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FULL COST RECOVERY SURVEY



Country Results from Indonesia

Indonesian Water Supply Association

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PERPAMSI

Persatuan Perusahaan Air Minum Seluruh Indonesia (Indonesian Water Supply Association)

1. Introducing the Indonesian water supply sector



1. Introducing the Indonesian water supply sector (1)



- Water utilities are owned by local governments
- Loans for investment are channeled through Ministry of Finance to the local governments
- 306 water utilities provide piped services to around 18% of the total population of Indonesia
- Total coverage in urban areas 38%
- 6 million household connections in total
- 70% raw water from rivers, 15% spring water
- Around 5% of the 306 water utilities operate on full cost recovery level

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1. Introducing the Indonesian water supply sector (2)



- Around 40% of all water utilities are operated below operation cost recovery level
- 3 of the 4 utilities surveyed operate under full cost recovery conditions
- Water tariff increases are subject to approval from the municipality (city council)
- Tariff calculation is done in accordance to national standards

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2. Actions and factors to reach full cost recovery

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2. Actions and factors to reach full cost recovery (1)

- Regular **tariff increases** combined with tariff structure revisions
 - Close cooperation between the utility, local parliaments, customers, media and NGOs (City of Makassar / Sulawesi)
 - Create incentives to save water
 - ❖ Introduce progressive tariff structures
 - ❖ Minimum quantity of water sold to low income areas at affordable social prices (City of Medan / North Sumatra)

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2. Actions and factors to reach full cost recovery (2)

- Reduction of **Non-Revenue Water** (physical and commercial losses)
 - Exchange policy for water meters (20% per year)
 - Outsourcing of water meter reading activities
 - Introduce effective charging procedures (disconnecting policy in case of non payment)
 - Reduce the number of illegal connections
 - Distribution Network mapping
 - Zoning with district metering (water balance)

2. Actions and factors to reach full cost recovery (3)

- Improve the **physical conditions** of the water supply installations
 - Provide proper maintenance for the installations (optimize operation)
 - Follow professional project implementation principals (design, tendering, supervision, commissioning)
 - Avoid use of inferior material for installations
 - Use skilled labor for construction of installations (training and education of staff)

2. Actions and factors to reach full cost recovery (4)

- **Professionalism** in the daily management of the utility
 - Focusing on business objectives on all management levels
 - Vision & mission of the utility (What is our objective and where are we going?)
 - Corporate planning (Setting of short, medium and long term targets)
 - Target-performance comparison
 - Benchmarking with other utilities (Following currently the “Best in Class” principal)

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2. Actions and factors to reach full cost recovery (5)

- **Career opportunities** for utility staff
 - Employees satisfaction (career planning)
 - Career opportunities in water utilities
- **Customer care**
 - Customer complaints (service continuity, water quality, water bills)
 - Convenient payment arrangements for services
 - Regulation for the installation of new service connections

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2. Actions and factors to reach full cost recovery (6)

Key Performance Indicator:

- Customer satisfaction
- Tariff revision
- Operation costs
- Non-Revenue Water
- Employee satisfaction

3. Key constraints to the implementation of full cost recovery operation

3. Key constraints to the implementation of full cost recovery operation (1)

- Social function of utilities
- Approval for tariff increase from municipality (city council)
- Willingness and ability to pay
- Successful Non-Revenue Water reduction (physical and commercial losses)
- High operation costs (energy, chemicals,...)

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3. Key constraints to the implementation of full cost recovery (2)

- Human resource capacity
- High capital costs for new investments
- Existing debts in the sector
- High costs for improving service quality (drinking water quality)
- Raw water quality (source protection)

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4. Preliminary inputs on SEAWUN upcoming activities in relation to full cost recovery operation

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- Share findings from the SEAWUN FCR survey with Indonesian utilities in order to improve their performance
- Share best practices and experiences with SEAWUN member countries in order to reach the Millennium Development Goals (MDG)

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Thank you for your attention!