Indonesia Policy for Sustainable Development Goals in Water Supply Support through the Indonesian Australian Partnership for Infrastructure - KIAT

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National Planning Agency

Indonesia
Current Status to achieve SDGs

387 Local Government water utilities are serving 11 million customers which is equivalent to 44 million people or approximately 32% of the urban population of Indonesia.

Service coverage is not keeping up with urban growth.
Current Status to achieve SDGs

MDGs 2015

Universal Access

SDGs 2030

Improved Water

Improved Water

Safely Managed

Improved Water 2017 : 72%

One of the best way to achieve safely managed water is through Piped Water Provision
Public spending on water supply sector is increasing, however, as percent of GDP it remains small.
A slow decline in the number of people drinking from improved sources. Lead to decrease PDAM revenue
The Indonesia Water Market

- **360 Municipal or District PDAM.**
  - Approximately 10 million customers
  - Volume of sales 2.5 billion m³/year
  - Revenue $750 million
  - Service coverage 32% urban population
  - Growth 3%

- **Bottled Water**
  - Volume of sales 25 billion litres
  - Revenue $2.5 billion
  - Coverage 100 L/cap/year
  - Growth 11%
### Urban Water Supply Investment Requirements

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<tbody>
<tr>
<td></td>
<td>Pop HH</td>
<td>% Piped</td>
<td>HH</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>66.7</td>
<td>60%</td>
<td>26.4</td>
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<tr>
<td>Urban</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>34.2</td>
<td>40%</td>
<td>13.7</td>
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<tr>
<td>Rural</td>
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<td></td>
<td>32.5</td>
<td>40%</td>
<td>12.7</td>
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**USD 1.7 Billion**
Investment Needed (2018-2019)

**USD 1.1 Billion**
Investment Gap (2018-2019)

Main issue with the use of GoI budgets is the absence of conditional contributions from Local Government.
WATER HIBAH as a Performance Based Financing

Source: http://pudamboyolali/waterhibah
Use of Water Hibah Financing

Proven Leverage

- 156 LG joined water hibah in 2009-2015
- DFAT – 400,000 connections with A$100 million grant
- Future APBN hibah can target greater leverage.

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<tr>
<th></th>
<th>IndII</th>
<th>APBN Mainstreaming Options</th>
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<tbody>
<tr>
<td>LG Hibah</td>
<td>2.5</td>
<td>2</td>
</tr>
<tr>
<td>LG APBD</td>
<td>0.2</td>
<td>1</td>
</tr>
<tr>
<td>PDAM</td>
<td>3.3</td>
<td>3</td>
</tr>
<tr>
<td>DGHS</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>PDAM %</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td>LG %</td>
<td>3%</td>
<td>17%</td>
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</table>
Evidence on increased local government investment
The agreed investment up until 2019 is 4.6 times than made by DFAT.

Of the 138 local governments participating in the DFAT and USAID funded hibahs, 97 have continued to participate in either national budget 2015 or 2016 or both, which represents 70% of local governments.

National budget hibah is the result of collaboration between DFAT, USAID, and other government partners.

### Spending on National Budget Hibah

<table>
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<tr>
<th>Year</th>
<th>Allocated in National Budget Hibah (AUD)</th>
<th>Expended (%)</th>
</tr>
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<tbody>
<tr>
<td>2015</td>
<td>48m</td>
<td>70%</td>
</tr>
<tr>
<td>2016</td>
<td>77m</td>
<td>73%</td>
</tr>
<tr>
<td>2017</td>
<td>82m</td>
<td>73%</td>
</tr>
<tr>
<td>2018</td>
<td>77m</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>86m</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>370m</td>
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Output based grants to Local Government for water supply have been very successful but are one-dimensional.

Output is measured by increase in house connections for water.

GoI is planning to implement Performance Based grants for water supply that are multi-dimensional and target sustainable improvements in performance.
Performance Based Grant Indicator Set

Overall Performance measure

- Governance
- Quality of water service delivery
- Utility operational efficiency
- Financial

Chart Title

- Annual Audit
- Supervisory board
- Water Quality
- Consumer forum
- Power Use
- Equity invested by LG to PDAM
- NRW reduction
- FCR Tariff
- Asset Revaluation
- LG Pays Subsidy
- 24 hr service
- Equity invested by LG to PDAM

WASH Futures
Collaboration for Universal WASH
“Before we develop it further we need to develop the institutions, we need to provide assurance there will not be obstacles. I would prefer that the [funding allocation to the] Hibah is not too big, and not too small

We need to maintain credibility of the mechanism, that it is robust and can be replicated”.
Thank You