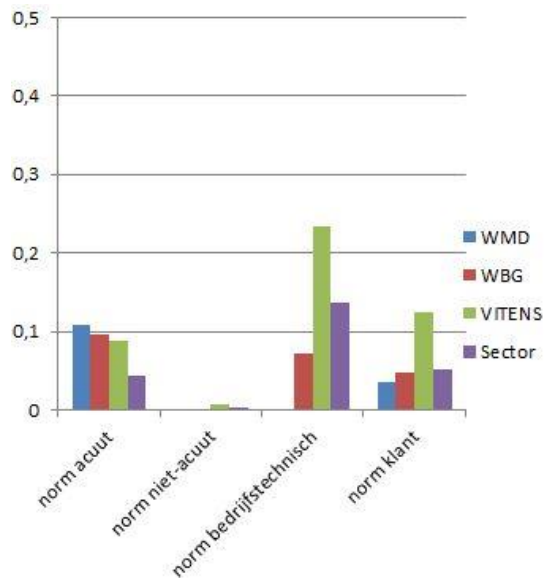
Figuur 2

Score waterkwaliteitsindex ten opzichte van de drinkwaternorm voor acute, niet-acute, bedrijfstechnische en klantparameters voor WMD, Vitens, WBG en het sectorgemiddelde.

⁴ Compliance Audit WMD, Verslag van bevindingen, Ministerie van I en M, Inspectie Leefomgeving en Transport, 2014.

De Drinkwaterwet stelt eisen aan het aantal toegestane jaarlijkse normoverschrijdingen per miljoen m³ geleverd water.

WMD en de sector zitten daar gemiddeld ver onder, zoals uit figuur 3 blijkt (norm=1). Alleen voor de parameter acute normoverschrijding (Enterococcon, E. Coli en Legionella bacteriën) deed WMD het in 2012 iets slechter dan het landelijk gemiddelde. Dit is een gevolg van drie Legionella besmettingen die in de installatie bij de klant werden aangetroffen.⁵



Figuur 3

Score normoverschrijding ten opzichte van de drinkwaternorm voor acute, niet-acute, bedrijfstechnische en klantparameters voor WMD, Vitens, WBG en het sectorgemiddelde.

3.2.3 Dienstverlening

Op het gebied van dienstverlening heeft de watersector een vergelijkbare positie als andere nutsbedrijven. Het gaat om klantgericht denken, goede bereikbaarheid, inzet van breed palet aan (digitale) communicatie, continue levering en het snel verhelpen van problemen.

Waterbedrijven zijn voortdurend bezig om zo goed mogelijk in te spelen op (veranderende) klantwensen, gericht op optimale digitale dienstverlening, snelle afhandeling, transparantie, en beschikbaarheid van informatie. Daarbij is een goede performance van IT-systemen doorslaggevend.

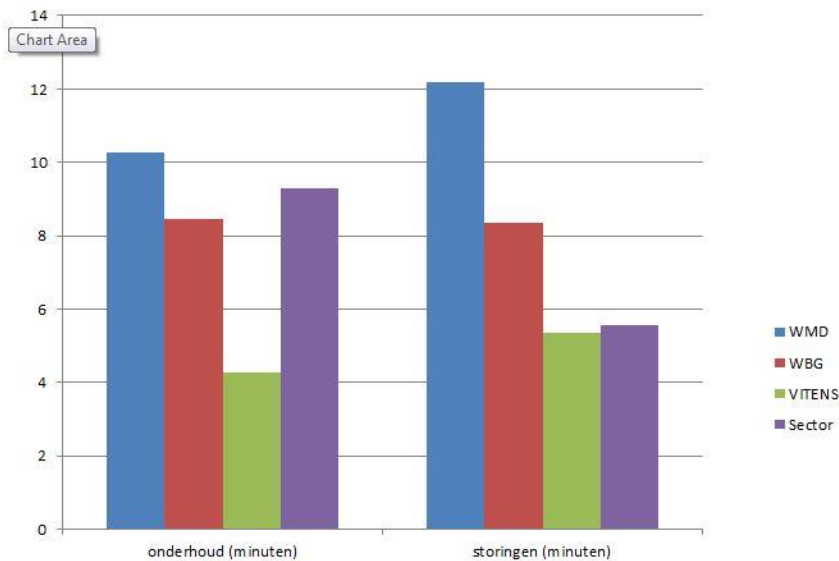
Toetsingscriterium dienstverlening

De kwaliteit van de dienstverlening voor de verschillende doelgroepen is goed.

In *Water in zicht 2012* wordt dienstverlening beoordeeld aan de hand van de onderverdeling klantwaardering (bejegening, bereikbaarheid, afhandeling klachten en storingen), onderbreking van de levering en (voor bedrijven) voldoende druk. In dit onderzoek scoorde WMD in het klantenwaarderingsonderzoek een 7,7, net als het sectorgemiddelde. Van de telefonische oproepen beantwoordt WMD 85 % binnen 20 seconden. Het landelijke gemiddelde ligt op 70 %.

Als het gaat om de onderbreking van de levering (uitgedrukt in OLM, Ondermaatse Leverings Minuten) scoorde WMD in 2012 ten opzichte van het sectorgemiddelde opvallend slechter (figuur 4). Dit heeft in elk geval te maken met de kwaliteit van het hoofdleidingnet, dat deels uit verouderd asbestcement bestaat.

⁵ K. Hoogsteen, Beantwoording vragen Onderzoekscommissie WMD d.d. 17 februari en 24 februari 2015, 2 maart 2015.



Figuur 4

Aantal minuten per jaar per aansluiting waarbij de drinkwaterlevering is onderbroken als gevolg van onderhoud (links) of storing (rechts) voor WMD, Vitens, WBG en de sector.

WMD is met de projecten *Verlagen OLM* en *Versneld vervangen van de oude AC leidingen* bezig om op dit punt de prestaties te verbeteren, hetgeen in 2014 tot een verlaging van de OLM's tot onder het sectorgemiddelde heeft geleid.⁶

De gemiddelde druk voldoet bij alle bedrijven ruimschoots aan de normen. WMD ligt dicht bij het sectorgemiddelde.

3.2.4 Meerwaarde voor mens en omgeving

Maatschappelijk ondernemen en een bijdrage aan People, Planet en Profit ("de 3 P's") worden in Europees perspectief als belangrijke opgaven voor de watersector gezien. Resource recovery, energierecuperatie, hergebruik van grondstoffen en waterbesparing, zijn speerpunten op het gebied van duurzaamheid. Governance, omgevingsmanagement, betrokkenheid van stakeholders en speciaal vrouwen, zijn in het sociale domein belangrijke aandachtspunten en wat betreft de economische aspecten speelt naast kostenbeheersing en bijdrage aan economische ontwikkeling ook innovatie een grote rol.

Toetsingscriterium meerwaarde voor mens en omgeving

Er is toegevoegde waarde voor mens en omgeving. Er is sprake van maatschappelijk verantwoord ondernemen, waarbij er meerwaarde wordt geleverd op economisch (Profit), ecologisch (Planet) en sociaal (People) gebied

Planet

Internationaal is er veel aandacht voor innovatie en duurzaamheid in de waterketen, zie onder andere de WSSTP visie⁷, die veel nadruk legt op het verminderen van institutionele fragmentatie in de watersector (en daarmee kwetsbaarheid) via netwerkvorming. Ook het European Innovation Partnership (EIP) voor water en innovatie, onder de verantwoordelijkheid van de Europese Commissie, legt veel nadruk op hergebruik van grondstoffen.

⁶ K. Hoogsteen, Beantwoording vragen Onderzoekscommissie WMD d.d. 17 februari en 24 februari 2015, 2 maart 2015.

⁷ Water, Safe, strong and sustainable, European vision for water supply and sanitation in 2030. Water Supply and Sanitation Technology Platform (WSSTP), 2005

In *Water in zicht 2012* wordt ook naar een aantal duurzaamheidsaspecten gekeken, zoals duurzaam inkoopbeleid, bijdrage van de sector aan de doelstellingen van Natura 2000, distributieverlies, energieverbruik en aandeel duurzame energie, hergebruik reststoffen en de gemiddelde milieubelasting in vergelijking tot andere sectoren. Het beeld dat uit deze analyse naar voren komt, is dat de hele drinkwatersector zich sterk bezighoudt met het verkleinen van de eigen milieubelasting. Het waterverbruik per persoon is door zuinige apparatuur gedaald van 135 in 1992 naar 119 liter per persoon per dag. Waterbesparing bij huishoudens in combinatie met energiebesparing is onderdeel van landelijke voorlichting.

WMD Planet

Zoals alle waterbedrijven gebruikt WMD uitsluitend groene stroom. WMD verbruikt 0,44 kWh per m³ geproduceerd water. Landelijk is dit gemiddeld 0,52. WMD heeft zich in landelijk verband verplicht om in 2020 20% van het eigen energieverbruik op te wekken en 20% ten opzichte van 2010 aan energieverbruik te hebben bespaard.

Door 'centrale ontharding' door drinkwaterbedrijven ontstaat minder kalkaanslag in het distributienet. Dit leidt tot minder kosten en minder milieubelasting, omdat apparatuur langer meegaat en minder onthardingsproducten worden gebruikt. Het water in Drenthe heeft in het algemeen een gemiddelde hardheid, deels is het zacht.

Van de door WMD geproduceerde reststoffen die vrijkomen bij de zuiveringsprocessen vindt 94,8% een nuttige toepassing. Landelijk is dat 98,2%. WMD hoeft slechts bij drie locaties ontharding toe te passen en produceert onder andere daardoor per m³ geleverd water een lage hoeveelheid reststoffen (WMD 154 ton/mln m³ geleverd water tegen gemiddeld voor de grondwaterbedrijven 203 ton/mln m³).

WMD hanteert een procedure voor duurzame inkoop.

Het distributieverlies, uitgedrukt als het niet in rekening gebrachte gebruik, was in Nederland gemiddeld 5%. Bij WMD was dit 4,1%.

WMD heeft 895 hectare grond in eigendom, waarvan 445 hectare beheerd wordt als natuurgebied. Daarvan is 94% opengesteld voor het publiek. De drinkwaterbedrijven beheren samen 20.000 hectare en zijn na Staatsbosbeheer en Natuurmonumenten de grootste natuurbeheerder. Deze gebieden zijn voor 80% opengesteld voor het publiek. Om de biodiversiteit zoveel mogelijk intact te houden, heeft WMD beheerplannen per gebied opgesteld. Deze beheerplannen⁸ zijn in 2014 geactualiseerd. Diverse WMD-terreinen herbergen plant- en diersoorten die een (inter)nationale beschermingsstatus hebben. Een aantal winningen van WMD draagt bij aan de verdroging van nabij gelegen Natura 2000 gebieden. In het kader van de beheerplannen Natura 2000 wordt hier nader onderzoek naar gedaan en worden afspraken gemaakt over maatregelen. Bij de winning bij Assen heeft WMD de hoeveelheid te winnen water verlaagd.

WMD is voor het beheer van de waterwingebieden op het hoogste niveau "goud" gecertificeerd op grond van de Barometer Duurzaam Terreinbeheer.⁹ WMD voert het keurmerk 'Milieukeur', waarmee WMD aantoont milieubewust te handelen. WMD heeft een handboek 'Veiligheids- en

⁸ Concept Beheerplan terreinen WMD, 2014, nog niet gepubliceerd.

⁹ Het certificatiesysteem stelt eisen aan het gebruik van bestrijdingsmiddelen en meststoffen. Ook zijn er richtlijnen voor het omgaan met zwerfafval en hondenpoep, het bevorderen van terreinbeheer gericht op natuurwaarden en de inkoop van duurzame materialen en materieel. Verder worden bij het gebruik van strooizout, smeermiddelen en brandstoffen de meest milieuvriendelijke varianten toegepast

Milieuvoorschriften Aannemers' samengesteld, als leidraad voor externe partijen die werkzaamheden verrichten in opdracht van WMD.

WMD draagt actief bij aan het in stand houden van cultureel erfgoed door de watertorens in eigendom te houden en te restaureren, en oude gebouwen in stand te houden.

People

Internationaal is veel aandacht voor de participatie van stakeholders bij de waterproblematiek. Intensievere betrokkenheid van burgers en ondernemers bij het watervraagstuk wordt als wezenlijk gezien, om ook in de toekomst voor iedereen voldoende, veilig en schoon water beschikbaar te hebben. De OECD constateert dat in Nederland de publieke betrokkenheid op het gebied van water vergroot zou kunnen worden.¹⁰ Dit heeft vooral betrekking op thema's als wateroverlast en droogte. De waterbedrijven vullen dit in door de klantrelatie te verbeteren, te werken met klantenpanels, educatie en communicatie.

Nederlandse drinkwaterbedrijven mogen maximaal één procent van hun omzetraming besteden aan de bevordering van goede drinkwatervoorziening in het buitenland (1%-regel, zie art. 8, tweede lid, Drinkwaterbesluit), zodat zij met hun kennis en kunde dit mensenrecht kunnen helpen verwezenlijken.

WMD People

In een aantal WMD-gebieden zijn educatieve wandelroutes uitgezet. WMD geeft op aanvraag excursies en voorlichting. WMD doet mee aan projecten om grondeigenaren en gebruikers te stimuleren tot grondwatervriendelijk grondgebruik in grondwaterbeschermingsgebieden.

WMD ontplooit onder de noemer "Ander Water"¹¹ activiteiten om de maatschappelijke meerwaarde van het bedrijf kracht bij te zetten.¹² WMD hanteert daarbij de 1%-regel.

Bijdragen vanuit WMD voor het Arboretum Assen, de Stichting Het Drentse Landschap en het Drents Museum worden ook vanuit deze 1%-regel gemotiveerd, hoewel dit niet de drinkwatervoorziening in het buitenland betreft.¹³

WMD biedt doorlopend vier stageplaatsen in het terreinbeheer voor leerlingen met een licht verstandelijke handicap en gedragsproblemen.

De website van WMD is goed toegankelijk en bevat veel informatie. Er zijn diverse mogelijkheden om gegevens digitaal door te geven. Het is niet mogelijk om een persoonlijke pagina aan te maken. WMD heeft recent de website aangepast, zodat klanten ook digitaal gegevens kunnen uitwisselen. WMD heeft in 2014 elektronische facturering ingevoerd.

Een klantenpanel van tien personen, onder voorzitterschap van de directeur van WMD, komt één tot twee keer per jaar bijeen om een aantal klant gerelateerde onderwerpen te bespreken. De afgelopen jaren is onder andere gesproken over de website, het afhandelen van klachten door WMD, de incasso- en afsluitprocedure, Ander Water projecten en de hardheid van het water.¹⁴

¹⁰ Water Governance in the Netherlands, Fit for the Future OECD Studies on Water, OECD, 2014

¹¹ "Ander Water" is volgens Vewin water dat niet van drinkwaterkwaliteit is. Dit kan gedeeltelijk gezuiverd water zijn (bijvoorbeeld voorgezuiverd oppervlaktewater) of water dat is geoptimaliseerd naar de wensen van de zakelijke klant (bijvoorbeeld gedestilleerd en gedemineraliseerd water).

¹² Jaarverslag 2013, WMD 2014.

¹³ Mededeling directeur WMD 12 april 2015

¹⁴ WMD website, verslagen en agenda klantenpanel.

Profit

Binnen de Topsector Water is een Topconsortium Watertechnologie ingericht. Thema's binnen het TKI watertechnologie zijn o.a. "Van afval naar grondstof", "De waterketen van de toekomst", "Energie efficiëntie en -opslag" en "Het beste uit de ondergrond". Innovatie is voor de drinkwatersector al sinds lange tijd een speerpunt, waarvoor een eigen infrastructuur bestaat met het Bedrijfstakonderzoek (BTO) als vraaggestuurd gezamenlijk onderzoeksprogramma en KWR Watercycle Research Institute als onderzoeksinstituut. KWR richt zich in de onderzoeksvisie Water Wise World¹⁵ op verdere integratie binnen de watersector en met andere (urbane) nutssectoren en de bijdrage aan de circulaire economie. Innovatie in de drinkwatersector is zowel gericht op het proactief kennen van waterkwaliteit, zuiveringstechnologie als ook op het ontwerp en beheer van grotere distributienetwerken. Dit alles in de context van het watersysteem en de invloed hierop van menselijke activiteiten. De zoektocht is gericht op behandeling van nieuwe stoffen, energiebesparing en -terugwinning, kostenreductie en hergebruik van afvalstoffen. Deze ontwikkelingen vinden zowel bij de waterbedrijven zelf als bij commerciële partners en onderzoeksinstellingen plaats.

WMD profit

In 2013 is een onderzoekplan¹⁶ geschreven voor de periode 2014-2018, waarin is aangegeven welke thema's de komende periode worden onderzocht. Een deel van deze thema's wordt in het kader van het landelijke bedrijfstakonderzoek uitgevoerd. Daarnaast heeft WMD met WLN, WBG, de waterschappen Noorderzijlvest, Hunze en Aa's en Wêtterskip Fryslân afspraken over het gezamenlijk uitvoeren van onderzoek rondom onder meer renovatietechnieken voor leidingen, grondwaterzuivering, nieuwe gewasbeschermingsmiddelen en sensoren. In 2014 werd door WMD ongeveer 1 miljoen euro voor onderzoek begroot.

De bijdrage van WMD aan economische ontwikkeling wordt ook via de diverse Ander Water activiteiten zichtbaar. Hier wordt in hoofdstuk 4 apart aandacht aan besteed.

3.2.5. Conclusie kwaliteit

WMD werkt aan het kwaliteitsmanagementsysteem en heeft daarin volgens de Inspectie Leefomgeving en Transport vooral op het gebied van borging van naleving van wetgeving nog een stap te zetten. WMD levert net als de andere Nederlandse waterbedrijven goed drinkwater. Landelijk gezien had WMD een hoog aantal minuten waarbij de levering wordt onderbroken. Het versneld invoeren van een vervangingsprogramma van asbestcementleidingen voorziet hierin. De dienstverlening is goed en WMD biedt maatschappelijke meerwaarde.

3.3 Kwetsbaarheid

3.3.1 Beschikbaarheid bronnen

In een aantal regio's in de wereld heeft de beschikbaarheid van voldoende en schoon water de hoogste prioriteit. In Nederland is de kwantitatieve waterbeschikbaarheid over het algemeen nu geen groot probleem. Wel is er binnen het Deltaprogramma aandacht voor zoetwater om de vraag ernaar te beperken en het aanbod te vergroten. Voor waterkwaliteit ligt dat anders. De Nederlandse oppervlaktewaterkwaliteit is in internationaal perspectief niet goed. In de vergelijkende overzichten voor de Kader Richtlijn Water zit Nederland veelal in de onderste regio. Relevante humaan toxicologische stoffen (o.a. medicijnresten) zijn in toenemende mate meetbaar en komen ook in de bronnen voor drinkwater voor. Ook zijn er zorgen over de grondwaterkwaliteit, zeker voor kwetsbare grondwaterwinningen die ondiep gelegen zijn zonder afsluitende bedekkende lagen. De laatste jaren

¹⁵ www.kwrwater.nl/water-wise-world/vision/

¹⁶ Concept onderzoekplan 2014-2018 WMD, ongedateerd

is er zowel op Europees niveau als in Nederland veel inspanning verricht om diffuse belasting naar het grondwater terug te dringen.

Een aantal waterbedrijven moet vanwege een toenemende vraag en het niet meer kunnen gebruiken van te sterk verzilte of vervuilde bronnen investeren in het ontwikkelen van nieuwe winlocaties en productietechnieken.

Het gebruik van de ondergrond voor infrastructuur, energie (bijvoorbeeld warmte-koudeopslag), en de winning van delfstoffen wordt vanwege de zorg voor de grondwaterkwaliteit door de sector nauwlettend gevolgd. De drinkwatersector is actief betrokken bij de structuurvisie ondergrond (STRONG)¹⁷ en de schaliegasdiscussie. Grondwaterbedrijven zoeken samen met de centrale overheid naar mogelijkheden om strategische grondwatervoorraden aan te wijzen en deze te vrijwaren van activiteiten die nadelig zijn voor het grondwater.

Toetsingscriterium beschikbaarheid bronnen

Er zijn voldoende bronnen beschikbaar om te voorzien in de vraag. De productie van voldoende en goed drinkwater is op de lange termijn zowel technisch als financieel gewaarborgd. De kwaliteit van het toekomstige water is zodanig, dat dit met de beschikbare technieken tegen acceptabele kosten blijvend kan worden ingezet als bron voor drinkwater.

WMD heeft nu en in de toekomst voldoende bronnen. WMD heeft een vergunningscapaciteit van 45,9 miljoen m³ per jaar. Er wordt een daling voorzien in de drinkwaterbehoefte van 30,3 miljoen m³ per jaar in 2010 tot 27,5 miljoen m³ per jaar in 2040.¹⁸

Dit water wordt gewonnen in dertien wingebieden, waarvan zes aangemerkt zijn als kwetsbaar. Dit betekent dat deze winningen niet of zeer beperkt worden beschermd door slecht doorlatende lagen en dus kwetsbaar zijn voor verontreinigingen vanaf het maaiveld. WMD heeft een monitoringsprogramma, waarbij de mate van kwetsbaarheid van een winning de intensiteit van de monitoring bepaalt. Voor geen van de WMD-winningen worden op dit moment op de langere termijn essentiële kwaliteitsproblemen verwacht. De zuiveringen zijn de afgelopen jaren gerenoveerd. Er zijn geen grootschalige investeringen ten behoeve van de drinkwaterproductie nodig.

In de gebiedsdossiers¹⁹ zijn per winning de risico's in kaart gebracht en zijn maatregelen geformuleerd. In 2014 heeft WMD met de 12 Drentse gemeenten, de provincie Drenthe, Vitens en WBG de intentieverklaring "Naar een duurzame drinkwatervoorziening in Drenthe" ondertekend. Partijen gaan samen zorgen voor de uitvoering van de maatregelen, zoals beschreven in de gebiedsdossiers.

In de Omgevingsvisie van de provincie Drenthe zijn drie gebieden aangewezen als strategische grondwaterwinningen. Daarmee is ruimte gereserveerd voor een nieuwe grondwaterwinning, voor het geval een bestaand waterwingebied voor langere termijn niet meer beschikbaar is. WMD moet voor deze strategische gebieden een winvergunning aanvragen.

3.3.2 Distributiesysteem

Het distributienetwerk is opgebouwd vanaf het begin van de twintigste eeuw en in de loop der jaren fors uitgebreid en vertakt. Daarbij zijn verschillende soorten materialen gebruikt, met verschillende levensduur. Grootschalige vervangingsprogramma's vormen dan ook kapitaalintensieve projecten. Er zijn op het gebied van distributie veel ontwikkelingen gaande zoals toepassing van nieuwe materialen, hergebruik van materiaal, slimmere leidingnetontwerpen (onder andere geen

¹⁷ Structuurvisie Ondergrond, Rijkvisie in voorbereiding

¹⁸ Behoeftedekking Nederlandse drinkwatervoorziening 2015-2040. Rapport ten behoeve van verkenning grondwatervoorraden voor drinkwater, RIVM, Rapport 2014-0006, B. H. Tangema, 2014

¹⁹ <http://www.provincie.drenthe.nl/onderwerpen/natuur-milieu/water/drinkwater/>

bluswatercapaciteit en gericht op minder drukverlies), *relining*-technieken en het toepassen van sensortechnologie en ICT.

Toetsingscriterium distributiesysteem

De productielocaties en het distributienet zijn in goede staat en er zijn langjarige onderhoudsprogramma's om dit zo te houden en waar nodig te verbeteren. De distributie van voldoende en goed drinkwater is zowel technisch als financieel op de lange termijn gewaarborgd.

WMD heeft een vervangingsprogramma²⁰, dat vooral gericht is op de vervanging van asbestcemnetleidingen die voor storingen in het leidingnet zorgen. Er zijn geen wettelijke verplichtingen ten aanzien van het beëindigen van het gebruik van AC leidingen, zij vormen geen gezondheidsrisico zolang zij in de grond zitten. Binnen de sector is het gebruikelijk alleen op basis van technische levensduur AC leidingen te vervangen.

In 2009 is WMD gestart met een extra investering van 30 miljoen euro voor het vervangen van verouderde AC leidingen vanwege het grote aantal storingen. Ondanks deze inspanningen werd in 2013 geconstateerd dat de storingen nog niet voldoende waren afgenomen. In 2013 hebben de aandeelhouders besloten het vervangingsprogramma te versnellen en daarvoor extra middelen ter beschikking te stellen. Inmiddels is het aandeel AC-leidingen gedaald van 38% in 2002 tot 21% in 2013. Het huidige vervangingsprogramma met bijbehorende investeringen zal ertoe leiden dat in 2020 het aandeel AC-leiding op 8% uitkomt.

3.3.3 Personeel en organisatie

Binnen de drinkwatersector werken circa 5000 mensen, waarvan 80% man. De gemiddelde leeftijd is 47 jaar. Bijna de helft van het personeelsbestand is 50+. Ongeveer 25 procent is 55 jaar of ouder en 7 procent is jonger dan 30 jaar.²¹

Toetsingscriterium personeel en organisatie

De samenstelling van het personeelsbestand is zowel kwalitatief als kwantitatief voldoende toegerust voor de huidige en toekomstige taak. Aandachtspunten zijn het innovatief vermogen en de instroom van jonge medewerkers.

De personele samenstelling anno 2015 is in onderstaande tabel weergegeven.²² Daaruit blijkt dat WMD in totaal 165 mensen in dienst heeft, waarvan 80% ouder is dan 44 jaar. Het aantal FTE's in 2015 bedraagt 154. In 2012 was dit 160.

Leeftijd	Man	Vrouw	Totaal
< 25	2	0	2
25-34	9	2	11
35-44	17	6	23
45-54	47	15	62
>55	59	8	67
Totaal	134	31	165

Tabel 1

Samenstelling personeel WMD 2015

²⁰ Leveringsplan WMD 2012, N.L. van der Moot, juni 2012

²¹ Cao agenda voor de toekomst, Visie Werkgevers Waterbedrijven 2012, Werkgevers vereniging waterbedrijven 2012

²² K. Hoogsteen, Beantwoording vragen Onderzoekscommissie WMD d.d. 17 februari en 24 februari 2015, 2 maart 2015.

De ratio FTE per 1000 aansluitingen is in 2012 bij WMD 0,8. Per geleverde miljoen m³ water heeft WMD 5,4 FTE tegen landelijk 4,7 FTE. Dit verschil heeft in elk geval te maken met het feit dat WMD veel investeringsprojecten in eigen beheer uitvoert. Het sectorgemiddelde ziekteverzuim is 4,0 %. WMD had in 2013 een ziekteverzuim van 4,48 %.²³ In 2014 werd € 176.000 uitgegeven aan opleidingen van medewerkers.²⁴

WMD detacheert medewerkers via het eigen uitzendbureau Ad-Fontes op basis van de uitzend-cao bij de verschillende BV's die binnen de WMD groep bestaan.

WMD heeft in 2013 een toekomstvisie voor de organisatie opgesteld.²⁵ Daarin wordt een krimp van de formatie van 160 FTE in 2012 naar 137 FTE (117 FTE voor WMD en 20 FTE voor Ander Water) in 2020 voorzien. De personeelsreductie verloopt via natuurlijke afvloeiing wegens pensionering en outplacement. In 2014 is de daaraan gekoppelde reorganisatie in gang gezet.

Dat WMD tot 2020 het personeelsbestand gaat reduceren, vraagt een uitgekiend personeelsbeleid om er voor te zorgen dat er voldoende ruimte is voor nieuwe instroom. Dit is nodig voor het op peil houden van de eigen kennis en kunde en het in gang zetten van noodzakelijke innovatie. WMD werkt met een Young Talent Pool, er zijn enkele Trainees en WMD participeert in opleidingen van Drenthe College en Friesland College. WMD geeft aan dat het vervullen van vacatures op HBO+ niveau niet eenvoudig is.²⁶ De commissie vraagt zich in het verlengde hiervan af of WMD door externe kandidaten als aantrekkelijk bedrijf wordt gezien. De beoogde krimp, de gemiddeld hoge leeftijd en het feit dat WMD de komende jaren, afgezien van het leidinginvesteringsprogramma, geen grote projecten voorziet, dragen hier mogelijk aan bij. Samenwerking met WLN en andere waterpartners in Noord Nederland zou hierin wellicht kunnen helpen.

3.3.4 Risico's

De mondiale terreurdreigingen hebben ook voor de waterbedrijven geleid tot nieuwe maatregelen om winmiddelen en distributienetwerken te beveiligen. Op grond van de Drinkwaterwet moet het drinkwaterbedrijf beschikken over een leveringsplan, waarin de ongestoorde levering van drinkwater wordt gewaarborgd. Voorzieningen bij verstoringen maken daar onderdeel van uit. ILT ziet toe op de kwaliteit van de leveringsplannen.

Toetsingscriterium Risico's

Het bedrijf gaat adequaat om met risico's op het gebied van (ICT) veiligheid en verstoringen.

Het WMD Leveringsplan 2012 bevat een uitgebreide risicoanalyse en een beschrijving van het optreden bij verstoringen.²⁷

3.3.5 Visie op de toekomst

Om goed zicht te hebben op relevante interne en externe ontwikkelingen en daarop adequaat te kunnen reageren, is het van belang om tijdig beleid te ontwikkelen en hierover expliciet naar buiten te treden, zodat de omgeving daar op tijd op in kan spelen.

Toetsingscriterium toekomstvisie

Er is een visie op de toekomst van het eigen bedrijf en deze is in samenspraak met relevante partners tot stand gekomen.

²³ Jaarverslag 2013, WMD 2014

²⁴ Opleidingsplan 2014, WMD 2014.

²⁵ Buigen, niet barsten, herontdek de kracht van WMD, projectgroep WMD 2020, WMD 2013

²⁶ Mondelinge mededeling directeur WMD.

²⁷ Leveringsplan 2012 WMD., N.L. van der Moot, juni 2012

WMD heeft een beleidsplan waarin de visie op de toekomst wordt toegelicht.²⁸ Alle relevante thema's komen in het plan op hoofdlijnen aan de orde. Een beleidsevaluatie van de periode voorafgaand aan het beleidsplan ontbreekt. Het beleidsplan bevat een programma waarvan onderdelen niet zo concreet zijn uitgewerkt, dat na verloop van tijd kan worden nagegaan of het gewenste resultaat is bereikt. Dit beleidsplan wordt in 2015 geactualiseerd.

3.3.6. Governance

De OECD pleit voor een versterking van onafhankelijke verantwoordingsmechanismen voor transparantere informatie en monitoring van prestaties in het Nederlandse waterbeheer.²⁹ Het gaat om onafhankelijk toezicht, transparante informatie voor belanghebbenden en eerlijke mechanismen voor verdeling van kosten en risico's.

De drinkwatersector organiseert via de VEWIN de brede belangenbehartiging in zowel Nederland als Europa. VEWIN heeft daarvoor een lobbyagenda opgesteld.³⁰ Daarnaast zijn waterbedrijven actief in de eigen regio om waterkwaliteit veilig te stellen en het goed functioneren van de drinkwatervoorziening ook op lange termijn mogelijk te maken. Daarbij is de volgende bepaling uit de Drinkwaterwet zeer behulpzaam: *".....geldt de duurzame veiligstelling van de openbare drinkwatervoorziening als een dwingende reden van groot openbaar belang."*

Toetsingscriterium Governance

De governance structuur voldoet aan de wettelijke vereisten en functioneert naar behoren.

AVA

WMD is een overheidsNV. De algemene vergadering van aandeelhouders (AVA) is bij wet het belangrijkste orgaan. De aandeelhouders zien toe op de belangen van de Drentse klanten. De provincie Drenthe heeft 50% van de WMD-aandelen, de Drentse gemeenten (afgezien van Meppel) hebben aandelen naar rato van het aantal inwoners. In 2013 ontvingen de aandeelhouders het statutair maximaal toegestane dividend ter grootte van 3%, zijnde de wettelijke rente per 1 januari 2013, van het geplaatste aandelenkapitaal aan aandeelhouders.³¹

RvC

De aandeelhouders benoemen de leden van de raad van commissarissen (RvC). De RvC is primair gericht op de continuïteit van de onderneming. De RvC bestaat uit zes leden, drie op voordracht van de gemeenten, één op voordracht van Gedeputeerde Staten en twee leden op voordracht van de Ondernemingsraad. In de RvC zaten in 2013 alleen mannen, in 2014 is een vrouw toegetreden. Bij de WMD RvC is ook het toezicht op NoordWater BV ondergebracht. Op het toezicht op de Ander Water activiteiten wordt in hoofdstuk 4 ingegaan.

Statuten

In de WMD statuten³² is de positie van de aandeelhouders, raad van commissarissen en bestuurder vastgelegd. De RvC is binnen de omlijning van de statuten verantwoording schuldig aan de AVA. Artikel 21 van de statuten vermeldt *"alles wat niet direct tot de bevoegdheid van de RvC of de Directie hoort, behoort tot de AVA."*

In november 2014 zijn de WMD statuten, het directiestatuut, het Reglement van de RvC en dat van de auditcommissie geactualiseerd en geconformeerd aan de Code Tabaksblat.³³ Een belangrijk

²⁸ WMD brengt water verder, 2011-2015, Beleidsplan WMD

²⁹ Water Governance in the Netherlands, Fit for the Future OECD Studies on Water, OECD, 2014

³⁰ Lobby Agenda 2014-2015, Vewin 2014

³¹ Jaarverslag 2013, WMD 2014

³² Website WMD, vastgesteld door AVA 25 november 2014

³³ De Nederlandse corporate governance code. Beginselen van deugdelijk ondernemingsbestuur en best practice bepalingen, Commissie Corporate Governance 2003

onderdeel in de gewijzigde statuten is artikel 3, lid 1 en 2 van het Reglement, waarin gesteld wordt dat *elke commissaris beschikt over de specifieke deskundigheid, die noodzakelijk is voor de vervulling van zijn taak, binnen zijn rol in het kader van de profielschets*.

Artikel 2 stelt vervolgens dat *de raad een profielschets opstelt van zijn omvang en samenstelling, rekening houdend met de aard van de onderneming, haar activiteiten en de gewenste deskundigheid en de achtergrond van de commissarissen*. Op grond van hetzelfde artikel is er tenminste één financieel expert in de raad. De profielschets van de RvC dient openbaar te zijn.

Bestuurder

WMD heeft gekozen voor een eenhoofdige bestuurder.

De commissie heeft zich afgevraagd of de huidige governance voldoet en naar behoren functioneert. Daarbij heeft zij zich laten leiden door de volgende waarnemingen.

- Aandeelhouders gaven in de gesprekken aan dat het voor hen moeilijk is om voldoende zicht te krijgen op het bedrijf WMD. Zij voelen zich niet allemaal in staat om de rol van aandeelhouder goed in te vullen.
- De WMD statuten bieden weinig houvast als het gaat om de rolverdeling tussen aandeelhouders en de RvC. Uit de gesprekken kreeg de commissie de indruk dat er ook in de praktijk bij de RvC en de AVA te weinig helderheid is over de wederzijdse rollen en verantwoordelijkheden.
- Begin 2015 zijn de commissarissen nog niet allemaal geselecteerd vanwege relevante specifieke expertise op terreinen die voor het bedrijf WMD van belang zijn, zoals drinkwatervoorziening en financiën.
- Begin 2015 hebben de commissarissen een overwegend Drentse bestuurlijke betrokkenheid. De afgelopen jaren is landelijk de maatschappelijke gevoeligheid voor het onafhankelijk kunnen functioneren van toezichthouders toegenomen. RvC leden met een sterke binding met het lokale bestuur kunnen daardoor makkelijker in een belangenconflict terecht komen. Dit is een risico voor het imago van WMD en de betreffende personen.
- De commissie heeft geen openbaar gemaakte profielschetsen aangetroffen.
- Door zowel de RvC als door enkele aandeelhouders is gewezen op de verdeling van de aandelen tussen de provincie Drenthe en de gemeenten. Omdat de provincie beschikt over de helft van de aandelen en een dito positie in de stemverhoudingen heeft, zijn er zonder instemming van de provincie geen besluiten te nemen.

Dit alles brengt de commissie tot de constatering dat de statuten en reglementen zijn geactualiseerd, maar dat de implementatie daarvan deels nog moet plaatsvinden. Ook is de verdeling van rollen en verantwoordelijkheden nog onvoldoende scherp. De commissie concludeert dan ook dat de governance van WMD nog niet naar behoren kan functioneren.

3.3.7 Conclusie kwetsbaarheid

WMD heeft de bedrijfsinfrastructuur over het algemeen goed op orde en heeft zicht op de noodzakelijke investeringen om ook op de langere termijn op een goede manier te kunnen blijven voorzien in de drinkwatervoorziening. WMD is kwetsbaar als het gaat om het personeelsbestand, vanwege de krimpdoelstellingen voor de komende jaren, de vergrijzing en het moeilijk kunnen vervullen van vacatures op HBO+ niveau.

Ten aanzien van de governance concludeert de commissie dat de governance van WMD niet naar behoren functioneert. Het betreft de volgende punten:

- De samenstelling van de RvC voldoet (nog) niet aan de reglementen. Profielschetsen ontbreken. De raad ontbeert een aantal voor het bedrijf relevante specifieke deskundigheden.
- Er zijn teveel commissarissen met een stevige achtergrond in de Drentse bestuurlijke samenleving, waardoor belangenconflicten niet zijn uit te sluiten.

- De rolverdeling tussen RvC en AVA is niet scherp.
- De aandeelhouders hebben moeite hun rol te vervullen.

3.4 Kosten

Internationaal wordt verwacht dat de kosten voor de bereiding van drinkwater gaan stijgen vanwege verslechterende waterkwaliteit, klimaatveranderingen en omvangrijke vervangingsinvesteringen. De Nederlandse drinkwater sector wordt internationaal beschouwd als een efficiënte en effectieve sector.³⁴ De Drinkwaterwet geeft vrij precies aan welke factoren bij het bepalen van de tarieven een rol mogen spelen en de Inspectie Leefomgeving en Transport (ILT), mede op advies van de Autoriteit Consument & Markt, houdt daar toezicht op. Daarnaast is er de landelijk verplichte benchmark. Met name de benchmark heeft er de afgelopen jaren voor gezorgd dat de prijs van het drinkwater in Nederland sinds 1997 per aansluiting (gecorrigeerd voor inflatie) met 35% is gedaald.³⁵ De sector voorziet een verdere verlaging.

3.4.1 Kosten WMD

Toetsingscriteria kosten

- ***Drinkwater wordt geproduceerd en gedistribueerd tegen de laagst mogelijke kosten: de tarieven en de tariefontwikkeling zijn vergelijkbaar met die van andere waterbedrijven die grondwater als grondstof voor drinkwater gebruiken.***
- ***Het bedrijf is financieel gezond. De tarieven zijn transparant, kostendekkend en niet discriminerend, de solvabiliteit is voldoende en de lange termijn financiële ontwikkeling is gezond.***

De WMD tarieven liggen onder het gemiddelde voor zowel eenpersoonshuishoudens als voor gemiddelde huishoudens.³⁶ Hetzelfde geldt voor middelgrote en grote zakelijke klanten. Alleen voor kleine zakelijke klanten ligt het tarief (iets) boven het gemiddelde. Voor huishoudens met een gemiddeld verbruik is alleen WBG iets goedkoper. WMD verwacht geen tariefstijging binnen de komende beleidsperiode van 5 jaar.³⁷ Voor grootverbruikers stijgen de tarieven tot 2017 wat meer vanwege een nieuwe tariefstructuur en daarna jaarlijks tot 1% per jaar.

De ontwikkeling van de totale kosten (gemeten per aansluiting of per m³) is in 2011-2013 gunstiger dan het sectorgemiddelde. In de jaren daarvoor zijn de kosten harder gestegen dan gemiddeld in de sector. Toch liggen in 2013 de kosten (gemeten per aansluiting of per m³) bij maar twee bedrijven lager dan bij WMD. Maar dat valt ook te verwachten: naast WMD zijn er maar drie andere grondwaterbedrijven. WMD heeft als enige een grondwateraandeel van 100% en moet dus ook wel één van de goedkoopsten zijn.

Uit het jaarverslag 2013 is af te leiden dat de tarieven kostendekkend zijn. Het financiële resultaat is positief. Het Financieel Plan 2015, met prognoses tot en met 2019, is gebaseerd op redelijke aannamen. WMD heeft in het kader van de samenwerking in de waterketen aangegeven tot en met 2020 3,9 miljoen euro per jaar te willen besparen, waarvan tot en met 2012 al 2,4 miljoen euro is gerealiseerd. Een belangrijk deel daarvan wordt gevonden in besparing op FTE's, die middels herstructurering van de organisatie wordt gerealiseerd.

³⁴ Water Governance in the Netherlands, Fit for the Future OECD Studies on Water, OECD, 2014

³⁵ Water in Zicht 2012, Vewin, 2013

³⁶ Benchmark 2013, bedrijfspresentatie Smalle Benchmark WMD, Vewin/Accenture 2014

³⁷ K. Hoogsteen, Beantwoording vragen Onderzoekscmissie WMD d.d. 17 februari en 24 februari 2015, 2 maart 2015.

Er is sprake van een investeringspiek rond 2015 vanwege het versneld vervangen van asbestcementleidingen en de aanleg van nieuwe transportleidingen naar Groningen. De financieringslasten blijven houdbaar. Uitgangspunt van het Financieel Plan 2015 is een lange rente van 4%, wat de commissie redelijk vindt. De solvabiliteit bedraagt 27% en zal conform het financieel Plan 2015 binnen 2-3 jaar oplopen tot 30%.³⁸

WMD staat garant voor een lening van NieuWater BV van 19 miljoen euro en voor betalingsverplichtingen van de Stichting Waterprojecten Oost-Indonesië met betrekking tot een lening van 5,5 miljoen euro. Ter vergelijking: de schuldenlast van WMD zelf is ruim 100 miljoen euro. Ten opzichte van de oorspronkelijk plannen, waarbij deze laatste lening uit de verkoop van de Indonesische waterbedrijven zouden worden afgelost, zijn wijzigingen opgetreden. Er moeten daarom voorzieningen worden getroffen om dit op te vangen. De omvang daarvan wordt beïnvloed door economische en politieke ontwikkelingen maar de omvang zal naar verwachting niet zodanig zijn dat de financiële positie van WMD daardoor in gevaar komt. De RvC is bezig om meer duidelijkheid en zekerheid op dit dossier te krijgen (zie ook hoofdstuk 4).

Verder is WMD aansprakelijk voor leningen van VOF Anloo en VOF Hondsrug. De omvang hiervan is de commissie niet bekend, waardoor het bijbehorende risico door de commissie niet is in te schatten.

3.4.2 Conclusie kosten

De commissie constateert dat WMD wat betreft de drinkwateractiviteiten een gezond financieel bedrijf is met adequate tarieven. De noodzakelijke extra investeringen in het leidingnet zijn onderdeel van het investeringsplan en kunnen binnen de financiële kaders worden opgevangen.

Als het gaat om de Ander Water activiteiten van WMD, waaronder de activiteiten in Indonesië, is de commissie minder positief. De commissie constateert op dit punt een gebrek aan toegankelijke en transparante financiële informatie. Uit de beschikbare informatie leidt de commissie af dat er reële financiële risico's bij de Indonesië-activiteiten bestaan. Die zijn niet goed in kaart gebracht. Het voornemen van WMD om de deelname aan de waterbedrijven in Indonesië tussen 2017 en 2020 te beëindigen, wordt door de commissie dan ook van harte ondersteund. Dit geldt ook voor het voornemen om de twee consultancybedrijven in Indonesië (PT Iwona Prima Consult en PT WLN) binnen 5-7 jaar grotendeels te verzelfstandigen.³⁹ In hoofdstuk 4 Ander Water, wordt hier verder op ingegaan.

3.5 Conclusie en aanbevelingen positie WMD in de drinkwatersector

De commissie komt op basis van de analyse tot de conclusie dat WMD een goed functionerend drinkwaterbedrijf is, dat de inwoners van Drenthe nu en in de toekomst voldoende en schoon drinkwater kan leveren tegen een relatief lage prijs. Het bedrijf staat er wat betreft de drinkwateractiviteiten financieel goed voor en is actief op het gebied van maatschappelijk verantwoord ondernemen. De commissie ziet een aantal punten waar de komende jaren in het bijzonder aandacht aan moet worden besteed:

- Uitvoering van het vervangingsprogramma AC leidingen. Dit is een belangrijke opgave voor de komende jaren.
- Doorontwikkeling van het kwaliteitsmanagementsysteem naar niveau 3 op relatief korte termijn is mogelijk en gewenst.

³⁸ Financieel Plan WMD 2015, WMD, 2014

³⁹ De wettelijke en niet wettelijke taken van NV Waterleidingmaatschappij Drenthe, WMD, 2015.

- Personeelsbeleid: WMD moet zorgen voor het hebben en houden van voldoende gekwalificeerd personeel en dus voldoende nieuwe instroom. Dit vraagt om een uitgekiend en ontwikkelingsgericht personeelsbeleid. De commissie gaat er vanuit dat WLN, als waterkenniscentrum, een bijdrage zal leveren aan het op peil houden van de technologische kennis.
- Dienstverlening: er is ruimte om de dienstverlening naar de gebonden klant, waaronder de digitale contacten en een onafhankelijk opererend klantenpanel met een onafhankelijke voorzitter, uit te bouwen.

De commissie is daarnaast van mening dat de governance momenteel nog niet naar behoren functioneert. De statuten en reglementen zijn geactualiseerd, maar moeten deels nog worden geïmplementeerd.

Zo moet het functioneren van de aandeelhouders worden versterkt. Hier ligt een taak voor de organisatie WMD door de transparantie en de informatievoorziening voor de aandeelhouders te verbeteren. Daarnaast zouden zowel de RvC als de AVA zich meer inhoudelijk in hun statutaire rol kunnen verdiepen en moet er meer oog zijn voor de wederzijdse rol en verantwoordelijkheid. In aanvulling hierop zou voor een actievere opstelling van de aandeelhouders de bestaande stemverhouding ten gunste van de gemeentelijke aandeelhouders gewijzigd kunnen worden. Er zijn vergelijkbare bedrijven waarbij de stemverhouding is aangepast om dominantie van één of meerdere partijen te voorkomen. De verdeling van de aandelen hoeft daarbij niet te worden gewijzigd.

In de RvC ontbreekt anno 2015 voldoende specifieke deskundigheid, terwijl de verwevenheid met de Drentse (bestuurlijke) samenleving erg groot is. Het publiek werven van commissarissen op basis van profielschetsen zou zo snel mogelijk opgepakt moeten worden. Om de band met het lokaal bestuur in stand te houden zou een lid namens de Vereniging van Drentse Gemeenten kunnen worden voorgedragen.

Het is belangrijk dat er in de organisatie een goed samenspel is tussen de RvC en de bestuurder van de onderneming enerzijds en tussen de bestuurder en het management anderzijds. Countervailing power is belangrijk voor een organisatie. Het is aan de RvC om ook hierop toe te zien.

4. Ander Water

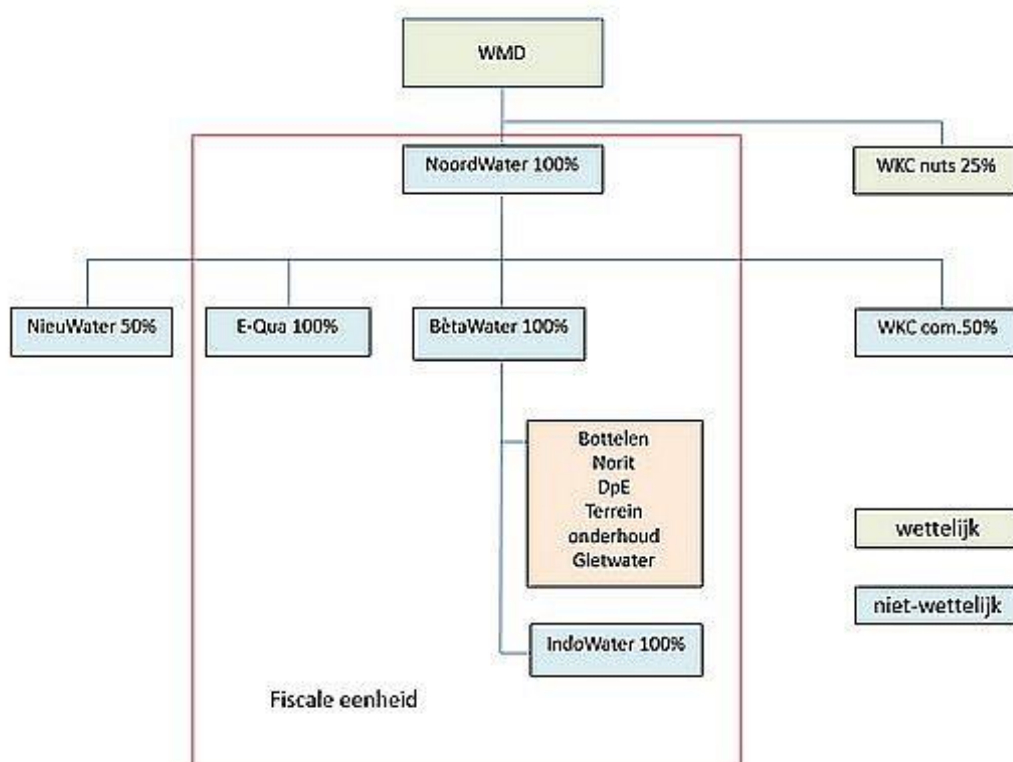
4.1 De activiteiten

Onder “Ander Water” wordt volgens VEWIN verstaan: *water, niet van drinkwaterkwaliteit*. Dit kan gedeeltelijk gezuiverd water zijn of water dat geoptimaliseerd is naar de wensen van de zakelijke klant. Het leveren van Ander Water is geen wettelijke taak.

WMD wil voor industriële bedrijven duurzame alternatieven voor grond- en drinkwater ontwikkelen. WMD heeft alle Ander Water activiteiten ondergebracht in de BV NoordWater. Daarnaast neemt WMD (50%) met WBG (50%) deel in BV WLN. WBG en WMD hebben de watertechnologie en de waterkwaliteitsbewaking ondergebracht in WLN.

In onderstaande figuur zijn de dochtermaatschappijen van WMD weergegeven in de structuur, zoals deze in 2015 volgens WMD vorm gegeven gaat worden.⁴⁰ Deze structuur is de laatste jaren nogal in beweging. De plek van het Waterkwaliteitscentrum (WKC) is met het afbreken van de fusie tussen WLN en de waterschapslaboratoria nog een discussiepunt. Vooralnog wordt de huidige situatie gehandhaafd.

Figuur 5
WMD en dochtermaatschappijen



⁴⁰ De wettelijke en niet wettelijke taken van NV Waterleidingmaatschappij Drenthe, WMD, 2015

De Ander Water activiteiten van WMD zijn ondergebracht in de BV NoordWater. Daaronder vallen verschillende BV's: NieuWater, E-Qua en BètaWater. Onder de BV BètaWater vallen weer diverse andere activiteiten en aparte rechtspersonen.

1. NieuWater

WMD en waterschap Velt en Vecht hebben samen de BV NieuWater (elk 50 % aandeelhouder) opgericht en samen een fabriek gebouwd waar gezuiverd afvalwater wordt opgewerkt tot ultra puur water dat door de NAM in Schoonebeek wordt gebruikt bij de oliewinning. De bedoeling is de activiteiten van NieuWater uit te breiden naar de Twentse markt.

2. E-Qua (100% eigendom van NoordWater)

In 2013 is onder NoordWater BV een nieuwe BV opgericht ten behoeve van de levering van laagwaardige warmte uit drinkwater in combinatie met Warmte Kracht Koppeling en een elektriciteitslevering aan Dierenpark Emmen en omgeving.

3. BètaWater (100 % NoordWater)

Binnen BètaWater zijn de activiteiten ondergebracht op het gebied van

- Gietwaterlevering aan tuinders in Erica en Klazienaveen. Hiervoor is een aparte BV GietWater (100 % NoordWater) opgericht.
- Levering industriewater (Cabot, voorheen Purit).
- Diverse activiteiten voor het Dierenpark Emmen, waaronder het zuiveren van afvalwater tot herbruikbaar water in de waterfabriek.
- Terreinonderhoud voor alle gronden die in bezit zijn van WMD en terreinbeheer voor de golfbaan Drentsche Golf & Country Club BV (DGCC, 20% NoordWater).
- Bottelarij Het Hunzedal, waar nooddrinkwater voor de Nederlandse waterleidingbedrijven wordt gebotteld en waar bronwater wordt gebotteld voor de commerciële markt. BètaWater verzorgt voor de VOF Hondsrug en de VOF Anl'eau de exploitatie.
- Voor de activiteiten in Indonesië is binnen BètaWater een aparte dochter opgericht, IndoWater (100 % NoordWater). WMD heeft in vijf steden in Oost-Indonesië de drinkwatervoorziening op gang gebracht en participeert daar in vijf waterleidingmaatschappijen via de BV Tirta Drenthe (TAD). Daarnaast heeft WMD twee dochters: PT Inowa Prima Consult en PT WLN. Beide bedrijven leveren technische en technologische ondersteuning aan de waterbedrijven en verlenen op commerciële basis diensten aan industrie en lokale overheden. Inowa is voor 75 % eigendom van Indowater (25 % Witteveen en Bos). PT WLN is voor 60 % eigendom van IndoWater.

Tussen de BV 's en WMD bestaan allerlei verbanden. Op basis van marktconforme contracten worden onderling diensten verricht. WMD detacheert medewerkers via het eigen uitzendbureau Ad-Fontes op basis van de uitzend-cao bij de verschillende BV's die onder NoordWater vallen. WMD/NoordWater verpacht grond aan Dierenpark Emmen. Tussen BètaWater en de DGCC is een onderhoudscontract afgesloten. Bij NieuWater gedetacheerde WMD medewerkers verrichten diverse activiteiten voor BètaWater, ten behoeve van de gietwaterlevering, Cabot en Dierenpark Emmen.

WMD is de enige aandeelhouder van NoordWater BV. NoordWater heeft geen aparte RvC. De RvC van WMD houdt in aparte vergaderingen toezicht op NoordWater. De WMD-directeur treedt namens Noord Water op als aandeelhouder in de verschillende dochters van NoordWater en wordt daartoe gemachtigd door de RvC van WMD. De directeur van WMD is tevens de directeur van NoordWater BV. De bestuurder van de onderliggende BV's (E-Qua, IndoWater en BètaWater) is de rechtspersoon NoordWater BV. Besluiten van deze BV's zijn onderhevig aan goedkeuring/instemming van de RvC WMD.

Indonesië

De commissie heeft gemerkt dat de activiteiten van WMD in Indonesië bij veel gesprekspartners vragen oproepen. Deze vragen hebben betrekking op de motivatie voor deze activiteiten, de uitvoering daarvan en de daaraan mogelijk verbonden financiële, bestuurlijke en communicatieve risico's. De aandeelhouders gaven aan geen goed zicht te hebben op dit dossier.

De commissie heeft zich verdiept in de haar ter beschikking gestelde documenten. Daaruit komt het beeld naar voren dat WMD vanaf 1994 betrokken is bij het verbeteren van de drinkwatervoorziening in Oost-Indonesië. Dit is, o.a. vanwege de verbondenheid met de Drentse Molukse samenleving, begonnen met de samenwerking met het waterbedrijf in Ambon en geleidelijk uitgebreid naar andere steden. De vorm en de omvang van deze inzet is in de loop der jaren steeds veranderd.⁴¹ De commissie heeft geprobeerd om de gekozen structuur, de onderlinge relaties, de lopende verplichtingen en financiële en communicatieve risico's situatie helder in beeld te krijgen. De conclusie is dat het Indonesië-dossier buitengewoon complex is gestructureerd, ondoorzichtig en voor buitenstaanders moeilijk te doorgronden als het gaat om governance en risico's. In hoofdstuk 3 van dit rapport is al vermeld dat er voorzieningen moeten worden getroffen voor het afbouwen van deze deelnames.

Uit de gesprekken en de documenten blijkt ook dat de RvC en meer specifiek de auditcommissie bezig is om helderheid te krijgen over de feitelijke betrokkenheid van WMD in Indonesië. Het betreft een complexe en gevoelige materie, waarover bij diverse externe partijen, maar ook aandeelhouders, minder positieve beelden leven. Het lijkt de commissie dan ook verstandig om er voor te zorgen dat de kwaliteit van de informatie niet ter discussie staat. Externe toetsing zou daarbij ook in het verleg met de AVA een belangrijke rol kunnen spelen.

Inmiddels heeft de RvC ook al een aantal concrete stappen gezet om meer grip krijgen op deze activiteiten. Zo is in mei 2014 een nieuw contract afgesloten tussen Tirta Drenthe BV, WMD en de Stichting Waterprojecten Oost-Indonesië (SWOI). Deze stichting beheert middelen die destijds door het ministerie van Ontwikkelingssamenwerking beschikbaar zijn gesteld. SWOI leent deze middelen uit aan de Indonesische waterbedrijven waarin Tirta Drenthe, en dus WMD, belangen heeft van 51%. De directeur van WMD is bestuurslid van de Stichting Waterprojecten Oost-Indonesië.

De RvC van WMD heeft het voornemen om de deelname van WMD in de Indonesische waterbedrijven de komende 5 jaar conform de contractduur van de verschillende samenwerkingscontracten af te bouwen. Verwacht wordt dat dit tussen 2017 en 2020 gerealiseerd wordt. WMD verwacht ook de twee consultancybedrijven in Indonesië (PT Iwona Prima Consult en PT WLN) binnen 5-7 jaar grotendeels te verzelfstandigen.⁴² De commissie ondersteunt deze voornemens.

4.2 Criteria voor Ander Water

De Commissie heeft de Ander Water activiteiten bekeken aan de hand van drie criteria:

- 1. De organisatie, het bestuur en de verantwoording van de Ander Water activiteiten is helder en voldoet aan de wettelijke vereisten.**
- 2. Er is een duidelijke toegevoegde waarde van de Ander Water activiteiten voor de kernactiviteiten van WMD.**

⁴¹ Samenvattende notitie Ander Water activiteiten en de Stichting Waterprojecten Oost- Indonesië tussen 2005 en 2022, WMD, 2014

⁴² De wettelijke en niet wettelijke taken van NV Waterleidingmaatschappij Drenthe, WMD, 2015.

3. De risico's van Ander Water zijn beperkt en afgedekt voor WMD op financieel, organisatorisch en communicatief vlak.

Ad. 1 De organisatie, het bestuur en de verantwoording van de Ander Water activiteiten is helder en voldoet aan de wettelijke vereisten.

Als drinkwaterbedrijven commerciële taken verrichten, dan moeten deze juridisch en financieel gescheiden zijn van de publieke taak. Hiermee wordt voorkomen dat kapitaal van het publieke bedrijf wordt ingezet voor commerciële activiteiten (kruissubsidie, oneerlijke concurrentie) en dat risico's van de commerciële activiteiten worden afgewenteld op de gebonden klanten van het publieke bedrijf.

De Autoriteit Consument en Markt ziet erop toe dat de drinkwaterbedrijven zich aan deze regels houden. WMD is vanaf 2011 bezig om deze wettelijke vereisten toe te passen op de Ander Water activiteiten. Het omgekeerde mag wel: een bijdrage vanuit de Ander Water activiteiten aan de drinkwatervoorziening, uiteraard zonder dat de publieke activiteit afhankelijk wordt van deze inkomsten. Voor zover de commissie kon nagaan, wordt dit bij WMD nog niet toegepast en wordt de winst uit Ander Water projecten binnen de BV's gehouden, hetgeen bestedingsdruk tot gevolg kan hebben. Bij positieve resultaten uit Ander Water gaat dit in de toekomst mogelijk wel gebeuren.⁴³

De commissie heeft in de haar ter beschikking gestelde documenten beperkt informatie kunnen vinden over de organisatie van de verschillende BV's, de governance en in relatie daarmee de financiële verantwoording.

Er is naar het oordeel van de commissie een complex stelsel ontstaan, waarvan de onderdelen op diverse manieren met elkaar zijn verbonden. Het volledig in kaart brengen van deze verbanden en de daarmee samenhangende financieringsstromen behoorde niet tot de opdracht van de commissie, maar de commissie constateert wel dat op het gebied van Ander Water activiteiten transparantie een zwak punt is. Dit sluit aan bij de indruk die ook diverse stakeholders in de interviews met de commissie hebben weergegeven.

In de WMD statuten, reglementen RvC en het directiestatuut is geregeld dat de bestuurder WMD optreedt als aandeelhouder in de verschillende dochters van NoordWater en voor de daartoe relevante besluiten gemachtigd wordt door de RvC van WMD. Daar waar de aandeelhouder wettelijk het hoogste orgaan is, lijkt dit de commissie een wat vreemde regeling. De commissie adviseert om dit in lijn te brengen met de governancecode. Wat betreft de positie van de directeur in de Stichting Waterprojecten Oost-Indonesië (SWOI) adviseert de commissie de verantwoordelijkheden duidelijker te scheiden.

Ad 2 Er is een duidelijke toegevoegde waarde van de Ander Water activiteiten voor de kernactiviteiten van WMD

Uit diverse documenten komt naar voren dat de Ander Water activiteiten een belangrijke maatschappelijke meerwaarde op diverse terreinen hebben voor Drenthe en voor Indonesië. De commissie vindt het jammer dat deze meerwaarde wat uit het zicht raakt, vanwege het onbehagen in de omgeving van WMD dat door het ontbreken van transparantie is ontstaan.

Zonder aan de meerwaarde van de activiteiten in Nederland als in Indonesië afbreuk te willen doen, vraagt de commissie zich af in hoeverre de Ander Water activiteiten voor de kernactiviteiten van WMD toegevoegde waarde hebben.

Zij ziet daarin in elk geval de mogelijkheden voor het zittende personeel om zich te blijven ontwikkelen door mee te werken aan nieuwe concepten en nieuwe vraagstukken, die zich bij het moederbedrijf WMD niet zo veel meer aandienen. Daarnaast is er rond het beheer van de golfbaan

⁴³ Mondelinge mededeling RvC, 27 maart 2015

bij Assen en het Dierenpark een directe relatie met de adequate bescherming van de drinkwaterwinning.

De commissie mist echter een kader dat gebruikt wordt bij het besluit om bepaalde Ander Water activiteiten op zetten, uit te bouwen dan wel weer af te stoten. Er lijkt momenteel op dit terrein geen helder beleid te zijn.

Ad 3 De risico's van Ander Water zijn beperkt en afgedekt voor WMD op financieel, organisatorisch en communicatief vlak.

Van de deelnemingen levert alleen NieuWater een significant resultaat op, namelijk € 500.000 euro in 2012 en 515.000 in 2013. Samen leveren de deelnemingen een resultaat op van € -3.000 in 2012 en € 350.000 in 2013. Het financieel plan 2015 gaat uit van een resultaat van € 350.000 in 2019. In verhouding tot de jaarlijkse opbrengsten van 30 miljoen euro uit de verkoop van drinkwater, is dit een zeer bescheiden resultaat, waar weinig financieel risico uit zal voortvloeien.

De commissie is van mening dat met name de activiteiten in Indonesië vragen oproepen en in feite al imago schade voor WMD hebben veroorzaakt. Ook de activiteiten in Emmen hebben tot veel vragen geleid. Ook zijn de financiële risico's rondom deze activiteiten niet verwaarloosbaar (zie hoofdstuk 3).

4.3 Conclusie en aanbevelingen Ander Water

Al met al is er een weinig transparante situatie ontstaan rondom activiteiten die op zichzelf maatschappelijk betekenis hebben. Deze transparantie is uiterst noodzakelijk, zodat stake- en shareholders hier goed zicht op hebben. Speciale aandacht is nodig voor de governance waarbij de rolverdeling tussen RvC en AVA goed moet worden onderscheiden.

De commissie beveelt aan om een heldere visie op Ander Water in relatie tot de kernactiviteiten te ontwikkelen. Deze visie vormt de basis voor de te maken strategische keuzes zoals de selectie van de te ontwikkelen dan wel af te bouwen activiteiten, de selectie van eventuele samenwerkingspartners, de aard en de omvang van de eigen bijdrage en de organisatievorm. Deze visie zou naar het oordeel van de commissie in elk geval uitgangspunten moeten bevatten op het gebied van:

- De toegevoegde waarde van de Ander Water activiteiten voor de drinkwatervoorziening op het gebied van kennis, kwaliteit of kosten;
- De kostendekkendheid;
- De entiteit en aansturing van de activiteiten;
- Het risicoprofiel;
- Relatie tot vergelijkbare activiteiten door marktpartijen (marktverstoring).

Een diepgaande bezinning op de Ander Water activiteiten is uiterst gewenst. De commissie ondersteunt de voornemens van de RvC om de activiteiten in Indonesië af te bouwen. Mogelijk dat in de toekomst aangesloten kan worden bij een landelijke samenwerkingsorganisatie voor buitenlandse projecten.

5. WMD en de waterketen

5.1 Landelijke ontwikkelingen

De waterketen bestaat uit de productie en levering van drinkwater (waterbedrijven), het afvoeren van rioolwater (gemeenten) en het zuiveren daarvan (waterschappen), in de context van het gehele watersysteem. Er wordt binnen Nederland gewerkt aan zowel centrale als meer decentrale oplossingen om de waterketen zoveel mogelijk sluitend te maken. Doel is bij te dragen aan een circulaire economie, waarbij de herbruikbaarheid van grondstoffen en het behoud van natuurlijke hulpbronnen uitgangspunt zijn en waardecreatie in iedere schakel van het systeem wordt nagestreefd. Dit sluit aan bij de ook internationaal vrij breed gedragen toekomstvisie op de circulaire economie.⁴⁴ Ook in Noord-Nederland zijn er mogelijkheden voor technologieën die de circulaire economie in de waterketen bevorderen. Voorbeelden zijn warmteterugwinning van koelwater, verwerken van reststromen van aardappelzetmeel en de combinatie van water en energie. Dit vraagt om een domein overstijgende samenwerking tussen diverse waterketenpartners.

Samenwerking in de waterketen wordt al lange tijd nagestreefd. In het landelijk Bestuursakkoord Water (BAW, 2011) zijn afspraken vastgelegd over regionale samenwerking in de waterketen. Samenwerking tussen gemeenten, waterschappen en waterbedrijven kunnen, zo hebben diverse studies aangetoond, leiden tot kostenbeheersing, kwaliteitsverbetering en vermindering van kwetsbaarheid.⁴⁵ De bijdrage vanuit de drinkwatersector ligt vooral in de inzet van kennis en ervaring op gebied van assetmanagement, planvorming, klantcontacten en operationele taken. Daarnaast kan de investeringsprogrammering onderling worden afgestemd (werk-met-werk maken).

De onafhankelijke visitatiecommissie (Commissie Peijs) heeft de vorderingen op het gebied van de waterketensamenwerking onderzocht. In het eindrapport gaat de commissie in op het ambitieniveau van de kostenbesparing, de concreetheid van de plannen, het handhaven van de kwaliteit en de mate van implementatie.⁴⁶ De visitatiecommissie constateert dat de afgesproken doelen en besparingen in 2020 gehaald kunnen worden. De waterbedrijven zullen ook de aangegeven besparing van 70 miljoen euro per jaar gaan halen, al worden die niet zozeer door samenwerking dan wel vanwege autonome processen gerealiseerd. Dit geldt ook voor WMD.

In 2006 is rondom Amsterdam het waterketenbedrijf Waternet gevormd. Waternet levert drinkwater, zuivert afvalwater en zorgt voor veilig en schoon oppervlaktewater, in opdracht van Waterschap Amstel, Gooi en Vecht en de gemeente Amsterdam. Drinkwater en afvalwater zijn bedrijfsmatig samengevoegd in één afdeling. De watersysteemtaken en ruimtelijke ordening vallen onder de gekozen besturen. Deze samenwerking heeft volgens Waternet geleid tot een jaarlijkse besparing van 16 tot 20 miljoen door de bundeling van storingsdienst, ICT, HRM, ingenieursbureau, magazijn en het klantcontactcentrum.⁴⁷

Er zijn intussen diverse vormen waarin de watersamenwerking wordt gegoten. Het succes daarvan is wisselend.⁴⁸ Bij veel van de samenwerkingsverbanden valt op dat de winst vooral in de

44 A New Planning and Design Paradigm to Achieve Sustainable Resource Recovery from Wastewater, J. Guest en S. Skerlos, *Environmental science & technology*/vol. 43, no. 16, 2009

45 O.a. Regionaal Feitenonderzoek, Doelmatigheid Waterketen Groningen en Noord-Drenthe- Feiten & Kansen. Welldra/Royal Haskoning. J.P. van der Eem en K.W. Broersma 2012

46 Waterketen 2020, Slim, betaalbaar en robuust 2020, eindrapport Visitatiecommissie 2014.

47 Mondelinge mededeling 2-2-2015, J.P. van den Hoek, Waternet.

48 Samenwerking in de Watercyclus, Leren van ervaringen, Miranda Pieron, Jos Frijns, Mariëlle van der Zouwen. Rapport nr. BTO 2013.22 (s). KWR 2013.

afvalwaterketen en dus bij gemeenten en waterschappen wordt gerealiseerd. De toegevoegde waarde van en voor de drinkwaterbedrijven is duidelijk veel minder. De visitatiecommissie dringt aan op verbreding van de samenwerking naar de drinkwaterbedrijven.

5.2 De regionale waterketen

Binnen het voorzieningsgebied van WMD zijn vier waterschappen actief: Noorderzijlvest, Hunze en Aa's, Reest en Wieden en Vechtstromen (zie figuur 5). Samenwerking in de waterketen gebeurt in drie regio's.



*Figuur 5
De beheergebieden van vier waterschappen in Drenthe*

Noorden

Noorderzijlvest en Hunze en Aa's zijn in 2011 gestart met Samenwerking Waterketen Groningen-Drenthe, waarin naast de beide waterschappen 27 gemeenten uit Groningen en Noord-Drenthe, WMD en WBG participeren.⁴⁹ Begonnen is met een verkenning van de kansen die er zijn om tot kostenbeheersing, kwaliteitsverbetering en vermindering van kwetsbaarheid te komen. Vervolgens is nagedacht over de aanpak. In 2014 is een uitvoeringstructuur ontwikkeld waarbij het gebied in zeven clusters is verdeeld. Per cluster is er een coördinator en deze is verantwoordelijk voor het uitvoeren van de waterakkoorden en afvalwaterplannen. WMD doet mee aan de overkoepelende regiegroep, maar is geen lid van één van de zeven clusters.

WMD, WBG, WLN en de waterschappen Hunze en Aa's en Noorderzijlvest hebben de afgelopen periode hard gewerkt aan het samenbrengen van de laboratoriumfaciliteiten en technologische advisering in het Waterkwaliteitscentrum (WKC). In maart 2015 is de fusie afgeblazen, nadat

⁴⁹ <http://www.waterketengroningendrenthe.nl>

gebleken was dat fiscale hindernissen niet konden worden weggenomen. Met dit WKC had de verdere uitbouw van de samenwerking in de noordelijke waterketen met name op technologie gebied en innovatie een stevige impuls kunnen krijgen. Het is nog te vroeg om te zeggen welke gevolgen deze meest recente ontwikkeling zal hebben.

Zuidoosten

In het zuidoosten van Drenthe is in februari 2014 het *Regionaal Bestuursakkoord (Afval)waterketen Noordelijke Vechtstromen* getekend tussen het Waterschap Vechtstromen, de gemeenten Borger-Odoorn, Emmen, Coevorden, Ommen en Hardenberg en WMD. Partijen hebben samen de ambitie om kosten in de (afval)waterketen te besparen en streven daarbij naar het in het feitenonderzoek berekende besparingspotentieel van ten minste € 2 miljoen per jaar en eventuele extra besparingsmogelijkheden. Dit is uitgewerkt in een uitvoeringsprogramma 2013-2016.⁵⁰ Er is een projectstructuur opgezet waarbij WMD kennis en expertise inbrengt waar dit relevant is. Het uitvoeringsprogramma definieert een aantal projecten waar WMD in participeert, o.a. op het gebied van planvorming, storingsdienst en investeringsstrategie. De deelname aan deze projecten vanuit WMD is in de praktijk beperkt.

WMD heeft met waterschap Vechtstromen NieuWater BV opgericht (zie hoofdstuk 4). NieuWater BV heeft een waterfabriek gebouwd voor het verwerken van gezuiverd afvalwater tot ultra puur water dat vervolgens door de NAM wordt gebruikt bij de oliewinning. WMD wil met NieuWater de plek op de industriewatermarkt verder uitbouwen.

Zuidwesten

Vanaf 2011 werken het waterschap Reest en Wieden en de gemeenten Hogeveen, Meppel, Steenwijkerland, Midden Drenthe, Westerveld en De Wolden samen om de afspraken uit het Bestuursakkoord Water uit 2011 over een doelmatiger waterbeheer te realiseren. Zij werken aan een gezamenlijk regionaal afvalwaterketenplan (AWKP) voor de periode 2016-2021. WMD en Vitens nemen niet deel aan deze samenwerking.

5.3 Conclusie en aanbevelingen waterketen

Uit de bovenstaande beschrijving komt het beeld naar voren dat WMD actief is als het gaat om samenwerken met waterschappen rond watertechnologie en Ander Water activiteiten. Deze samenwerking kent vaak een vakinhoudelijke basis. WMD is minder actief betrokken in (overleg-) structuren waarin gemeenten en waterschappen de waterketensamenwerking organisatorisch en beleidsmatig vormgeven.

De matige betrokkenheid van WMD in breed opgezette samenwerkingsstructuren rondom de waterketen is niet uniek. Uit een recent onderzoek naar de vorderingen in diverse regio's, waaronder die in Groningen en Drenthe, blijkt dat de rol van de waterbedrijven in het proces van samenwerking in de waterketen vrij beperkt is.⁵¹ Gemeenten en waterschappen lijken de handen vol te hebben aan het met elkaar opzetten van de samenwerking binnen de afvalwaterketen. De waterbedrijven hebben als derde partij daarin nu nog weinig toegevoegde waarde, zo blijkt uit diverse interviews. In de studie wordt de verwachting uitgesproken dat het nog lang zal duren voordat er grote veranderingen in de organisatie van de waterketen tot stand gaan komen. Dit heeft te maken met de verschillende belangen gekoppeld aan bestaande instituties, de inhoudelijke verwevenheid met

⁵⁰ Uitvoeringsprogramma 2013-2016, behorend bij Regionaal Bestuursakkoord (Afval)waterketen, Noordelijke Vechtstromen, Waterschap Vechtstromen, gemeenten Borger-Odoorn, Coevorden, Emmen, Hardenberg en WMD 2013.

⁵¹ Samenwerking in de waterketen, Frisse wind of zaak met een luchtje?, Afstudeerscriptie, Erasmus universiteit, Bestuurskunde Tom de Greef, 2014.

andere domeinen (met name bij gemeenten), eerdere (negatieve) ervaringen met gemeenschappelijke regelingen en de manier waarop de afzonderlijke partners worden gefinancierd. Dit beeld wordt bevestigd in een aantal interviews, waarbij zowel van de kant van de waterschappen als van de gemeenten wordt aangegeven dat integratie van de taken van de eigen organisatie, zoals deels in Waternet is gebeurd, in het noorden anno 2015 een moeilijk voorstelbare optie is. Een verdergaande samenwerking op thema's wordt wel zinvol geacht. In hoeverre dat tot structuurwijzigingen aanleiding zal geven, is nu nog niet te zeggen. Het in gang zetten van een dergelijke structuurwijziging wordt voorlopig niet zinvol gevonden, aldus vertegenwoordigers van de waterschappen.

De commissie komt daarmee tot de conclusie dat het opgaan van WMD in een waterketenbedrijf op korte of middellange termijn geen realistische keuze is. Uit de voorgaande analyse is immers duidelijk geworden dat de vorming van zo'n soort organisatie in Noord-Nederland, waar ook een goede rol voor de drinkwaterbedrijven is weggelegd, nog heel ver weg is. Een dergelijke stap zou ook een opdeling van WMD naar drie gebieden betekenen, wat in de ogen van de commissie geen voordeel kan zijn. De door WMD gekozen projectmatige vormen van samenwerking waarbij de inhoud leidend is, vindt de commissie logisch. De commissie gaat er vanuit dat door een proces van onderop, gebaseerd op inhoudelijke meerwaarde, de samenwerking de komende jaren zal toenemen. Daaruit zullen vermoedelijk ook nieuwe structuren voortvloeien, waarbij het op dit moment niet is te voorzien welke plek de drinkwatervoorziening daarin zal krijgen.

6. Keuze in strategische posities

6.1 Visie op drinkwaterbedrijf

De Drinkwaterwet (2011) stelt dat het *primair de taak van het drinkwaterbedrijf is om te zorgen voor de feitelijke levering van deugdelijk drinkwater*. Dit houdt in dat de kwaliteit en de continuïteit van de levering van water wordt gewaarborgd, op een maatschappelijk verantwoorde wijze. Bij de uitwerking daarvan worden innovatie en duurzame ontwikkeling als leidende principes gehanteerd.⁵²

De commissie constateert dat WMD over het algemeen goed invulling geeft aan de primaire taak, zoals verwoord in de Drinkwaterwet. De commissie komt op basis van de voorgaande analyse tot de conclusie dat er nu en in de nabije toekomst geen essentiële knelpunten zijn, die het nodig maken om de huidige positie van WMD te wijzigen. De ontwikkelingen in de waterketen in Noord Nederland zijn ook niet zodanig dat er binnen afzienbare tijd een aanleiding zal ontstaan om tot structuurwijziging over te gaan.

6.2 Opschalen?

De commissie heeft in de diverse gesprekken de vraag aan de orde gehad of het opschalen van WMD toch niet beter zou zijn voor de drinkwatervoorziening in Drenthe. Daarbij wordt gedacht aan samengaan met WBG of aansluiting bij Vitens. Hoewel de commissie uit het voorgaande onderzoek geen urgentie voor opschalen heeft kunnen afleiden, heeft zij toch deze opties gezien in het licht van de visie op een drinkwaterbedrijf.

6.2.1 Aansluiten bij Vitens

Vitens is een groot waterbedrijf (2,5 miljoen aansluitingen en 1400 medewerkers) waarmee WMD in het zuiden en in Friesland op het gebied van watervoorziening is verbonden. Vitens zet in op de ontwikkeling van een excellent drinkwaterbedrijf, dat voor de klant waarde toevoegt aan het product. Vitens heeft een apart centrum voor innovatie (Vitens Innovation Playground) voor het experimenteren met nieuwe techniek en technologie dat zich richt op de verbetering van asset management en klantcontacten. Vitens is niet actief op het gebied van Ander Water. Dit is een bewuste keuze om niet als marktpartij op te treden. Vitens draagt bij aan de millenniumdoelstellingen van de Verenigde Naties via VEI (Vitens Evides International), een aparte organisatie waaraan Vitens, Evides, WML en WBG financieel bijdragen. Medewerkers van de financierende organisaties worden via detacheringen ingezet voor internationale projecten.

WMD kan aansluiten bij Vitens en zou dan feitelijk worden overgenomen. De tarieven bij Vitens verschillen weinig van die van WMD en ook verder zal er voor de WMD klanten betrekkelijk weinig veranderen. Het WMD hoofdkantoor (met circa 80-100 FTE) verdwijnt uit Drenthe en er blijven enkele regionale punten over. De regionale binding neemt af. De Ander Water projecten van WMD zullen waarschijnlijk worden afgestoten.

Er zijn schaalvoordelen te halen, de personele kwetsbaarheid kan structureel worden opgelost, er kan in een groter verband gewerkt worden aan innovatie, ICT en de interprovinciale watervoorziening met Overijssel en Friesland kan handiger worden georganiseerd.

De omvang van de mogelijke efficiencywinst is niet gekwantificeerd. Gezien echter de relatief geringe verschillen tussen de prestaties van Vitens en WMD en de geringe omvang van WMD in vergelijking met Vitens, verwacht de commissie van deze optie echter geen omvangrijke financiële voordelen of

⁵² Beleidsnota Drinkwatervoorziening, Schoon water voor nu en later, Ministerie van Infrastructuur en Milieu, 2014

belangrijke veranderingen voor de klant.⁵³ De commissie ziet in het algemeen voordelen in het aansluiten met Vitens vanwege (beperkte) schaalvoordelen, afname personele kwetsbaarheid en ruimte voor innovatie. Het verlies van de regionale binding en betrokkenheid en het verdwijnen van werkgelegenheid uit Drenthe worden gezien als belangrijke bezwaren.

Aansluiten bij Vitens zal ook gevolgen hebben voor WBG en WLN. Binnen de drinkwatersector wordt een dergelijke opschaling met argusogen bekeken, hoewel ook juist deze omvang het mogelijk maakt dat relevante thema's succesvol landelijk worden geagendeerd.

Uit de gesprekken blijkt dat voornamelijk in de politiek-bestuurlijke omgeving bezwaren bestaan tegen het opheffen van het Drentse bedrijf WMD, het verdwijnen van werkgelegenheid uit Drenthe, het verlies van het hoofdkantoor in de Drentse hoofdstad en het verlies van regionale binding.

De commissie constateert alles overziend dat aansluiten bij Vitens vanuit de drinkwatervoorziening een reële optie is, maar geen noodzaak kent en politiek bestuurlijk gezien te weinig draagvlak heeft.

6.2.2 Fusie met WBG

WBG is een bedrijf dat qua omvang en aantal aansluitingen een klein beetje groter is dan WMD. WBG kent vergelijkbare opgaven, zoals het hebben en houden van voldoende en goed personeel, een grootschalige opgave vervangingsinvesteringen en diverse Ander Water projecten. WBG ziet zich geconfronteerd met een extra opgave vanwege de aardbevingen.

Een fusie tussen WMD en WBG betekent een samengaan van twee min of meer gelijkwaardige partijen en daarin verschilt het proces sterk van aansluiten bij Vitens. Er is (beperkt) schaalvoordeel te behalen op het gebied van bedrijfskosten, vanwege besparingen op personeel, gebouwen en materiaal. De watervoorziening kan over de provinciegrenzen tussen Drenthe en Groningen makkelijker geoptimaliseerd worden. De fusie kan helpen bij het versterken van de personele bezetting en de innovatiekracht. In de uitbouw van de noordelijke samenwerking in de waterketen kan het helpen dat er één waterbedrijf is. De ontwikkeling van WLN als kenniscentrum voor watertechnologie kan binnen het nieuwe waterbedrijf eenvoudiger worden georganiseerd omdat er maar één aandeelhouder overblijft. De plek van het nieuwe hoofdkantoor is een punt van onderhandeling.

Het nieuw te vormen bedrijf blijft op landelijke schaal echter een klein bedrijf. In het rapport "De toekomst van WMD in drie scenario's" wordt uitgebreid ingegaan op de voor- en nadelen van een fusie met WBG, waarbij ook e.e.a. wordt gekwantificeerd.⁵⁴ Dit intern opgestelde rapport is naar het idee van de commissie eenzijdig geschreven vanuit de opvatting dat een fusie met WBG niet wenselijk is en is daardoor gekleurd van toon. Het rapport is echter gereviewed door drie onafhankelijke experts die, weliswaar met diverse kanttekeningen, uiteindelijk de conclusies van het interne rapport onderschrijven: vergeleken met de situatie waarin WMD het personeelsbestand terugbrengt met 25 FTE en de samenwerking met WBG voortzet, zal een fusie met WBG niet direct veel voordelen opleveren.

De commissie sluit zich aan bij deze conclusie, namelijk dat niet teveel verwacht moet worden van de efficiencywinst door fusie met WBG en een fusie voor de klant geen duidelijke voordelen biedt.

Een belangrijke voorwaarde voor een succesvolle fusie is dat beide partijen graag willen fuseren. De commissie constateert op basis van de door haar gevoerde gesprekken dat aan deze voorwaarde niet wordt voldaan. Bij WMD-medewerkers is zelfs sprake van weerstand tegen een fusie met Groningen.

⁵³ Water in zicht 2012, bedrijfsvergelijking drinkwatersector. Vewin/Accenture 2013.

⁵⁴ Buigen, niet Barsten –herontdek de kracht van WMD. Projectgroep WMD 2020. WMD 2013

Daarbij leeft bij velen de verwachting dat het hoofdkantoor in Groningen zal komen. Dit wordt in Drenthe niet als een gewenste ontwikkeling gezien.

Dit alles, gecombineerd met de betrekkelijk geringe meerwaarde voor de drinkwatervoorziening in Drenthe en de met een fusie gepaard gaande onrust, maakt dat de commissie een fusie met WBG op korte termijn niet als een optie met toegevoegde waarde ziet.

6.2.3 Conclusie ten aanzien van de opties

Alles overziende vindt de commissie dat de optie waarbij WMD fuseert met WBG niet voldoende aantoonbare meerwaarde zal hebben voor de ontwikkeling van de drinkwatervoorziening in Drenthe. Aansluiten bij Vitens heeft een aantal voordelen, maar heeft te weinig draagvlak vanwege onder andere verlies van regionale binding en werkgelegenheid en heeft ook voor de klant weinig meerwaarde.

7. Conclusies en aanbevelingen

De commissie komt tot de conclusie dat WMD de komende jaren als een zelfstandig nutsbedrijf kan blijven functioneren. WMD is een goed functionerend drinkwaterbedrijf, dat de inwoners van Drenthe nu en in de toekomst voldoende en schoon drinkwater kan leveren tegen een relatief lage prijs. Het bedrijf staat er wat betreft de drinkwateractiviteiten financieel goed voor en is actief op het gebied van maatschappelijk verantwoord ondernemen.

De commissie ziet een aantal punten waar de komende jaren in het bijzonder aandacht aan moet worden besteed:

- Uitvoering van het vervangingsprogramma AC leidingen. Dit is een belangrijke opgave voor de komende jaren.
- Doorontwikkeling van het kwaliteitsmanagementsysteem naar niveau 3 op relatief korte termijn is mogelijk en gewenst.
- Personeelsbeleid: WMD moet zorgen voor het hebben en houden van voldoende gekwalificeerd personeel en dus voldoende nieuwe instroom. Dit vraagt om een uitgekiend en ontwikkelingsgericht personeelsbeleid. De commissie gaat er vanuit dat WLN, als waterkenniscentrum, een bijdrage zal leveren aan het op peil houden van de technologische kennis.
- Dienstverlening: er is ruimte om de dienstverlening naar de gebonden klant, waaronder de digitale contacten en een onafhankelijk opererend klantenpanel met een onafhankelijke voorzitter, uit te bouwen.

Voor de nabije toekomst zijn er twee punten, waarvan de commissie vindt dat deze moeten worden opgepakt. Dit betreft de governance en de Ander Water activiteiten.

Governance

De commissie is van mening dat de governance momenteel nog niet naar behoren functioneert.

- De statuten en reglementen zijn geactualiseerd, maar moeten deels nog worden geïmplementeerd.
- Het functioneren van de aandeelhouders moet worden versterkt. Hier ligt een taak voor de organisatie WMD door de transparantie en de informatievoorziening voor de aandeelhouders te verbeteren. Daarnaast zouden zowel de RvC als de AVA zich meer inhoudelijk in hun statutaire rol kunnen verdiepen en moet er meer oog zijn voor de wederzijdse rol en verantwoordelijkheid.
- Voor een actievere opstelling van de aandeelhouders zou de bestaande stemverhouding ten gunste van de gemeentelijke aandeelhouders gewijzigd kunnen worden. Er zijn vergelijkbare bedrijven waarbij de stemverhouding is aangepast om dominantie van één of meerdere partijen te voorkomen. De verdeling van de aandelen hoeft daarbij niet te worden gewijzigd.
- In de RvC ontbreekt anno 2015 voldoende specifieke deskundigheid, terwijl de verwevenheid met de Drentse (bestuurlijke) samenleving erg groot is. Het publiek werven van commissarissen op basis van profielschetsen zou zo snel mogelijk opgepakt moeten worden. Om de band met het lokaal bestuur in stand te houden zou een lid namens de Vereniging van Drentse Gemeenten kunnen worden voorgedragen.
- Het is belangrijk dat er in de organisatie een goed samenspel is tussen de RvC en de bestuurder van de onderneming enerzijds en tussen de bestuurder en het management anderzijds. Countervailing power is belangrijk voor een organisatie. Het is aan de RvC om ook hierop toe te zien.

Ander Water

De commissie vindt dat er een weinig transparante situatie is ontstaan rondom de Ander Water activiteiten. Het gaat om activiteiten die op zichzelf maatschappelijk betekenis hebben. Deze transparantie is uiterst noodzakelijk, zodat stake- en shareholders hier goed zicht op hebben. Speciale aandacht is nodig voor de governance, waarbij de rolverdeling tussen de RvC en de AVA goed onderscheiden moet worden. Een diepgaande bezinning over de Ander Water activiteiten is uiterst gewenst. De commissie ondersteunt de voornemens van de RvC om de activiteiten in Indonesië af te bouwen. Mogelijk dat in de toekomst aangesloten kan worden bij een landelijke samenwerkingsorganisatie voor buitenlandse projecten.

Wat betreft Ander Water beveelt de commissie aan om een heldere visie op Ander Water te ontwikkelen in relatie tot de kernactiviteiten. Deze visie vormt de basis voor de te maken strategische keuzes zoals de selectie van de te ontwikkelen dan wel af te bouwen activiteiten, de selectie van eventuele samenwerkingspartners, de aard en de omvang van de eigen bijdrage en de organisatievorm. Deze visie zou naar het oordeel van de commissie in elk geval uitgangspunten moeten bevatten op het gebied van:

- De toegevoegde waarde van de Ander Water activiteiten voor de drinkwatervoorziening op het gebied van kennis, kwaliteit of kosten;
- De kostendekkendheid;
- De entiteit en aansturing van de activiteiten;
- Het risicoprofiel;
- Relatie tot vergelijkbare activiteiten door marktpartijen (marktverstoring).

Tot slot

De commissie beveelt aan WMD als zelfstandige entiteit verder te laten gaan. Het lijkt de commissie zinvol om de samenwerking met andere partijen op basis van inhoudelijke wederzijdse toegevoegde waarde verder vorm te geven. De commissie is er van overtuigd dat daarmee op termijn nieuwe verbanden van onderop zullen ontstaan.

Bijlage 1. Samenstelling commissie

- Drs. M. de Boer (voorzitter)
- Prof. Dr. M.A. Allers, hoogleraar economie van decentrale overheden, RUG en directeur van COELO
- Ir. R.W. Bleker, dijkgraaf waterschap Rivierenland
- Drs. M. Buitenkamp, Anantis
- Prof. Dr. A. van Wezel, bijzonder hoogleraar UU Water Quality and Human Health en verbonden aan KWR

Bijlage 2. Geïnterviewde personen

- R. Blokzijl, ondernemingsraad WMD
- G. Blom, ondernemingsraad WMD
- H. van de Boer, provincie Drenthe, aandeelhouder WMD
- B.J. Bouwmeester, lid Raad van Commissarissen WMD
- F. Buijtelaar, gemeente Borger-Odoorn, aandeelhouder WMD
- L.C.A. Declercq, directeur Vitens
- T. Eerenstein, lid Raad van Commissarissen WMD
- H.B. Giethoorn, gemeente Hoogeveen, aandeelhouder WMD
- A. van Hall, waterschap Hunze en Aa's
- R. Heling, ondernemingsraad WMD
- J. van den Hoek, Waternet
- K.J. Hoogsteen, directeur WMD
- J. ten Kate, gemeente de Wolden, aandeelhouder WMD
- J. Kikkert, voorzitter ondernemingsraad WMD
- M.M. Kool, waterschap Reest en Wieden
- H. Kusters, gemeente Noordenveld, aandeelhouder WMD
- S. Kremer, lid Raad van Commissarissen WMD
- R. Kruisinga, ondernemingsraad WMD
- S. Kuks, waterschap Vechtstromen
- J.H. van der Laan, lid Raad van Commissarissen WMD
- C. Lambert, gemeente Aa en Hunze, aandeelhouder WMD
- G.H.M. Lohuis, gemeente Midden-Drenthe, aandeelhouder WMD
- H. Prummel, directeur WLN
- H. Ramaker, ondernemingsraad WMD
- K.H. Smidt, gemeente Westerveld, aandeelhouder WMD
- A. Smit, gemeente Assen, aandeelhouder WMD
- J. de Vries, ondernemingsraad WMD
- A. van der Tuuk, Provincie Drenthe, aandeelhouder
- M.L. van Wijhe, lid Raad van Commissarissen WMD
- B. van Zanten, waterschap Noorderzijlvest
- R.A.M. Zwart, directeur Waterbedrijf Groningen
- J. Zwiers, gemeente Coevorden, aandeelhouder WMD

Van: Peter Glasbeek
Aan: Algemene Vergadering van Aandeelhouders en Adviserend ambtenaren
T.b.v. AvA WMD 13 oktober 2016
Onderwerp: Juridische splitsing
Datum: 30 september 2016

Inleiding

Voornaamste agendapunt voor de komende vergadering van aandeelhouders op 13 oktober aanstaande is het onderwerp juridische splitsing. In onderstaande toelichting staan we stil bij de vraag waarom een juridische splitsing gewenst is, op welke wijze de aandeelhouderrol wordt versterkt en voorts bij de vraag waarom er op 13 oktober aanstaande over dit voorstel besloten dient te worden, met andere woorden: wat verklaart de tijdsdruk?

Waarom een juridische splitsing?

Met het voorstel voor een juridische splitsing werken we de aanbeveling van de commissie De Boer uit als verwoord in het rapport 'Helder water, helder bestuur'. Daarin wordt aangedrongen op een heldere scheiding tussen de wettelijke en niet-wettelijke activiteiten.

Op dit moment kent WMD geen heldere scheiding tussen de wettelijke kernactiviteiten en de niet-wettelijke activiteiten. Dat staat op gespannen voet met de eisen voortvloeiende uit de Drinkwaterwet. Binnen NV Waterleiding Maatschappij Drenthe komen zowel drinkwateractiviteiten (wettelijke kerntaak) voor als niet-drinkwateractiviteiten (waarvan de grootste zijn de activiteiten in Indonesië, Wildlands en de Bottelarijactiviteiten). De huidige verwevenheid van de wettelijke en niet-wettelijke activiteiten bij WMD stuit daarom op kritiek van de Rijkstoezichthouders ILT en ACM.

Met de juridische splitsing als nu voorgesteld wordt aan die verwevenheid een einde gemaakt en wordt een heldere organisatiestructuur geschapen waarbij de wettelijke taken en activiteiten volledig worden gescheiden van de niet-wettelijke taken en activiteiten. Gecombineerd met een nieuwe daarop toegesneden administratieve inrichting, vanaf 1 januari 2017, zal dit leiden tot transparant inzicht op alle activiteiten (en per activiteit) van de WMD groep, zowel intern als ook voor aandeelhouders en toezichthouders. Daarmee zal ook aan de in het rapport van de commissie De Boer verlangde transparantie van zowel de kern- als niet-kernactiviteiten worden voldaan. Daarnaast zal de splitsing ook leiden tot meer invloed van de aandeelhouders.

Meer grip van aandeelhouders

De Corporate Governance van de wettelijke kernactiviteit is een gegeven vanuit de Drinkwaterwet. Met de juridische splitsing zoals voorgesteld beogen we de rol en invloed van aandeelhouders bij en op de niet-wettelijke taken te vergroten, zoals ook voorgesteld in het rapport van de commissie De Boer. Voor de nieuwe entiteiten WMD Industriewater BV en WMD Participaties BV geldt dat in eenvoudig door de aandeelhouders van de NV te wijzigen reglementen optimale invloed van aandeelhouders kan worden vastgelegd en indien gewenst ook eenvoudig door de aandeelhouders worden aangepast. (Dat zal ook gaan gelden voor de na de splitsing nog op te richten WMD Energie en Water BV). Wij hebben daar reeds voorstellen voor gedaan en hebben de komende maanden ook de tijd om dat in afstemming met de aandeelhouders verder vorm te geven. De voorgestelde statuten van alle vennootschappen zijn 'standaard statuten', vergelijkbaar met de nu bestaande statuten, met als enige uitzondering art. 17 van NV Waterbedrijf Drenthe waarin, conform de aanbeveling van het rapport van de commissie De Boer, de voordrachtregeling van de commissarissen is aangepast. Maar als gezegd, verdere aandeelhouder invloed op de niet-kernactiviteiten zal vorm kunnen krijgen via de vast te stellen reglementen.

Waarom is een besluit over het voorstel tot splitsing op 13 oktober 2016 noodzakelijk?

Op zich is het al gewenst met de verlangde scheiding tussen wettelijke en niet-wettelijke taken niet langer te wachten dan strikt noodzakelijk. Er is nu echter een speciale reden voor besluitvorming op 13 oktober aanstaande. Die is gelegen in de huidige contaminatie van de WMD jaarrekeningen (zowel vennootschappelijk als geconsolideerd) door de Indonesische activiteiten. De meerderheidsdeelnemingen in Indonesische waterbedrijven zijn voor WMD materieel van aard maar kennen 'lekverliezen' van ca 50% van de totale waterproductie. Daarmee is voor die Indonesische activiteiten geen goed oordeel over omzet en resultaat te geven. Door de huidige juridische structuur geldt dit echter ook de uiteindelijke moeder WMD, zowel vennootschappelijk als geconsolideerd. Wij gaan er op grond van gesprekken met de accountants van uit over de jaren 2014 en 2015 dan ook geen goedkeurende accountantsverklaring te verkrijgen bij de jaarrekening van WMD. Zonder structurele ingreep zal dit ook gelden voor 2016.

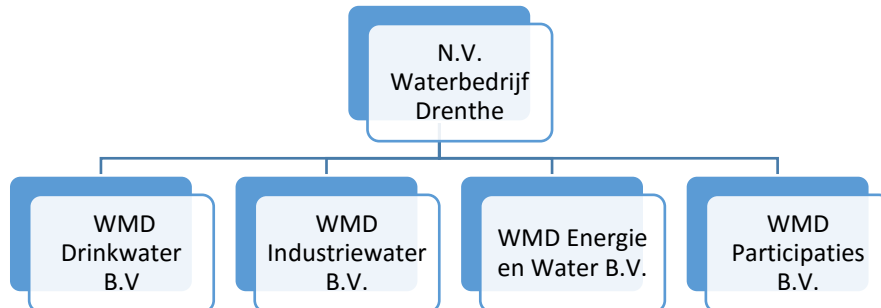
Het toezicht voortvloeiende uit de Drinkwaterwet, in het bijzonder rond de tarief vaststelling, is gebaseerd op de aanwezigheid van een goedkeurende accountantsverklaring. De situatie waarin WMD nu verkeert als gevolg van de Indonesische problematiek is voor een waterbedrijf zonder precedent. Het is van het grootste belang dat daar zo snel mogelijk een einde aan komt, in ieder geval waar het de kernactiviteit betreft. Uitblijven van een goedkeurende verklaring ook over 2016 (die effectief neerkomt op een extra jaar onzekerheid) zal het daarnaast ook uitermate moeilijk maken een middellange termijn committering van banken te krijgen op de benodigde vreemd vermogen financiering. Als gevolg van de voorgestelde juridische splitsing gaan alle Drinkwaterwet gerelateerde activiteiten en het vermogen dat daarop ziet, onder algemene titel over naar een nieuwe entiteit: WMD Drinkwater BV. Die overgang vindt, mits afgerond vóór ultimo 2016, met terugwerkende kracht per 1 januari 2016 plaats. Als vóór eind 2016 deze nieuwe entiteit wordt opgericht, acht de accountant het in principe mogelijk dat er voor deze entiteit een goedkeurende verklaring bij de betreffende jaarrekening 2016 verstrekt kan worden. (zie bijlage 1).

Terugrekenend vanaf de jaarultimo 2016 gelden de volgende tijdlijnen:

- De juridische splitsing komt tot stand 1 dag na het ondertekenen van de akte van splitsing, uiterlijk derhalve 30 december 2016;
- Passeren van de akte van splitsing uiterlijk 29 december 2016;
- December 2016: de AvA dient formeel te besluiten tot juridische splitsing. Op grond van de statuten dient het besluit te worden genomen met een meerderheid van drievierde van de uitgebrachte stemmen, in een vergadering waarin ten minste tweederde van het geplaatste kapitaal gerepresenteerd is. Het besluit tot splitsing mag niet afwijken van het voortel tot splitsing. (Praktisch zouden we dit bij volmacht willen doen om te vermijden dat nog een extra AvA moet worden belegd).
- Het formele besluit moet worden voorafgegaan door een aanvraag van een verklaring non verzet. Dat kan pas geschieden nadat rekening is gehouden met de nederleggingstermijn en met de mogelijkheid dat verzet wordt geboden;
- Het voorstel tot splitsing moet dan ook uiterlijk 1 november 2016 (maar liefst eerder) worden gedeponereerd bij het Handelsregister en gepubliceerd in een landelijk verschijnend dagblad. Een besluit tot splitsing kan eerst worden genomen na verloop van één maand na de dag waarop de nederlegging bij het handelsregister is afgekondigd in een landelijk verschijnend dagblad, of indien er verzet is gedaan, nadat dat verzet is ingetrokken of opgeheven;
- De conclusie luidt dat om de nieuwe entiteiten WMD Drinkwater BV, WMD Participaties BV en WMD Industriewater BV vóór de jaarultimo 2016 te hebben opgericht, het een vereiste is op 13 oktober 2016 in de extra Algemene Vergadering van Aandeelhouders akkoord te gaan met het voorstel tot splitsing zoals dat nu is voorgesteld.

Eindstructuur

Na de splitsing zal begin 2017 de volgende eindstructuur worden gerealiseerd:



Conclusie

Het splitsingsvoorstel wordt gedaan om inhoud te geven aan een aantal belangrijke aanbevelingen van de commissie De Boer. De resulterende juridische structuur waarbij de kernactiviteiten van de niet-kernactiviteiten worden gescheiden, voldoet aan de Drinkwaterwet, het Drinkwaterbesluit en de aanbevelingen van het rapport van de commissie De Boer.

Gecombineerd met de nieuwe administratieve ordening die op deze structuur wordt ingericht, wordt transparantie ten behoeve van alle stakeholders en toezichthouders geboden. Daarnaast wordt de invloed van aandeelhouders op de niet-wettelijke activiteiten vergroot, hetgeen eveneens in lijn is met de aanbevelingen van het rapport De Boer.

Een accordering van de juridische splitsing door de AvA van 13 oktober 2016 maakt het daarnaast mogelijk dat de jaarrekening 2016 van WMD Drinkwater BV van een goedkeurende accountantsverklaring wordt voorzien.

Bijlagen

Bijlage 1: e-mail accountant d.d. 13 september 2016

Bijlage 2: voorstel tot juridische afsplitsing

Bijlage 3: toelichting bij het voorstel tot splitsing

Bijlage 4: beschrijving als bedoeld in artikel 2:334f lid2 sub d BW¹

Bijlage 5: statutenwijziging NV WMD Waterbedrijf Drenthe (Holding)

Bijlage 6: conceptstatuten van WMD Drinkwater BV

Bijlage 7: conceptstatuten van WMD Industriewater BV

Bijlage 8: conceptstatuten van WMD Participaties BV

Bijlage 9: adviesaanvraag OR d.d. 15 september 2016 (inclusief toelichting d.d. 30 september 2016)

¹ De onderliggende gedetailleerde bijlagen bij deze beschrijving worden niet meegezonden.