

**REPUBLIC OF INDONESIA**

**WATER AND SANITATION POLICY  
FACILITY**

**(THE WASPOLA FACILITY)**

**PROGRAM DESIGN DOCUMENT**

**FINAL**

**Revised  
15 JAN 2008**

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### **CURRENCY EQUIVALENTS**

**(mid rates as at 7 Jan 2008)**

A\$1.00 = US\$0.872

A\$1.00 = Indonesian Rupiah 8,263

US\$1.00 = Indonesian Rupiah 9,476

## **ABBREVIATIONS AND ACRONYMS**

ACCESS	Australian Community and Civil Society Strengthening Scheme (AusAID)
ADB	Asian Development Bank
ADD	Activity Design Document
AMPL	Air Minum dan Penyehatan Lingkungan (Water Supply and Environmental Sanitation) Working Group
AusAID	Australian Agency for International Development
AWPB	Annual Workplan and Budget
BAKD	MOHA DG for Local Government Financial Administration
Bappeda	Provincial/District Planning Agency
Bappenas	National Planning Agency
BPPSPAM	Water Supply System Development and Support Agency
CDD	Community Driven Development
CEDAW	United Nations Convention on the Elimination of all Forms of Discrimination against Women (CEDAW)
CLTS	Community Led Total Sanitation
CWSHP	Community Water Services and Health Project
DAK	Special Budget Allocations/Grant
DPRD	Provincial/District Legislative Assembly
DSF	Decentralised Support Facility
FMC	Facility Management Committee
FMU	Facility Management Unit
GOA	Government of Australia
GOI	Government of Indonesia
GTZ	German Bilateral Aid Agency
IA	Implementing Agency
IEI	Immediate and Emerging Issues
ILGF	Initiative for Local Governance Reform (World Bank)
IndII	Indonesian Infrastructure Initiative (AusAID)
ISSDP	Indonesia Sanitation Sector Development Program
IWS	Institutional Water Supply
KDP	Kecamatan (Subdistrict) Development Program (World Bank)
LG	Local Government
MDG	Millennium Development Goal
MEF	Monitoring and Evaluation Framework
MOE	Ministry of the Environment
MOF	Ministry of Finance
MOH	Ministry of Health
MOHA	Ministry of Home Affairs
MPW	Ministry of Public Works
MST	Management Support Team
MTEF	Medium Term Expenditure Framework
NGO	Non Government Organisation
NOL	No Objection Letter
PAMSIMAS	Third Water Supply and Sanitation for Low Income Communities Project (WSLIC III)
PDAM	District Water Supply Company
PD	Program Director
PDD	Program Design Document

PERPAMSI	Water Supply Association of Indonesia
PMD	Directorate General of Village and Community Empowerment
PNPM	National Program of Community Development
PY	Program Year
RENSTRA	Rencana Strategis (Strategic Plan)
RPJM	Medium-term Development Plans
SOE	State-Owned Enterprise
SOfEI	Support Office for Eastern Indonesia (World Bank)
SUNSENAS	National Socio-Economic Survey
SWAp	Sector Wide Approach
SWASH	Sulawesi Water and Sanitation Hygiene
TTL	Task Team Leader
UPP	Urban Poverty Project
WASPOLA Facility	Water and Sanitation Policy Facility (AusAID)
WASPOLA	Water and Sanitation Policy and Action Planning Project (AusAID)
WG	Working Group
WHO	World Health Organisation
WSES	Water Supply and Environmental Sanitation
WSLIC	Water Supply & Sanitation for Low Income Communities Project (World Bank)
WSP-EAP	Water & Sanitation Program - East Asia and the Pacific (World Bank)

## **EXECUTIVE SUMMARY**

**Background.** AusAID has been supporting development of the water supply and environmental sanitation (WSES) sector in Indonesia for many years. One of its current activities is the Water Supply and Sanitation Action Planning Project (WASPOLA 2), being implemented by the World Bank's Water and Sanitation Program (East Asia and the Pacific). The second phase of WASPOLA is due to finish in 2008. AusAID funded a Scoping Study in July 2006 to identify possible areas for future investment in the WSES sector. One of the recommendations was to provide continued support for WSES policy development and implementation, building on the achievements of WASPOLA 1&2. It was recommended that this assistance should be provided through a flexible technical support Facility. A Design Mission was fielded in February 2007 to develop the design for such a facility – the Water and Sanitation Policy Facility (the WASPOLA Facility). The Program will be implemented over a 4-year period, commencing in the second half of 2008.

**Development context.** Access to clean drinking water and sanitation in Indonesia is low by international standards. Economic losses resulting from poor WSES service provision are substantial, with various estimates ranging from 2.2% to 4.0% of GDP. Achieving the WSES MDGs will require considerably intensified and more effective government support than is currently being provided. There has been dramatic and ongoing change in the WSES policy and institutional environment over the past decade aimed at improving service provision, however the reform agenda is far from complete: important policy gaps and conflicts remain with many policy initiatives being incomplete in terms of the necessary regulatory framework; substantial 'socialisation' of new policies to district and provincial government is required; increased capacity is urgently required at district and provincial levels to underpin the successful operationalisation of new policies; and there is a continuing need for improved sector management. GOI is actively committed to the ongoing sectoral reform process, but resources are stretched. There is an opportunity for strategically positioned donor support to help advance the agenda in critical areas. AusAID and WSP-EAP are ideally positioned to contribute as development partners, building on their extensive experience in the WSES sector in Indonesia at both policy and field implementation levels, and utilising their high profile to help harmonise the work of other donors involved in the sector.

**Program goal and purpose.** The **goal** of the Program is to improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation services, contributing to increased economic growth. The **purpose** is to strengthen the capacity of GOI to guide development of the WSES sector through establishment of a flexible Facility that can support emerging needs relating to policy development, policy implementation, and sector management.

**Approach.** The design is based on a Facility approach that allows assistance to be utilised in a flexible manner to address emerging needs in a rapidly changing policy environment. Three core focus areas have been identified where funding can be applied: (i) policy development; (ii) policy implementation (or operationalisation); and (iii) improved sector management. Within each focus area a number of priority outputs have been identified. Specific activities to achieve the outputs will be identified during the course of implementation, screened against the Facility framework and specified selection guidelines. The Facility will seek to achieve a high level of 'ownership' for GOI by giving government substantial authority over the selection of activities to be implemented; responsibility for managing the implementation of funded activities; and responsibility for evaluating the performance of activities towards achieving desired goals.

The Facility will make strategic use of limited funding to improve WSES policies, improve systems and procedures for policy implementation, and improve sector management. It is not however intended to be a vehicle for scale-up activities. For this purpose, it will seek to link with and leverage other GOI and donor programs (with particular emphasis on PNPM and PAMSIMAS), and to develop GOI's own capacity for scale-up.

**Components and outputs.** Key outputs identified for each of the core focus areas are as follows:

Components/ Core Focus Areas	Key Outputs
<b>1. Policy Development</b>  <b>Objective:</b> To develop WSES policies in response to evolving political, economic, social and technological context and best practice.	<ol style="list-style-type: none"> <li>1. Strengthened community-based WSES policy framework.</li> <li>2. Strengthened institutionally-based WSES policy framework.</li> <li>3. Strengthened water resource management policy framework relating to critical WSES issues.</li> <li>4. Strengthened policy frameworks that enhance the strategic participation of women and the poor.</li> </ol>
<b>2. Policy Implementation</b>  <b>Objective:</b> To develop improved systems and procedures for implementation of WSES policies.	<ol style="list-style-type: none"> <li>1. Strategic plans (RENSTRAs) and medium-term development plans (RPJM) that reflect national WSES policies at all administrative levels.</li> <li>2. Implementation strategies to achieve GOI medium-term targets and MDGs for WSES.</li> <li>3. Improved sector financing arrangements.</li> <li>4. Effective systems and procedures for extension of national policies, strategies and action plans to provincial and district government.</li> <li>5. Coordination of WSES and economic development/ poverty alleviation planning at provincial and district levels.</li> <li>6. Mechanisms for participation of civil society, particularly women and the poor, in decision-making processes concerning WSES policy implementation.</li> </ol>
<b>3. Sector Management</b>  <b>Objective:</b> To strengthen sector management functions, with emphasis on coordination and communication, knowledge management, human resource development and M&E.	<ol style="list-style-type: none"> <li>1. Strengthened coordination and communication among GOI agencies involved in the WSES sector.</li> <li>2. Enhanced skills base of GOI to develop and implement WSES policy in a collaborative manner and in accordance with GOI's gender mainstreaming policy and guidelines.</li> <li>3. Generation and distribution of relevant information to key stakeholders.</li> <li>4. Improved coordination of donor activities in line with GOI policies.</li> <li>5. M&amp;E systems reporting progress against GOI medium-term targets, MDG goals for WSES, and other key performance indicators for the sector including gender equality.</li> </ol>

**Geographic focus.** The Program will have a primary focus at national level reflecting its overriding policy development and policy implementation objectives. Within this primary focus it will be directly involved in a broad range of activities in pilot provinces and districts, particularly in relation to Components 1 and 2. The location of sub-national activities is not expected to have any particular geographic focus, but will be driven more by the need to capture relevant experiences where they exist, and the need to pilot new policies and approaches across a broad range of locations thus providing an adequate basis for development of a national WSES framework. Activities that require fieldwork in Eastern Indonesia will however be particularly encouraged where the opportunity exists.

**Program cost and financing.** Total cost is estimated at A\$12.26 million over four years. Of this amount, 79% is accounted for in Components 1-3 and will therefore be available to finance activities in the three core focus areas. The allocation of this amount between the three focus

areas cannot be specified at this stage due to the demand-driven nature of the Facility. Component 4 (Program Management) accounts for the remaining 21% of total cost, including the Bank's Administrative fee and WSP's GPM fee. GOA will finance A\$10.0 million (81%) of the total, and GOI the remaining A\$2.3 million (19%). The GOI contribution assumes a similar level of funding to that currently committed for WASPOLA 2 (US\$0.45-0.50 million per annum).

**Governance arrangements.** The Facility will adopt structural WSES sectoral arrangements at national level to the maximum extent possible. Bappenas will be the Executing Agency as for WASPOLA 1&2. The inter-agency Echelon 2 WSES Technical Team recently established within Bappenas will function as a high-level Facility Management Committee (FMC) The FMC will be assisted on a day-to-day basis by the Echelon 3 Water Supply Working Group (the AMPL, which is already established and has played a key role in the implementation of WASPOLA 2), as well as the more recently established Sanitation Working Group. The FMC and related WG structure will play a central role in deciding how funding is utilised.

**Management arrangements.** The Facility will be managed by WSP-EAP on behalf of AusAID. WSP will establish a Facility Management Unit (FMU) to support its management and technical guidance roles. The FMU will be staffed by 3-4 LT Advisers with complementary strengths in program management, WSES institutional development, WSES policy development, and M&E. One of these positions will be international and will fill the role of TTL. The Advisers will play a central role in assisting the WG/s and IAs identify activities for funding, in formulating and screening proposals, and ensuring that all activities are coordinated with relevant donor and GOI programs. Procurement will be directly managed by the FMU which will be resourced with appropriate support staff including 1-2 procurement officers and a finance officer to ensure that it takes place in an efficient manner. Managing the implementation of funded activities will be delegated to concerned IAs under the guidance of the FMU and WG/s.

**Funds management.** Australian funding will be will be paid into a World Bank US\$ Trust Account to be managed by WSP-EAP. World Bank procurement, acquittal and audit procedures will apply. Provision is made for some activities to be direct-executed by Government (i.e with budget disbursed to the relevant IA), to be approved by AusAID on a case-by-case basis. Arrangements for counterpart funding provided through Bappenas will follow the same procedures as adopted for WASPOLA 2. Additional funding provided by individual IAs in relation to the implementation of specific activities will follow normal GOI disbursement procedures.



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## **1. BACKGROUND**

AusAID has been supporting development of the water supply and environmental sanitation (WSES) sector in Indonesia for many years. One of its current activities is the Water Supply and Sanitation Action Planning Project (WASPOLA), being implemented by the World Bank's Water and Sanitation Program (East Asia and the Pacific) (WSP-EAP). The second phase of WASPOLA is due to finish in December 2008, although funding will be substantially disbursed by early 2008.

Major achievements of WASPOLA include<sup>1</sup>:

- Development of a general policy framework for community-based (rural) WSES facilities. This policy was formally endorsed by GOI in late 2003 and has subsequently been implemented on a trial basis in 49 districts. The policy has also been adopted in the design of a number of major donor programs, including WSLIC 3/ PAMSIMAS (World Bank), CWSH (ADB), and Pro AIR (GTZ).
- Development of a policy framework for institutionally-based (urban) WSES facilities. This policy is currently in its fourth draft but has not yet been formally endorsed by GOI.
- Development of improved institutional capacity at national level, where the inter-agency WSES Working Group formed under the Project (the AMPL) has become a focal point for coordination of cross-sector issues; and at provincial/ district level in those provinces and districts where the community-based policy has been trialed.
- Improved availability and quality of information on WSES sector activities (improved 'knowledge management', incorporating information, information strategies, and communication strategies).

AusAID funded a WSES Scoping Study in July 2006 to identify possible areas for future investment in the WSES sector. One of the recommendations was to provide continued support for WSES policy development and implementation<sup>2</sup>, building on the achievements of WASPOLA 1&2. It was recommended that this assistance be provided through a flexible technical support facility. AusAID funded a separate study in September 2006 to progress donor harmonisation in relation to community-based WSES activities in Indonesia, with emphasis on developing increased GOI ownership and alignment between donor's and GOI's agenda, policies, strategies and systems<sup>3</sup>.

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<sup>1</sup> The achievements of WASPOLA 2 are documented in the generally favorable MTR (conducted in early 2006), and have been substantially confirmed by the current Design Team.

<sup>2</sup> The term 'policy implementation' is used throughout this document to refer to the operationalisation of central government policies at LG level through instruments such as strategies and action plans, as opposed to field construction of WSES facilities.

<sup>3</sup> Donor Harmonisation in the Community-based Water Supply and Environmental Sanitation Sector: Strategy and Recommendations Report. September 2006.

A Design Mission<sup>1</sup> was fielded in February 2007 to develop the design for the new Program – the Water and Sanitation Policy Facility (the WASPOLA Facility) – building on the findings of the previous two studies. This Program Design Document (PDD) was subsequently updated to address Peer Review comments in January 2008.

## 2. ANALYSIS

### 2.1. Development Context

**Current WSES status.** Access to clean drinking water and sanitation in Indonesia is low by international standards. Achieving the WSES MDGs will require considerably intensified and more effective government support than is currently being provided. Twenty-four of Indonesia's 33 provinces will fail to reach MDG targets for safe drinking water supply by 2015 at current investment levels<sup>2</sup>. Currently only 48% of the population have access to water from improved sources considered *relatively* safe (SUNSENAS, 2004), including 42% of the urban and 51% of the rural population. At current rates of improvement only 56% of the rural population can be expected to gain safe access by 2015. The trend in access to improved sanitation in rural areas is even worse, remaining stagnant at around 38% since 1985.

Recognising that water supply and sanitation improvements are economically productive investments, GOI recently included MDG water and sanitation targets among the objectives for poverty reduction in its Medium Term Development Plan. Conservatively estimated, an annual investment of US\$400 million is required to reach the MDG targets for water supply and sanitation by 2015<sup>3</sup>. This compares with current government investment of around US\$250 million per annum.

**Economic costs of poor WSES provision.** Lack of access to safe water and sanitation has had severe consequences on public health, the environment, and the economy. For example, of the four most important causes of under-5 mortality in Indonesia, two (diarrhoea and typhoid) are faecal-borne diseases directly linked to inadequate water supply, sanitation and hygiene behaviours<sup>4</sup>. As well as incurring substantial health treatment costs, WSES-related health issues have a substantial impact on labour productivity. Difficult access to improved water supply also means that households spend substantial amounts of time fetching water, and/or spend cash to purchase expensive 'safe' drinking water. Various studies have been carried out to estimate the magnitude of the economic losses resulting from poor WSES service provision. While there is significant variation between estimates depending on the methodology used, the important point is the sheer magnitude of the losses reported. Some examples include:

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<sup>1</sup> Richard Holloway, Team Leader/ Design Specialist; Nina Shatifan (Community Development/Gender Specialist); Jim Coucouvinis (WSES Institutional Specialist); Greg Lee (WSES Specialist); and Alain Barbarie (M&E Specialist). The Team was in-country from February 9 to March 2. Terms of Reference are presented in Appendix 1.

<sup>2</sup> From a 2003 report of the UN Support Facility for Indonesia Recovery.

<sup>3</sup> Indonesia Country Report prepared for the Kyoto Global Water Summit, 2003.

<sup>4</sup> About 11% of Indonesian children have diarrhea in any 2 week period and an estimated 33,000 children under 5 were expected to die from diarrhea and 11,000 from typhoid in 2006 (IDHS 2004 and population projections from Bappenas 2000-2025). Lack or limited access to clean water and sanitation also contributes to increasing malnutrition among children and women.

- One study reports annual economic losses of US\$3.8 billion (2.2% of 2002 GDP) from inadequate sanitation, poor hygiene practices and lack of access to safe water<sup>1</sup>.
- Another reports annual economic losses of US\$ 6.8 billion (4.0% of 2002 GDP) from inadequate sanitation alone, equal to US\$12 per household per month<sup>2</sup>.
- Annual economic benefits from time saved if the MDG for water was achieved have been estimated at of US\$6.0 billion.

**GOI WSES policy environment.** There has been dramatic and ongoing change in the WSES policy and institutional environment since the 1997 monetary crisis. GOI began a fundamental reform of administrative and fiscal governance after the initial and rushed regional autonomy legislation introduced in 1999. The current basis of the regional autonomy and decentralisation reforms include Law 17/2003 on State Finance (Keuangan Negara) and Law 1/2004 on State Treasury (Perbendaharaan Negara). These laws were followed by the revised autonomy law UU 32/2004 and the law on fiscal balance UU 33/2004. From this legislative foundation the Ministry of Finance (MOF) has progressively constructed a framework of regulations and ministerial decrees (policies) setting out the administrative and fiscal authorities and obligations/responsibilities of the three levels of government: national, provincial and district. The main thrust of this framework is that ‘funds follow function’. In the WSES sector this means that local government (LG) is responsible for service provision and that central and provincial government have technical oversight and monitoring responsibility.

Within the decentralisation framework and in response to the MOF initiatives, recent/current initiatives of central ministries with WSES responsibilities include the following:

- MPW has enacted the Water Law UU 7/2004, followed by government regulation PP16/2005, setting out responsibilities for the provision of WSES services by the three levels of government. This regulation covers service provision for water supply and environmental sanitation, with the latter covering wastewater, drainage, and solid wastes. Operationalisation of these regulations is being pursued through the release of Ministerial decrees on water, wastewater, drainage, and solid waste. Once completed, these will form the essential WSES policy instruments of MPW<sup>3</sup>.
- MOE has also prepared a draft law on waste management, including municipal solid waste (also covered by the MPW regulation PP16/2005, and the PerMenPU 2006).
- MOHA has been redrafting legislation covering the operation of state-owned regional enterprises (including PDAMs). This is currently waiting for Presidential review before being submitted to the House for approval.
- Presidential Regulation No. 67 issued in 2005 sets the framework for cooperation between government and the private sector in the provision of public services including WSES.
- Bappenas, with support from WASPOLA 1&2, has been involved in drafting a national policy framework covering the development of community-based (rural) WSES facilities. This policy, which was formally endorsed by relevant Ministries in late 2003, represents a major shift in WSES development strategy at community level and provides a strong foundation for improvement of community-based services.
- A similar framework, covering development of institutionally-based water supply and

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<sup>1</sup> ‘Evaluation of the Costs and Benefits of Water and Sanitation Improvements at the Global Level’, WHO, Hutton and Haller, Geneva 2004.

<sup>2</sup> ‘Indonesia: Averting an Infrastructure Crisis: A Framework for Policy and Action’, World Bank, 2004.

<sup>3</sup> Ironically, the ministerial decree PerMenPU on solid waste was the first of these to come out (2006) in an attempt to pre-empt the MOE law on Waste Management, currently being drafted. This is one concrete example where a mechanism for improved coordination of policy development would have been beneficial.

sanitation facilities is also being developed with support from WASPOLA 2.

In general, the changing WSES policy and institutional framework as outlined above is moving in the right direction and provides the potential for more sustainable provision of WSES services over the longer term. However, the reform agenda is far from complete: important policy gaps and conflicts remain with many policy initiatives being incomplete in terms of the necessary legal/ regulatory frameworks; substantial 'socialisation' of new policies to district and provincial government is required; increased capacity is urgently required at district and provincial levels to underpin the successful operationalisation of new policies; and there is a continuing need for improved management of the sector including development of adequate M&E capacity. Specific development issues and needs are further outlined in Section 2.2.

GOI is actively committed to the ongoing policy reform process. Resources are, however, stretched. There is the opportunity for strategically positioned donor support to help advance the agenda in critical areas. AusAID and WSP-EAP are ideally positioned to contribute as development partners, building on their extensive experience in Indonesia in the WSES sector at policy and field implementation levels, and utilising their high profile to help harmonise the work of other donors involved in the sector.

**GOI gender policy environment.** Gender equality is articulated in the Indonesian Constitution and various international conventions<sup>1</sup> to which Indonesia is a signatory, and is enacted in a range of national policies including: the Medium Term Development Plan; National Strategy on Poverty Reduction and Presidential Instructions (9/2000); and Technical Guidelines on Gender Mainstreaming. The national community-based WSES policy also promotes an active role for women in WSES development although this is usually limited to village level activities. GOI's 2005 MDG Progress Report identifies a number of policy areas relevant to WSES for improved gender outcomes: women's participation in political processes and public positions; access to improved health services; and legal instruments to protect women against discrimination and gender mainstreaming at all levels of government, particularly district/ municipality level.

**GOA policy environment.** The April 2006 White Paper 'Australian Aid: Promoting Growth and Stability' stresses that generating shared and sustainable economic growth is the single most important objective for the Asia-Pacific Region over the next 10 years. Major emphasis is placed on: the central role of economic growth in reducing poverty; the critical role of infrastructure (including WSES provision) as a driver of economic growth<sup>2</sup>; the central position of good policy as a foundation of both economic growth and good governance; the need to strengthen support for private sector led development initiatives; working in partnership with governments including the use of more programmatic approaches that involve greater partner government responsibility in planning and implementation; working in partnership with donors; and the development of stronger engagement with multi-laterals for aid delivery. AusAID's new Gender Equality Policy provides the framework for closing gender gaps through WSES investments that can ultimately

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<sup>1</sup> These include: UN Convention on the Political Rights of Women ratified by Law 68/1958; the United Nations Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) ratified by Law number 7/1984; and the Optional Protocol to the CEDAW which was signed by the Government in 2000. Indonesia has committed to acting on recommendations of the 1994 Copenhagen Declaration on Social Development; the 1995 Cairo International Conference on Population and Development; the 1995 Beijing Platform for Action; and the 2000 United Nations Millennium Declaration.

<sup>2</sup> Continued support for WSES is also identified as a priority in the 2006 Indonesia Country Program Strategy Review.

enhance economic growth and reduce poverty in Indonesia<sup>1</sup>. The design of the WASPOLA Facility fully reflects these and other important strategic directions signalled in the White Paper and the Gender Equality Policy.

## 2.2. Development Issues and Needs

### 2.2.1. Overriding Decentralisation and Regional Autonomy Issues

The decentralisation initiatives of the last decade are generally conducive to the policy thrusts of the WASPOLA Facility. National level responsibilities are now focussed on policy development, technical assistance, capacity building, and socialisation of policies; with LG being responsible for WSES provision. However, decentralisation has also posed some major challenges, including:

- The regulatory framework defining the responsibilities of various levels of government remains weak or is in dispute for some sectors.
- The capacity of central and provincial agencies to support district governments in WSES is weak in terms of both human resources and funding.
- The role of the provinces, as the coordinator of and mediator between districts, is under dispute.
- Working relationships between district legislative assemblies (DPRD) and the executive arms of government at district level need to be further developed.
- The capacity of district government to take responsibility for the planning, implementation, operation and maintenance of WSES facilities is generally weak.
- The fiscal situation of most district governments, including investment and financing frameworks, remains weak in relation to designated responsibilities.
- Consultation by LG with civil society in key decision-making processes is generally weak.
- Efforts to promote women's voices in WSES policy making have been limited with poor systems and capacity for implementation of gender mainstreaming at all levels of government and in civil society, coupled with strong social and cultural restrictions affecting participation of women, particularly those who are poor, at LG level.
- The role and authority of subdistricts (kecamatan) has been substantially reduced with decentralisation, with no corresponding increase of capacity at village level.

Despite the multiple actors involved in WSES delivery, a number of important WSES mandates at provincial and district levels still have no institutional home, reflecting the generally low priority given to the sector. Improved clarity of institutional roles and improved coordination are major issues at all levels. Lack of clarity and coordination compromises the accountability of local institutions. The root of the problem is the lack of a sector-wide commitment among institutions on the various program areas and roles for which they are responsible.

### 2.2.2. WSES Policy Reform

**Summary of key policy development priorities.** The main WSES policy development priorities for the immediate future – covering the proposed duration of the WASPOLA Facility – are listed below. All of these policy areas require further elaboration, particularly in relation to specification of detailed implementation mechanisms and responsibilities:

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<sup>1</sup> Indonesia lags behind Vietnam, Cambodia, Philippines, Thailand, Mongolia and China where gender equity progress has been more dynamic (From *Country Performance and Institutional Assessment*, World Bank 2006).

- The water supply policy initiated by MPW (formalised through PerMenPU), with a focus on institutional water supply and MDG targets.
- The wastewater policy initiated by MPW (formalised through PerMenPU), focusing on sewerage, wastewater treatment, peri-urban sanitation facilities, and MDG targets.
- The urban drainage policy initiated by MPW (formalised through PerMenPU), focusing on urban drainage and definition of responsibilities of three levels of government in relation to upstream/downstream catchment flows.
- The strategic action plan on rural sanitation and health/hygiene encompassing CLTS initiated by MOH (formalised through PreMenKes).
- The law on regional state-owned enterprises (SOEs) initiated by MOHA.
- The waste management law initiated by MOE.
- The policy on supplementary local budget allocation to cover LG reform initiatives including debt restructuring, rural-poor service provision, development of sewerage etc.
- Further development of the umbrella policy on community-based WSES developed under WASPOLA 1&2 to more fully address sanitation, and formalisation of the policy through Presidential decree (Keppres).
- Further development of the umbrella policy on institutional-based WSES developed under WASPOLA 1&2, including formalisation of the policy through Presidential decree (Keppres).
- Preparation of a policy framework for possible implementation of a SWAp.
- Refinement of the water resource management policy framework to address critical issues related to WSES provision.

Some of these general priorities are further described below.

**Community-based WSES.** WASPOLA 1&2 has been active in helping to develop and implement the community-based WSES policy. The policy has been useful to GOI for guiding the design of a number of large donor-funded WSES programs. The challenge remains for national agencies to maintain and build on current momentum. Further development is needed in relation to formal adoption of the policy by GOI in the form of either a joint ministerial decree or Presidential decree; development of regulatory frameworks, facilitation mechanisms, technical guidelines, and capacity for implementation in a decentralised environment; standardisation of approaches between different agencies; and mainstreaming/ scaling up into a unified technical and institutional vehicle.

The present policy is also relatively ‘light’ on sanitation issues. The Community Led Total Sanitation (CLTS) approach has been adopted by MOH as its national program for rural sanitation, providing the basis for preparation of a national action plan. Integrating CLTS approaches into national policies needs to be further investigated, balanced with provision of proper sanitation facilities for more densely settled areas.

**Institutional WSES.** This covers the provision of WSES through the LG institutional framework, typically through the LG-owned water companies or PDAM, but may also cover private entities with contracts or concessions to provide WSES services. WASPOLA 1&2 has been instrumental in helping to create momentum for development of a policy framework covering institutional provision of WSES services in (mainly) urban areas. Development of this policy is less advanced than the community-based policy. It has not yet been formally adopted by GOI, and has not yet been trialed with LG. Notably, there has been relatively limited buy-in by MPW, which plays a central role in the development and oversight of institutional WSES. Significantly more work needs to be carried out in areas similar to those listed for the community-based policy.

Institutional water supply (IWS) policy issues tend to be relatively complex because of technical aspects, levels of investment required, and necessary involvement of LG, PDAMs and the private sector. With the major responsibility for IWS, MPW needs to be more fully engaged in the formulation of IWS policy than has been the case under previous WASPOLA initiatives. The starting point for this engagement should be the draft institutional-based policy, but further development will probably take a different route. MPW is likely to want to proceed from the existing Water Law 7/2004 and Regulations (PP16/2005), to a Ministerial Decree, and then to development of technical implementation instructions (Juklak/Juknis). Specific issues to be addressed in IWS policy development need to include the following:

- Aligning the responsibilities of all levels of government with the regional autonomy law UU32/2004.
- Restructuring the corporate basis of PDAMs. A significant initiative in this direction is the draft law on SOEs being prepared by the MOHA Directorate General for LG Financial Administration (BAKD)<sup>1</sup>. This draft law will provide an entry point for private sector investment in water supply.
- Restructuring / rescheduling of the outstanding debt for PDAMs, linked to a mechanism that allocates special purpose funds (DAK) for water supply investment, rewarding positive behaviour by LG/ PDAMs.
- Consolidating external funding for the sector into two accounts (i) a loan account for those PDAM/LGs that are credit-worthy and technically competent; and (ii) a GOI-funded grant account (DAK) to channel support to PDAM/LG that are still in a developmental stage but have committed to reform.
- Establishing a broad framework including regulatory mechanisms (MPW-BPPSPAM) to encourage and accelerate private sector entry into the water supply sector. There is a need to have a clear separation between LG regulatory functions and service provision functions. At present BPPSPAM does not have a regulatory role, but is a supporting body only.
- Improving the basis for calculating water tariffs. MOHA is currently discussing a regulation on cost-recovery based tariffs. There is a need to find improved mechanisms for subsidising access for poor communities to water supply. Imposing an obligation to subsidise poor communities on PDAMs while at the same time requiring them to be profit-oriented is contradictory. A LG-funded Direct Cash Rebate is an option worth investigating. Revitalising the direct provision of WSS to disadvantaged subdistricts by Dinas Cipta Karya instead of PDAM is also worth pursuing.
- Strengthening the technical oversight role of MPW and other central agencies in relation to IWS, with emphasis on monitoring, sector performance evaluation, and reporting.
- Progressive strengthening of the role of the provincial government in technical oversight with emphasis on field monitoring and assessment of LG performance in the sector, particularly where cross-boundary issues are involved.
- Engaging civil society in the planning and delivery of urban and peri-urban water supplies.

Institutional sanitation policy. There are serious adverse environmental impacts associated with the current (almost total) reliance on owner-built sanitation facilities for urban households, especially in high-to-medium density environments. Septic tank construction typically uses pervious walls and floors resulting in direct absorption of wastewater into the surrounding shallow ground water which is also used extensively for domestic water supply. Minimum

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<sup>1</sup> Note that this DG is not currently represented on the AMPL Working Group.

distance separations between septic tanks and water intakes are seldom observed. Owner-built septic tanks are also the preferred choice for all but the largest commercial and institutional establishments. Poor maintenance of septic tanks results in effluent discharge into drains, which is often combined with direct discharge of kitchen and 'grey' waste. Huge investments will be required for the development of reticulated sewerage systems over coming decades in order to address these problems. Issues that need to be urgently addressed include:

- Establishing a policy for initiating sewerage services in urban centres that facilitates and allows expansion of the system in a progressive, incremental manner. This will require a specific policy on investment support from higher levels of government to LG. Broad estimates of investment needs and sewerage/sanitation strategies being developed by on-going projects (ISSDP, and others) will be a major input for the formulation of such a policy.
- Developing improved cost-recovery mechanisms. Unless a collection system extends to individual households there will be a reluctance to pay for services. Collection of sewerage charges through the water bill has been successful in some areas.
- Reducing the pollution of groundwater. Recognising that it is likely to be many years before there is significant coverage of reticulated sewerage in most urban areas, the issue will perhaps be best handled by improving IWS and restricting the point use of groundwater.
- Improving institutional arrangements for the construction and approval of septic tanks, maintenance of septic tanks, and the treatment and disposal of septic tank sludge. These issues have been poorly managed in past WB/ADB-funded projects to the point where these organisations will no longer fund investments of this type. Additional research could also be supported on the development and use of low cost individual on-site wastewater treatment units.
- Engaging civil society in the planning and delivery of institutional sanitation services.

**Water resource management issues.** Integrated water resource management requires that water be managed at the most appropriate level, by the most appropriate people, in a way that acknowledges the rights of other uses and users. This requires policy provisions, processes and tools to ensure effective representation of all users, including the poor and women, in water allocation decisions, and to ensure that the rights of vulnerable groups to an equitable share of available water resources is respected. There are a number of areas of water resource management policy related to critical WSES issues where additional policy work is required:

- Utilisation of groundwater. In particular, the issuance of groundwater extraction permits by the Department of Mines, without reference to LG, needs to be urgently addressed.
- Wastewater disposal, noted above.
- Water allocation between competing users, potentially involving issues of riparian rights, the development of tradable water rights and allocations, inter/intra administrative boundary catchment management, and rationalising urban/ rural irrigation water allocations. In the context of the WASPOLA Facility these issues are especially relevant in relation to the allocation of water resources between a PDAM and other competing users. To aim for WSES MDG targets without protecting and managing the water resources on which PDAMs are dependant is addressing only part of the issue. Establishment of water resource (at least for water supply) management working groups at provincial level needs to be considered.
- Groundwater recharge, which is related also to flood peak management.

**Strategic participation of women and the poor.** WSES is more highly redistributive towards low income groups than other poverty reduction and health programs in Indonesia, due to time-



saving and health benefits. Data from KDP (2006) indicates that women generally place WSES as a higher priority over other infrastructure options (eg roads and bridges), but this preference is not usually heard by sub-district or district decision-makers. While the community-based policy has been an important vehicle for promoting participation of women and the poor at village level, these groups continue to be marginalised in district level decision-making processes. A stronger gender inclusive perspective and pro-poor focus also needs to be developed for the institutionally-based WSES policy, particularly given evidence that targeting of women can increase the number of urban water and sewerage connections compared with a non-targeted approach. Further policy development is also required to improve access for people with disabilities, the frail, elderly, children and pregnant women, many of whom are disproportionately represented in poverty statistics. Policy directives and explicit, resourced strategies are required to address these issues of participation and strengthen development of demand-responsive services.

**WSES as a driver of economic growth.** There is a relatively poor understanding of the role of WSES as a driver of economic growth. This is reflected in policy frameworks, strategies and action plans that substantially fail to link improved WSES with economic growth objectives; insufficient analysis and appreciation of the cost of inadequate WSES provision; lack of understanding of the benefits associated with WSES investment, particularly for women and poor; lack of analysis of WSES investment options; limited WSES investment allocations; and lack of integration of WSES and poverty alleviation/ economic development operational planning at district level.

**Connecting policy reform with field experience.** A vast amount of experience has been gained by various GOI programs, donor-funded programs and the private sector in relation to innovative approaches to WSES service delivery. In many cases these experiences are not being captured in the policy reform process. Policy development needs to be better linked with field experience so that lessons learned are adequately reflected in improved policies, on an on-going basis.

### 2.2.3. Policy Implementation

**Strategic and medium-term development planning.** Strategic plans (RENSTRAs) and medium-term development plans (RPJM) provide the platform for GOI planning and budgeting, embodying a generally consistent set of principles and activities that can form the basis of common sectoral priorities and a core program of work. However, at present these plans often fail to fully reflect national WSES policies. Relevant policies need to be better socialised to Ministries, provincial and district governments, and key policy directions need to be specifically reflected in central and local budgets and implementation plans. For example, the community-based WSES policy is not yet reflected in the RENSTRAs of various IAs.

**Implementation strategies to achieve specified targets.** GOI has formally adopted various targets in its medium term development plans, including relevant water and sanitation MDGs. However, key planning documents are generally vague on defining strategies for achieving these targets, including minimum acceptable service levels, core (priority) activities and reforms, budgets, timeframes and responsibilities. A fundamental problem is that implementation is largely a function of LG, which generally has limited skills to develop the required plans and highly constrained implementation budgets. Specification of these plans is an essential prerequisite to development of a rational sector investment/ financing plan.

A more gender inclusive approach to MDGs for water, sanitation and health will also help Indonesia make progress towards meeting the MDG for gender equality. This requires deliberate sectoral planning and strategies to improve women's engagement in public decision-making for

WSES, improve their representation in sector management, ensure their full engagement in community management of services and improve their access to financial and other economic services.

The diverse cultural/socio/political/physical conditions of different geographical locations, particularly in Eastern Indonesia (Papua and NTT) also needs to be better understood to inform the development of tailored strategies that match local environments.

**Sector financing arrangements.** The relatively complex WSES institutional environment shapes current practice in relation to sector financing, which is characterised by a multiplicity of budget units and funding channels, and parallel (sometimes conflicting) priorities. Key findings from a recent WASPOLA 2 study of public financing of WSES in Indonesia include the following<sup>1</sup>:

- Current levels of investment are well below what is required to achieve sector targets.
- The composition of sector allocations demonstrates increasing contributions from LG, but there is potential for greater national direction. While LG is playing an increasingly significant role in sector financing, finances and capacities are limited.
- Capacity of sector institutions to develop realistic investment plans could be significantly enhanced through application of a range of simple management tools.
- At central level, GOI needs to complete the strategy development process via a broad-based (inter-Ministry) agreement on a minimum service and priority reform package with a view to increasing overall sector spending and improving effectiveness.
- There is a need for increased clarity on the financial responsibilities of various levels of Government, particularly between provinces and districts/ cities.
- Institutions at relevant levels should be assigned to report, collate and analyse sector finance and performance on a regular basis.
- Funding allocations tend to be annual rather than multi-year; and many are ‘off-budget’. These factors affect local capacity to support the integrated planning and implementation of WSES programs.
- Increased national resources should be allocated for institutional strengthening in relation to sector planning and programming functions.
- Local expenditure on maintenance and ‘software’ needs to increase to underpin the effectiveness and sustainability of capital investment.
- LGs and SOEs would benefit from improved access to long-term financing.

In summary, the most important budget management constraints highlighted in the study include:

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<sup>1</sup> Review of Public Financing for Water Supply and Sanitation in Indonesia, WASPOLA 2, November 2006.

<b>Objective</b>	<b>Present Situation</b>
<b>Unified budget</b> so that all funds can be accounted for and monitored.	<ul style="list-style-type: none"> <li>Numerous activities are ‘off-budget’, especially from the perspective of LG, which has primary responsibility for WSES.</li> <li>Lack of a unified sector investment plan identifying development priorities and funding responsibilities.</li> </ul>
<b>Performance-based budgeting</b> needs to clearly define the links between inputs (allocations) to outputs and outcomes to ensure budget effectiveness.	<ul style="list-style-type: none"> <li>Poor linkage of physical and financial planning.</li> <li>Achievement of WSES outcomes cannot be easily attributed to one agency since the sector involves multiple levels of government and multiple implementing agencies.</li> <li>There is no sector-wide contract or strategy that allocates responsibilities and funding accountability among the various stakeholders.</li> </ul>
<b>Medium-term expenditure framework</b> (MTEF) for longer-range and realistic planning.	<ul style="list-style-type: none"> <li>Most financing is annual rather than multi-year.</li> <li>There is no MTEF for the sector.</li> </ul>

Source: Adapted from ‘Review of Public Financing for WSES in Indonesia, WASPOLA 2, November 2006.

The above constraints combine to create particular challenges for the longer-term planning and integrated sector-wide approach that is critical for the WSES sector, characterised by the need for large multi-year investments. However, ongoing GOI budget reforms are increasingly emphasising the need for integrated and performance-based budgeting, coupled with a longer-term view of development. The new process introduces long- and medium-term development planning at national and local levels as the basis for annual budget proposals. Current policies also anticipate the introduction of a MTEF. These developments present an important opportunity for more systematic planning and monitoring in the WSES sector, which could be directly supported by the new Facility.

**Urban vs rural performance.** Current government intervention in the WSES sector is more effective in rural areas because central agencies have the authority and capacity to financially support LG through nationally-funded poverty alleviation programs (e.g. PNPM). For WSES projects that are classed as poverty alleviation initiatives, loan funds can be on-granted by central government to LG and participating communities. This also provides a basis for leveraging WSES developmental reforms by LG.

In contrast, investment in institutional WSES services has virtually stopped since 2001/02 due to the weak capacity of LG to self-finance the investment costs required, coupled with limited and regulated access to external funding sources. This has resulted in a relative decline in investment, production capacity and service levels for institutional WSES, compared with community-based investment. Financing of institutional WSES policies requires a different approach due to limitations on the involvement of central agencies. A key factor is that LG considers water supply as a self-financing service. LGs expect that PDAMs will invest in increased capacity and extend their service coverage through the generation of surplus funds. In the vast majority of cases this is not happening. Logically, gearing-up development and expansion through investment loans should speed up the process. However poor management of past loan-funded investments for PDAMs has left most LGs reluctant to take on new debt. Much of the necessary policy framework for an improved financing of institutional WSES has already been established by MOF, covering debt restructuring for LG and LG-owned PDAMs, and the on-lending and on-granting of external funds. However the demand for such loans has been low for the reasons outlined above – present on-lending arrangements appear to be too complex and unpalatable for most LGs. The availability of substantial funding support to LG through a relatively simple funding mechanism could provide necessary impetus to the sector. There is an urgent need for the

application of financing arrangements that reward improved performance by LG. Establishment of a WSES sector SWAp, which provides grant and/or loan funds on the basis of need and past performance, is one mechanism currently being considered by various donors. Funding of sanitation (and particularly sewerage) policy targets will require special consideration because of the extent of funding required, and might be particularly suitable for SWAp financing.

The macro-reforms signaled above need to be accompanied by the restructuring and revitalization of PDAMs (including ownership/ governance/ and management reforms) so that they become financially sustainable and are therefore bankable. Initiatives such as the provision of micro-credit for prospective PDAM customers to finance connection charges have also shown promise.

**Extension of national policies to provincial and district governments.** Mechanisms for extension of national policies, strategies and action plans to provincial and district governments are generally poorly developed, and the capacity of central government to effectively reach LG is weak. The situation is compounded by the uncertain roles and responsibilities of provincial government. ‘Socialisation’ of new policy initiatives or regulations to LG is usually highly top-down, cursory, and poorly resourced, resulting in limited understanding and limited adoption of the new initiatives being promoted. The most effective extension vehicle currently available is where new policies and approaches are implemented through large donor-funded programs, with the introduction of policy initiatives directly linked to implementation budget. However, this channel is restricted mainly to rural WSES initiatives using poverty alleviation funding. Examples include implementation of the community-based policy framework under WSLIC 1&2, PAMSIMAS and CWSHP. Linkages with other programs, such as PNPM, and the Initiative for Local Governance Reform Program (ILGRP) (which targets poverty reduction through improved district-level local governance) need to be more actively pursued in this regard. Where projects have attempted to get districts to adopt new policies and planning approaches without linking the effort to incremental implementation budget (e.g. WASPOLA 2), results have been mixed.

Improved non-project mechanisms for policy implementation need to be urgently developed. Due to limited resources at central level, a more strategic role needs to be developed for the provinces so that they can act as intermediate agents of central government, providing support functions to LG. The objective needs to be not just top-down ‘socialisation’ of new policies, but the development of increased capacity at district level to understand and implement policies. Attempts have been made previously to establish Provincial WSES Centres to fill this role. These centres were supported by central budget with the intention that they progressively move towards cost recovery. It was hoped that LG would pay for technical services as they realized the benefits of the support provided, but this never eventuated partly because there was not enough pressure on LG to run their PDAMs profitably, and partly because of the highly unstable institutional and macro-economic environment prevailing at the time. As a result, most of the centres were unsuccessful. The time may be right to reintroduce the concept, perhaps partially funded through a central government subsidy, and partially through service charges. Training and external visits need to be provided to demonstrate to selected officials the positive changes that have occurred through the division of responsibilities between local and central agencies in other countries.

Individual provinces could also be supported to become ‘centres of excellence’ in relation to particular programs, providing models for other provinces to follow. For example, the Gates Foundation is currently supporting implementation of CLTS in East Java, with the intention that East Java becomes such a model for other provinces.

Scaling-up delivery of rural WSES also requires innovative strategies to build capacity and utilise trained community facilitators more cost-effectively, including finding ways of engaging

community natural leaders emerging from CLTS implementation to speed up progress for rural sanitation. Donor experiences (eg ACCESS, KDP and UPP programs) suggest that community women respond well to female facilitators and extension workers who act as role models in encouraging women to take on positions of authority and to develop confidence in demanding better services<sup>1</sup>.

**Cross-sectoral linkages.** The planning and implementation of WSES activities is usually carried out in isolation of economic development and poverty alleviation activities at provincial and district levels, with the delivery of WSES services treated more as a social welfare concern than an economic concern. This disconnect in the planning process has resulted in overlapping objectives and coverage, misallocation of scarce resources, and reduced impacts. Empowering provincial governments to coordinate (and monitor) unified and standardized district programs is one possible way of achieving improved efficiencies. Integration of rural WSES and poverty alleviation programs will be considerably easier than will integration of urban (institutional) programs for reasons noted earlier. GOI's new national poverty alleviation program (PNPM), to be implemented in every subdistrict starting in 2008, provides an important opportunity for improving the linkage between economic and WSES development.

Strengthened linkages also need to be established between WSES and health and hygiene interventions. Integrating with hygiene education programs will yield greater health benefits than simply providing WSES hardware. This will have a particular benefit for women, who tend to carry the primary responsibility for family health.

**Participation of civil society.** The WSES sector is a practical, tangible and relatively easy avenue for pursuing the decentralization agenda of greater community participation in local governance and policy development. Civil society engagement in WSES, including women and the poor, can help to address inefficiency and corruption issues that undermine WSES sustainability, cost recovery and effective management. There is some evidence that women's participation in public processes has a positive impact on transparency and corruption (eg less bribe taking) in the sector. Although there is now increasing recognition by central government of the need for participation of civil society in decision-making processes, mechanisms are generally poorly developed. Under WASPOLA 1&2, attempts have been made to establish district level WSES Working Groups that included NGO and civil society representation, but broad-based groups were established in relatively few districts, and the role of non-government partners has not always been well defined or welcomed.

#### 2.2.4. Sector Management

**Sectoral coordination.** Policy development and policy implementation responsibilities for WSES are spread out over a number of different ministries and implementing agencies (IAs) which historically have tended to operate in isolation of one another. Combined with the frequent internal reorganisation of some ministries and the decentralisation reforms of the last decade, this has resulted in an often fragmented approach to policy development and implementation. Where cooperation has taken place, it has often been driven by externally-funded projects, and has usually occurred on an informal basis.

Coordination between the various departments involved in the WSES sector has improved to some extent in recent years. Under WASPOLA 1&2, a cross-sectoral Working Group (the

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<sup>1</sup> Gender Review and PNPM Strategy Formulation Mission Report, Decentralised Support Facility, Jakarta, February 2007.

AMPL), chaired by Bappenas with mainly Echelon 3 membership drawn from the various WSES IAs, has been established. This group has played a coordination role for the WSES sector, acted as a clearing house for policy-related information, and provided a focal point for donors. It has played a major role in supporting the implementation of WASPOLA 1&2. However, the AMPL has had only informal status, and has failed to obtain the full participation of all relevant ministries and departments. In particular, MOF has been reluctant to engage; MPW has not been adequately represented in terms of its current (re-defined) organisational structure and departmental responsibilities; and important directorates of MOHA have not been represented. Nevertheless, the AMPL has achieved considerable success as an informal cross-sectoral forum at the operational level.

GOI is currently moving to implement a more comprehensive, formal and permanent coordination structure for the sector. An Echelon 1 WSES Sector Steering Committee, chaired by Bappenas, was established by Ministerial Decree in November 2006, with representation from Bappenas, MOF, MOHA, MPW, MOH, and MOE; and an Echelon 2 Technical Team has recently been established under the Steering Committee, also chaired by Bappenas. A number of Echelon 3 Technical Working Groups (WGs) will be established under the Technical Team to represent subsectoral interests. The WASPOLA AMPL will become the Water Supply Working Group, while the ISSDP Working Group will become the Sanitation Working Group. Whether the proposed structure at Echelon 2 and 3 levels will be formalised with written roles, responsibilities, and budget allocations, is not yet clear. The new structure, once in place, should provide a clear and stronger focus for sector coordination<sup>1</sup>.

**Human resource development.** The capacity of government to guide development of the sector in terms of policies, strategic plans, technical guidelines, oversight of LG service delivery, M&E, and review of sector development needs is generally weak. Furthermore, government staff receive little training, information or performance monitoring for gender mainstreaming, a situation that is exacerbated by under-representation of senior women in sectoral agencies.

This lack of capacity is apparent at all levels: central, provincial and district. Appropriate skills need to be strengthened at each level in relation to needs analysis, policy development, planning, implementation management, monitoring and review. Training modules and materials need to be prepared, and training mechanisms better defined. As previously noted, a far more strategic role needs to be developed for the provinces in relation to providing support to LG in key areas.

**‘Knowledge management’.** The AMPL has provided the basis for a national WSES policy information resource through various activities developed under WASPOLA 1&2, including the WSES sector bulletins ‘Percik’ and ‘Percik Junior’ and the Indonesian-language WSES website. This important role of the AMPL warrants further support. Information content could be broadened to include coverage of on-going WSES sector activities, (GOI-funded, donor-funded, and private sector) thus providing a sharpened focal point for information sharing. Another critical aspect of knowledge management that needs to be addressed is the systematic capture, analysis and reporting of ‘lessons learned’ from the wide range of GOI, NGO, donor and private sector initiatives currently taking place. It is evident that many highly relevant experiences which have the potential to add-value to the policy reform process are being lost. GOI agencies at all levels also need to be resourced and encouraged to implement field studies as an integral part of the policy development/ implementation process, with particular emphasis on strengthening linkages between WSES development and poverty reduction/ economic growth, gender equality,

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<sup>1</sup> The new structure will be adopted in full for the governance of the WASPOLA Facility.

and sustainable development. There is also an urgent need for mapping and consolidation of previous policy development reports, providing a necessary foundation for future efforts.

**Coordination of donor activities.** There is currently a wide range of GOI WSES policies, strategies and plans with which donors can align their activities including general policy frameworks such as the WASPOLA-supported community-based policy; the Medium Term Development Plan (2004-09) which integrates WSES MDGs; the Poverty Reduction Strategy Paper; and the MDG Action Plan (currently being developed). As described in the Donor Harmonisation Study completed by AusAID in 2006, donors are already harmonising their activities in support of GOI-identified priorities in a number of important areas<sup>1</sup>. Bappenas (formally through the 'Blue' and 'Green' Book) and the AMPL (informally) have been instrumental in facilitating this process. The constraints to further alignment are largely related to lack of priority at the highest levels of government to improving WSES; lack of coordination between donors and GOI on a clearly defined Action Plan; lack of LG capacity to implement policies; and lack of implementation guidelines<sup>2</sup>. The WASPOLA Facility is designed to directly address many of these issues.

There is also a degree of interest both from GOI and the donor community in moving towards a SWAp for the WSES sector, as is currently being designed for the basic education subsector. This will further align donors with GOI policy. Development of a SWAp will require a number of preparatory steps that could be supported by the Facility, including the 'socialisation' of the concept to government at all levels, and the development of rating and performance assessment methodologies that could be used to determine funding allocations to district governments<sup>3</sup>.

**Sectoral M&E.** Sector-level M&E for WSES is highly fragmented, with coverage, definitions, and availability of data varying widely from agency to agency. There is a need for development of improved monitoring systems for measuring the status of the WSES sector in terms of key MDG indicators, for use at district, provincial and national levels; for development of unified management systems that can measure the effectiveness of GOI medium-term plans (RPJM) and RENSTRA's towards meeting sector goals; and for the development of a limited set of key performance indicators for major policy areas (e.g. for the CB policy framework) on which all donor project performance indicators would be required to align, thereby ensuring an improved 'fit' of proposed donor-funded activities with the GOI policies. M&E systems also need to promote the use of sex-disaggregated data by national, provincial and district agencies to monitor and measure the gender impact of WSES policies, with appropriate linkages to MDG reporting.

The Methodology for Participatory Assessments (MPA) has proven to be a useful framework for planning and monitoring the sustainability of WSES investments at village and at district levels, particularly through various donor programs (eg WSLIC, CWSH, PAMSIMAS and SWASH). However, it has not yet been institutionalised to support implementation of the community-based WSES policy. This could be further investigated under the Facility.

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<sup>1</sup> For example, the WASPOLA-supported National Community-Based WSES Policy has been adopted in the design of various projects including WSLIC 3/PAMSIMAS (World Bank), CWSHP (ADB), and ProAIR (GTZ).

<sup>2</sup> From the Donor Harmonisation Study. Noted specifically in relation to implementation of the community-based policy, but considered to be equally applicable to other WSES policy areas.

<sup>3</sup> Development of a SWAp would also be consistent with directions signalled in the White Paper, and confirmed in the 2006 Indonesia Donor Harmonisation Study.

## 2.3. Key GOI Agencies, Relevant Donor Programs, and Lessons Learned

### 2.3.1. Key GOI Agencies Involved in Implementation

The sector is characterised by multiple institutional actors involved in various sector development activities. At central level over 8 Ministries and 20 directorates are involved in WSES. At local level most districts have between 2-4 agencies involved in WSES provision. The main GOI agencies with WSES responsibilities that will be involved in the implementation of the WASPOLA Facility are summarised in Appendix 8, together with an assessment of strengths and weaknesses.

### 2.3.2. Summary of Relevant Donor Programs

On-going donor programs involved in WSES policy reform and/ or implementation are summarised in Appendix 9, together with possible linkages with the new Facility. Potential linkages with PAMSIMAS, PNPM and IndII are particularly relevant and are further discussed in Section 2.4.

### 2.3.3. Lessons Learned

Lessons learned that are relevant to the design of the WASPOLA Facility include the following<sup>1</sup>:

- The need for a strong, central GOI authority to support a major policy development initiative. Bappenas has provided a suitably strong institutional and coordination focus.
- The need for strong and active national WSES Working Group/s with cross-sectoral and donor-support at the central level. The AMPL working group has performed well in this role, providing the basis for dissemination of WSES policy information. It is regarded by districts as providing a seminal national unifying force for facilitating coordination of policy delivery. However, the coordinating role of Bappenas has also contributed to the limited and problematic engagement with MPW and MOF.
- The need for sustainable (non-project) mechanisms to be developed and adequately resourced by GOI for socialising and operationalising policy to sub-national levels.
- The need for the development of comprehensive policy frameworks, with appropriate national, institutional and legal status, in order for them to be accepted by LG and community stakeholders. The community-based policy has provided the foundation for the development of such a framework for community-based WSES delivery.
- The need for synchronization of policy initiatives across donor and GOI WSES interventions to build on continuity and cohesion of lessons learned in the sector. The community-based policy has proved to be a strong unifying force in this regard.
- The need for structural (non-project) AMPL working groups at the district level, including both government and civil society representation, for successful implementation of WSES policy interventions. Under WASPOLA 2, these working groups have often not been sufficiently representative.
- The need for formal GOI provincial and district support of policy initiatives through issuance of local WSES decrees (or alternative measures), and the allocation of dedicated local funds for the promotion of policy initiatives. In many cases the required local

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<sup>1</sup> These are drawn mainly from the implementation of WASPOLA 2, which has had a similar focus on WSES policy development and implementation, albeit from a project rather than program orientation. The lessons were identified either by the Mid Term Review of WASPOLA 2; or by the AMPL in association with the WASPOLA Management Team.



decrees have not been issued. Local financing is always constrained and difficult to mobilise.

- The need for strong facilitation processes, particularly at district and community levels, and recognition that this will require varying timeframes dependent on local needs and capacities.
- The need for good sectoral information resources. AMPL has provided the basis for a national WSES policy information resource. This role should be expanded.
- The need for the institutional setting of sanitation and its related health impacts to be appropriately recognised.
- The collaborative relationship between AusAID and WSP-EAP for implementation of WASPOLA 1&2 has been mutually beneficial, although poorly specified communication channels, roles and responsibilities have caused unnecessary management difficulties.

## **2.4. Implementation Strategy**

**Facility approach.** The program design is based on a Facility approach. This involves the specification of a Facility framework defining core focus areas where funding can be applied. Specific activities will be identified and approved during the course of implementation. Activities will be screened against the Facility framework and specified selection guidelines. The adoption of a facility approach allows assistance to be utilised in a flexible manner to address emerging needs in a rapidly changing policy environment. It also permits the adoption of a reasonably rapid activity planning/ approval/ implementation cycle.

**Focus on core areas.** The Facility framework incorporates three core focus areas: (i) WSES policy development; (ii) WSES policy implementation (or operationalisation); and (iii) improved WSES sector management. Within each core focus area a number of priority outputs are identified. Where relevant, these outputs seek to actively build on WASPOLA 1&2 successes.

**GOI ownership.** The design seeks to achieve a high level of ‘ownership’ for GOI. This will be achieved by giving government substantial authority over the selection of activities to be implemented; responsibility for managing the implementation of funded activities, including progress monitoring; and full participation in evaluating the performance of activities (and the overall Facility) towards achieving desired goals. The Program will adopt GOI’s sectoral coordination mechanisms for Program governance functions.

**Economic growth focus.** The goal of the Facility relates to improved WSES provision as a driver of economic growth. At the policy reform level, efforts will focus on ensuring that the linkage with economic growth is adequately reflected in key policy documents. At an operational level, emphasis will be placed on improved integration of WSES planning with economic development and poverty alleviation planning at district level.

**Linking policy reform with field experience.** The Facility will aim to establish a stronger linkage between the policy development process and field experience. This will be achieved by supporting field trials and studies; establishing improved linkages with other programs and projects; and systematically capturing lessons-learned from GOI and donor-funded programs, NGOs and the private sector.

**Linkage with other programs for scale-up.** The Facility will aim to make strategic use of limited program funding to improve WSES policies, develop improved systems and procedures for policy implementation, and improve sector management. It is not intended to be a vehicle for

scale-up activities *per se*. For this purpose, it will seek to link with and leverage other GOI and donor programs, and to develop GOI's own capacity for scale-up. Linkages with PAMSIMAS, PNPM and the Indonesia Infrastructure Initiative (IndII) will be actively encouraged. The possible nature of some of these linkages is further outlined below.

PAMSIMAS. It is proposed that AusAID support for the WASPOLA Facility and PAMSIMAS will be integrated at the highest level through establishment of a single Trust Fund and related Administration Agreement<sup>1</sup>. This will facilitate the sharing of management and technical resources between the two programs, which should result in improved coordination and sequencing of activities at both national and local levels. Specific areas where the Facility could actively support the implementation of PAMSIMAS, subject to endorsement by GOI through the Facility Management Committee, include:

- Provision of support to assist with the final design of PAMSIMAS Component 1 (Community Empowerment and Institutional Development) activities.
- Provision of support for high-level training-of-trainers in relation to implementation by PAMSIMAS of the community-based policy framework.
- Monitoring of the implementation of this policy by PAMSIMAS to identify remaining policy/ regulatory gaps.
- Based on this monitoring, formulation of recommendations for further policy/ regulatory adjustments.
- Note that districts that have already participated in WASPOLA 2 activities receive priority for PAMSIMAS funding.

PNPM. There is a clear move towards greater synergy and eventual integration of CDD programs across Indonesia. PNPM is a major GOI initiative in this regard. A Multidonor Trust Fund is currently being planned to provide strategic oversight of PNPM and directly linked programs that are concerned with poverty reduction through community empowerment, and also to allocate grant funds that are provided by donors in direct support of PNPM.

While there could be some advantages in merging the WASPOLA Facility into the PNPM Multidonor Trust Fund (principally related PNPM's high-level governance arrangements facilitating inter-agency cooperation), there are also a number of arguments against such a merger. These include: (i) WASPOLA is designed to work on both institutional-based (urban) WSES provision as well as community-based (rural) provision; (ii) the Multidonor Fund is still in the planning stages, and it is likely to be some time before detailed operational mechanisms are fully developed; (iii) WASPOLA already has reasonably well-developed governance and management arrangements in place; (iv) the WASPOLA Facility has a very specific sectoral focus, and within this is intended to support strategic policy development, policy implementation and sector management functions, rather than direct implementation of field activities; (v) a relatively small proportion of total PNPM funding (less than 5%) is used by communities for WSES activities, most of which is focussed on areas where previous WSES investments have already been made; (vi) in theory, establishment of the Facility outside of the Multidonor Fund should not affect its ability to directly support the development of policies and implementation models for PNPM; and (vii) there is a degree of political risk associated with the future of the PNPM initiative. For these reasons it is recommended that the WASPOLA Facility operate under a separate Trust Fund arrangement (although combined with PAMSIMAS as noted above).

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<sup>1</sup> The WASPOLA and PAMSIMAS Support Fund.

There are a number of important areas where the WASPOLA Facility could actively support the implementation of PNPM, subject to endorsement by GOI through the Facility Management Committee. These include:

- Assessment of why WSS investments under KDP/ PNPM mechanisms have historically attracted little interest from target communities.
- Provision of support for the further development of the community-based policy/ regulatory framework and operational procedures for implementation of WSES activities under PNPM, in full collaboration with the TA window to be established under the Multidonor Fund. Regulations might, for example include the prior establishment and training of multi-sectoral and broadly representative WSES Working Groups at provincial and district level in line with previous WASPOLA 1&2 initiatives.
- Conduct of studies to help define linkages between PNPM and WSS projects such as PAMSIMAS.
- Provision of high-level (training of trainer) support for the establishment of functional provincial and district level WSES Working Groups.
- Provision of high-level (training of trainer) support to PNPM staff dealing with WSES planning and investment activities.
- Extension of knowledge management systems to provinces and districts, including improving the understanding of the economic impact of suboptimal WSES provision, the linkage between WSES and poverty reduction, and appropriate approaches including MPA-PHAST, CLTS and sanitation marketing.
- Provision of support to determine how the new National Strategy for Rural Sanitation, to be signed off by MOH in March 2008, will impact on WSES support provided under PNPM.
- Conduct of a study to assess the potential inclusion of sanitation under community-based MDG performance grants ('community CCT'), currently being piloted in a few districts.

While a complete merger of WASPOLA and PNPM support is not considered desirable, consideration could be given to placing *part* of the WASPOLA budget under the PNPM donor-executed window, earmarked for PNPM to buy services such as those outlined above from WASPOLA. PNPM would identify the need for additional work but would contract WASPOLA to carry out this work. This mechanism would mean the relationship between WASPOLA and PNPM was fully demand-driven.

**IndII.** The Australian-funded Indonesian Infrastructure Initiative will be working to support national and subnational government to build a more supportive regulatory and policy environment for infrastructure investment; and to implement efficient and effective project management for infrastructure projects. While the major focus is likely to be on transport and communications, there will also be some involvement in (mainly institutional-based) WSS. The WASPOLA Facility should actively consult with IndII on an on-going basis to ensure that any policy development/ implementation work it is doing in this area is fully coordinated with related activities supported under IndII.

**Transparency.** The WASPOLA Facility will operate in a fully transparent manner. Management will actively promote the Facility to potential IAs on an on-going basis. All funding proposals, funding decisions and implementation results should be publicly notified on a Program website.

**Financing mechanisms.** Fiduciary control over the Facility will be maintained by WSP as the managing agent, rather than disbursing implementation budget direct to GOI. The reason for this is to avoid getting locked into an annual budget planning cycle, which would work directly

against the purpose of the Facility to act as a flexible mechanism able to respond quickly to emerging needs. The time required from proposal submission to activity start-up should be no longer than 2-3 months. For similar reasons, no counterpart budget will be required for activities that are of less than a year's duration<sup>1</sup>.

**Gender strategy.** The WASPOLA Facility will play a role in strengthening national and sub-national institutions to better integrate agendas for gender equality and women's empowerment into WSES policies and programs. The Facility itself will model good practice for gender mainstreaming. This includes requirements for gender analysis for each activity proposal and consultations with women as key stakeholders and consumers; advising GOI on the level of resources needed to ensure that gender is adequately addressed during implementation of activities; improving linkages with women's organizations and networks promoting gender equity; actively seeking qualified female consultants to ensure gender balance in provision of technical assistance; regular inputs from gender experts to improve the Facility's performance in gender mainstreaming; building capacity for gender work within the FMU and FMC; monitoring progress and implementation against gender specific indicators; and generating new knowledge on gender equity in WSES in collaboration with other GOI and donor-funded programs (eg PAMSIMAS).

**Inclusion of non-government actors.** The Facility will seek to increase the involvement of non-government actors in the policy reform/ implementation process, including NGOs, civil society and the private sector. Annual Strategic Plans will be workshopped with relevant groups such as the Indonesia Water Dialogue and the WSES Donor/ GOI Coordination Group. Activity proposals, implementation results, and draft policies will be placed in the public domain through the Program website for comment. At district level, renewed efforts will be made to expand the composition of the AMPL Working Group, responsible for the preparation of district implementation plans, to also include NGO and civil society representation.

**Donor harmonisation.** By directly supporting GOI's WSES policy reform and implementation agenda, the WASPOLA Facility will provide an improved framework of policies, strategies and action plans with which donor's can align their activities. The Facility will also aim to improve critical sector management functions, including coordination capacity, knowledge management and sectoral M&E, which will increase the capacity of government to actively manage donor inputs. If GOI and donors choose to move towards a SWAp, the Facility would be able to directly support some of the preparatory activities that will be required.

**Partnering with WSP-EAP.** Implementation of the Facility will be managed by WSP-EAP. This will directly link it with WSP's global and local network of WSES expertise; facilitate linkage with other WSP-managed programs; facilitate high-level policy dialogue with GOI; and provide for a smooth transition from WASPOLA 2, which was also managed by WSP, to the new Program.

**Exit strategy.** By design, the Facility is embedded within GOI systems. It aims to advance GOI's own policy reform/ implementation agenda; and it will utilise structural sector coordination arrangements for key Facility governance and management functions. Activities financed under the Facility will be proposed and implemented by government, with the Facility Management Unit playing a supporting/ oversight role only. A core thrust of the design is concerned with strengthening GOI's sectoral management capacity in critical areas. The Facility does not pretend

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<sup>1</sup> In-kind contributions may however be required. Counterpart funding will be required in relation to overall Program Management costs, and for activities that are of more than a year's duration.

that the need for WSES policy reform/ implementation will be completed within the initial 4-year term. However, it is highly likely that significant advances will have been made in important areas, advances that will be managed by GOI from the outset. The Facility could provide a vehicle for channelling further support to the sector beyond the initial 4-year period, either from AusAID or other donors.

### **3. PROGRAM DESCRIPTION**

#### **3.1. Goal, Purpose and Components**

**Program goal and purpose.** The **goal** of the Program is to improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation services, contributing to increased economic growth. The **purpose** is to strengthen the capacity of GOI to guide development of the WSES sector through establishment of a flexible Facility that can support emerging needs relating to policy development, policy implementation, and sector management.

Within the general scope of the purpose, the Facility will function in a way that:

- builds the capacity of GOI to guide development of the WSES sector;
- responds in a flexible manner to emerging needs and issues in core program areas;
- develops synergies with other WSES and poverty reduction programs to the maximum extent possible;
- emphasises collaboration and partnerships with local government and non-government stakeholders;
- emphasises demand responsive and participatory approaches;
- provides assistance in a balanced manner taking into account specific geographical considerations;
- reflects changing political realities related to economic growth, poverty reduction, gender equity and governance; and
- affords relevant, practical and sustainable solutions.

#### **3.2. Description of Components and Outputs**

The Program design<sup>1</sup> has three main delivery components aligned with core focus areas, and one Program Management component. Major outputs have been defined for each core focus area and are detailed below. These outputs may be further refined during implementation through the Annual Strategic Planning and Review process, subject to approval by AusAID. In line with the Facility approach, specific activities to achieve the outputs have not been identified at the design stage. These will be identified during implementation following the Facility Framework presented in this section, and the activity selection process and guidelines outlined in Section 4.2. Many of the activities that are likely to be of interest have been signalled in the discussion on development issues and needs presented in Section 2.2.

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<sup>1</sup> The Program Logframe is presented in Appendix 2.

It should be noted that the Facility is not intended to address all outputs identified in the Logframe in equal measure. The balance of activities implemented under each output will ultimately be determined by Facility Management, during the course of implementation.

### 3.2.1. Component 1: Policy Development

**Component Objective.** To develop WSES policies in response to evolving political, economic, social and technological context and best practice.

**Outputs:**

1. Strengthened community-based WSES policy framework.
2. Strengthened institutionally-based WSES policy framework.
3. Strengthened water resource management policy framework relating to critical WSES issues.
4. Strengthened policy frameworks that enhance the strategic participation of women and the poor.

Activities funded under Component 1 will involve development of the detailed policies, regulations and implementation guidelines that are required for the various WSES IAs to move from the generalised community and institutional policy frameworks developed under WASPOLA 1&2 to practical and implementable policies and policy instruments. There are also a number of critical water resource issues related to WSES that need to be addressed. It is however acknowledged that, given the broad scope and complex nature of the wider resource management environment, these issues (and associated activities) will need to be very carefully selected and will need to take care not to overlap with the responsibilities of the DG Natural Resources. All policy development work will place a strong emphasis on the strategic participation of women and the poor; and on the role of WSES as a driver of economic growth.

Major forms of assistance are likely to include:

- Conduct of case studies to develop a better understanding of problems for which a policy response is required, and of field experiences gained from previous activities implemented to address these problems;
- Provision of assistance for the development and technical drafting of decrees, regulations and technical guidelines;
- Pilot implementation of draft policies and procedures as an integral part of an iterative development process.

Emphasis will be placed on improving the connection between policy reform and field experience, in order to improve the quality and relevance of WSES policies and ‘ownership’ of results by intended end-users. It is anticipated that all case studies, field trials, and policy implementation pilots will directly involve selected target communities and/or provincial and district governments. Enthusiasm of target communities and/or local government to be involved in field trials and pilots will be a key criteria in determining where these activities are located.

### 3.2.2. Component 2: Policy Implementation

**Component Objective.** To develop improved systems and procedures for implementation of WSES policies.

**Outputs:**

1. Strategic plans (RENSTRAs) and medium-term development plans (RPJM) that reflect national WSES policies at all administrative levels.
2. Implementation strategies to achieve GOI medium-term targets and MDGs for WSES.
3. Improved sector financing arrangements.
4. Effective systems and procedures for extension of national policies, strategies and action plans to provincial and district government.
5. Coordination of WSES and economic development/ poverty alleviation planning at provincial and district levels.
6. Mechanisms for participation of civil society, particularly women and the poor, in decision-making processes concerning WSES policy implementation.

Activities funded under Component 2 will focus on the development of WSES strategic plans, medium-term development plans, and implementation strategies to operationalise WSES policies. These plans and strategies need to be developed at all levels of government, including RPJM, RPJPD, RPJMD, Renstra sector and Renstrada (Regional Strategic Plans), reflecting the WSES planning/ implementation responsibilities at various levels. Development of improved financing arrangements is also likely to be a major area of activity. This will potentially encompass development of a unified sectoral budget, promotion of performance-based budgeting and medium-term expenditure frameworks, clearer specification of budget sources and financing responsibilities, clearer specification of PPP opportunities and mechanisms, and investigation of the potential role of a SWAp as a new, consolidated approach to WSES sector financing.

Note that the fundamental thrust of Component 2 will be to develop suitable models for the implementation of WSES policy – the Facility does not have the resources to scale-up these approaches beyond the point of pilot testing. For scaling-up, the Facility will aim to: (i) establish linkages with other projects and programs to the maximum extent possible (e.g. PNPM, PAMSIMAS); (ii) establish linkages with other organisations that are mandated to improve governance at LG level (e.g. DSF and SOfEI); and, most importantly (iii) build the capacity of provincial GOI institutions so that they can assume a more effective role in policy implementation.

Major forms of assistance are likely to include:

- Conduct of TA studies to develop improved procedures for the preparation, financing and implementation of WSES development plans.
- Pilot implementation of improved planning mechanisms in selected provinces and districts.
- Pilot implementation of improved financing mechanisms in selected provinces and districts, possibly involving the trialing of incentive-based mechanisms and development of a SWAp.
- Building of operational capacity at national and provincial level to support operationalisation of WSES policies to the districts, through mechanisms such as the development of Provincial WSES Support Centres in selected provinces.

Activities funded under this component will place particular emphasis on the development of improved cross-sectoral linkages, particularly between WSES development and implementation of economic/ poverty alleviation development programs; and on fostering enhanced participation of civil society in the development process.

It is anticipated that most of the activities funded under Component 2 will directly involve selected target communities and/or provincial and district governments in some manner. As with

Component 1, the enthusiasm of target communities and/or local government to be involved should be a key criteria in determining where these activities are located.

### 3.2.3. Component 3: Sector Management

**Component Objective.** To strengthen sector management functions, with emphasis on coordination and communication, knowledge management, human resource development and M&E.

**Outputs:**

1. Strengthened coordination and communication among GOI agencies involved in the WSES sector.
2. Enhanced skills base of GOI to develop and implement WSES policy in a collaborative manner and in accordance with GOI's gender mainstreaming policy and guidelines.
3. Generation and distribution of relevant information to key stakeholders.
4. Improved coordination of donor activities in line with GOI policies.
5. M&E systems reporting progress against GOI medium-term targets, MDG goals for WSES, and other key performance indicators for the sector including gender equality.

Component 3 aims to improve the capacity of government to manage the WSES sector in a more efficient and effective manner, with particular reference to the initiatives supported under Components 1 and 2. Activities supported will aim to refine GOI coordination and communication mechanisms underpinning policy development and implementation functions, as well as improve the human resource capacity of government to guide the development of the sector in relation to policy development, sector planning, provision of support for service delivery, and M&E. Capacity building will be targeted to all levels of government with particular emphasis on national and regional, although again it needs to be emphasized that the Facility will be primarily concerned with model development, not scale-up *per se*. Activities will also be supported which aim to improve sectoral information resources, both in relation to knowledge generation and dissemination. Government will be supported to develop the necessary capacity and systems to more actively manage donor contributions in line with a clearly elaborated policy framework. Possible support for development of a SWAp will also serve to improve coordination of donor activities. Finally, a range of activities are possible related to development of improved sectoral M&E capacity.

Major forms of assistance are likely to include:

- Provision of operational support for sector coordination fora.
- Preparation of training modules and materials, and development of training mechanisms including the possible establishment of a cadre of national and provincial trainers.
- Provision of direct training support in critical areas, including regional and international training and study tours.
- Conduct of case studies to capture, analyse, report and apply 'lessons learned' from the wide range of GOI, NGO, donor and private sector initiatives currently taking place.
- Assessment of the relevance of new/ emerging technologies.
- Provision of support for the packaging and dissemination of relevant sector information through media such as magazines and websites.
- Provision of TA to assist with the design and development of improved sectoral M&E capacity.
- Provision of TA to assist with preparation of a SWAp.



It is anticipated that most Component 3 activities will have a primary orientation to national level, although sub-national levels of government will be important clients for the products and services produced and will therefore need to be fully consulted in development activities.

#### 3.2.4. Component 4: Program Management

**Component Objective.** To effectively and efficiently manage the Program in a manner that is responsive to stakeholder needs.

**Outputs:**

1. Facility Management Unit (FMU) established and staffed.
2. Program and Facility management systems established and operating effectively.
3. Gender mainstreaming strategy prepared and being implemented.
4. Annual Strategic Plans and Annual M&E Reports prepared and approved by the FMC and donor.
5. Activities to be funded from the Facility identified, designed, and approved.
6. Activities adequately coordinated with activities of other donors.
7. Activities implemented in accordance with approved procedures and timeframes.
8. Activities monitored and evaluated providing a basis for quality assurance and strategic oversight functions.
9. Identification and initiation of pilot activities by the FMU related to immediate and emerging issues.

Program management and coordination arrangements are further detailed in Section 4.

### 3.3. Activity Selection

The activity identification and selection process for Component 1-3 activities is described in detail in Section 4.2. Activities will be jointly screened and approved by GOI (through the Facility Management Committee and associated Working Group structure) and Program Management (through the Facility Management Unit), applying the activity assessment guidelines presented in Appendix 10<sup>1</sup>. Provision is also made for a limited number of activities to be directly identified by Program management independent of the FMC, to address immediate and emerging issues (IEIs). Budget for IEIs is expected to account for less than 10-15% of total activities by value. While IEIs will not need to go to the FMC for approval, it is expected that the FMC and the WG structure will nevertheless be fully consulted during the design and implementation of these activities.

In order to ensure that efforts do not become overly fragmented, it is anticipated that the Facility will initiate a reasonably limited number (e.g. 4-5) of larger policy development/ implementation activities in any one year. The actual number approved each year will be decided by the FMC and WGs together with the FMU taking into consideration the range and nature of proposals submitted, capacity of involved IAs to implement, and on-going workload. Larger activities will be designed wherever possible to link, and to progressively advance towards identified objectives and outputs in a programmatic manner. Activities that are more than a year's duration will wherever possible be broken down into independently approved annual programs that will be subject to annual performance review.

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<sup>1</sup> To be reviewed and modified by the FMU and WG on an on-going basis.

In addition to these larger policy-related activities, it is anticipated that the Facility will also support a range of smaller activities under both Components 1 and 2 (e.g. policy-related field studies and training courses) and Component 3 (e.g. knowledge management activities and provision of operational support for coordination fora such as the FMC and WG/s).

Clear identification and advance planning of multi-year activities will be necessary in order to provide the opportunity for IAs to merge these activities into their own work programs and budget planning processes. It will also be necessary to allow adequate coordination between IAs where the activity requires the involvement of more than one IA.

Provision is made for some activities to be recipient (GOI)-executed, to be approved on a case-by-case basis by AusAID on the recommendation of the FMU<sup>1</sup>. Some of the current knowledge management activities supported under WASPOLA 2 would be good candidates, including publication of 'Percik' and continued development/ operation of the WSES website.

### **3.4. Geographic Focus**

The Facility will have a primary focus at national level reflecting its overriding policy development and policy implementation objectives. However, within this primary focus it will be directly involved in a broad range of activities in pilot provinces and districts, particularly in relation to Components 1 and 2. Component 1 emphasises the need to link policy development with field experience, and this will demand the conduct of pilots, case studies and field trials in various provinces, districts and communities. Similarly, most Component 2 activities are likely to require the involvement of LG and/or communities in the development and testing of new policy implementation approaches. The location of sub-national activities is not expected to have any particular geographic focus, but will be driven more by the need to capture relevant experiences where they exist, and the need to pilot new policies and approaches across a broad range of locations so that they provide an adequate basis for development of a national WSES framework. Activities that require fieldwork in Eastern Indonesia will however be particularly encouraged, where the opportunity exists.

### **3.5. Timeframe and Duration**

The Program will be implemented over a 4-year period, commencing in the second half of 2008..

### **3.6. Program Funding**

**Total cost.** Total cost of the Program is summarised in the following Table, by component and financier. Additional detail is provided in Appendix 3.

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<sup>1</sup> This will require preparation of an additional Grant Agreement between WSP-EAP and Government.

**Program Cost by Component and Financier**

<b>Component 1-3 (Activities)</b>	<b>A\$</b>	<b>% of total</b>
GoA funded	7,636,000	62%
GoI funded	2,070,000	17%
Subtotal Component 1-3	9,706,000	79%
<b>Component 4 (Management)</b>		
GoA funded	2,344,800	19%
GoI funded	210,000	2%
Subtotal Component 4	2,554,800	21%
<b>TOTAL</b>		
GoA funded	9,980,800	81%
GoI funded	2,280,000	19%
Total Program Cost	12,260,800	100%

Total cost of the Program is estimated at A\$12.26 million over the 4 year implementation period. Of this amount, 79% is accounted for in Components 1-3 and will therefore be available to finance activities in the three core focus areas (policy development, policy implementation and sector management). The allocation of this amount between the three focus areas cannot be specified at this stage due to the demand-driven nature of the Facility. Cumulative disbursement of more than 30% of the total Component 1-3 budget in any one core area will require the prior approval of AusAID. Component 4 (Program Management) accounts for the remaining 21% of total cost.

**Financing.** GOA will finance A\$10.0 million (81%) of the total, and GOI the remaining A\$2.3 million (19%). The GOI contribution assumes a similar level of counterpart funding to that currently committed for WASPOLA 2 (US\$0.45-0.50 million per annum). The major cost elements financed by GOI will include office rental and utilities, general office operating costs, meeting and travel costs for the FMC and WG, and support for various on-going sector management activities such as the WSES magazine ‘Percik’ and WSES website. GOI will also be making significant *in-kind* contributions for the implementation of activities funded by the Program, particularly staff time and general operating costs, which have not been costed.

## **4. MANAGEMENT AND COORDINATION ARRANGEMENTS**

### **4.1. Program Management Structure**

Program governance and management arrangements are aimed at achieving a high level of ownership for GOI, which will play a central role in deciding the allocation of Facility resources, in implementation management, and in activity monitoring. Organisational arrangements are represented in Figure 1 and further described below.

**Governance arrangements.** The Program adopts and reinforces the structural WSES sectoral arrangements at national level to the maximum extent possible. Bappenas will be the Executing Agency for the Program. The inter-agency Echelon 2 WSES Technical Team recently established within Bappenas will function as the Facility Management Committee (FMC) providing high-level oversight functions, with activities facilitated on a day-to-day basis through the Echelon 3 Water Supply Working Group (the AMPL, which is already established and has played a key role

in the implementation of WASPOLA 2), as well as the more recently established Sanitation Working Group established to provide an interface for ISSDP. Both the FMC and the WG/s will include representation from all relevant agencies, including MOF, Bappenas, MPW, MOH, MOHA, and MOE.

The FMC will meet a minimum of twice per year to discuss Program business. The WSP Program Director (PD) and FMU Task Team Leader (TTL) will also attend these meetings. Meetings will generally coincide with review and approval of the Annual Strategic Plans and Annual M&E Reports. The WG/s, which will provide the main operational interface for the Program, will meet on an as-required basis<sup>1</sup>.

Key responsibilities of the FMC will include:

- Approving the Annual Strategic Plan.
- Approving activity proposals costing >A\$100,000.
- Approving Annual M&E Reports, ensuring that key findings feed into the annual planning process.
- Arbitrating any objections by IAs regarding the determination of activity proposals.
- Periodically reviewing the structure, function and performance of the Facility and recommending necessary changes to WSP and AusAID.
- Advocating to relevant institutions for the approval and adoption of policy drafts developed under the Facility.

In addition to supporting the FMC in the above functions, additional responsibilities of the WG/s will include:

- Preparing Annual Strategic Plans for approval by the FMC.
- Assisting IAs to identify activities and prepare activity proposals. This will include identifying provinces and districts as possible sites for field studies and trials, in order to ensure that activities are as relevant and demand-driven as possible.
- Reviewing and approving activity proposals costing <A\$100,000.
- Reviewing and producing a recommendation for the FMC on the approval of activity proposals costing >A\$100,000.
- Ensuring activities are appropriately coordinated/ linked with relevant GOI and donor activities.
- Facilitating inter-agency coordination where this is required.
- Oversighting the implementation and monitoring of activities by IAs.
- Preparing Annual M&E Reports, for approval by the FMC.

**Management arrangements.** The WASPOLA Facility will be managed by WSP-EAP on behalf of AusAID, under terms and conditions as specified in the Administration Agreement (see Appendix 7). WSP will designate a staff member who will act as overall Program Director on a part-time basis and provide a key contact point for AusAID. Specific responsibilities of WSP will include:

- Managing the overall Program on behalf of AusAID in line with the PDD.
- Establishing a Facility Management Unit (FMU) which will be responsible for the day-to-day management of the Program.
- Monitoring the overall performance of the FMU, ensuring that appropriate QA measures are implemented.
- Monitoring and advising on the overall strategic direction of the Program.

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<sup>1</sup> The AMPL WG under WASPOLA 2 has met on average 1-2 times/month.

- Ensuring AusAID is kept well informed of progress and critical emerging issues.
- Facilitating linkage of the Program with WSP's global and local network of expertise.
- Facilitating linkage of the Program with other WSP-managed programs.
- Facilitating high-level policy dialogue with GOI.
- Actively promoting the transfer of best practices and lessons learned between the Program and other WSES Programs both national and international.

Operating under WSP, the FMU will support the WG/s and IAs in the identification, screening, approval, implementation management and monitoring of activities. Specific responsibilities will include:

- Assisting the WG/s to prepare the Annual Strategic Plans.
- Assisting the WG/s and IAs to identify activities and prepare activity proposals.
- Screening activity proposals and advising the FMC and WG/s on whether they should be accepted.
- Ensuring activities are appropriately coordinated/ linked with relevant GOI and donor activities.
- Ensuring activities are appropriately gender inclusive and pro-poor.
- Managing the procurement of goods and services for implementation of approved activities, including managing payments to contractors.
- Together with the WG/s, overseeing the implementation and monitoring of activities by IAs.
- Assisting the WG/s to prepare Annual M&E reports for the FMC, WSP and AusAID, assessing overall performance of the Facility against the Annual Strategic Plan and the Facility Framework.
- Acting as the Secretariat for the FMC and WG in relation to the execution of Program business<sup>1</sup>.

The FMU will be staffed by 3-4 LT Advisers with complementary strengths in program management, WSES institutional development, WSES policy development, and M&E. At least one of these positions will be international and will fill the role of TTL. The LT positions will play a central role in assisting the WG/s and IAs to identify activities for funding in line with the Annual Strategic Plan, in formulating and screening proposals, and ensuring that all activities are coordinated with relevant donor and GOI programs. Long-term Advisers will be initially appointed as ETCs, shifting to co-term appointments subject to satisfactory performance. Provision is made for the LT FMU Advisers to be supported with a total of 21 person-months of short-term international and national TA in strategic areas including M&E, gender/social development, and WSES sector financing.

The FMU will have a reasonably heavy workload in relation to organising the procurement of goods and services for activities funded under the Facility. Recognising this, and in light of the procurement problems experienced under WASPOLA 2, the FMU will be appropriately resourced to carry out procurement, rather than relying solely on capacity within WSP<sup>2</sup>. This will include the appointment of 1-2 full-time Procurement Officer/s and a Finance Officer<sup>3</sup>.

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<sup>1</sup> Provision is also made for the FMC and the WG to hold their own operating budget.

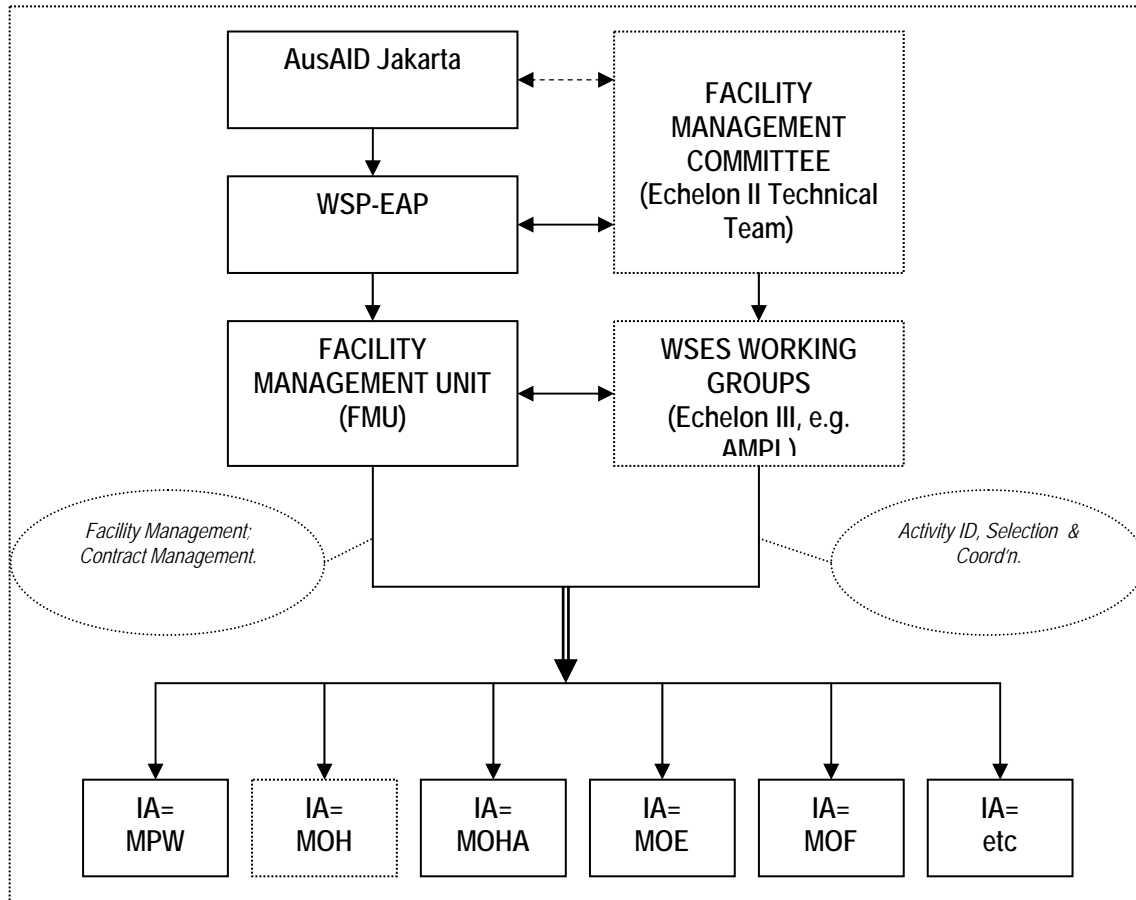
<sup>2</sup> Further measures to ensure that procurement is carried out in an efficient and timely manner are summarised in Section 4.4.

<sup>3</sup> These positions could possibly be shared between WASPOLA and PAMSIMAS in line with Australian assistance for these activities being channelled through a single Trust Fund. The mechanism for ensuring long-term appointments (co-term or outsourced) will be decided by WSP.

The FMU will be located in an office to be provided by Bappenas. Ideally key staff, vehicles and equipment being utilized by WASPOLA 2 would be transferred over to the new Program.

An Operations Manual, a Communications Strategy<sup>1</sup>, and a Gender Strategy will be prepared by the FMU during start-up, further detailing FMU responsibilities, processes and procedures.

**FIGURE 1: ORGANISATIONAL ARRANGEMENTS**



#### 4.2. Activity Planning and Implementation Management

**Start-up Planning.** The Facility approach provides Government with predictable and long-term resources that can complement their own resources for WSES policy development and policy implementation tasks. During start-up, the FMU and WG/s will review current RPJM and National Action Plans and make a preliminary identification of the most critical policy areas that could be possibly addressed over the following few years. Input from local government will be sought during this process to define key WSES policy issues as perceived by local government. Input from major WSES programs (especially PAMSIMAS and PNPM) will also be actively sought during this process.

<sup>1</sup> To be based on the Communications Strategy that is already in place for WASPOLA 2.

**Annual strategic plans.** Annual Strategic Plans (ASPs) will be prepared by the WG/s in consultation with relevant IAs, assisted by the FMU. ASPs will identify priority areas to be addressed by the Program over the coming year together with global budget allocations between core focus areas and IAs, but not individual activities. It will need to be completed by August of each year to fit with the GOI budget planning cycle, facilitating coordination of related GOI-funded and Facility-funded activities. ASPs will be formally endorsed by the FMC, WSP and AusAID.

Preparation of the ASPs, which will encapsulate the broad policy agendas of the various IAs, will largely be a GOI initiative guided by the FMU to ensure effective and implementable policy initiatives and reforms. Once an ASP has been approved, IAs will proceed in their own direction within the approved agenda. There may be various options for IAs leading to target endpoints. The role of the FMU will be to guide this process rather than prescribe it.

**Activity planning.** Specific activities will be identified and proposals prepared throughout the year by WG/s and IAs in line with the general directions signalled in the ASPs, with the assistance of the FMU. The FMU and WGs will also play a key role in identifying dynamic and pro-active provinces and districts and promoting these to the central IAs as possible sites for policy field studies and trials, in order to ensure that activities are as relevant and demand-driven as possible. Key steps in the preparation and approval of proposals will include:

- The IA, assisted by the FMU, will prepare a brief proposal following a standard format, including a description of the activity, inputs required, budget, expected outputs, involvement of other IAs (if any) and timeframe.
- The IA will submit the proposal to the FMU through the WG/s for screening against the current ASP and standardized selection guidelines (see Appendix 10). Smaller proposals (< A\$100,000) will be jointly approved by the WG/s and the FMU. If the WG/s and FMU are unable to agree on a proposal it will be referred to the FMC, although this should be the exception rather than the rule. Activities costing >A\$100,000 will be referred to the FMC for decision. The FMU must also approve any proposal before it can be implemented.
- Once approved, the FMU will enter the activity into the Facility pipeline to ensure that funding is allocated for implementation. The FMU will formally notify the FMC, WG/s and IA of approval of the activity and the level of funding committed.
- The IA, assisted if required by the FMU, will prepare a Terms of Reference, detailed owners estimate, implementation schedule, activity outputs, monitoring indicators, and counterpart contribution, and submit this to the FMU for approval.
- After approval has been given the FMU will inform the IA that the procurement process has commenced.

**Implementation management.** Implementation of activities funded under the Facility will be managed directly by relevant GOI agencies, including Bappenas, MPW, MOH, MOHA, MOE, MOF, and selected provinces and districts, coordinated and supported by the WG/s and the FMU. With the exception of IEI activities, implementation of all activities (including knowledge management activities) will be delegated to the relevant IA.

Specific responsibilities will include:

- The FMU will be responsible for procurement of resources in accordance with Bank procurement guidelines. It will ensure full involvement of the relevant IA in the procurement process to take into account views of the IA regarding proposed bidders/

technical experts. An equal-opportunities policy will apply to the recruitment of consultants, with specific efforts to seek qualified women or men if they are under-represented in the consultant pool.

- The contractor will sign a contract with the FMU, but the contract will give authority to the IA for day-to-day direction of the contractor by the IA. The IA will in effect be the FMU-authorised representative for implementation of the activities specified under the contract. Following contract signing the FMU will provide a copy of the contract to the IA.
- The IA will advise the FMU to issue a mobilisation order once it is ready to proceed.
- Reports by the contractor will be issued in parallel to the IA and the FMU.
- The IA will be responsible for the initial approval of reports which will not be unreasonably withheld. The FMU will be responsible for final approval and for making payments to contractors.
- Implementation will be monitored by the IA against pre-identified indicators, with routine 3-monthly progress reports and monthly exception reports sent to the FMU.

The provisions outlined above are designed to provide for reasonably rapid processing of activity applications. In particular, retaining financial control within the FMU, rather than decentralizing physical budget to the IAs, means that the planning and processing of activities is not constrained by GOI's annual budget planning cycle. It is anticipated that activities that do not require approval of the full FMC could be processed within, at most, within 1-2 months of submission.

### **4.3. Coordination and Reporting**

#### **4.3.1. Coordination**

Specific mechanisms proposed to promote effective coordination of the Program include:

- Adoption of the GOI WSES Technical Team and associated WGs as a means of guiding the selection and implementation of activities funded under the Facility.
- Preparation of ASPs against which proposed activities will be screened; and an Annual M&E Report which will assess the combined results of all activities implemented over the past year in terms of moving towards stated objectives. The FMC, WSP and AusAID will be required to approve these annual documents.
- Establishment of the FMU, a key responsibility of which will be to ensure adequate coordination is achieved between IAs and activities.
- Conduct of 6-monthly Program Planning and Review meetings by the FMC and WG/s, coinciding with approval of the Annual Strategic Plan and Comprehensive Annual M&E Report. WSP, the FMU TTL and AusAID will be invited to attend these meetings.
- Conduct of quarterly management meetings involving the PD, and key FMU and WG staff.
- Conduct of monthly meetings between the FMU and WG staff to review progress over the past month and plan activities for the coming month.
- Adoption of activity selection guidelines which specifically assess the extent to which a proposed activity is coordinated with other activities.
- Designation of a coordination/ liaison officer within each of the main IAs to provide a key contact point between the Agency and the Program.

#### **4.3.2. Reporting**



The FMU will be required to report to the Program Director in WSP as outlined below. WSP will be responsible for reviewing these reports for on-submission to AusAID Jakarta. Reports will be produced in accordance with AusGUIDE where relevant, using formats and including detail as directed by AusAID Jakarta.

**Inception Report.** The Inception Report will detail any proposed changes to the original design as presented in this PDD. It will also append an Operations Manual, including a Communications Strategy and Gender Strategy. The Inception Report will be finalised and submitted to AusAID within 3 months of start-up.

**Annual Strategic Plans.** The ASPs will identify major priority areas to be addressed by the Facility over the coming year together with global budget allocations between core focus areas and agencies. They will detail individual activities only to the extent that this is possible, given that some activities will be formulated during the year. The ASPs should be submitted by the end of August each year, covering the following January-December Indonesian FY.

**Quarterly Financial Reports** will be submitted within one month of the end of each quarter, summarising cash expenditure against budget for the year-to-date, and from startup-to-date.

**Six-Monthly Progress Reports** will be submitted covering the period January-June and July-December, within one month of the end of each period. They will be concise and have as their key focus the Program Logframe and the current ASP. They will: (i) list activities approved and rejected over the period; (ii) briefly describe the progress of all activities currently being implemented against established output indicators; (iii) identify any risks, issues, problems and delays encountered in implementing the current ASP; (iv) outline options and recommend specific remedial strategies; (v) update the Program staffing situation; (vi) include an updated list of Program procurement, training and reports.

**Monthly Exception Reports** will be submitted at the end of each calendar month. These will be brief (maximum 2-3 page) reports highlighting any significant issues that have arisen over the month, and how these issues are being addressed. Successes should also be highlighted.

**Comprehensive Annual M&E Reports** will be submitted within 1 month of the end of each calendar year from the end of 2009 onwards. They will provide: (i) an analysis of Program activities in terms of their contribution to purpose-level indicators; (ii) a review of quality-of-implementation; and (iii) brief recommendations for improving future design and implementation of the Program.

**Miscellaneous Technical Reports.** For every activity approved, an Activity Design Document will be prepared and held on file. For every activity completed, an Activity Completion Report will also be prepared and held on file summarising results achieved and application of results.

**Program Completion Report.** An initial draft of this report should be submitted within two months of the scheduled close of the Program. It will detail progress achieved against the goal, purpose and objectives of the Program.

#### **4.4. Procurement**

Procurement will follow World Bank rules, but with certain measures to ensure that it is executed in an efficient and timely manner appropriate to the particular needs of the Facility. These measures include the following:

- The 3-4 long-term technical adviser positions will be appointed as fixed term contract (co-terminous) positions.
- Key long-term administrative support positions, particularly the Procurement Officer/s and Financial Officer will also be appointed as long-term positions (either co-terminous or outsourced).
- While procurement of goods and services for the implementation of smaller activities funded under the Facility may continue to be managed directly by the FMU, increased use will be made of subcontracting/ outsourcing of activities to firms for larger activities. This is particularly applicable to activities that are longer-term in nature (where the 150 day rule is likely to be invoked); and activities that are more routine in nature but which are likely to be repeated multiple times over the life of the Facility (such as the organization of workshops and training courses).
- To minimize procurement delays, emphasis will be placed on the use of procurement methods that are less onerous in terms of processing (e.g. direct appointment where feasible; use of smaller contracts).
- The FMU will be appropriately resourced (funded by the Program) to carry out procurement, rather than relying solely on capacity within WSP. This will include the appointment of 1-2 full-time Procurement Officer/s and a Finance Officer.
- Authority will be delegated by WSP to the FMU for procurement below standard threshold values.
- A key function of the 3-4 long-term technical adviser positions located in the FMU will be to assist IAs with the identification and preparation of activities for funding (including preparation of TORs, identification and briefing of suitable contractors etc), hence reducing the likelihood of processing delays due to poorly prepared documentation.
- The procurement process will be rigorously monitored by WSP and the FMU in order to provide early detection and reporting of unnecessary procurement delays.
- Indicative procurement standards (or norms) will be established by WSP for different categories of procurement, against which performance will be routinely monitored.
- The scheduled quarterly management meetings involving the PD and key FMU and WG staff will provide a routine opportunity for procurement issues to be discussed.
- The Administration Agreement established between the Bank and AusAID will acknowledge that it is essential for procurement to be executed in a timely and efficient manner in order that the performance of the Facility is not compromised.
- An external review of management performance (with particular reference to procurement performance) will be conducted by AusAID at the end of PY1. The Mid-Term Review scheduled for the end of PY2 will also assess management performance as well as technical performance. Payment of the second and third tranches will be tied to satisfactory performance.

#### **4.5. Financial Management**

Australian funding will be paid by AusAID into a World Bank US\$ Trust Fund Account to be managed by WSP-EAP<sup>1</sup>. Thirty percent of total funding will be paid into the account on signing of the Administration Agreement, 30% following the management review scheduled for the end of Year 1, and 40% following the Mid-Term Review scheduled for the end of Year 2. A management fee of 12.84% will be charged to cover the WB Trust Fund Administration Fee and

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<sup>1</sup> It is probable that a single Trust Fund will be established to cover both the WASPOLA Facility and PAMSIMAS.

the WSP Global Program Management Fee<sup>1</sup>. Program funding will be applied by WSP to meet specified costs in line with the Administration Agreement, the PDD, and approved Annual Strategic Plans. Bank procurement, acquittal and audit procedures will apply. All financial reports will be prepared in United States Dollars. Grant funds may not be used for the payment of consultants and staff if their work is not directly related to the Program. The Indonesian FY will be adopted for planning and budgeting purposes.

Under MOF Regulation 2/2006, all donor funds (loan and grant) must now be recorded in the budget of the designated Executing Agency. Payments against budget must also be approved by GOI although disbursement can be through donor-specified channels. The process is intended to be relatively flexible for grant funds: entries into the budget are possible as late as March for the current FY; budget revisions can be made during the year to reflect any under-allocation of funds; and unutilised funds can be carried-over to the following year. For the WASPOLA Facility, it is proposed that preliminary budget allocations will be made annually in line with the general budget allocations established in the Program's Annual Strategic Plan. These general allocations will be adjusted during the year as activities are refined, to reflect actual budget requirements.

Arrangements for counterpart funding provided through Bappenas will follow the same procedures adopted for WASPOLA 2. Additional funding provided by individual IAs in relation to the implementation of specific activities will follow normal government budget planning and disbursement procedures.

**Disbursement Schedule.** A draft disbursement schedule for GOA financing is provided in the following table, assuming an early 2009 start-up.

**Projected Disbursement of GOA funding (Million A\$)**

SUBPROGRAM	2008/09	2009/10	2010/11	2011/12	TOTAL
Components 1-3	1.94	1.93	1.88	1.88	7.64
Component 4	0.62	0.58	0.57	0.57	2.34
TOTAL	2.56	2.52	2.45	2.45	9.98

**Flow of funds.** Flow of funds arrangements are diagrammatically represented in Appendix 11.

#### **4.6. Risk and Risk Management**

The WASPOLA Facility builds directly on the experience and capacity developed under WASPOLA 1&2. It will also benefit from the experience gained in Indonesia over many years by WSP-EAP. These factors combine to considerably lessen implementation risk. A risk management matrix is presented in Appendix 4 identifying key risks and mitigation measures. This will be regularly reviewed and updated in accordance with the 'Managing Risk' AusGUIDEline, and will be used as a key management tool to recommend adjustments in Program design. Key risks are summarised below. Residual risk in most areas is considered to be either low, or low-to-medium.

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<sup>1</sup> Comprising 5% WB Trust Fund Administration Fee, plus 9% WSP Global Program Management Fee calculated on the balance after the 5% WB Admin Fee has been deducted (equal to 7.84% calculated over the total amount).

- Current institutional arrangements and/or key GOI staff positions change during the life of the Program.
- The FMC members have insufficient time for it to function effectively.
- Some IAs are reluctant to engage (eg MPW, MOF).
- Activities and resources become excessively skewed towards central level agendas and priorities.
- Activities are too diffused to produce a measurable impact at Program goal and purpose levels.
- The disbursement imperative exceeds the capacity of the FMU to effectively manage the initiation and implementation of activities.
- IAs are unable to identify sufficient appropriate activities and prepare proposals of an adequate standard.
- IAs are insufficiently involved in the design, selection and implementation of activities, and 'ownership' is compromised.
- IAs are unable to properly manage implementation of activities in a timely manner.
- Slow procurement by WSP/ FMU following WB rules adversely affects the efficient operation of the Facility.
- Gender aspects are insufficiently reflected in activity designs.
- Core FMU staff are insufficiently experienced in, or are insensitive to, the multi-stakeholder dimension of the WSES sector.
- It may be difficult to recruit suitable consultants for activity implementation due to the short timeframes available.
- Consultants receive insufficient support from IAs for effective implementation of activities.

#### **4.7. Monitoring and Evaluation**

Given the flexible and demand-driven nature of the Facility, development of a robust M&E system that is fully integrated into the Program from the outset is vital. Performance indicators (PIs) are described in the Logframe (Appendix 2) and further elaborated in the M&E Framework (Appendix 6) in terms of data sources, reporting frequencies, and implementation responsibilities. Appendix 6 also provides a Schedule of Reports and Reporting Timetable, and an M&E Flowchart.

It should be emphasised that the flexible programming approach being adopted for the Facility is, by design, demand responsive and participatory. It is not intended to address (and assess) all outputs specified in the Logframe in equal measure. The effectiveness of the Program will be assessed against individual output performance indicators only to the extent that activities addressing the output have been funded.

**Levels of assessment.** The M&E Framework involves four main levels of assessment as follows:

Activity M&E is the core of the M&E Framework. It involves the development of an M&E plan for all funded activities before implementation proceeds, and the preparation of Activity M&E Reports every 3 months during implementation of an activity and on completion of the activity. Activity M&E will be focussed on assessing progress of the activity against output PIs.

Facility Oversight M&E involves consolidating and analysing the Activity M&E Reports on an annual basis to produce a Comprehensive Annual M&E Report for consideration by the FMC, WSP and AusAID at the scheduled mid-year meetings. These reports are intended to become a

key input for the preparation of the Annual Strategic Plans. They will be focused largely on output and outcome-level PIs.

Program Level Monitoring involves reporting on overall Program performance including compliance with established procedures; progress against workplans and budgets; overall quality of implementation; and efficiency of soliciting, processing and supporting activity requests. Monitoring at Program level will be reported through routine 6-monthly Progress Reports, preparation of which will be timed to coincide with the 6-monthly FMC meetings. Monitoring at this level will involve a mix of output and outcome-level PIs.

Impact Evaluation will be carried out at the end of Year 2 to determine preliminary trends and again at the end of the Program. The Evaluation will include analysis of the Annual Strategic Plans and Comprehensive Annual M&E Reports to assess what impacts have been achieved and how well lessons-learned have been applied by the FMC. Monitoring at this level will mainly be against purpose-level PIs.

**M&E responsibilities.** Specific responsibilities for implementation of the activities described above are as follows:

Activity M&E. The FMU will be responsible for assisting IAs to establish an acceptable M&E plan for each activity approved. The IA will be responsible for monitoring progress against this framework, under the supervision of the FMU.

Facility Oversight M&E will be the responsibility of the FMU working in collaboration with the WG/s.

Program Level Monitoring will be the responsibility of WSP, in collaboration with the FMU.

Impact Evaluation will be the responsibility of WSP, possibly utilising external TA support.

**M&E resources.** The FMU is resourced with a full-time National M&E Adviser and 8 person-months from an international M&E Adviser. The international M&E Adviser will be responsible for finalising the M&E Framework at the commencement of the Program, for implementing QA procedures on an on-going basis, and for assisting with the preparation of key M&E Reports. The full-time national M&E Adviser will be responsible for working with IAs to oversight the monitoring of individual activities funded under the Facility.

Finalisation of the M&E Framework by the M&E Advisers during start-up will should pay particular attention to incorporating sensible approaches to monitor outcomes/ impacts of higher-level objectives including the *quality* of policy/ regulations developed, *strategic* implementation of policies, and engagement and *cooperative coordination* in sector management. The final design should also incorporate relevant M&E approaches being promoted by WSP. Some of the new participatory assessment tools developed by WSP-South Asia to promote 'client voice' and move suppliers of water and sanitation to more of a service focus may be relevant in this area.

**External Review by AusAID.** In addition to the M&E activities outlined above, AusAID will conduct an external review of progress at the end of the first and second years. Subject to satisfactory performance, these Reviews will serve as triggers for the second and third tranche payments. The first review will focus mainly on management performance with particular emphasis on procurement issues. The second Review will cover both management and technical

performance. The recommendations of this Review will refine the future direction of the Facility and provide guidance for future AusAID support.

**Routine Supervision.** AusAID and WSP will meet every six months together with FMC representative/s to review the general performance of the Program. These meetings will follow submission of the 6-monthly Progress Reports.

## **5. FEASIBILITY AND SUSTAINABILITY**

### **5.1. Feasibility**

The WASPOLA Facility aims to build on the successes of WASPOLA 1&2, which have been providing policy-level assistance to the WSES sector since July 1998. While the Program adopts a different, more flexible style of aid delivery through the establishment of a Facility, it has similar objectives and will work with many of the same institutions that have been fundamentally involved in the implementation of WASPOLA 1&2.

**Manageability of the Program.** The Program is not particularly complex in terms of either its objectives or institutional design, and is considered manageable within the resources budgeted. It will be managed by WSP-EAP, which has a proven track record in Indonesia, including with projects that have a total or partial focus on policy development. WSP is particularly well-positioned to enter into high level policy dialogue with GOI and other donors, which will form an essential part of Program implementation. While WSP is less experienced in Facility management, and institutionally possibly ill-suited to providing direct support for highly flexible implementation modalities, the design provides for establishment of a FMU with four core LT technical staff the major function of which will be to support the identification, screening and monitoring of activities to be funded under the Facility; together with sufficient administrative staff to support on-going procurement functions.

**Technical and Financial Feasibility.** In line with its primary focus on policy development and implementation, *c.f.* physical construction of WSES facilities, the main issue is to ensure that policy development takes due account of technical and financial feasibility issues. It is anticipated that many activities funded by the Facility will, in fact, be aimed at developing policy solutions for problems that are directly related to a lack of technical and financial feasibility under present policy settings e.g. PDAM asset management and water pricing. The FMU will play a central role in reviewing activity proposals against a range of criteria, including technical and financial feasibility, prior to approval. It will also be responsible for ensuring the TOR for activities to be funded take due account of these aspects. Finally, considerable emphasis will be placed on the use of case studies and field trials to ensure that the field experience-policy development feedback loop is adequately closed.

**Institutional and Governance Feasibility.** In the broadest sense, the WASPOLA Facility is essentially a governance program. A major focus is to develop improved capacity – policies, systems, procedures, and human resources – underpinning the improved planning, implementation and management of WSES services.

In terms of governance arrangements, the Facility will utilise structural cross-sectoral coordination arrangements that GOI is establishing for the WSES sector, rather than develop program-specific structures. Part of the structure – the Echelon 2 Technical Team – will be new and an unknown commodity in terms of time available and competence to perform in the roles

required. Another part however – the Echelon 3 Water Supply Working Group – has been fundamentally involved in the implementation of WASPOLA 1&2, and has performed in a generally satisfactory manner. The design has been careful to consider the relative roles and capacities of the Technical Team and the Working Group. It is possible that during implementation the two groups will provide a useful foil for each other in relation to operational problems that may arise at either level. By adopting emerging GOI structural arrangements, the Program will directly contribute to on-going development of sectoral management capacity, as has already occurred under WASPOLA 1&2.

The WASPOLA Facility will also have a direct relationship with the various IAs that will have primary responsibility for managing the implementation of funded activities. All of these agencies are well experienced in managing the implementation of externally-funded projects and activities, using both internal staff resources and Consultants. The challenge will be to get sufficient involvement and commitment from those IAs that have been less inclined to become involved during WASPOLA 1&2 (particularly MPW and MOF), and to ensure sufficient cross-agency coordination and communication. The GOI-sponsored governance arrangements referred to above will be critical in ensuring that these connections are made.

The current lack of capacity at provincial and district levels for operationalising WSES policies is a real concern. This will be directly addressed by the Program through efforts to define a role and strengthen the capacity of the provinces to more fully engage in the policy development and implementation process.

## 5.2. Impact Assessment

**Economic impact.** Due to the policy-level focus of the Facility, coupled with its flexible programmatic approach, it is not possible to conduct an *ex-ante* economic analysis. However, the economic benefits of public investment in WSES services are well demonstrated in a general sense, especially in developing countries. A rational policy framework and development of appropriate capacity to effectively implement the framework is a necessary pre-condition for realising these benefits. As noted in Section 2.1, various studies have been carried out to demonstrate the very substantial economic losses resulting from poor WSES service provision in Indonesia. Not only are the economic losses associated with poor WSES service provision extremely high, the returns on investment are also generally highly positive, with economic returns consistently outweighing financial returns, emphasising the importance of intangible and invisible losses to the economy resulting from poor WSES service provision<sup>1</sup>. From an economic viewpoint, investment in the WSES makes good sense – especially if the policy settings are right.

**Poverty impacts.** The largest economic benefits of improved water supply and sanitation tend to be derived by poorer households and women, who generally have the most constrained access and/ or the major responsibility for collection and use of water, waste disposal and environmental management. The urban poor have particularly restricted access to WSES services and pay a relatively higher price for a lower quality service<sup>2</sup>. For example, they pay from 2 to 20 times the piped water price to get water from standpipes and vendors. The economic benefits for poor households associated with increased consumption of better quality, lower priced water have been estimated at 10% to 30% of household income. The poor also tend to suffer disproportionately from the environmental health consequences associated with constrained access to WSES

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<sup>1</sup> *Ex-post* returns are summarized for a range of project interventions in Indonesia in the ‘Scoping Study for WS&S in Indonesia’, AusAID, July 2006.

<sup>2</sup> ‘Enabling Water Utilities to Serve the Urban Poor’, World Bank Indonesia, January 2006.

facilities and degradation of local environments resulting from over-pressured WSES facilities. Improving access to WSES services therefore tends to have a major impact on the economic empowerment of poorer households. Policy reform can significantly improve the situation by ensuring that the poor are adequately included as a target group through adoption of approaches such as the development of suitable service level options and tariff mechanisms for institutionally-managed water supply. The WASPOLA Facility will continue to actively promote a pro-poor agenda in WSES policy development and implementation.

**Social, cultural and gender impacts.** GOI policy explicitly recognises that development should be gender-sensitive and that programs should employ strategies to promote equitable partnerships between women and men. However, women are often marginalised in local decision-making fora. This is in direct opposition to the level of responsibility they usually have within the home for water supply and sanitation. Under both WASPOLA 1&2, strenuous efforts have been made to ensure that gender equity principles are adequately reflected in WSES policy, and to develop an enhanced role for women in implementation of WSES policy especially in relation to promoting increased representation in local planning and monitoring processes. This emphasis will be maintained, with the development of a specific gender strategy, and provision of specialist TA to guide implementation of the strategy.

**Environmental impact.** The Facility will have limited *direct* environmental impact due to its limited direct involvement in field implementation activities<sup>1</sup>. However, an improved WSES policy environment – the overall goal of the Facility – is expected to yield substantial positive impacts in the medium to longer term, particularly in relation to environmental sanitation. All major policy development activities supported will be required to consider possible environmental consequences as part of the activity screening process. For major activities this will require an environmental impact assessment to identify potential impacts of the proposal, and the development of an environmental management or action plan to avoid or mitigate major impacts. Any proposed activity with significant negative impacts that cannot be avoided should be rejected on the basis of being unsustainable.

### 5.3. Factors in the Design to Promote Sustainability

The Program includes a number of features designed to promote sustainability, including:

- Adoption of an ‘open architecture’ design that is flexible enough to meet changing conditions and needs.
- Building on key GOI policy initiatives, and working directly with GOI to improve the policy framework in these areas.
- Developing improved systems and procedures for policy implementation, including developing an enhanced role for LG in the operationalisation process.
- Developing improved capacity, especially at national level, in relation to critical WSES sector management functions.
- Adoption of GOI’s own cross-sectoral WSES governance structures to guide implementation of the Program.
- Prescribing a meaningful role for GOI (through the FMC, the WG/s and the IAs) in defining what activities should be funded, and in managing and monitoring the implementation of funded activities.

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<sup>1</sup> Most field trials and case studies are likely to be implemented in association with other on-going GOI or donor-funded activities.



- Use of other programs and projects (especially GOI -funded) for ‘scale-up’ rather than supporting ‘project mode’ scale-up.
- Emphasising the need for financial reforms, especially in relation to provision of institutional WSES services.
- Promoting increased involvement of civil society, especially women and the poor, in the planning, management and monitoring of WSES service development.
- Promoting increased alignment of donors behind major WSES policy initiatives, and possible use of the Program to help prepare for the introduction of a SWAp.

## **APPENDIX 1**

### **TERMS OF REFERENCE**

#### **DESIGN MISSION FOR A WATER AND SANITATION POLICY SUPPORT FACILITY**

##### **1. BACKGROUND**

AusAID has been supporting developments in the water and sanitation sector for many years (Refer Annex 2 documents for further detail). Current support includes:

- a co financing activity with the World Bank for the Water and Sanitation Program for Low Income Communities Project Phase II (WSLIC II); and
- Support for the Water Supply and Sanitation Policy Action Planning Project Phase II (WASPOLA).

The latter is fully grant funded by AusAID and managed by the World Bank. AusAID has also participated extensively in the design of PAMSIMAS (Community based Water and Sanitation Project), the follow on project to WSLIC II.

Since 2000, total AusAID funding for WASPOLA is A\$16.5 million. Phase 1 of the project ran from January 2000 to December 2003 and a second phase began in January 2004 and is due to finish in December 2008. Both phases of WASPOLA were funded through a World Bank Trust Fund with WSP-EAP (Water and Sanitation Program – East Asia and Pacific) as the implementing agency.

WASPOLA is a macro-policy support form of aid. Its main task is to assist the Government of Indonesia in developing and trialling two national policies for water and sanitation, both at community and institutional level. The community-based national policy was developed during the first phase and endorsed by relevant Ministers (Minister for Public Works, Minister for Development Planning, Minister for Health and Minister for Home Affairs) in December 2003. The pilot implementation of the community-based national policy in 49 districts is being conducted through the second phase of WASPOLA until December 2008. The second phase also developed the institutionally-based water and sanitation national policy. This policy is now in its fourth draft and expected to be formalised through inter-ministerial endorsement by the end of 2007.

The community based WSS national policy developed through WASPOLA phase 1 has shifted the sector's development paradigm from central driven program to a demand responsive approach and has so far proven it can help to strengthen local government and community capacities in the provision of WSS basic services. The policy is now being trialled in 49 districts and WASPOLA reported that 45 district level working groups have been formed with a wide variability operationalisation success rate between districts.

The inter-agency water and sanitation working group formed in WASPOLA phase 1 has become a focal point of contact for the water and sanitation sector. The working group's capacity building and strengthening is notably a major success of WASPOLA. The WASPOLA mid-term review

conducted in 2005 reported that WASPOLA has shown early indicators of sustainability of the project at the national level through the establishment of a national WSES group responsible for working on sector wide donor WSES interventions. The usage of the WASPOLA developed national WSES policy initiative by other donor programs, specifically, WSLIC II (WB), CWSH (ADB), Pro AIR (GTZ) and the WASAP ISSDP (WB/Netherlands) is also an encouraging sustainability indicator. Another notable indicator is the constant requests received by other projects to the working group/WASPOLA to facilitate the operationalisation of the national policy into their activities.

However, WASPOLA is not without any weaknesses. There is a need to address the following issues:

- limited district governance capacities and the inclusivity of the working group membership at the district level;
- the operationalisation of a performance measurement system;
- the need for greater attention and resources to support the scaling up of the policy.

Other identified constraints include limited resources and capacity of the working group members to disseminate and operationalise the policy beyond current coverage. Currently the working group is heavily supported by the WASPOLA secretariat and WSP staff and the GOI has expressed concerns that they might have to reduce policy dissemination functions and scale back the operationalisation of the policies to the districts when WASPOLA phase 2 is completed in 2008.

AusAID sees that the current partnership with WSP has been advantageous as it provides exposure to a more comprehensive policy dialogue and access to WSP's network and wealth of WSS expertise and researches in East Asia Pacific region. A recent review of AusAID's country strategy in Indonesia highlighted AusAID's work in this sector as an achievement in particular the partnership with the GOI and WSP on WASPOLA.

In July 2006, AusAID conducted a Water Supply and Sanitation Scoping Study to consider ideas for future investments in the sector with a possible continued focus on provinces in Eastern Indonesia. A number of recommendations for future Australian Government assistance in the sector were highlighted in the report (Annex 2). One of the recommendations included continued support to the Government of Indonesia for policy formulation and implementation initiatives. It concluded that future requirements for policy change and implementation in Indonesia are likely to remain strong if not increase and that coordination of policy implementation was likely to assume greater importance.

Specific recommendations were to:

- Provide post-WASPOLA bilateral support by supporting the GOI National Policy Steering Committee and associated Working Groups. This could be implemented in collaboration with the Asian Development bank (ADB) or the Water and Sanitation Program (WSP) of the World Bank.
- Establish a Technical Support Facility to provide demand driven assistance to GOI on an as-need basis subject to proposals of priority assistance submitted by GOI (Ministry of

Public Works, Ministry of Health, and Ministry of Home Affairs). This will give AusAID more flexibility to respond to emerging needs for assistance in a period of change.

Australia is currently considered a leading bilateral donor in water and sanitation sector and has chaired informal meetings of donors working in the sector over the past few years. AusAID's investments in the sector have been widely recognised by the partner government. AusAID has received requests to continue investments beyond WASPOLA phase 2 and WSLIC-2. To build on the achievements of WASPOLA and other investments in the sector, and also in response to the recommendations of the scoping study, AusAID is commissioning a design mission to develop a new Facility in partnership with the Government of Indonesia that will build on what has been achieved to date including continuation of the partnership with the WSP and other donors programs (taking into account the recommendations of the Scoping Study mission and WASPOLA mid-term review).

## **2. PURPOSE**

The purpose of this design mission is to provide AusAID with a design for a Facility that will continue to support the policy formulation framework already developed and trialled in the current WASPOLA project. The activity will focus on supporting the GOI inter-ministerial steering committee dealing with WSS policies (community-based and institutionally-based) with a number of working groups responsible for various sectors.

## **3. SCOPE OF SERVICES**

**3.1.** The Contractor shall perform the following Services in accordance with the terms and conditions of this Contract.

- (i) Produce a detailed design for a flexible Facility that includes a management framework, costings, a logframe down to output level, a monitoring and evaluation framework and a risk matrix;
- (ii) The design should include gender equality objectives, outcomes and indicators in accordance with AusAID's gender policy.
- (iii) The design should include a draft administrative agreement which sets out the terms and conditions for an AusAID partnership with the World Bank WSP. It should include options for inclusion of a GOI executed component in the design;
- (iv) Provide an analysis of the current priority water and sanitation policy issues and the constraints in implementing these policies;
- (v) Identify the risks of achieving the proposed objectives of the Facility;
- (vi) The design should take into account the key priorities coming out of the Australian Aid White Paper released in May 2006, and the GOI development plan and priorities; and

- (vii) The design should provide clear links to other existing or planned WSS activities in Indonesia funded by the Government of Indonesia, AusAID and other donors.

#### **4. KEY DESIGN ISSUES**

##### **4.1. The design should take account of the following issues:**

- (i) AusAID has made a substantial investment in the development of the Community Based Policy and the Institutional Policy on Water and Sanitation. The design should ensure it maximises the impact of future investments in assisting the GOI to implement these policies;
- (ii) The GOI is keen to scale up support to local governments to help them implement GOI water and sanitation policies, the design team should take this issue into account and identify the best means of achieving this objective;
- (iii) The team should explore options for inclusion of a GOI executed component in the design;
- (iv) The design should aim to maximise partnerships with the World Bank Water and Sanitation Program and with other donor programs (in particular, PAMSIMAS, WASAP and the ADB programs);
- (v) The recommendations coming out of two recent AusAID funded studies: Scoping Study for Water Supply and Sanitation July 2006 and the Donor Harmonisation Report on Community Based Policy on Water and Sanitation should be considered in the design;
- (vi) The design should incorporate a focus on Eastern Indonesia provinces in line with the AusAID Country Strategy for Indonesia;
- (vii) The design document of the newly implemented Policy Advocacy Facility for South Asia funded by AusAID and implemented through WSP South Asia and the World Bank's Social Development Unit should be used as one of the key references;
- (viii) Recent policy developments concerning the Institutional Policy, in particular, the GOI's recent decision to restructure debts to PDAMs (Public Water Company) and how future the Facility could the GOI's ongoing reforms to PDAMs.
- (ix) In considering how to support GOI efforts in reforms to PDAMS explore ways of encouraging public private partnerships and the use of incentives.
- (x) The design should consider how best to integrate policy work already commenced under WASPOLA II in particular the studies on financing for the sector, decentralisation and asset management.
- (xi) Consideration should also be given to supporting other developments such as the proposed initiative to develop a Sector Wide Approach linked to the Community-based policy through PAMSIMAS (Refer Annex 15 PAMSIMAS design document).

AusAID has also sought funding from the Decentralisation Support Facility for this work.

- (xii) The design should incorporate current AusAID gender (need for gender analysis, gender objective, outcomes and indicators) and environment policy requirements; and
- (xiii) Lessons Learned from WASPOLA must be taken into account.

## **5. DURATION**

The design will be undertaken from 9 February until 30 April 2007 and will include a three week in-country mission from 9 February until 2 March 2007.

## **6. METHODOLOGY**

- (i) The team will meet with the AusAID post for a briefing and handover of any key documents not able to be sent electronically. A list of key initial documents is attached at Annex 2;
- (ii) Thoroughly review and assess all AusAID documentation;
- (iii) Liaise with the AusAID Jakarta Post to finalise inputs to the design mission
- (iv) The team will be required to conduct two workshops with the Government of Indonesia's AMPL (Air Minum Penyehatan Lingkungan) Working Group on water and sanitation. The first one at the beginning of the in-country mission and the second towards the end of the mission.
- (v) Individual meetings with key Government agencies representatives related to the sector, with donors active in the sector and with an interest in policy initiatives, and with current WSS activities in Indonesia.
- (vi) Close liaison and consultation with the GOI AMPL Working Group, the Team Leader of the current WASPOLA project, and the World Bank Water and Sanitation representatives in Jakarta.

## **7. TEAM COMPOSITION**

The team will be comprised of a Team Leader and Design Expert, a Water and Sanitation Specialist, Water and Sanitation Institutional Specialist, Monitoring and Evaluation Specialist, and a Gender specialist. The team member may also include the Government of Indonesia representative and the WSP representative. Individual terms of reference are at Annex 1.

## **8. REPORTING REQUIREMENTS**

8.1. All reports must be provided in accordance with AusAID specification:

- (i) be accurate and not misleading in any respect;
- (ii) be prepared in accordance with AusGUIDE;
- (iii) allow AusAID to properly assess progress under the Contract;
- (iv) be provided in the format and on the media approved or requested by AusAID: four hard copies (two for AusAID, one for GOI, one for WB) and electronic copy through e-mail to AusAID, GOI and WB appointed representative;
- (v) not incorporate either the AusAID or the Contractor's logo; and
- (vi) be provided at the time specified in this Schedule.

8.2. The Design Team will provide the following reports:

- (i) An aide memoire to be presented to the mission wrap up in Jakarta.
- (ii) A draft report of no more than 20-30 pages, fulfilling the Scope of Services as outlined above by 16 March 2007;
- (iii) A final report, to be submitted within 15 days from the date of receiving written comments from AusAID.

In addition to formal written report, the design team will have an initial meeting with AusAID at the start up of the mission. Towards the end of the mission, before the Aide Memoire presentation, the team will brief AusAID with the mission's preliminary findings.

## **Annex 1: Team Member's Roles and Responsibilities**

### 1. Team Leader/Design Specialist

- Lead and participate in discussion and briefing with other team members, AusAID, the Government of Indonesia representatives, Development Bank representatives and other donors. This will include extensive liaison with counterparts and key stakeholders individually and through the use of workshops;
- Undertake travel in Indonesia in accordance with the design mission requirements;
- In partnership with other team members, prepare a written design for a Water and Sanitation Policy Support Facility; and
- Responsible for the production and overall quality of the detail design in accordance with Clauses 3 and 4 and, in particular, be responsible for developing the facility management framework, logframe, budget, and risk matrix.

### 2. Water Supply and Sanitation specialist

- Provide water and sanitation expertise;
- WSES policy development lessons learned and approaches, including its relevance to current policy development in Indonesia; and
- Development of components related to the WSES policy implementation and its role within the implementation of existing and planned infrastructure activities funded by GOI, AusAID, and other donors including its outcomes and indicators; and
- Work under the direction of and report to the Team Leader.

### 3. Water Supply and Sanitation Institutional Specialist

- Provide water and sanitation institutional expertise;
- WSES policy development lessons learned and approaches, including its relevance to current institutional policy development in Indonesia; and
- Development of components related to the WSES policy implementation (in particular components relating to institutional policy) and its role within the implementation of existing and planned infrastructure activities funded by GOI, AusAID, and other donors including its outcomes and indicators; and
- Work under the direction of and report to the Team Leader.



#### 4. Monitoring and Evaluation Specialist

- Develop a monitoring and evaluation framework for the new Facility. In doing so take into account completed work on monitoring and evaluation approaches in relation to WASPOLA and related work done through the Donor Harmonisation exercise supported by AusAID; and
- The monitoring and evaluation framework should include gender segregated & equality indicators; and
- Work under the direction of and report to the Team Leader.

#### 5. Gender specialist

- Provide gender expertise;
- Incorporate AusAID's current gender policy into the design of the new Facility including its relevance to current gender and WSES policy development in Indonesia. This will include identification of gender objectives, outcomes and indicators. The activity's monitoring and evaluation framework should include gender equality indicators; and
- Work under the direction of and report to the Team Leader.

#### 6. GOI representative

- In partnership with the Team Leader and other team members develop the design for the new Facility;
- In particular, the GOI representative will have a key role in the exploration of options for inclusion of a GOI executed component in the design. It is anticipated that the component will include the details of components and the Government of Indonesia's future role and responsibilities during the Facility implementation;
- Provide advice on the Government of Indonesia's policies, programs, rules, regulations and institutional framework related to the WSES sector and development cooperation; and
- Provide advice on the GOI budgetary framework in relation of the development cooperation and delivery of basic services by both central and local governments.

## 7. WSP representative

- In partnership with the Team Leader and other team members develop the design for the new Facility;
- Provide advice on the Development Bank's policies, programs, rules and regulations related to the WSES sector including project implementation safeguards (i.e. M&E framework, risk management, and environment); and
- Provide advice on the Development Bank's budgetary framework in relation of the management of Trust Fund, and/or Imprest Account, and other Facility related resourcing issues and arrangements.

During the mission, the team will be accompanied by an assigned AusAID representative who, in general, will have the following role:

- Provide guidance on Australia's government policy and programs related to WSES sector;
- Provide general and specific guidance and direction on AusAID's expectations of the Facility; and
- If necessary, facilitate and participate in high level consultations with related GOI agencies, development banks, and other donors.

## **Annex 2 Key Documents**

- Mid Term Review of WASPOLA, 2005
- Donor Harmonisation Report, 2006
- Scoping Study for Water Supply and Sanitation July 2006
- Australian Aid: Promoting Growth and Stability - White Paper on the Australian Government's overseas aid program, 2006 (<http://www.aisaid.gov.au/publications>)
- AusAID's policy documents on gender: Gender Equality in Australia's Aid Program: How and Why, March 2007 (please note this document is embargoed until its official release in march 2007 – use this document internally, not for distribution)
- Gender Guidelines - Water Supply and Sanitation (2001)
- Environmental Management Guide for Australia's Aid Program (2003)
- Making Every Drop Count: Water and Australian aid, 2003 (<http://www.aisaid.gov.au/publications>)
- Indonesia's Community-based Water and Sanitation National Policy, December 2003
- Indonesia's Draft Institutional Policy on Water and Sanitation
- Government of Indonesia's Medium Term Development Plan
- Safe water guide for the Australian aid program, 2005 (<http://www.aisaid.gov.au/publications>)
- AusGUIDE (<http://www.aisaid.gov.au/ausguide>)
- WSLIC II design document
- PAMSIMAS design document
- World Bank Policy Advocacy for Reforms in the Localising of Basic Services Delivery: "Decentralization & Basic Services Delivery: Addressing the nexus between inequity and growth in South Asia", Programme Design for AusAID Regional Funding, October 2006

## APPENDIX 2 LOGICAL FRAMEWORK

	Intervention Logic	Performance Indicators (PIs)	Means of Verification (MoVs)	Assumptions
		<b>Impact Indicators</b>	<b>Source/method</b>	<b>Development assumptions</b>
<b>Goal:</b>	To improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation (WSES) services, contributing to increased economic growth.	Facility results in sustainable water supply and environmental sanitation (WSES) services being more accessible to all, contributing to increased economic growth.		
		<b>Outcome Indicators</b>	<b>Source/method</b>	<b>Development assumptions</b>
<b>Purpose:</b>	To strengthen the capacity of GOI to guide development of the WSES sector through establishment of a flexible Facility that can support emerging needs in relation to policy development, policy implementation, and sector management.	<b>Facility functions in a way that:</b> <ul style="list-style-type: none"> <li>• builds the capacity of GOI to guide development of the WSES sector;</li> <li>• responds in a flexible manner to emerging needs and issues in core program areas;</li> <li>• develops synergies with other government WSES and poverty reduction programs to the maximum extent possible;</li> <li>• emphasises collaboration and partnerships with local government and non government stakeholders;</li> <li>• emphasises demand responsive and participatory approaches;</li> <li>• provides assistance in a balanced manner taking into account specific geographical considerations;</li> <li>• reflects changing political realities related to economic growth, poverty reduction, gender equity and governance; and</li> <li>• affords relevant, practical and sustainable solutions.</li> </ul>	Impact Evaluation	<ul style="list-style-type: none"> <li>• Core areas identified for support under the Program are not affected by political and social change during the life of the Program.</li> <li>• The Facility Management Committee allocates sufficient time to function in an effective manner.</li> <li>• Activities funded from the Facility will not be too diffused.</li> <li>• There will be sufficient basis for assessing program performance at purpose level.</li> </ul>

	Intervention Logic	Performance Indicators (PIs)	Means of Verification MoVs	Assumptions
	<b>COMPONENT 1: POLICY DEVELOPMENT</b>	<b>Outcome Indicators</b>	<b>Source/method</b>	<b>Intervention assumptions</b>
<b>Objective:</b>	To develop WSES policies in response to evolving political, economic, social and technological context and best practice.	<b>Facility has progressed WSES policies by:</b> <ul style="list-style-type: none"> <li>contributing to the development and promulgation of WSES policies;</li> <li>informing on evolving political, economic, social and technological context and best practice;</li> <li>ensuring lessons learned are fed back into the decision-making process;</li> <li>broadening stakeholder participation in policy development, including women and poor; and</li> <li>strengthening policy linkages with economic development/ poverty reduction.</li> </ul>	Facility M&E	<ul style="list-style-type: none"> <li>All Implementing Agencies are ready to engage and work collaboratively.</li> <li>Activities and resources are not excessively skewed towards central level agencies and their priorities.</li> </ul>
		<b>Progress Indicators</b>	<b>Source/method</b>	<b>Management assumptions</b>
<b>Outputs:</b>	<ul style="list-style-type: none"> <li>Strengthened community-based WSES policy framework.</li> <li>Strengthened institutionally-based WSES policy framework.</li> <li>Strengthened water resource management policy framework.</li> <li>Strengthened policy frameworks that enhance the strategic participation of women and the poor.</li> </ul>	<b>The Facility supports specific Activities, some of which contribute to:</b> <ul style="list-style-type: none"> <li>strengthening the community-based WSES policy framework, including appropriate guidelines and regulations;</li> <li>strengthening the institutionally-based WSES policy framework, including appropriate guidelines and regulations;</li> <li>strengthening the water resource management policy framework in relation to critical WSES issues; and</li> <li>further integrating the strategic participation of women and the poor in policy formulation.</li> </ul>	Activity M&E	<ul style="list-style-type: none"> <li>Partner agencies are adequately involved in the design, selection and implementation of activities.</li> <li>Partner agencies can identify appropriate activities and prepare proposals of an adequate standard.</li> <li>Partner agencies can manage implementation of activities in a timely manner.</li> <li>Gender equity and pro-poor aspects are sufficiently reflected in proposals and activities supported by the Program.</li> <li>Consultants contracted through Facility for activity implementation receive sufficient support from agencies for effective implementation of activities.</li> </ul>

	Intervention Logic	Performance Indicators (PIs)	Means of Verification MoVs	Assumptions
	<b>COMPONENT 2: POLICY IMPLEMENTATION</b>	<b>Outcome Indicators</b>	<b>Source/method</b>	<b>Intervention assumptions</b>
<b>Objective:</b>	To develop improved systems and procedures for implementation of WSES policies.	<b>Facility has improved systems and procedures for implementation of WSES policies by:</b> <ul style="list-style-type: none"> <li>contributing to the development and execution of improved systems and procedures for implementation of WSES policies;</li> <li>leveraging other GOI initiatives;</li> <li>leveraging other donor contributions and experiences;</li> <li>ensuring replication potential is being optimised;</li> <li>ensuring lessons learned are fed back into the decision-making process;</li> <li>building linkages with civil society and private providers; and</li> <li>enabling adequate reporting on WSES at all levels.</li> </ul>	Facility M&E	<ul style="list-style-type: none"> <li>All Implementing Agencies are ready to engage and work collaboratively.</li> <li>Activities and resources are not excessively skewed towards central level agencies and their priorities.</li> </ul>
		<b>Progress Indicators</b>	<b>Source/method</b>	<b>Management assumptions</b>
<b>Outputs:</b>	<ul style="list-style-type: none"> <li>Strategic plans (RENSTRAs) and medium-term development plans (RPJM) reflect national WSES policies at all levels.</li> <li>National implementation strategies to achieve GOI medium-term targets and MDGs for WSES.</li> <li>Improved sector financing arrangements.</li> <li>Effective systems and procedures for extension of national policies, strategies and action plans to provincial and district government.</li> <li>Coordination of WSES and economic development/ poverty alleviation planning at provincial and district levels.</li> <li>Mechanisms for participation of civil society, particularly women and the poor, in decision-making processes concerning WSES policy implementation.</li> </ul>	<b>The Facility supports specific Activities, some of which contribute to:</b> <ul style="list-style-type: none"> <li>reflecting national WSES policies in GOI strategic planning;</li> <li>developing strategies to achieve GOI medium-term targets and MDGs for WSES;</li> <li>improving sector financing arrangements;</li> <li>developing systems and procedures for extension of national policies, strategies and action plans to provincial and district government;</li> <li>improving coordination of WSES and economic development/ poverty alleviation planning at provincial and district levels; and</li> <li>developing mechanisms for participation of civil society, particularly women and the poor, in decision-making processes concerning WSES policy implementation.</li> </ul>	Activity M&E	<ul style="list-style-type: none"> <li>Partner agencies are adequately involved in the design, selection and implementation of activities.</li> <li>Partner agencies can identify appropriate activities and prepare proposals of an adequate standard.</li> <li>Partner agencies can manage implementation of activities in a timely manner.</li> <li>Gender equity and pro-poor aspects are sufficiently reflected in proposals and activities supported by the Program.</li> <li>Consultants contracted through Facility for activity implementation receive sufficient support from agencies for effective implementation of activities.</li> </ul>

	Intervention Logic	Performance Indicators (PIs)	Means of Verification MoVs	Assumptions
	<b>COMPONENT 3: SECTOR MANAGEMENT</b>	<b>Outcome Indicators</b>	<b>Source/method</b>	<b>Intervention assumptions</b>
<b>Objective:</b>	To strengthen sector management functions, with emphasis on coordination and communication, knowledge management, human resource development and M&E.	<b>Facility has strengthened sector management functions by:</b> <ul style="list-style-type: none"> <li>• promoting better coordination among stakeholders;</li> <li>• supporting knowledge management;</li> <li>• encouraging human resource development; and</li> <li>• developing better M&amp;E approaches and systems.</li> </ul>	Facility M&E	<ul style="list-style-type: none"> <li>• All Implementing Agencies are ready to engage and work collaboratively.</li> </ul>
		<b>Progress Indicators</b>	<b>Source/method</b>	<b>Management assumptions</b>
<b>Outputs:</b>	<ul style="list-style-type: none"> <li>• Strengthened coordination among GOI agencies involved in the WSES sector.</li> <li>• Enhanced skills base of GOI to develop and implement WSES policy in a collaborative manner and in accordance with GOI's gender mainstreaming policy and guidelines.</li> <li>• Generation and distribution of relevant information to key stakeholders.</li> <li>• Improved coordination of donor activities in line with GOI policies.</li> <li>• M&amp;E systems reporting progress against GOI medium-term targets, MDG goals for WSES, and other key performance indicators for the sector including gender equality.</li> </ul>	<b>The Facility supports specific Activities, some of which contribute to:</b> <ul style="list-style-type: none"> <li>• better coordination and communication among GOI agencies involved in the WSES sector;</li> <li>• augmenting and broadening the skills base needed to develop and implement WSES policy in a collaborative manner;</li> <li>• enhancing GOI capacity to address gender equity and women's empowerment in WSES sector;</li> <li>• generating and distributing relevant information to key government and non government stakeholders;</li> <li>• coordinating donor activities by better aligning them with GOI policies;</li> <li>• developing national and sub-national M&amp;E systems for GOI medium-term targets, MDG goals for WSES, and other key sector performance indicators including gender equality.</li> </ul>	Activity M&E	<ul style="list-style-type: none"> <li>• Partner agencies are adequately involved in the design, selection and implementation of activities.</li> <li>• Partner agencies are able to identify appropriate activities and prepare proposals of an adequate standard.</li> <li>• Partner agencies are able to properly manage implementation of activities in a timely manner.</li> <li>• Gender equity and pro-poor aspects are sufficiently reflected in proposals and activities supported by the Program.</li> <li>• Consultants contracted through Facility for activity implementation receive sufficient support from agencies for effective implementation of activities.</li> </ul>

	Intervention Logic	Performance Indicators (PIs)	Means of Verification MoVs	Assumptions
	<b>COMPONENT 4: PROGRAM MANAGEMENT</b>	<b>Outcome Indicators</b>	<b>Source/method</b>	<b>Intervention assumptions</b>
<b>Objective:</b>	To effectively and efficiently manage the Program in a manner that is responsive to stakeholder needs.	<b>WSP manages the Program effectively and efficiently by:</b> <ul style="list-style-type: none"> <li>• providing a clear focus on implementation of a coherent and limited set of Activities in support of Program objectives;</li> <li>• providing technical support/advice to stakeholders for proposal preparation;</li> <li>• being responsive to stakeholder needs (i.e. flexible);</li> <li>• not becoming a “slush fund” (i.e. too flexible);</li> <li>• establishing appropriate management procedures;</li> <li>• complying with set procedures;</li> <li>• reporting (including M&amp;E) in a timely manner; and</li> <li>• aligning Activities with Annual Strategic Plan priorities.</li> </ul>	Program Monitoring	<ul style="list-style-type: none"> <li>• That current institutional arrangements and/or key GOI staff positions remain constant during the life of the Program.</li> <li>• Gender equity is effectively mainstreamed into the Program.</li> <li>• The imperative to implement and spend funds does not exceed the capacity of the FMU to effectively manage the initiation, screening and implementation of activities.</li> <li>• The current significant turnover of core WSP staff in the Jakarta Office does not adversely affect its ability to effectively manage the Program.</li> </ul>



		<b>Progress Indicator</b>	<b>Source/method</b>	<b>Management assumptions</b>
<b>Outputs:</b>	<ul style="list-style-type: none"> <li>Facility Management Unit (FMU) established and staffed.</li> <li>Program and Facility management systems established and operating effectively.</li> </ul>	<p><b>The FMU supports the Program by:</b></p> <ul style="list-style-type: none"> <li>mobilising and staffing the Facility;</li> <li>establishing and using management systems and reporting on their operation: <ul style="list-style-type: none"> <li>Inception Report</li> <li>Operations Manual</li> <li>Financial Manual</li> <li>Gender Equity Action Plan</li> <li>M&amp;E Operational Plan</li> <li>MIS</li> <li>Communication Strategy</li> <li>Annual Workplans and Budgets</li> <li>Semi-annual Progress Reports</li> <li>Monthly Exception Reports</li> <li>Annual M&amp;E Reports</li> <li>Internal Audit Reports</li> <li>Management Reviews (including MTR and PCR),</li> <li>Exit Strategy;</li> </ul> </li> </ul>	Program Monitoring	<ul style="list-style-type: none"> <li>Core FMU staff, particularly the Program Director, are sufficiently experienced in, and are sensitive to, the multi-stakeholder dimension of the WSES sector.</li> </ul>

		Progress Indicators	Source/method	Management assumptions
<b>Outputs:</b> <ul style="list-style-type: none"> <li>Gender mainstreaming strategy prepared and being implemented.</li> <li>Annual Strategic Plans and Comprehensive Annual M&amp;E Reports prepared and approved by the FMC and donor.</li> <li>Activities to be funded from the Facility identified, designed, and approved.</li> <li>Activities adequately coordinated with activities of other donors.</li> <li>Activities implemented in accordance with approved procedures and timeframes.</li> <li>Activities monitored and evaluated providing a basis for quality assurance and strategic oversight functions.</li> <li>Identification and initiation of pilot activities by the FMU related to emerging and immediate issues.</li> </ul>		<ul style="list-style-type: none"> <li>preparing and implementing an annual Gender Equity Action Plan;</li> <li>preparing Annual Strategic Plans and Comprehensive Annual M&amp;E Reports which get approved by the FMC and donor;</li> <li>supporting the identification and design of Activities that get approved and funded expeditiously;</li> <li>preventing Activities from conflicting with the involvement of other donors;</li> <li>operating an MIS which tracks Activities by: <ul style="list-style-type: none"> <li>“type”</li> <li>value</li> <li>duration</li> <li>status (received / approved / funded / completed / rated)</li> <li>processing (or throughput) time</li> <li>overall approval rating</li> <li>key contract information</li> <li>rating against expenditure plan (disbursement),</li> <li>rating against execution plan (schedule and milestones),</li> <li>rating against achievement toward Output(s) (products),</li> <li>stakeholder participation (local govt, civil society, women),</li> <li>quality and relevance of product, and</li> <li>degree of sustainability;</li> </ul> </li> <li>compiling Activity M&amp;E Reports prepared by IAs and producing Comprehensive Annual M&amp;E Reports;</li> <li>initiating and implementing appropriate pilot activities in response to emerging and immediate issues and disseminating lessons learnt.</li> </ul>	Program Monitoring	<ul style="list-style-type: none"> <li>Recruitment of appropriate Consultants for activity implementation can be effectively managed within the short timeframes involved.</li> <li>Timely meetings of FMC are conducted for preparation of Strategic Plans and approval of proposals</li> </ul>

### APPENDIX 3

### PROGRAM COST ESTIMATES

(Units=A\$)

	ITEM	Units	Unit cost	PHYSICAL QUANTITY					TOTAL COST				
				PY 1	PY 2	PY 3	PY 4	TOTAL	PY 1	PY 2	PY 3	PY 4	TOTAL
1													
2	<b>COMPONENTS 1-3 (ACTIVITY IMPLEMENTATION)</b>												
3													
4	<b>(A) GoA Funded</b>												
5													
6													
7	<b>Personnel resources (Facility Management Unit)</b>												
8	Team Leader (International)	mnth	25,000	12	12	12	12	48	300,000	300,000	300,000	300,000	1,200,000
9	Policy/ Institutional Adviser (National)	mnth	4,000	12	12	12	12	48	48,000	48,000	48,000	48,000	192,000
10	M&E Adviser (National)	mnth	4,000	12	12	12	12	48	48,000	48,000	48,000	48,000	192,000
11	Other LT (national, unspecified)	mnth	4,000	12	12	12	12	48	48,000	48,000	48,000	48,000	192,000
12	M&E Specialist ( ST International)	mnth	25,000	3	3	1	1	8	75,000	75,000	25,000	25,000	200,000
13	Gender Specialist (ST International)	mnth	25,000	2	2	2	2	8	50,000	50,000	50,000	50,000	200,000
14	WSES Sector Finance Specialist (ST National)	mnth	4,000	2	1	1	1	5	8,000	4,000	4,000	4,000	20,000
15													
16	<b>Funded activities</b>	lumpsum							1,360,000	1,360,000	1,360,000	1,360,000	5,440,000
17													
18	<b>(B) GoI Funded</b>												
19													
20	<b>Funded activities</b>	lumpsum							517,500	517,500	517,500	517,500	2,070,000
21													
22	<b>COMPONENT 4 (PROGRAM MANAGEMENT)</b>												
23													
24	<b>(A) GoA Funded</b>												
25													
26	<b>Personnel resources</b>												
27	Finance Officer (National)	mnth	2,000	12	12	12	12	48	24,000	24,000	24,000	24,000	96,000
28	Procurement Officers x2 (National)	mnth	2,000	24	24	24	24	96	48,000	48,000	48,000	48,000	192,000
29	Secretaries x2 (National)	mnth	2,000	24	24	24	24	96	48,000	48,000	48,000	48,000	192,000
30	Translator (National, part-time)	mnth	4,000	12	12	12	12	48	48,000	48,000	48,000	48,000	192,000
31	Drivers x2	mnth	650	24	24	24	24	96	15,600	15,600	15,600	15,600	62,400
32	Office Assistant	mnth	300	12	12	12	12	48	3,600	3,600	3,600	3,600	14,400
33													
34	<b>Procurement</b>												
35	Vehicle - Kijang Innova (lease, x2)	mnth	720	24	24	24	24	96	17,280	17,280	17,280	17,280	69,120

Indonesia: Water and Sanitation Policy Facility (The WASPOLA Facility): Program Design Document

	ITEM	Units	Unit cost	PHYSICAL QUANTITY					TOTAL COST				
				PY 1	PY 2	PY 3	PY 4	TOTAL	PY 1	PY 2	PY 3	PY 4	TOTAL
36	Motorcycle	units	1,600	1				1	1,600	0	0	0	1,600
37	Desktop computer/UPS	sets	2,000	7				7	14,000	0	0	0	14,000
38	Printer	units	1,250	2				2	2,500	0	0	0	2,500
39	Software	lumpsum	1,000	1				1	1,000	0	0	0	1,000
40	Network installation	lumpsum	1,750	1				1	1,750	0	0	0	1,750
41	Fixed phones and installation	lumpsum	250	3				3	750	0	0	0	750
42	Photocopier/fax/scanner	units	3,000	1				1	3,000	0	0	0	3,000
43	Mobile phones	units	200	6				6	1,200	0	0	0	1,200
44	Office furniture/misc eqpmt/fit-out	lumpsum	10,000	1				1	10,000	0	0	0	10,000
45													
46	<b>Training resources</b>	lumpsum							20,000	20,000	15,000	10,000	65,000
47													
48	<b>Other resources</b>												
49	Office operating costs (stationery, eqpmt O&M etc)	mnth	750	12	12	12	12	48	9,000	9,000	9,000	9,000	36,000
50	Telecommunications	mnth	1,750	12	12	12	12	48	21,000	21,000	21,000	21,000	84,000
51	Printing/photocopying	mnth	300	12	12	12	12	48	3,600	3,600	3,600	3,600	14,400
52	Vehicle O&M (2 Kijangs, 1 motorcycle)	mnth	750	12	12	12	12	48	9,000	9,000	9,000	9,000	36,000
53	Local travel	mnth	2,500	12	12	12	12	48	30,000	30,000	30,000	30,000	120,000
54													
55	<b>WB Trust Fund Admin Fee &amp; WSP GPM fee</b>								291,453	286,342	279,280	278,638	1,135,713
56													
57	<b>(B) GoI Funded</b>												
58	Office rental	mnth	3,750	12	12	12	12	48	45,000	45,000	45,000	45,000	180,000
59	Power & water	mnth	625	12	12	12	12	48	7,500	7,500	7,500	7,500	30,000
60													
61	<b>TOTAL PROGRAM COST</b>								3,131,333	3,086,422	3,024,360	3,018,718	12,260,833
62													
63													

	ITEM	Units	Unit cost	PHYSICAL QUANTITY					TOTAL COST				
				PY 1	PY 2	PY 3	PY 4	TOTAL	PY 1	PY 2	PY 3	PY 4	TOTAL
64	COST SUMMARY BY COMPONENT AND FINANCIER												
65													
66	Component 1-3 (Activities)												
67	GoA funded								1,937,000	1,933,000	1,883,000	1,883,000	7,636,000
68	Gol funded								517,500	517,500	517,500	517,500	2,070,000
69	Subtotal Component 1-3								2,454,500	2,450,500	2,400,500	2,400,500	9,706,000
70													
71	Component 4 (Management)												
72	GoA funded								624,333	583,422	571,360	565,718	2,344,833
73	Gol funded								52,500	52,500	52,500	52,500	210,000
74	Subtotal Component 4								676,833	635,922	623,860	618,218	2,554,833
75													
76	TOTAL												
77	GoA funded								2,561,333	2,516,422	2,454,360	2,448,718	9,980,833
78	Gol funded								570,000	570,000	570,000	570,000	2,280,000
79	Total Program Cost								3,131,333	3,086,422	3,024,360	3,018,718	12,260,833
80													

**NOTE:** GOI contribution is benchmarked in US\$. Exchange rate applied for calculating A\$ equivalent  
US\$1.00=A\$1.15

**COST TABLE EXPLANATORY NOTES:**

**Row ref:**

1

2

3

4

5

6

7

8 The TTL will be expected to have skills in either water supply or sanitation/ wastewater.

9 The job description for this position will be adapted to fit the technical skills base of the TTL.

10

11 Provision for a 4th National LT position if considered necessary by WSP)

12

13

14

15

16 Including 10-15% of the total which would be controlled by the FMU to fund activities relating to immediate and emerging issues (IEIs).

17

18

19

20 Gol is currently contributing US\$ 450,000 from the '69' account towards the cost of implementing technical activities under WASPOLA 2. It is assumed that this same amount of counterpart funding will be av  
21 Program. .

22

23

24

25

26

27

28 Provision is made for 2 Procurement Officers. Whether 1 or 2 to be decided by WSP according to need.

29

30

31

32

33

34

35 Cost estimate assumes vehicles and equipment are unable to be carried over from WASPOLA 2 If carried over, requirement for procurement of additional resources may be lower than indicated..

36

37

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39

40

41

42		
43		
44		
45		
46	To cover overhead training for FMU/ WG staff; Program socilisation workshops etc	
47		
48		
49		
50		
51		
52		
53		
54	Comprising 5% WB Trust Fund Administration Fee, plus 9% WSP Global Program Management Fee calculated on the balance after the 5% WB Admin Fee has been deducted (equal to 7.84% calculated on amount).	
55		
56		
57		
58	Paid by Gol	
59	Paid by Gol	
60		
61		
62		
63		
64		
65		
66		
67	62%	of total Program cost
68	17%	of total Program cost
69	79%	of total Program cost
70		
71		
72	19%	of total Program cost
73	2%	of total Program cost
74	21%	of total Program cost
75		
76		
77	81%	of total Program cost
78	19%	of total Program cost
79	100%	of total Program cost
80		
81		

## APPENDIX 4 GENDER ACTION PLAN

	Results	Measures
1.	Gender mainstreaming policy integrated into the Facility's institutional and operational framework	<ul style="list-style-type: none"> <li>• Prepare a Gender Action Plan, policy and operational guidelines with sufficient budget to support implementation</li> <li>• Communicate requirements for gender equity to all partners and consultants through promotional materials and orientations</li> <li>• Develop resource materials and ongoing capacity building mechanisms for implementation of Gender Action Plan</li> <li>• Contract Gender/Social Development Specialist to support FMU and IAs (6-8 weeks a year)</li> </ul>
2.	Requirement for gender balance among consultants, facilitators and trainers is continually reinforced	<ul style="list-style-type: none"> <li>• FMU to seek suitably qualified women and men as consultants</li> <li>• Where community facilitators or training providers are used, IAs will be encouraged to have gender balance</li> </ul>
3.	Criteria for preparation of proposals will be gender inclusive	<ul style="list-style-type: none"> <li>• Proposals to include a succinct gender and social analysis with likely benefits for women and poor</li> <li>• FMU will support agencies to incorporate gender equity with affirmative actions if relevant (eg women's leadership training) into proposals</li> </ul>
4.	Monitoring and evaluation system integrates gender disaggregated data for regular analysis and evaluation of progress and impacts for gender mainstreaming and women's empowerment	<ul style="list-style-type: none"> <li>• Collect and analyse sex disaggregated data on a routine and systematic basis</li> <li>• Include assessment of gender equity as relevant in all evaluation formats for proposals and activities</li> <li>• Consultants and agencies to include progress on gender outcomes in routine and activity completion reports</li> <li>• Gender Specialist to routinely review performance and make recommendations for operational improvements.</li> </ul>
5.	Institutionalisation of gender mainstreaming and women's empowerment agenda is actively advocated and supported with all partner agencies	<ul style="list-style-type: none"> <li>• Identify mechanisms for skills transfer to GOI staff and other personnel for gender equity</li> <li>• Incorporate gender mainstreaming principles into all strategy development for mainstreaming and scaling up</li> <li>• Develop mechanisms to promote women's economic empowerment</li> <li>• Include gender data and analysis into advocacy activities</li> <li>• Use local gender equity advocates as resource persons</li> <li>• IAs to seek gender balance in capacity building activities</li> <li>• Give public recognition for good progress with gender equity.</li> </ul>
6.	Activities for knowledge generation and management activities related to gender equity are part of Facility program improvement and continuous learning agenda	<ul style="list-style-type: none"> <li>• Conduct specific research and pilot activities on women's empowerment, in collaboration with local institutions (eg Women's Study Centres, NGOs)</li> <li>• Promote inter-project networking and comparative site visits on women's empowerment and gender equity through WSES</li> <li>• Disseminate lessons learnt on gender equity to FMC and use for future planning</li> <li>• Disseminate case studies and good practice for gender equity through websites, newsletters and other forums.</li> </ul>



## APPENDIX 5

### RISK MANAGEMENT MATRIX

Risks	Potential adverse impact	Risk Likelihood	Risk Impact	Containment measures (risk treatment)
That the core areas identified for support under the Program will be affected by political and social change during the life of the Program.	The direction of the Program progressively loses relevance in relation to real needs.	L	H	Adoption of a highly flexible Facility approach. Central role of the FMC in guiding (and adjusting if necessary) the strategic directions of the Program, with the support of the FMU.
That current institutional arrangements and/or key GOI staff positions change during the life of the Program.	GOIs ability to effectively manage the Facility is diminished.	M	L-M	Adoption of GOI structures for governance arrangements. Emphasis on the establishment of broadly-based and representative Technical Working Groups, rather than relying on individuals. On-going review of governance arrangements in relation to departmental responsibilities.
That the Facility Management Committee has insufficient time to function in an effective manner.	A poorly functioning FMC will substantially reduce the credibility and effectiveness of the Program.	L-M	H	The Program will utilize various Echelon 3 Technical Working Groups (eg AMPL) to support the Echelon 2 Technical Team/ FMC. The FMC and TWGs will be adequately briefed and supported in the execution of their responsibilities by the FMU.
That some Implementing Agencies may be reluctant to engage.	Important areas of potential impact are missed.	M	H	Particular efforts will be made to ensure that the FMC and Working Groups include representation from all relevant agencies. Operating procedures will be established to provide all agencies with fair and transparent access to Program resources.
That activities and resources are excessively skewed towards central level agencies and their priorities.	Reduced relevance of the Program to levels of government that are responsible for WSES implementation.	M	H	Requirement that Component 1 activities involve direct consultation with provincial and/ or district stakeholders where relevant. Requirement that Component 2 activities should involve pilot implementation at sub-national levels (province or district) to the maximum extent possible.
That activities funded from the Facility will be too diffused to produce a measureable impact at Program purpose and goal levels.	Difficult to assess the impact of the Program.	L	M	Prescribed activity screening process and criteria that ensure selected activities have a tight relationship with the Program goal, purpose and objectives, and with the Strategic Annual Plan.
That the imperative to implement and spend funds exceeds the capacity of the FMU to effectively manage the initiation, screening and implementation of activities.	Activity identification, selection and management is suboptimal.	M	M	AusAID adopts realistic disbursement expectations until the necessary management systems have been established. The FMU is adequately resourced to quickly establish the necessary processing capacity. Provision is made for the FMU to directly initiate some activities independent of the FMC.
That slow procurement by WSP/ FMU following WB rules adversely affects the efficient implementation of activities.	Mobilisation of activities is unnecessarily slow, and impact is reduced.	M	M-H	Considerable discussion has already taken place between Bappenas, WSP and AusAID concerning the procurement problems experienced under WASPOLA 2, with general acceptance of the issues involved. Specific measures to address these issues are contained in the design, including resourcing the FMU with dedicated procurement staff. An assurance will be obtained in the Admin Agreement that procurement will be carried out in an efficient manner appropriate to the needs of the Facility.

Risks	Potential adverse impact	Risk Likelihood	Risk Impact	Containment measures (risk treatment)
That the operating principles of the Facility are unclear to partner agencies.	The number of funding requests is constrained, processing is delayed, and impact is reduced.	L	M	Clear Operating Guidelines will be prepared and translated at Inception. Training/ orientation will be provided to key partner agencies.
That partner agencies are not adequately involved in the design, selection and implementation of activities.	Ownership is reduced, and the legitimacy and sustainability of the Program is reduced.	L	H	Partner agencies have been ascribed clear and important responsibilities in relation to activity identification, selection, and implementation management. The <u>facilitation</u> role of the FMU is strongly emphasized.
That partner agencies are unable to identify appropriate activities and prepare proposals of an adequate standard.	The number of activities approved is limited and disbursement performance adversely affected.	L-M	H	A key function of the FMU is to assist with the identification of activities and preparation of proposals.
That better organised and more powerful agencies, such as MPW, monopolise resources.	Program activities and benefits are skewed to a subsectoral rather than sectoral focus.	L	M	Resource allocation decisions will be made by the FMC, which is constituted as a multi-sectoral body. FMU plays a proactive role in assisting agencies to identify activities.
That partner agencies are unable to properly manage implementation of activities in a timely manner.	Implementation is delayed, and benefits reduced.	M	H	Training on preparation of TOR and implementation management procedures will be provided to partner agencies during Inception. Core function of the MST is to support procurement and implementation management.
That institutional capacity building and training needs are inadequately considered in activity designs.	Limited transfer of administrative and technical skills.	L	M	Partner agencies will play a central role in preparing activity proposals and defining needs, including human resource development needs. Appraisal of activity proposals will specifically consider the requirement and resources allocated for skills transfer.
That gender aspects are insufficiently reflected in activities supported by the Program.	Women fail to capture anticipated benefits.	M	M	A gender mainstreaming approach is explicitly included in the Program design and operational guidelines for the Facility and disseminated to FMC, sectoral agencies and consultants recruited through the Facility. A short term Gender Specialist will provide intermittent technical inputs and monitoring of Facility performance. Appraisal of activity proposals will specifically review the extent to which gender equity is being addressed.
That WSP will require duplicate and parallel reporting and approval procedures.	Program management spends too much time on administrative/ reporting functions, and implementation performance suffers.	M	L-M	The Administrative Agreement established between AusAID and WSP will clearly define reporting, coordination and decision-making responsibilities and processes, minimizing duplication.
That core FMU staff, particularly the TL, are insufficiently experienced in, and are insensitive to, the multi-stakeholder dimension of the WSES sector.	Failure to establish effective working relationships with and manage program partners will severely limit the effectiveness of the Program.	L-M	H	Clearly defined skill and qualification requirements included in the FMU position descriptions, including language capability. Regular performance evaluations undertaken of the core FMU staff by WSP.

<b>Risks</b>	<b>Potential adverse impact</b>	<b>Risk Likelihood</b>	<b>Risk Impact</b>	<b>Containment measures (risk treatment)</b>
That Consultants contracted through the Facility for activity implementation receive insufficient support from agencies for effective implementation of activities.	Poorly executed activities will undermine effectiveness of the Program.	L-M	H	Implementing agencies will be responsible for preparation of TOR, and will be involved in the consultant selection process. Agency responsibilities for start up activities will be clearly identified in activity proposals. FMU/ MST will maintain close links with implementing agencies so that emerging issues can be identified and addressed early.
That it will be difficult to recruit appropriate Consultants for activity implementation due to short timeframes involved.	Poorly executed activities will undermine effectiveness of the Program.	L-M	M	Implementation of open and transparent merit-based recruitment processes. Dedicated procurement role of the MST. Widespread advertising of position, use of WSP extensive networks, early notification of impending consultancies, encouragement for both women and men to apply.
That partner agencies are unable to identify appropriate activity performance indicators and undertake performance monitoring against these indicators to the required standard.	The ability to measure program progress and impact is undermined.	L	M	The FMU is resourced to support and oversee activity monitoring.
That there will be an insufficient basis for assessing program performance at purpose level.	The ability to measure program progress and impact is undermined.	M	M	The FMC (supported by the FMU) will prepare an Annual Strategic Plan and corresponding Comprehensive Annual M&E Report, identifying and assessing performance against desired higher-level outcomes.

## **APPENDIX 6**

### **MONITORING AND EVALUATION FRAMEWORK**

The Monitoring and Evaluation (M&E) Framework describes how performance of The WASPOLA Facility will be monitored and evaluated. Given the flexibility and demand-driven nature of the Program, the role of M&E is especially crucial to the success of the intervention.

The Framework provides for M&E arrangements at four distinct levels:

- Activity M&E
- Facility Oversight M&E
- Program Level Monitoring
- Impact Evaluation

Activity M&E is the core of the M&E Framework. It involves the collaboration of the FMU with relevant IAs in the development of M&E plans for selected activities, and in the preparation of activity M&E Reports every 3 months during implementation of an activity and on completion of the activity. Activity M&E will be focussed mainly on assessing progress of the activity against output performance indicators (PIs).

Facility Oversight M&E involves consolidating and analysing the activity M&E Reports on an annual basis to produce a Comprehensive Annual M&E Report for consideration by the FMC and AusAID at their scheduled mid-year meetings. These reports are intended to become a key input for the preparation of the Annual Strategic Plans. They will be focused largely on outcome-level PIs.

Program Level Monitoring involves reporting on overall Program performance including compliance with established procedures; progress against workplans and budgets; overall quality of implementation; and efficiency of soliciting, processing and supporting activity requests. Monitoring at Program level will be reported through routine 6-monthly Progress Reports, preparation of which will be timed to coincide with the 6-monthly FMC meetings. These reports will also contribute to Mid-term Review (MTR) and Program Completion Report (PCR). Monitoring at this level will involve a mix of output and outcome-level PIs.

In addition to this routine Program-level monitoring conducted by WSP/ FMU, AusAID will conduct an external review of progress at the end of the first year to ensure that implementation is on-track in line with the intentions of the PDD.

Impact Evaluation will be carried out at the end of Year 2 and again at the end of the Program. The Evaluation will include analysis of the Annual Strategic Plans and Comprehensive Annual M&E Reports to assess how well lessons-learned have been applied by the FMC, and what impacts were achieved. Monitoring at this level will mainly be against purpose-level PIs.

Each of the M&E levels is related to the Logical Framework (see Appendix 2), and in particular to the performance indicators (PIs) and means of verification (MoVs) listed there. Together the four M&E levels cover all the PIs and MoVs provided in the Logframe down to output level.

It should be emphasised that the flexible programming approach being adopted for The WASPOLA Facility is, by design, demand responsive and participatory. It is not intended to address (and assess) all outputs specified in the Logframe in equal measure. The effectiveness of the Program will be assessed against individual output performance indicators only to the extent that activities addressing the output have been funded.

Nevertheless, all the Outcomes, namely the intended Program Objectives, need to be addressed by the Facility. Consequently, the performance of the Facility must be assessed by how well the Facility supports Activities and Outputs which clearly progress the Outcomes specified in the Logframe.

M&E arrangements will involve:

- Consulting those who will contribute to and benefit from the Facility and addressing the information needs of all relevant stakeholders (refer to the Schedule of Reports presented below).
- Analysing the effectiveness of partner IA's existing M&E systems and providing all relevant stakeholders with some ownership of the M&E arrangements through Activity M&E Reporting by the IAs, and the Comprehensive Annual M&E Report with the IAs, Working Groups and FMC.
- Verifying that M&E arrangements are appropriate in terms of the Facility's resources and complexity, and ensuring adequate funds are provided to fulfil M&E responsibilities (e.g. budgeting for activities M&E arrangements and for related FMU support to IAs).
- Providing for proposed M&E arrangements to be reviewed at Inception and Mid-Term.
- Specifying performance at all levels (Outputs, Outcomes and Purpose), determining what information is to be collected, why, when, where and how, who is responsible, and considering how the data is stored, analysed and presented (refer to the M&E Arrangements presented below).
- Ensuring M&E arrangements are implemented through appropriate management processes and structures. The M&E Framework clearly specifies who is responsible for using the M&E information produced, as well as the frequency, content, purpose and audience of M&E reporting (refer to the Schedule of Reports presented below).
- Verifying that the M&E arrangements enable timely and informed decision-making, that all relevant stakeholders can contribute lessons and share in learning and continuous improvement while providing an appropriate degree of public transparency (refer to the M&E Flow Chart and the M&E Reporting Timetable presented below.)
- Preparing a Logical Framework (see Appendix 2) which provides the strategic Program elements (i.e. inputs, outputs, purpose and goal statements), their causal relationships and the underlying assumptions for these relationships to hold, performance indicators, and the means of verification to gather information on success and/or failure.

### **Attachment 1: M&E Arrangements**

The following M&E Arrangements give an overview of the operational elements for the four M&E levels, namely, the mechanics of how the M&E system works. The intention is to present a clear picture of how all the pieces of information fit together to provide an all-inclusive M&E approach.

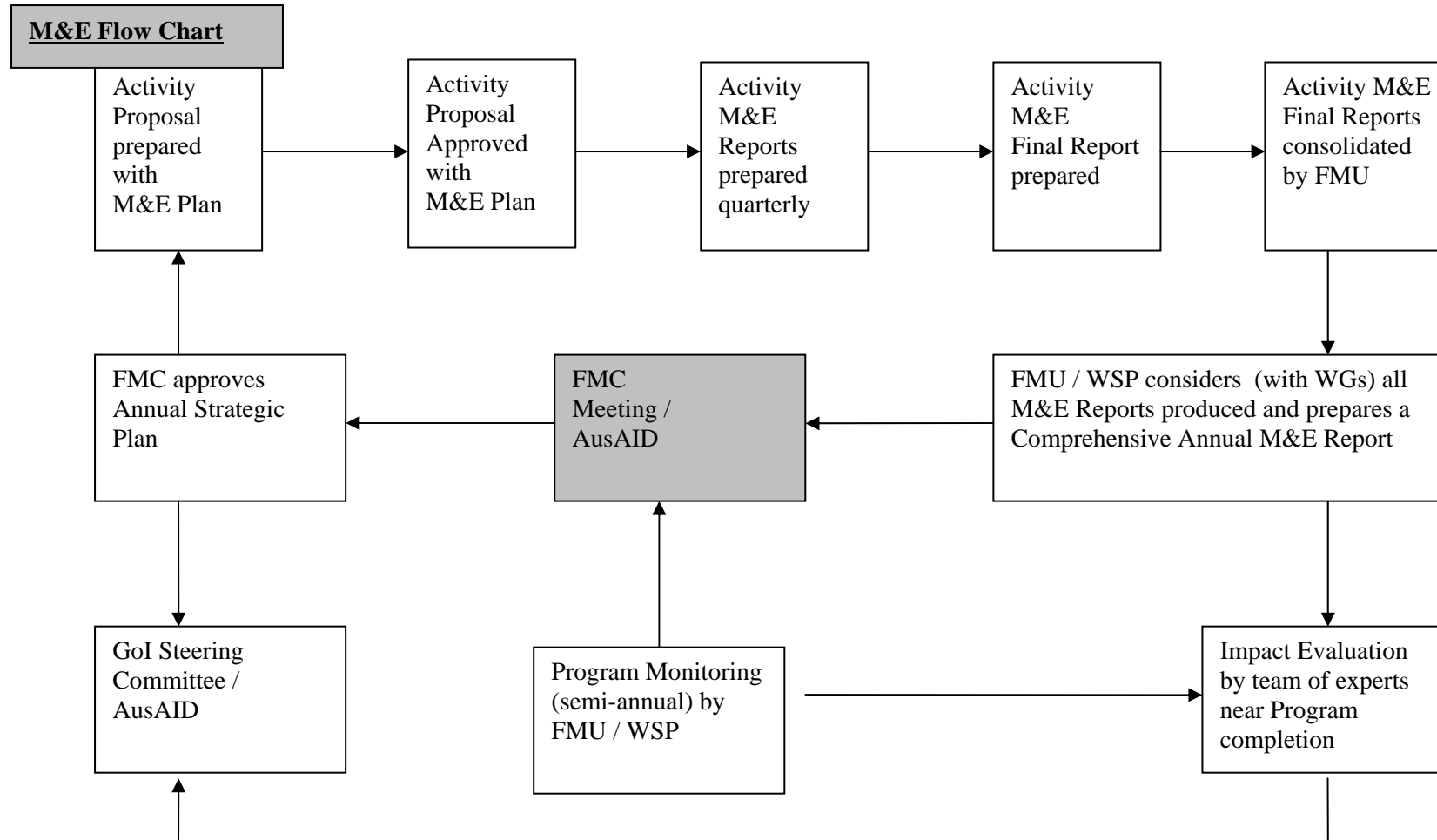
Elements Levels	PIs	MoVs / Method of Capture	Method of Analysis	Source	Responsible	Capture Frequency	Analysis Deadline	Report Submission
Activity M&E	In line with the Output PIs as per Logframe, Components 1,2 and 3	As specified in the Activity Proposal	Review of Activity achievements against intended Outputs for Components 1,2 and 3	IAs	Person specified in Activity ToRs, with FMU support	At completion or quarterly for Activities exceeding three months	Two weeks prior to Activity completion	Activity M&E Reports to WSP
Facility Oversight M&E	Outcome PIs as per Logframe, Components 1,2 and 3	Activity M&E (Final) Reports	Review of Output achievements against intended Outcomes for Components 1,2 and 3	FMU / WGs / IAs	FMU (WGs Workshop including IAs)	Annual	Two months prior to FMC semi-annual mid-year meeting	Comprehensive Annual M&E Report to WSP / FMC / AusAID
Program Level Monitoring	Output and Outcome PIs as per Logframe, Component 4	AWPs and Budgets, Progress Reports, M&E Reports, and Management Reviews	Analysis of FMU management reports against intended Outputs and Outcomes for Component 4	FMU	WSP / FMU	Semi-annual	Two months prior to FMC meeting	Program Monitoring Report to FMC / AusAID (Contributes to the MTR and PCR)
Impact Evaluation	Purpose PIs as per Logframe	Comprehensive Annual M&E Reports and Program Monitoring Reports	Desk analysis by group of experts (possibly supplemented with mini-survey or interviews of key stakeholders)	FMU / WSP / FMC	WSP (possibly with external TA support)	Once near Program completion	Prior to Program completion	Impact Evaluation Report to GoI (WSES Steering Committee) / FMC / AusAID (possibly as part of the PCR)

## **Attachment 2: Schedule of Reports**

The Schedule of Reports provides a quick look at the M&E reporting structure.

<b>Report</b>	<b>Content</b>	<b>Responsible</b>	<b>Frequency</b>	<b>Recipient</b>
Activity M&E Report	Performance information about an Activity in relation to the intended Outputs being supported	Person specified in Activity ToRs, with FMU support	At completion or quarterly for Activities exceeding three months	WSP
Comprehensive Annual M&E Report	Analysis of M&E data for individual Activities in the context of the intended Program Outcomes	FMU (WGs Workshop including IAs)	Annual	WSP / FMC / AusAID
Program Monitoring	Program performance assessed against intended Outputs and Outcomes for Component 4	FMU / WSP	Semi-annual	FMC / AusAID
Impact Evaluation	Opinion as to what impacts the Facility has had, could have had, and might have in future and why.	WSP (possibly with external TA support)	Once near Program completion	GoI (WSES Steering Committee) / FMC / AusAID

**Attachment 3: M&E Flow Chart**





**Attachment 4: M&E Reporting Timetable (assuming a July 1, 2007 start date)**

	<b>2007 /2008</b>	<b>2008 / 2009</b>	<b>2009 / 2010</b>	<b>2010 / 2011</b>
<b>July</b>	Program starts, initial FMC meeting	Third FMC meeting	Fifth FMC meeting	Seventh FMC meeting
<b>August</b>	Annual Strategic Plan approved	Annual Strategic Plan approved	Annual Strategic Plan approved	Annual Strategic Plan approved
<b>September</b>				
<b>October</b>	Activities begin, all with M&E plans			
<b>November</b>	Inception Report including final M&E operation plan prepared			
<b>December</b>	Program Monitoring Report prepared for FMC meeting	Program Monitoring Report prepared for FMC meeting	Program Monitoring Report prepared for FMC meeting	Program Monitoring Report prepared for FMC meeting
<b>January</b>	Second FMC meeting	Fourth FMC meeting	Sixth FMC meeting	Eight FMC meeting
<b>February</b>				
<b>March</b>				
<b>April</b>				Comprehensive Annual M&E Report prepared for FMC meeting
<b>May</b>	Comprehensive Annual M&E Report prepared for FMC meeting	Comprehensive Annual M&E Report prepared for FMC meeting	Comprehensive Annual M&E Report prepared for FMC meeting	Program Completion Report (PCR) including Impact Evaluation prepared
<b>June</b>		Mid-term Review (MTR)		Final FMC meeting

**Attachment 5: Some M&E Related Definitions**

Evaluation	The process of determining the worth or significance of the Program.
Goal	The higher-order objective to which the Program is intended to contribute. Analogous to the Results-based Management term ‘impact’.
Impacts	Positive and negative, primary and secondary long-term effects produced by the Facility, directly or indirectly, intended or unintended. Impact may also be used as being analogous to ‘goal’.
Performance Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, or to reflect the changes connected to an intervention.
Lessons Learned	Generalisations based on monitoring and evaluation of Activities that abstract from the specific circumstances to broader situations.
Logframe	Management tool used to improve the design of interventions. It involves identifying strategic elements (i.e., inputs, outputs, purpose and goal statements), their causal relationships and the underlying assumptions for these relationships to hold, performance indicators, and the means of verification to gather this information on success and/or failure.
M&E arrangements	Documentation prepared at entry to enable performance monitoring and evaluation of the Program.
M&E Plan	A discrete/stand-alone document prepared during the start-up/mobilisation phase of an intervention that synthesises and refines M&E arrangements agreed during the design phase.
Means of Verification	A defined tool or protocol for the capture of M&E data from identified subjects of inquiry. Also called Method of Inquiry.
Monitoring	A continuing function that uses systematic collection and analysis of data on specified indicators to provide management and the main stakeholders, of an ongoing development intervention, with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.
Objective	Intended outcomes contributing benefits to a society, community, or group of people via one or more interventions. AusAID often uses Component Objectives/Component structures to assist with more complex activities.

Outcomes	The likely or achieved short-term and medium-term results of an intervention's outputs.
Outputs	The products, capital goods and services delivered by a development intervention to direct beneficiaries.
Purpose	The publicly stated objectives to be achieved within the life of the development activity.
Risk analysis	An analysis or an assessment of factors that affect or are likely to affect the successful achievement of an intervention's objectives.
Stakeholders	Agencies, organisations, groups or individuals who have a direct or indirect interest in the development intervention or its evaluation.

## APPENDIX 7.1

### DRAFT ADMINISTRATIVE AGREEMENT WITH WSP-EAP

#### Administration Agreement for the Australian Trust Fund for

#### THE WASPOLA AND PAMSIMAS SUPPORT FUND

(Trust Fund No.-----)

### Article 1

#### Subject and amount of the Grant

Section 1.01 In pursuance of the Cofinancing and Trust Funds Framework Agreement between the Government of Australia ( “Donor”) and the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively the “Bank”) dated 2<sup>nd</sup> June 2004 (the “Framework Agreement”), I am pleased to inform you of the intention of the Donor to make available a grant (the “Grant”) of Twenty Million Australian Dollars(AUD20,000,000), to be administered by the Bank for The WASPOLA and PAMSIMAS Support Fund (Trust Fund No.\_\_\_\_\_). This total amount is made available for the Bank-executed Water and Sanitation Policy Facility (“The WASPOLA Facility”); and for Bank-administered cofinancing (BACF) of the Third Water and Sanitation for Low Income Communities Project (“PAMSIMAS”).

Section 1.02 The terms of the Framework Agreement shall apply to the Grant. The Bank shall administer the Grant in accordance with the provisions of the Framework Agreement, except as otherwise provided herein.

Section 1.03 The Grant shall be used exclusively for the activities described in the Annex hereto, which forms an integral part of this Agreement. The Grant shall be used to finance the expenditures described in the Annex. Notwithstanding the foregoing:

- (a) For WASPOLA Facility expenditures, the Bank may, without the need to obtain Donor approval allocate the USD amounts, for categories of expenditure that are specified in the Administration Agreement, obtained by the Bank following receipt of the Grant funds, as the Bank deems necessary to achieve the purposes of the Grant. In so doing, the Bank will endeavor to use the USD amounts to the extent feasible in proportion to the allocation of the Australian Dollar amounts stated herein.
- (b) For PAMSIMAS expenditures, the Bank may reallocate the Grant funds provided for between such categories of expenditure that are specified in the Administration Agreement in accordance with the Bank’s applicable policies and procedures on reallocation, without the need to obtain Donor approval for any such reallocation.

Section 1.04 In addition to the financial reporting of the Grant to be provided pursuant to Section 11.01 of the Framework Agreement, the Bank shall provide an annual report on the activities financed by the Grant and a final report on the activities following the Completion Date. WASPOLA Facility and PAMSIMAS progress will be separately reported.

## Article 2

### Payment schedule and modalities

Section 2.01 The Donor shall deposit the Grant funds with the Bank, upon request from the Bank, in IBRD's Cash Account "T" maintained with the Reserve Bank of Australia in accordance with the following schedule:

(a) For The WASPOLA Facility:

upon confirmation by the Bank of this Administration Agreement	AUD 3,000,000
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upon written acceptance by AusAID of the findings of the Performance Review scheduled for the end of Program Year 1, which shall be to the satisfaction of AusAID,	AUD 3,000,000
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upon written acceptance by AusAID of the findings of the Mid Term Review scheduled for the end of Program Year 2, which shall be to the satisfaction of AusAID,	AUD 4,000,000
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(b) For PAMSIMAS:

upon confirmation by the Bank of this Administration Agreement	AUD .....
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**Other tranche amounts and dates for PAMSIMAS to be added**

Section 2.02 When making each deposit, the Donor shall:

- (a) instruct the Reserve Bank of Australia as to the amount deposited and the date of such deposit; and
- (b) forward the remittance advice by email to the Bank's Treasury Operations Department addressed to tris@worldbank.org indicating the amount deposited, the name and Trust Fund

number of the Project for which such deposit has been made (as set forth in the Administration Agreement), and the date of such deposit; and

- (c) arrange to send a copy of the information in the remittance advice to the Bank's Trust Funds Division by e-mail addressed to "tfremitadvice@worldbank.org" or by fax to 202-614-1315.

### **Article 3**

#### **Completion Date**

Section 3.01 The Grant funds may be used to finance expenditures commencing on and ending on the dates set out below. The Bank may make disbursements of the Grant funds for up to four (4) months after such latter date for expenditures incurred on or before such date, in accordance with the Bank's applicable policies and procedures.

- (a) For The WASPOLA Facility: Commencing on 1 July 2008 and ending on 31<sup>st</sup> 30 June 2012.

- (b) For PAMSIMAS: Commencing on \_\_\_\_\_ and ending on \_\_\_\_\_.

Opening and closing dates for PAMSIMAS to be added

### **Article 4**

#### **Cancellation**

Section 4.01 Either party may, upon giving the other party three (3) months' prior written notice, cancel that part, if any, of the Grant funds provided under this Administration Agreement that the Bank has not committed prior to receipt of such notice under agreements entered into by the Bank with any third party, including any Grant Agreement. Upon such cancellation, and unless the parties hereto agree on another arrangement, the Bank shall credit the uncommitted balance of the Grant funds to the trust fund account specified in Section 9.01 of the Framework Agreement.

## **Article 5**

### **Communications**

Section 5.01 The offices responsible for coordination of all matters related to this Administration Agreement are:

For the Government  
Of Australia:

For the Bank:

Tel:  
Fax:  
E-mail:

Tel:  
Fax:  
E-mail:

This Administration Agreement is drawn up in two originals, one for each party. It may be amended only by written agreement of the parties hereto.

### **GOVERNMENT OF AUSTRALIA**

By: \_\_\_\_\_  
(Authorized Representative)  
Date: \_\_\_\_\_

### **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION**

By: \_\_\_\_\_  
(Authorized Representative)  
Date: \_\_\_\_\_

## **ANNEX**

### **PART A**

#### **The WASPOLA Facility**

##### **1. Purpose of the Grant**

The Grant is for a Bank-executed Technical Assistance that will be used to establish a technical support Facility designed to strengthen the capacity of GOI to guide development of the WSES sector. The Grant will be used to address emerging needs in three core focus areas: (i) policy development; (ii) policy implementation; and (iii) sector management. Specific activities funded by the Facility will be identified during the course of implementation, screened against the Facility framework and specified selection guidelines. The Facility will seek to achieve a high level of ‘ownership’ for GOI by giving government substantial authority over the selection of activities to be implemented; responsibility for managing the implementation of funded activities; and responsibility for monitoring the performance of funded activities. The Facility will make strategic use of limited funding to improve policies, systems and procedures for policy implementation, and sector management. It is not however intended to be a vehicle for scale-up activities. For this purpose, it will seek to link with and leverage other GOI and donor programs (with particular emphasis on PNPM, PAMSIMAS and IndII), and to develop GOI’s own capacity for scale-up.

The Grant will be executed for the Bank by WSP-EAP. WSP will establish a Facility Management Unit (FMU) which will assist GOI to identify activities for funding, to formulate and screen proposals, and ensure that all activities are coordinated with relevant donor and GOI programs. Procurement will be directly managed by WSP through the FMU, which will be resourced with appropriate support staff to ensure that this takes place in an efficient manner. Managing the implementation of funded activities will be delegated to concerned IAs under the guidance of the FMU. The FMU will assist IAs with the development of monitoring plans for each activity, and will oversight all monitoring activities.

The Grant will be used to finance:

- FMU staff, including up to 4 LT technical positions; up to 21 person-months of ST TA; and specified administrative support staff.
- FMU equipment and vehicles;
- FMU operating and travel costs;
- Media and workshop costs, including seminars, conferences, workshops, training, study tours, and generation/ distribution of communications materials;
- Contractual services related to the implementation of activities funded by the Facility, including contracts for field studies, policy development, policy trials, production of communication and information materials, training of GOI and NGO staff and representatives of relevant national, provincial and district-based institutional and community organizations, and specialist support activities such as legal drafting services;
- Consultant fees related to the implementation of activities funded by the Facility;
- Grants for community-based initiatives in field trials;



- Incentive payments for institutional WSES providers such as PDAM linked to operational reforms and improved performance.

## 2. Expenditure Categories and Amounts

Indicative allocations against key expenditure categories are as follows:

Expenditure category	AUD
FMU staff costs	2,944,800
FMU operating and travel costs	290,400
FMU vehicles and equipment	104,920
FMU media/ workshop costs	65,000
Funded activities	5,440,000
WB Administrative fee and WSP GPM fee	1,135,700

NB: The 'Funded activities' amount will need to be adjusted if part of this is placed under the PNPM Multidonor TF arrangement for PNPM to buy services from WASPOLA.

## 3. Special Provisions

**World Bank and WSP fees.** In order to assist in defraying the costs of administration and other expenses incurred by the Bank under this Administration Agreement, the Bank may, following the deposit of Grant monies by the donor, deduct from the Grant an Administration Fee equal to 5% of the Grant as provided for under the Framework Agreement. In addition to this Administration Fee, WSP may deduct an amount equal to 9% of the Grant net of the Bank's Administration Fee (equal to 7.84% of the total Grant) as a contribution to its Global Program Management costs.

**Facility governance.** The inter-agency Echelon 2 WSES Technical Team recently established within Bappenas will function as the Facility Management Committee (FMC) providing high-level oversight functions, with activities facilitated on a day-to-day basis through the Echelon 3 Water Supply and Sanitation Working Groups. WSP through the FMU will at all times work to develop a strong operational linkage with the FMC and associated Working Groups.

**Activity selection.** The FMU will play a key role in assisting the WGs and IAs to identify and prepare proposals for activities to be funded by the Facility. Activities will be screened and approved by GOI (through the FMC and associated WGs) prior to final approval by the FMU. Provision is also made for some activities to be directly identified by the FMU independent of the FMC, to address immediate and emerging issues (IEIs). WSP will ensure that budget allocated for IEIs does not exceed 15% of all funded activities.

The majority of activities will be Bank-executed through WSP and the FMU with responsibility for implementation management being delegated to the concerned IA. Provision is also made for some activities to be recipient-executed with direct budget transfer to the concerned IA. All recipient-executed activities are to be approved on a case-by-case basis by AusAID on the recommendation of

WSP. For all such recipient-executed activities WSP will ensure that GOI adheres to the Bank's standard procurement rules in order to ensure that open and fair competition occurs.

Cumulative disbursement of more than 30% of the total Component 1-3 (activity) budget in any one core focus area will require the prior approval of AusAID.

**Linkage with PAMSIMAS, PNPM and IndII.** WSP will seek to ensure that potential links between WASPOLA, PAMSIMAS, PNPM and IndII as signalled in the Program Design Document are maximised.

**Procurement.** WSP acknowledges that it is essential for procurement to be executed in a timely and efficient manner in order that the performance of the Facility is not compromised.

**Monitoring.** WSP will ensure that the monitoring arrangements as outlined in the Program Design Document are implemented in full. All monitoring and evaluation plans and reports are to be provided in full to AusAID.

**Reporting.** In addition to the provisions of Section 1.04 of this agreement, the FMU will report to the Program Director in WSP-EAP as outlined below. WSP-EAP will be responsible for reviewing these reports for on-submission to AusAID for approval.

- An Inception Report will be finalised and submitted within 3 months of start-up.
- Annual Strategic Plans will be submitted by the end of August each year, covering the following January-December Indonesian FY.
- Quarterly Financial Reports will be submitted within one month of the end of each quarter.
- Six-Monthly Progress Reports will be submitted covering the period January-June and July-December, within one month of the end of each period.
- Monthly Exception Reports will be submitted at the end of each calendar month, designed to identify any critical issues that may impact on implementation of the Facility and cause delays to the current Annual Strategic Plan and delivery of outputs.
- Annual M&E Reports will be submitted within 1 month of the end of each calendar year from the end of 2009 onwards.
- A Program Completion Report will be submitted within two months of the scheduled close of the Program.

**Routine Supervision.** A representative of AusAID and the WSP Program Director will meet every six months together with FMC representative/s to review the general performance of the Facility. These meetings will follow submission of the 6-monthly Progress Reports.

**External Review.** AusAID will conduct an independent Performance Review at the end of Program Year 1 and a Mid-term Review at the end of Program Year 2. Subject to approval by AusAID, these Reviews will serve as triggers for the second and third tranche payments. The first review will focus mainly on management performance with particular emphasis on procurement issues. The second Review will cover both management and technical performance. It will provide the basis for refining the future direction of the Facility and provide guidance for future AusAID support.

**PART B**

**PAMSIMAS**

- 1. Purpose of the Grant**
- 2. Expenditure Categories and Amounts**
- 3. Special Provisions**

## **APPENDIX 7.2**

### **DRAFT SUBSIDIARY ARRANGEMENT BETWEEN THE GOVERNMENT OF AUSTRALIA AND THE GOVERNMENT OF THE REPUBLIC OF INDONESIA**

#### **-RELATING TO-**

### **THE WATER AND SANITATION POLICY FACILITY (THE WASPOLA FACILITY)**

#### **1. General**

This Subsidiary Arrangement embodies understandings between the Government of the Republic of Indonesia (GOVERNMENT OF INDONESIA) and the Government of Australia (GOVERNMENT OF AUSTRALIA) and is made pursuant to the terms of Article IV of the General Agreement on Development Cooperation that came into force on 21 July 1999 (GADC). The terms of the GADC apply to this Subsidiary Arrangement.

#### **2. Name of Activity**

The name of the Activity is the Water and Sanitation Policy Facility (The WASPOLA Facility).

#### **3. Executing Agencies**

The Executing Authorities for this Program will be:

For the Government of Indonesia (GOI):

#### **National Policy Planning and Development Agency (BAPPENAS)**

BAPPENAS will oversee the implementation of Government of Indonesia obligations by relevant institutions under this Subsidiary Arrangement.

For the Government of Australia (GOA):

#### **The Australian Agency for International Development (AusAID) of the Department of Foreign Affairs and Trade.**

AusAID has engaged the World Bank's Water and Sanitation Program - East Asia and Pacific (WSP-EAP) to manage the Program on GOA's behalf. The WSP-EAP will establish a Facility Management Unit (FMU) to assist GOI in the implementation of the Program.

#### **4. Duration of Activity**

The Program will be implemented over a period of up to four years from 1 July 2008 to 30 June 2012. This Subsidiary Arrangement will take effect from the date of its signature and will be valid until the completion of the Program.

#### **5. Activity Location**

The Facility Management Unit (FMU) will be located in offices to be provided by BAPPENAS in Jakarta, Indonesia.

The Program will have a primary focus at national level reflecting its overriding policy development, policy implementation and sector management objectives. However, it will also be directly involved in a broad range of pilot activities at sub-national level. The location of sub-national activities is not expected to have any particular geographic focus, but will be driven more by the need to capture relevant water supply and environmental sanitation (WSES) experiences where they exist, and the need to pilot new policies and approaches across a broad range of locations so that they provide an adequate basis for continued development of the national WSES framework. Activities that require fieldwork in Eastern Indonesia will however be particularly encouraged, where the opportunity exists.

#### **6. Activity Description**

##### *Background*

AusAID has been supporting development of the WSES sector in Indonesia for many years. One of its current activities is the Water Supply and Sanitation Action Planning Project (WASPOLA 2), which has been instrumental in the development of a general policy framework for community-based (rural) WSES facilities; preliminary development of a policy framework for institutionally-based (urban) WSES facilities; development of improved institutional capacity at national level and at provincial/ district level in those provinces and districts where the community-based policy has been trialed; and improving cross-sector coordination and communication. WASPOLA 2 is due to finish in December 2008. The new Program is design to build on the previous achievements of WASPOLA.

##### *Goal, Purpose and Objectives*

The **goal** of the Program is to improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation services, contributing to increased economic growth. The **purpose** is to strengthen the capacity of GOI to guide development of the sector through establishment of a flexible Facility that can support emerging needs relating to policy development, policy implementation, and sector management.

##### *Components and Activities*

The Program has three main delivery components aligned with core focus areas, and one Program Management component as follows:

- **Component 1 – Policy Development.** To develop WSES policies in response to evolving political, economic, social and technological context and best practice.
- **Component 2 -- Policy Implementation.** To develop improved systems and procedures for implementation of WSES policies.

- **Component 3 -- Sector Management.** To strengthen sector management functions, with emphasis on coordination and communication, knowledge management, human resource development and M&E.
- **Component 4 -- Program Management.** To effectively and efficiently manage the Program in a manner that is responsive to stakeholder needs.

Within each of the three focus areas a number of priority outputs have been identified. Specific activities to achieve the outputs will be identified during the course of implementation, screened against the Facility framework and specified selection guidelines. The Program seeks to achieve a high level of ‘ownership’ for GOI by giving government substantial authority over the selection of activities to be implemented; responsibility for managing the implementation of funded activities; and responsibility for monitoring the performance of funded activities.

The Program will make strategic use of limited funding to improve policies, systems and procedures for policy implementation, and sector management. It is not however intended to be a vehicle for scale-up activities. For this purpose, it will seek to link with and leverage other GOI and donor programs (with particular emphasis on PNPM, PAMSIMAS and IndII), and to develop GOI’s own capacity for scale-up.

## **7. Roles and Responsibilities**

### **GOI:**

The inter-agency Echelon 2 WSES Technical Team recently established by BAPPENAS will function as the Facility Management Committee (FMC) providing high-level oversight functions, with activities facilitated on a day-to-day basis through the Echelon 3 Water Supply Working Group (the AMPL, which has played a key role in the implementation of WASPOLA 2), as well as the Sanitation Working Group more recently established to support ISSDP. The FMC and Working Groups will play a central role in deciding what activities are funded under the Facility. Implementation of activities will largely be managed by concerned Implementing Agencies, including MOF, MPW, MOH, MOHA, and MOE. BAPPENAS will have major responsibility for implementation of Component 3 activities.

The GOI (through BAPPENAS as the Executing Agency) will make available appropriate staff to enable the smooth implementation of the Program and will participate fully in Program activities. GOI will meet all costs associated with participation of GOI staff in these activities, including salaries and normal operational costs.

As the executing agency, BAPPENAS will play a coordination role through the FMC and Working Group leadership and facilitate smooth administration of the Program. As the chair of the FMC and Working Groups, it will ensure wide consultation with other GOI agencies on Program activities and management. It will lead the Working Groups in the development of the Annual Strategic Plans and the Annual M&E Reports with technical input and assistance of Implementing Agencies and the FMU.

BAPPENAS will provide suitably located and furnished office accommodation, free of rent and other charges, sufficient to meet the needs of the Facility Management Unit.

GOI will acknowledge GOA partnership and funding support to this project in all stakeholder and public meetings.

### **GOA:**

GOA has engaged WSP-EAP to manage the Program on GOA’s behalf. WSP-EAP will establish a Facility Management Unit (FMU) which will assist GOI to identify activities for funding, formulate and screen proposals, and coordinate activities with other relevant donor and GOI programs. The FMU will also assist

Implementing Agencies with the development of monitoring plans for each activity, and will oversight all monitoring activities.

The majority of activities will be Bank-executed by WSP and the FMU, with responsibility for implementation management being delegated to concerned Implementing Agencies. Procurement for all Bank-executed activities will be directly managed by WSP through the FMU, which will be resourced with appropriate support staff to ensure that this takes place in an efficient manner.

Provision is also made for some activities to be recipient-executed with direct budget transfer to the concerned Implementing Agency. All recipient-executed activities are to be approved on a case-by-case basis by AusAID on the recommendation of WSP. For all recipient-executed activities GOI will adhere to the World Bank's standard procurement rules in order to ensure that open and fair competition occurs.

WSP through the FMU will at all times work to develop a strong operational linkage with the FMC and the Working Groups.

## **8. Financial Contributions**

The total GOA financial contribution to the Program will be up to \$A 10,000,000 (Ten Million Australian Dollars) from 1 June 2008 to 30 July 2012.

GOI is expected to contribute funding to the Program at central government level in line with the level of funding committed for the implementation of WASPOLA 2<sup>1</sup>. Implementing Agencies involved in the implementation of activities funded under the Facility are expected to make in-kind contributions, and in the case of multi-year activities financial contributions from routine budgets, which will be determined on a case-by-case basis.

The disbursement of GOA financial contributions will be subject to normal Australian annual parliamentary approval of appropriations. GOI financial contributions will be subject to normal GOI national, provincial and district annual budget appropriations.

## **9. Monitoring**

The FMC will review plans and progress of the Program, facilitate smooth administration, facilitate policy and implementation coordination, and provide top level guidance to resolve any major issues that may arise affecting implementation.

Formal membership of the FMC will comprise senior representation from BAPPENAS (Chair); together with senior representation from all relevant Implementing Agencies, including MOF, MPW, MOH, MOHA, and MOE. It will meet a minimum of twice per year to discuss Program business. The designated WSP Program Director (PD) and FMU Task Team Leader will also participate in these meetings. Meetings will generally coincide with review and approval of the Annual Strategic Plans, 6-monthly Progress Reports and Annual M&E Reports. Relevant provincial and district officials may also be invited to attend, with costs for attendance borne by GOI.

BAPPENAS, assisted by the FMU, will be responsible for performing secretariat duties, including liaising with other FMC members to determine a suitable date and time for the meetings, issuing invitations and the meeting agenda in a timely way, taking the Minutes of the Meeting and distributing the Minutes of the Meeting to all participants for comments in a timely fashion.

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<sup>1</sup> US\$0.45-50 million per annum, provided through the '69' account.

6. The FMC will develop a detailed plan for asset disposal and distribution to GOI at the end of the Program. Final asset distribution will be subject to GOA approval.

## **10. Review**

AusAID together with BAPPENAS will conduct an independent Performance Review at the end of Program Year 1 and a Mid-term Review at the end of Program Year 2. The first review will focus mainly on management performance with particular emphasis on procurement performance. The second Review will cover both management and technical performance and will provide the basis for refining the future direction of the Facility and guidance for future AusAID support. GOI and GOA will cooperate fully in these Reviews, providing documents and information as requested by the review team.

## **11. Reporting**

The FMU will be responsible, together with the Working Groups, for preparing the following reports:

- Quarterly Financial Reports which will be submitted within one month of the end of each quarter.
- Six-Monthly Progress Reports which will be submitted covering the period January-June and July-December, within one month of the end of each period.
- Annual M&E Reports which will be submitted within 1 month of the end of each calendar year from the end of 2009 onwards.
- A Program Completion Report which will be submitted within two months of the scheduled close of the Program.

All reports will be submitted to the FMC for formal approval.

## **12. Annual Plans**

Annual Strategic Plans will be prepared annually by GOI through the Working Groups with the technical input and assistance of the FMU and submitted to the FMC, WSP and AusAID for approval by no later than the end of August each year. At a minimum, the Annual Strategic Plans will identify priority areas to be addressed by the Program over the coming year together with global budget allocations between core focus areas and Implementing Agencies, indicative activities, expected achievements, performance indicators to measure tangible achievements, and an assessment of risks.

## **13. Intellectual Property**

Pursuant to Paragraph 1 of Article VII of the GADC, the parties have decided that any Intellectual Property issues that might arise during the execution of the Program will be dealt with in accordance with Annex C of the GADC.

## **14. Amendments to the Subsidiary Arrangements**

This Subsidiary Arrangement may be amended at any time by an Exchange of Letters between BAPPENAS and AusAID.



IN WITNESS THEREOF, the undersigned have signed this Subsidiary Arrangement.

Signed in duplicate, at Jakarta, on this \_\_\_\_\_ day of \_\_\_\_\_ in the year of two thousand and eight, in 2 (two) originals in English language, both of the texts being equally authentic.

FOR THE GOVERNMENT OF  
AUSTRALIA

FOR THE GOVERNMENT OF  
THE REPUBLIC OF INDONESIA

Development Cooperation  
Australian Embassy

Facilities and Infrastructure Affairs  
BAPPENAS

## APPENDIX 8

### RELEVANT GOI AGENCIES WITH WSES RESPONSIBILITIES

AGENCY	KEY WSES RESPONSIBILITIES	STRENGTHS	WEAKNESSES
<b>(A) National-level</b> <b>BAPPENAS</b> <ul style="list-style-type: none"> <li>Deputy for Natural Resources and Environment</li> <li>Deputy for Infrastructure</li> <li>Deputy for Regional Autonomy</li> <li>Deputy for Development Funding</li> </ul>	<ul style="list-style-type: none"> <li>Water resources protection and conservation and environment management;</li> <li>Development of PSP;</li> <li>Water resource management.</li> <li>Decentralization, planning and agrarian matters</li> <li>Funding allocations (including bilateral and multi-lateral funding), system and procedures and M&amp;E</li> <li>Donor program coordination</li> </ul>	<ul style="list-style-type: none"> <li>Through WASPOLA, BAPPNAS takes the lead in the establishment and development support of the WSES AMPL.</li> <li>Chairs the AMPL</li> <li>Sponsoring a number of WSES program including WASPOLA2, PLAN</li> <li>Strong leadership in WSES</li> <li>Strong proponent of the two WSES policy</li> <li>'Neutral' coordinator in multi-sector programs.</li> </ul>	<ul style="list-style-type: none"> <li>Need to review the structure and effectiveness functioning of the AMPL for the advancement of the WSES policy;</li> <li>Not leveraging its national coordination role in bringing KLH, DGCK and DGWRD to contribute more towards WSES development;</li> <li>Very active, over-stretched and under staffed</li> <li>Has assumed over time, a driving/developmental role rather than coordination</li> <li>Core function is national economic planning</li> </ul>
<b>Ministry of Public Works (MPW)</b> <ul style="list-style-type: none"> <li>DG Cipta Karya</li> <li>BPPSPAM</li> </ul>	<ul style="list-style-type: none"> <li>Water Supply development</li> <li>Environmental sanitation</li> </ul>	<ul style="list-style-type: none"> <li>WSES is a core function of PU as defined in the TUPOKSI</li> <li>Strong experience in supporting the development and strengthening of the then BPAM and now PDAM including the support for ADB/PSP for WS, WWM and SWM;</li> <li>Strong experience in implementing bilateral/multilateral/APBD environmental sanitation projects including WSLIC1;</li> </ul>	<ul style="list-style-type: none"> <li>Several MPW restructuring (from sectoral to regional and back to sectoral based) has weakened DGCK capacity and effectiveness to support the development of PDAM.</li> <li>The role of PU under decentralisation is technical oversight, sector management and policy/guideline development, making DGCK support for PDAM less than</li> </ul>

<ul style="list-style-type: none"> <li>• DG Water Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory support for water supply system development</li> <li>• Water resources management, rivers, swamps, dams and coastal management and irrigation sector development.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently providing support to PDAM Tangerang in PPP bidding process under WB-PPITA and other non-project facilitations. BBPSPAM is responsible directly to the Minister.</li> <li>• DGWRD has strong technical capacity and well-defined WR management role. Unlike WSES, water resource management is centrally driven.</li> <li>• DPU/DGCK has to advocate fiscal review at MOF to support policy initiatives in the sector, as one of their core functions</li> </ul>	<p>effective;</p> <ul style="list-style-type: none"> <li>• Unless strengthened, BBPSPAM support role to PDAMs will be unproductive. Its support strategy is unclear and has too strong central and project flavours;</li> <li>• Strengthen its tie with DGCK to develop MPW strategy on water resource for water supply management.</li> <li>• Not an active member of the AMPL</li> </ul>
<p><b>Ministry of Health (MOH)</b></p> <ul style="list-style-type: none"> <li>• DG Communicable Disease Control &amp; Environmental Health (DG CHC EH)</li> </ul>	<ul style="list-style-type: none"> <li>• Community based environmental health and hygiene</li> </ul>	<ul style="list-style-type: none"> <li>• The Directorate EH has gained a good reputation in effectively delivering CB-WSES facilities, hygiene services through WSLIC and CLTS.</li> <li>• Strong working relations with local governments through its Puskesmas and immunization program.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited budget in developing LG capacity to facilitate post project and non-project community based environmental health program.</li> <li>• Like DGCK, the role of Health Department under decentralisation is also ambiguous</li> </ul>
<p><b>Ministry of Home Affairs (MOHA)</b></p> <ul style="list-style-type: none"> <li>• DG Community Empowerment (PMD)</li> <li>• DG Regional Development (BANGDA)</li> <li>• DG Administration of Regional Finance (BKAD)</li> </ul>	<ul style="list-style-type: none"> <li>• Community Empowerment</li> <li>• Institutional strengthening and capacity building support to LGs on decentralisation.</li> <li>• Development of regional financial administration system and procedures.</li> <li>• Decentralisation</li> </ul>	<ul style="list-style-type: none"> <li>• Active AMPL member, with historically good channel to local governments</li> <li>• Well exposed to CD/empowerment based projects incl. CERD and KDP. Strong CD advocate Director;</li> <li>• Strong involvement in provincial institutional development but less in the district</li> <li>• Strong internal/non-project concern over PDAM financial affairs</li> </ul>	<ul style="list-style-type: none"> <li>• Limited internal/non-project CD initiative as well as limited budget and staff and high staff turnover to develop CD champions</li> <li>• Not very active in WSES institutional strengthening. Active in irrigation sector</li> </ul>

<ul style="list-style-type: none"> <li>• DG Regional Autonomy (OTDA)</li> </ul>			
<b>Ministry of Environment (MOE)</b> <ul style="list-style-type: none"> <li>• Deputy for Water resource Management and Conservation</li> <li>• Deputy for Communication and Community Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Policy formulation and implementation in water resources management and conservation and watershed management</li> </ul>	<ul style="list-style-type: none"> <li>• KLH has a pool of highly professional environmental scientists and advisers;</li> <li>• It has regional presence in Pekanbaru, denpasar and Makasar to conduct its facilitation and capacity building role.</li> </ul>	<ul style="list-style-type: none"> <li>• Not an active AMPL member</li> <li>• Portfolio coordination among its Deputies needs strengthening;</li> <li>• The role of KLH in WSES development is not very clear</li> </ul>
<b>Ministry of Finance (MOF)</b> <ul style="list-style-type: none"> <li>• DG Budget and Fiscal Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Policy formulation and implementation of fiscal balance between central budget (APBN) and regional budgets (APBD).</li> <li>• A serious objective of the FMC will be to engage the MoF in conceptual stages of policy development that involve a fiscal component.</li> </ul>	<ul style="list-style-type: none"> <li>• Most informed on regional governments' financial conditions, status and potential as well as PDAMs financial health.</li> </ul>	<ul style="list-style-type: none"> <li>• Not an active AMPL member</li> <li>• There are over 400 local governments throughout Indonesia. Its role to build local capacity in budget preparation is limited.</li> </ul>
<b>Ministry of Women's Empowerment</b>	<ul style="list-style-type: none"> <li>• Formulating and coordinating in implementing national policy on women's empowerment;</li> </ul>	<ul style="list-style-type: none"> <li>• It's focus in women's empowerment with direct access to the President</li> <li>• Can be useful to validate and ratify the women empowerment component of the WSES policy/strategy</li> </ul>	<ul style="list-style-type: none"> <li>• The protection of women against violence has overshadowed its role to facilitate the empowerment of women to participate in community development incl. CBWSES.</li> </ul>

<b>(B) Provincial level</b>			
<ul style="list-style-type: none"> <li>• BAPPEDA (Provincial Planning Agency)</li> </ul>	<ul style="list-style-type: none"> <li>• Regional and cross sectoral policy development and implementation particularly in the water resources and environmental management;</li> <li>• MIS and M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>• Province wide and cross sectoral planning and budgetary coordinating role;</li> <li>• Has an important role in women's empowerment, WRM, environmental protection and partnering PDAMs.</li> </ul>	<ul style="list-style-type: none"> <li>• In general BAPPEDA has yet to fully exercise its planning and coordinating role and responsibility;</li> </ul>
<ul style="list-style-type: none"> <li>• Dinas PU (Public Works)</li> </ul>	<ul style="list-style-type: none"> <li>• Province wide infrastructure development execution oversight;</li> <li>• MIS and M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>• Provider of technical and non-technical support to districts particularly in building and strengthening local capacity on procurement procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of funding to provide district wide support and fulfilling its facilitation role.</li> </ul>
<ul style="list-style-type: none"> <li>• Dinas Kesehatan (Health)</li> </ul>	<ul style="list-style-type: none"> <li>• Community based health and hygiene awareness, promotion of safe drinking water quality standard;</li> <li>• Chemical &amp; Bacteriological testing of water</li> </ul>	<ul style="list-style-type: none"> <li>• Generally the local government has been fulfilling some of these functions well except for drinking water quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of technical resources and equipment to effectively monitor both urban and rural water quality.</li> </ul>
<ul style="list-style-type: none"> <li>• Dinas PMD (Community Empowerment)</li> </ul>	<ul style="list-style-type: none"> <li>• Institutionalisation of national policies on village empowerment at district and village levels;</li> <li>• Facilitate the preparation of APBD community development program;</li> <li>• Strengthen district institutional development;</li> </ul>	<ul style="list-style-type: none"> <li>• Has a good link to DG PMD for technical and non-technical support</li> <li>• Has a mandate and strong role in ensuring province wide community empowerment supports available to all districts;</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of facilitation capacity and funding particularly in not so well of provinces</li> <li>• Lack of local government commitment in empowering the community let alone empowering the women.</li> </ul>
<ul style="list-style-type: none"> <li>• BAPEDALDA (Provincial EPA)</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental management guidelines, safeguards and M&amp;E</li> <li>• Clearing house for local AMDAL procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Access to regional KLH offices for support and technical assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of technical resources and functional clarity to be an effective EPA.</li> </ul>

<b>(C) District Level</b>			
<ul style="list-style-type: none"> <li>• BAPPEDA (District Planning Agency)</li> </ul>	<ul style="list-style-type: none"> <li>• District infrastructure development strategy, policy and implementation;</li> <li>• Integrated development planning in human settlements, water resources and environmental management;</li> <li>• MIS and M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>• BAPPEDA has an important overall planning and budgetary preparation coordinating role</li> </ul>	<ul style="list-style-type: none"> <li>• Generally the BAPPEDA has not fully exercising its planning coordinating role and responsibility</li> </ul>
<ul style="list-style-type: none"> <li>• Dinas PU (Public Works)</li> </ul>	<ul style="list-style-type: none"> <li>• District infrastructure development execution - WSES, WRM, district roads etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Has a sector wide infrastructure implementing roles covering water supply, water resources management, roads and irrigation;</li> </ul>	<ul style="list-style-type: none"> <li>• The responsibility of the sanitation operations delegated to the <i>Office for Sanitation, Parks and Garden and Public Cemetery</i> not a dinas status</li> </ul>
<ul style="list-style-type: none"> <li>• Dinas Kesehatan (Health)</li> </ul>	<ul style="list-style-type: none"> <li>• Community based health and hygiene awareness, promotion of safe drinking water standard;</li> </ul>	<ul style="list-style-type: none"> <li>• Reasonably strong on WSES project support such as WSLIC, CWHSP and WASPOLA</li> </ul>	<ul style="list-style-type: none"> <li>• Need to strengthen the capacity of local sanitarians.</li> </ul>
<ul style="list-style-type: none"> <li>• BAPEDALDA (District PA)</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental management guidelines, safeguards and M&amp;E</li> <li>• Clearing house for local AMDAL procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental safeguard monitoring role and community awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of technical (as distinct from structural) staff hence its poor capacity to run an effective EPA function.</li> </ul>

## APPENDIX 9 RELEVANT DONOR PROGRAMS

Name of Program	Donor, Funding, Duration and Executing Agency	Geographic Focus	Brief Description	Possible Linkages with The WASPOLA Facility
Water Supply & Sanitation Policy Planning Project – Phase 2 (WASPOLA 2).	<ul style="list-style-type: none"> <li>AusAID</li> <li>A\$ 8.1 m</li> <li>2004 to end 2008, funding will be fully disbursed by April'08;</li> <li>Executed by WSP-EAP, with strong BAPPNAS involvement</li> </ul>	<ul style="list-style-type: none"> <li>Strong focus at national level for policy reform and knowledge management activities;</li> <li>Policy implementation trials and scale-up have been carried out in 49 selected districts throughout Indonesia.</li> </ul>	<ul style="list-style-type: none"> <li>Development of a national policy framework for development of community-based and institutional-based WSES;</li> <li>Implementation of the improved community-based framework in 49 selected districts;</li> <li>Strengthening of sectoral coordination arrangements (establishment of AMPL etc);</li> <li>Strengthening of information generation, management and dissemination.</li> </ul>	<ul style="list-style-type: none"> <li>The WASPOLA Facility is designed to build on WASPOLA 2 substantial achievements in policy reform and improved sector management.</li> <li>Possible need for a mechanism to continue support to those districts that have recently come under WASPOLA 2 but have not yet completed the policy implementation process.</li> </ul>
Community Water Services and Health Program (CWSH)	<ul style="list-style-type: none"> <li>ADB.</li> <li>US\$27 m grant; \$70 m loan.</li> <li>2005 to 2009; start-up of loan-funded component delayed.</li> <li>Executed by MoH</li> </ul>	<ul style="list-style-type: none"> <li>Selected districts and villages in Aceh, Nias (grant);</li> <li>E Kalimantan, W Kalimantan, Jambi and Bengkulu (loan)</li> </ul>	<ul style="list-style-type: none"> <li>Provision of small grants to communities for construction of WSS facilities.</li> <li>Development of district-level capacity for WSS implementation.</li> <li>Highly decentralized approach, focusing on community involvement and empowerment.</li> </ul>	<ul style="list-style-type: none"> <li>Approach follows the community-based policy developed under WASPOLA 2.</li> <li>No formal mechanism for transferring lessons learned back into the policy process at national level incorporated into the design.</li> </ul>
Second Water and Sanitation for Low Income Communities Project (WSLIC 2)	<ul style="list-style-type: none"> <li>World Bank</li> <li>US\$106.70m</li> <li>2000 to 2009</li> <li>Water supply, health, sanitation</li> <li>Executed by MoH</li> </ul>	<ul style="list-style-type: none"> <li>W Sumatra, S Sumatra, W Java, E Java, NTB, S Sulawesi;</li> <li>8 provinces, 35 districts and 2,854 communities</li> </ul>	<ul style="list-style-type: none"> <li>Improving health behavior encompassing CLTS to reduce water borne disease through health education and promotion</li> <li>Providing water supply facilities to low income communities through participatory approach</li> <li>Community facilitation and training</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening District PMDs role in community facilitation</li> </ul>
Third Water and Sanitation for Low Income Communities Project (WSLIC3 or 'PAMSIMAS'))	<ul style="list-style-type: none"> <li>World Bank</li> <li>US\$275.1m (loan S138m)</li> <li>2007 to 2013</li> <li>Water supply, health, sanitation</li> <li>Executed by MPW, MoH, MoHA</li> </ul>	<ul style="list-style-type: none"> <li>15 provinces and 111 districts, 5000 communities</li> </ul>	<ul style="list-style-type: none"> <li>Community empowerment and local institutional development to mainstream and scale up CB WSS and hygiene improvement.</li> <li>Improving sanitation and hygiene behavior, services and promotion encompassing CLTS.</li> <li>Provision of village and peri-urban communal WSS facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Uses CB WSES policy framework. – can be part of the larger scale-up mechanism</li> <li>Applies CLTS as the sanitation mechanism – can be part of the sustainability confirmation process</li> </ul>

Name of Program	Donor, Funding, Duration and Executing Agency	Geographic Focus	Brief Description	Possible Linkages with The WASPOLA Facility
			<ul style="list-style-type: none"> <li>Incentive grants to villages and districts to sustain and expand WSS services.</li> </ul>	
Indonesia Water Dialogues	<ul style="list-style-type: none"> <li>Multi-donor, international initiative.</li> <li>Seeking funding of US\$ 0.35m for the Indonesia Dialogue.</li> <li>Initial mandate through till Sept 2008.</li> <li>Multi-stakeholder representation - GoI, PDAMs, private sector, DKI Regulator, NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>National Forum.</li> <li>FORKAMI provides the national secretariat.</li> </ul>	<ul style="list-style-type: none"> <li>Aimed at establishing constructive engagement between the various interests involved in the debate over the role of PSP in urban water supply service delivery.</li> <li>Will commission research to establish the merits of PSP involvement.</li> </ul>	<ul style="list-style-type: none"> <li>Possible need for a more formal linkage with the AMPL to facilitate transfer of findings.</li> <li>Possible funding/ partial funding of IWD costs from the Facility?</li> </ul>
Integrated Sanitation Sector Development Program (ISSDP)	<ul style="list-style-type: none"> <li>WB/WSP-EAP</li> <li>2006 to 2010</li> <li>US\$4m</li> </ul>	<ul style="list-style-type: none"> <li>Policy framework on urban sanitation</li> <li>Piloting policy principles in 6 cities</li> </ul>	<ul style="list-style-type: none"> <li>Developing an effective enabling framework for sanitation.</li> <li>Developing a coordinating investment framework.</li> <li>Stimulating sanitation demand through a target public awareness and marketing campaign.</li> <li>Developing local level capacity.</li> <li>City level investment support.</li> </ul>	<ul style="list-style-type: none"> <li>The ISSD enabling framework component supports to clarify, strengthen and operationalize the institutional framework for sanitation at all government levels.</li> <li>The ISSDP output forms a primary input of the sanitation policy. It could be the main source or a significant input to The WASPOLA Facility.</li> </ul>
WASAP	<ul style="list-style-type: none"> <li>Dutch Government</li> <li>2005 to 2009</li> <li>Euro 18.6m (WS, ISSDP, WR)</li> <li>Euro 10.0m incl. Non-profit private funding for PDAM improvement (PSPDF)</li> <li>Executed by WSP (ISSDP), PERPAMSI and PDAMs</li> </ul>	<ul style="list-style-type: none"> <li>NAD, Nias</li> <li>10 PDAMs in Riau, N Sulawesi, N Maluku and Papua targeting 80% coverage and 5 year financial break-even</li> </ul>	<ul style="list-style-type: none"> <li>Capacity building and institutional development of PDAMs with PERPAMSI and WB.</li> <li>Sectoral approach to develop a national policy and strategy for sanitation – ISSDP.</li> <li>Pilot projects on sanitation in urban areas; provide input to ISSDP.</li> <li>Water and Sanitation Facility for NAD and Nias.</li> <li>Aligning the water resources sector with national water resources management goals.</li> </ul>	<ul style="list-style-type: none"> <li>Review progress in terms of adopting some of the outcomes, findings and methodologies (strategies) developed.</li> </ul>
Environmental Services Program (ESP)	<ul style="list-style-type: none"> <li>USAID executed by DAI</li> <li>US\$</li> <li>FY 2004-2008 program</li> <li>PDAM, BRR, LG, NGO</li> </ul>	<ul style="list-style-type: none"> <li>Mainly Java and Sumatra</li> </ul>	<ul style="list-style-type: none"> <li>Promoting better health through improved water resources management and WSE services.</li> <li>Improving watershed management to provide a stable supply of raw water.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in sector financing.</li> <li>Strengthening water resource management policy framework.</li> <li>Piloting asset management operational</li> </ul>



Name of Program	Donor, Funding, Duration and Executing Agency	Geographic Focus	Brief Description	Possible Linkages with The WASPOLA Facility
			<ul style="list-style-type: none"> <li>Improved WSES service delivery by increasing operational efficiency and access to commercial finance.</li> </ul>	<ul style="list-style-type: none"> <li>guidelines.</li> <li>5 large city wastewater strategy plans which can be input to The WASPOLA Facility for sanitation Policy.</li> </ul>
Rural Water and Sanitation Project in NTT and NTB (ProAir)	<ul style="list-style-type: none"> <li>GTZ and KfW)</li> <li>US\$3.0m</li> <li>2002 to</li> <li>Executed by GTZ/NTT Government</li> </ul>	<ul style="list-style-type: none"> <li>NTB, NTT</li> </ul>	<ul style="list-style-type: none"> <li>Improving the provision of drinking water and sanitation in selected districts.</li> <li>Decentralization, a cross cutting theme to all fields of activities.</li> <li>Piloting appropriate technology in WSS delivery;</li> <li>Field trials are communicated into the policy formulation process.</li> <li>The involvement of NGO and government institutions, a prerequisite for a sustainable poverty alleviation.</li> </ul>	<ul style="list-style-type: none"> <li>Transfer of lessons learned back into the policy process at national level.</li> </ul>
Enviro Nusantara	<ul style="list-style-type: none"> <li>Private Australian/ French-owned Company offering PPPs with PDAMs.</li> </ul>	<ul style="list-style-type: none"> <li>JV with Tengarang PDAM operating since 2003/4.</li> <li>4-5 other JVs pending with other municipal PDAMs.</li> </ul>	<ul style="list-style-type: none"> <li>Management contracts with PDAMs based on rehabilitation, operation and transfer.</li> <li>Typical contract period 15-20 yrs.</li> <li>Typical investment A\$15-20m/ plant.</li> <li>Typical plant capacity 500-1,000 l/sec.</li> <li>Initial JV with Tangerang considered highly successful.</li> <li>JV covers water production only. Distribution retained by PDAM.</li> <li>Actively seeking other JV opportunities.</li> <li>No major regulatory hurdles reported.</li> <li>Other Companies becoming interested in doing the same thing.</li> </ul>	<ul style="list-style-type: none"> <li>Transfer of lessons learned back into the policy process at national level.</li> </ul>
Australia–Nusa Tenggara Development Assistance for Regional Autonomy (ANTARA)	<ul style="list-style-type: none"> <li>AusAID</li> <li>2004 to 2009</li> <li>A\$30m</li> <li>NTT and NTB provincial and district governments</li> </ul>	<ul style="list-style-type: none"> <li>A flexible program to reduce poverty in NTT and NTB;</li> </ul>	<ul style="list-style-type: none"> <li>Developing synergy and improve donor coordination to maximize the Aid impact on poverty reduction.</li> <li>Developing local skills in planning, budgeting and small business development.</li> <li>Investing in local initiatives to get Aid impact</li> </ul>	<ul style="list-style-type: none"> <li>Could be an entrypoint for some pilot activities with LGs on forthcoming policy initiatives.</li> </ul>

Name of Program	Donor, Funding, Duration and Executing Agency	Geographic Focus	Brief Description	Possible Linkages with The WASPOLA Facility
			and expansion. <ul style="list-style-type: none"> <li>Improving access to quality basics services and increasing peri-urban and rural incomes.</li> </ul>	
Sulawesi and Sanitation Hygiene (SWASH)	<ul style="list-style-type: none"> <li>CIDA</li> <li>2003 to 2008</li> <li>US\$11.2m</li> <li>Executed by CARE Canada</li> </ul>	<ul style="list-style-type: none"> <li>Sulawesi</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen community capacity to plan and implement basic services.</li> <li>Improved access to water and sanitation, family health, particularly of women and children in SWASH project areas.</li> <li>Strengthen community capacity to achieve improvements in the use of clean water, safe sanitation facilities and understanding of beneficial hygiene practice.</li> <li>Increased community empowerment through civil society strengthening and training activities.</li> </ul>	<ul style="list-style-type: none"> <li>In conjunction with ProAir identify WSES institutional strengthening needs of LG in Eastern Indonesia</li> </ul>
Decentralization Support Facility (DSF)	<ul style="list-style-type: none"> <li>DFID, WB, UNDP, ADB, USAID, AusAID, CIDA, GTZ, Govt. of Netherland</li> <li>2005 to 2009</li> <li>US\$45m</li> </ul>	<ul style="list-style-type: none"> <li>Current focus includes strengthening intergovernmental framework, develop capacity building and accountability of LG</li> </ul>	<ul style="list-style-type: none"> <li>A common donors forum to address coordination issues and to support improved poverty outcomes from decentralization initiative.</li> <li>Sharing knowledge on decentralization lessons learned amongst stakeholders and donors.</li> <li>Designing, reviewing and improving the quality of donor programmes to complement and support the government decentralization program.</li> <li>Developing common platforms for policy engagement with key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>The WASPOLA Facility may assist DSF in delivering a more tangible policy related result during the current phase.</li> <li>Coordinated GOI approach to scaling up of policy initiatives.</li> <li>Coordination of sectoral SWAp development</li> </ul>
PLAN	<ul style="list-style-type: none"> <li>Individual and Dutch Government sponsorship, USAID, CIDA, DFID</li> <li>1969 ongoing</li> <li>US\$3m for annually</li> <li>Executed under BAPPENAS Managed Trust Fund</li> </ul>	<ul style="list-style-type: none"> <li>School hygiene promotion</li> <li>Community and children empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Save-The-Children as its core activity through education, hygiene promotion and WSES and livelihood;</li> <li>CB WSES including home latrine, hygiene promotion and integrated school hygiene program</li> </ul>	<ul style="list-style-type: none"> <li>Strongly supported WASPOLA2 program and advocating the development of district AMPLs</li> <li>Enthusiastic about The WASPOLA Facility in enhancing and supporting their current program with BAPPENAS</li> </ul>

Name of Program	Donor, Funding, Duration and Executing Agency	Geographic Focus	Brief Description	Possible Linkages with The WASPOLA Facility
			<ul style="list-style-type: none"> <li>Bldg comm capacity and capability in WSES.</li> </ul>	
Indonesia Infrastructure Initiative (IndII)	<ul style="list-style-type: none"> <li>AusAID</li> <li>2008-2012</li> <li>A\$64.8 million</li> </ul>	<ul style="list-style-type: none"> <li>National and sub-national level with no particular regional focus</li> </ul>	<ul style="list-style-type: none"> <li>Goal is to get better infrastructure sooner by reducing regulatory, capacity and financing constraints on infrastructure investment at national and subnational levels.</li> <li>Objectives are to support national and subnational govts to (i) implement efficient and effective project management for govts infrastructure projects including those financed by loans from the MDBs; (ii) build a more supportive regulatory and policy environment for infrastructure investment; and (iii) enhance the safety and maintenance features of priority infrastructure projects.</li> </ul>	<ul style="list-style-type: none"> <li>Major investment is likely to be on the transportation sector, but there will also be some involvement in WSES.</li> <li>Strong potential for the WASPOLA Facility to directly assist in developing solutions to identified policy and policy implementation issues.</li> </ul>

## **APPENDIX 10**

### **ACTIVITY ASSESSMENT GUIDELINES**

Key activity assessment guidelines include the following:

- An activity Request Form has been fully completed using the standard format.
- The activity must directly address an identified output in one of the three core focus areas.
- It must be able to clearly demonstrate a contribution towards the Program purpose and relevant component objective.
- The activity must fit with the general priorities identified in the current Annual Strategic Plan and be part of a coherent strategy that leads towards achievement of the Annual Strategic Plan.
- The activity must be endorsed by the relevant Director/s (Echelon 2) of the requesting agency as a priority activity for that agency, including identification of agency staff that will be responsible for managing implementation.
- The activity proposal must clearly define expected achievements and the potential application of results.
- The activity must clearly indicate linkages with previous related activities, if any, and any necessary follow up activities.
- Any previous related activities completed by the requesting agency must have been satisfactorily executed.
- The activity must be of less than a year's duration.
- Total funding required for any one activity should be less than A\$150,000.
- For Component 1 (policy development) and Component 2 (policy implementation), the activity should directly involve provincial and/ or district level consultations and field trials to the maximum extent possible.
- For Component 2 (policy implementation), the activity should involve pilot implementation at sub-national levels (province or district).
- The activity must build on and be adequately coordinated with other related GOI and donor activities.
- The activity should directly involve non-government stakeholders (e.g. private sector, NGOs) where necessary.
- activity design should include clearly specified mechanisms for capacity building/ skills transfer to key stakeholders where relevant.
- Activity design must comply fully with key gender criteria (refer to Appendix 4).
- The activity proposal must have been posted on the Program website for a period of not less than 1 month.
- Eligible cost items include TA, training and workshops, field studies, trials, and travel.
- The requesting agency has counterpart funding available to cover travel and other miscellaneous expenses.
- For any activity that has recurrent cost implications, the requesting agency is able to demonstrate how these costs will be covered on a sustainable basis.
- Potential risks that may affect implementation have been adequately considered.
- The activity does not involve 'budget substitution' for a currently planned GOI-funded activity.

## APPENDIX 11

### INDICATIVE YEAR 1 ACTIVITIES

**Component 1 indicative activities.** On an indicative basis, some of the high priority activities that might be implemented under Component 1 during the first year include:

- Finalisation of a Ministerial Decree operationalising Government Regulation 16/2005 on drinking water supply (MPW).
- Initiation of case studies on the sustainability of CLTS approaches in communities where these approaches have already been applied over a period of several years (MOH).
- Strengthening of the community-based policy document to include recommendations on sanitation emerging from ISSDP (MOH and MOHA (PMD)).
- Provision of assistance for drafting Government Regulations operationalising the new law on ownership of local government SoEs (MOHA (BKAD)).
- Rationalisation of Government Regulations under the Water Law (7/2004) covering water resource allocation between urban and agriculture users (MPW).
- Development of national strategy for improved management of PDAM assets as an integral part of PDAM debt restructuring program (Bappenas and MOF).
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**Component 2 indicative activities.** On an indicative basis, some of the high priority activities that might be implemented under Component 2 during the first year include:

- Conduct of case studies to identify mechanisms for resolving water resource allocation issues involving provincial and district governments and the need for legislative and legal remedies (MPW, MOHA).
- Working with a limited number of pilot districts (selected from WASPOLA 2 districts where an implementation plan has already been approved by the DPRD) to develop improved financing strategies (AMPL).
- Development and pilot implementation of media materials to help raise the awareness of DPRD, LG officers, and communities regarding key aspects of WSES planning and implementation (AMPL).
- To consolidate and strengthen the performance benchmarking initiatives currently in place for PDAMs, and implementation of these benchmarks for selected PDAM on a trial basis combined with provision of performance-based incentives (PERPAMSI, MPW).
- Pilot re-establishment of a provincial WSES centre and development of appropriate capacity to support LGs with the implementation of WSES policies (MOHA).

**Component 3 indicative activities.** On an indicative basis, some of the high priority activities that might be implemented under Component 3 during the first year include:

- Identification and cataloguing of all major WSES policies studies conducted over the past 5 years, building on the current initiatives of MPW in this area (Bappenas).
- Continued development of the AMPL Indonesian language website (Bappenas).
- Development of monitoring systems for assessing status of the WSES sector in terms of key MDG indicators, for use at district, provincial and national levels (Bappenas to coordinate).
- Development of unified management systems that can measure the effectiveness of GOI medium-term plans (RPJM) and RENSTRA's towards meeting sector goals (Bappenas).
- Develop a limited set of key performance indicators for major WSES policies on which all donor projects will be encouraged to align, thereby ensuring improved harmonisation of donor-funded activities with the GOI policies (Bappenas).

## APPENDIX 12 FLOW-OF-FUNDS

