

WORKING PAPER 2: INDONESIA

INDEPENDENT EVALUATION OF AUSTRALIAN AID TO WATER SUPPLY AND
SANITATION SERVICE DELIVERY IN EAST TIMOR AND INDONESIA

DECEMBER 2009



Australian Government

AusAID

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DECEMBER 2009

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Country summary—Indonesia

<i>Population</i> ¹	Estimate (2008): approximately 238 million
<i>Area</i>	1 919 440 km ² on 17 508 islands (about 6000 inhabited; about 60% of the population lives on the island of Java)
<i>Ethnic groups and languages and religion</i>	Ethnic groups (2000 census): Javanese 40.6%, Sundanese 15%, Madurese 3.3%, Minangkabau 2.7%, Betawi 2.4%, Bugis 2.4%, Banten 2%, Banjar 1.7%, other or unspecified 29.9%. Languages: Indonesian (official), English, approximately 737 local or ethnic languages. Religion (2000 census): Muslim 86.1%, Protestant 5.7%, Roman Catholic 3%, Hindu 1.8%, other or unspecified 3.4%
<i>Gross Domestic Product (GDP) per capita</i> ²	Purchasing power parity (PPP) 2007n estimate: US\$3600 Nominal value (2008 estimate): US\$2181 Comparisons (2008): Malaysia US\$7866; Thailand US\$4099; China US\$3180; Sri Lanka US\$2099; Philippines US\$1908; Vietnam US\$1047; India US\$1043
<i>Key poverty statistics</i> ³	About 49% of the population lives below the PPP poverty line of US\$2 per day About 17% of the population lives below the national poverty line of about US\$1.55 per day
<i>Key human development statistics</i>	Rank: 107 out of 177 Adult literacy rate: 88% (male 92%, female 83%) Average life expectancy: 68 years
<i>Government and administrative divisions</i>	Election of two national councils (both open list proportional representation and direct voting for members) , provincial and district councils, and direct election of president, provincial governors, and district and municipal mayors (<i>bupati</i>) 33 provinces (<i>provinsi/propinsi</i>) and 440 districts (<i>kabupaten</i>) Other administrative divisions: city (<i>kota</i>), subdistrict (<i>kecamatan</i>), village (<i>desa</i>) <i>Districts are responsible for water supply and sanitation.</i>
<i>Water supply coverage</i> ⁴	Millennium Development Goal (MDG): 57.4% of the population with sustainable access to safe drinking water by 2015 Population with access to water total: 78% in urban areas: 87% in rural areas: 69%
<i>Sanitation coverage</i> ⁵	MDG: 65.5% of population with basic sanitation by 2015 Population with basic sanitation total: 56.5% in urban areas: 73% in rural areas: 40%

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A list of key informants and members of the evaluation team is in Appendix G.

EXECUTIVE SUMMARY

Background

Achievement of key human development indicators depends on the supply of essential services such as health care, education, water and sanitation. In middle-income countries, these types of services have usually reached wealthier sections of community, but often there is a lag in providing them to the poor. Although much international aid is aimed at improving service delivery to the poor and at improving related human development indicators, the results are mixed. This review assesses the performance of the Indonesian water supply and sanitation sector and in relation to this the relevance and performance of external assistance. It covers project and policy support provided by Australia to Indonesia, which has predominantly focused on rural water supply and sanitation. The review seeks to identify key factors influencing aid effectiveness in the water supply and sanitation sector in Indonesia. Based on this analysis, recommendations are made for how Australia should provide support to the sector in Indonesia and how Australia can extend its support to the sector in other comparable countries.

Country context

Indonesia is a middle-income country with a highly developed and decentralised state and rapidly developing democratic institutions. Decentralisation of responsibility for service delivery to local government began in 2001 and is continuing with varied impact across the archipelago. In general, district governments lack the capacity to provide services. State responsiveness to consumer demand is improving slowly, partly due to direct elections of sub-national leaders.

The 1997 Asian financial crisis caused a major increase in poverty in Indonesia and now almost half of the population of 237.5 million people live on less than US\$2 per day. Lack of access to basic services intensifies the problem by adding a non-income poverty dimension. The Indonesian Government is committed to reducing poverty and has proven so with various planning and policy decisions in recent years.

Sector performance

Coverage is still relatively low and rural areas are lagging behind urban areas in both water and sanitation coverage. National data for 2007 found that urban areas have about 30 per cent coverage while rural areas have only nine per cent coverage for piped water. Functionality for piped water systems is not routinely monitored, although projects that encourage strong community participation, including in operations and maintenance activities, appear to be more sustainable. Only 17 per cent of the population has a house connection. The Government has made a commitment to installing 10 million new household connections by 2012. This would provide services to an additional 55 million people; however, the capacity to fulfil this commitment is low.

Sanitation coverage is quite high at 81.8 per cent for urban and 60 per cent for rural; however, facility quality, functionality and usage is not measured at present. The average cost of installing a new rural piped water system is less than US\$15 per person, which indicates a cost efficient delivery compared to most other countries in the region.

The sector is not given a high priority at the national or sub-national level, partly because of competing priorities from other sectors such as health and education. Few local governments use their own resources to implement water and sanitation activities and when given funding through open-menu infrastructure programs, local governments and communities rarely choose water and sanitation as the main activity.

Most funding for the sector comes from the national level and the level of sub-national funding is often hidden as it occurs in several government departments. Funding estimates for the sector are around one to two per cent of local government budgets.

Programs are running in both the public works and health ministries to improve sanitation facilities and practice. Public Works focuses on urban and peri-urban community based sanitation through the SANIMAS (*Sanitasi Berbasis Masyarakat*—sanitation by communities in urban areas) program, and Health has a behavioural change approach to sanitation for rural areas. More than 300 sites have benefited from the SANIMAS program; the health program has only been running for a short time.

The small-scale private sector is strong in Indonesia and has the capacity to build and maintain services. User groups in rural communities appear quite effective. Urban and peri-urban communities have much less success in self-management of water and sanitation infrastructure.

Institutional arrangements

Institutional responsibility for water supply and sanitation is shared among several departments including Public Works, Health and the National Development Planning Agency. The National Water Supply and Environmental Sanitation Working Group (Pokja AMPL) coordinates between departments and with donors and other stakeholders. The working group does not have a legal basis, nor secure funding.

Urban water supply is the responsibility of water utilities. Most of these utilities are financially crippled due to poor management, deteriorating infrastructure, revenue leakages and low water tariffs. Institutional responsibility for wastewater and sewerage is at the district government level; however, departmental responsibility varies between districts. Very few urban utilities provide sanitation services.

The private sector and civil society groups are relatively strong and play a vital role in providing infrastructure and in encouraging proper use. The Indonesian Water Supply Association advocates for water utilities at the national level; however, the association is institutionally weak and lacks funding.

Strategies, policy, laws and regulations

Under decentralisation, district governments are responsible for providing water and sanitation service and for regulating the sector, including by establishing tariffs and sanctions. Despite decentralisation, most strategies for the sector are still being created at the national level for implementation at the sub-national level. Translating national law to the sub-national level is the framework's biggest challenge. Capacity problems at the sub-national level often mean national strategies are not well implemented. Many existing laws and regulations are outdated and law enforcement is weak, especially for environmental sanitation.

National level policies, plans and strategies include the Medium-Term Development Plan for 2004–2009, which identifies water and sanitation provision as key to reducing poverty and improving public health. The Public Works Ministry also has a National Action Plan for the sector that focuses on achieving Indonesia's MDGs. The Health Ministry recently launched a National Strategy for Community-Based Total Sanitation that aims to improve sanitation and household water quality in rural areas.

The National Policy for Development of Community Based Water Supply and Environmental Sanitation places communities as decision-makers for planning, design, implementation, operations and management. The policy has been endorsed but not approved and therefore tends only to be adopted on an ad hoc basis. It is suitable for rural areas and there is no national policy for urban areas.

The Government's National Program for Community Empowerment (PNPM—*Program Nasional Pemberdayaan Masyarakat*) has the potential to improve water and sanitation services through block grants, technical assistance and training to communities. However, similar programs have in the past only allocated around five per cent of funds to water and sanitation infrastructure.

Gender issues for the sector

Affirmative action to encourage women's participation in community decision-making is one of the implementing strategies of the national water and sanitation policy; however, women still face obstacles to participation and have comparatively little influence on the way the sector is managed. Their participation at this level tends to be symbolic. Indonesian public participation rates for women are low and there is a lack of representation at decision-making levels in the public service.

External support to the sector

The water and sanitation sector is crowded, however there is a reasonable degree of coordination, and attempts by some agencies to look for funding gaps. The World Bank, the German aid agency GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit), the United Nations Children's Fund (UNICEF), PLAN International, the Canadian International Development Agency (CIDA), CARE, and AusAID all contribute to rural water and sanitation. The World Bank and the Asian Development Bank (ADB) have some urban water and sanitation infrastructure programs; however, the majority of support to urban water and sanitation comes from the United States Agency for International Development (USAID), the Netherlands and the Japan Bank for International Cooperation (JBIC).

Most bilateral donors channel their support through self-managed bilateral projects. Multilateral funds flow to projects financed through the national government. Some multilateral lenders have recently had trouble in getting approval from the Indonesian government and signing new loans with it for the institutional water and sanitation sector. Although support has historically focused on rural water supply, recent years have seen a renewed focus on sanitation and on peri-urban areas.

Australian support to the sector

Australia has supported efforts to improve rural water supply and sanitation in Indonesia, particularly Eastern Indonesia, for almost 30 years. Current assistance is in the form of policy support through the Water Supply and Sanitation Policy Formulation and Action Planning Project (WASPOLA) and technical assistance for community-based service delivery through the Second Water and Sanitation for Low-Income Communities program (WSLIC2). In both cases, Australia provides grant funding for technical assistance to support these projects. The technical assistance to WASPOLA is managed through the Water and Sanitation Program (WSP) and the technical assistance to WSLIC2 is jointly managed by the Indonesian government and the World Bank through the project management unit (PMU).

Australia's commitment to the sector is outlined in the 2008–13 Indonesia Development Assistance Country Strategy, and Indonesia will receive short-term funding through the AusAID Water and Sanitation Initiative.

The objectives for water supply and sanitation as outlined in the Australia-Indonesia Partnership Country Strategy are to sustain Australia's contribution to the sector through direct support and co-financing approaches, emphasising the critical role good policy and effective governance play in delivering water supply and sanitation services.⁶ The strategy further notes that Australia will help the Government of Indonesia (GoI) formulate policy, fund rural and

urban water supply and sanitation at provincial and district level, and continue to work closely with other donors, particularly the World Bank.

Effectiveness of Australian support

Overall, Australian support to the sector has been strategic, flexible and appropriate. It has assisted in providing sustainable piped-water supply to some 4.6 million people⁷ and has dramatically improved sector coordination at national and sub national levels. Water supply services provided through AusAID projects are highly cost effective compared to international standards. Project monitoring reports state 98.7 per cent functionality, however, the real rate is almost certainly lower. There has been much less focus on sanitation, although the Government has mainstreamed and begun to replicate the innovative Community-Led Total Sanitation (CLTS) approach in an attempt to achieve open defecation free (ODF) communities. Despite this, only 12 per cent of the 547 participating villages have achieved ODF so far.

Consistent support over the past 11 years has been crucial for taking advantage of new opportunities and establishing the relationships required to influence what is a quite crowded sector. Long-term engagement has allowed support to be provided in line with the pace of the GoI and its objectives, resulting in government leadership and ownership of AusAID-supported projects at national level. The national working group established through WASPOLA has strengthened government capacity in research, communications, marketing and public relations.

There has been less success in integrating approaches into sub-national government systems. Most sub-national activities take place in the context of donor-supported projects and there are still relatively few district level working groups. The groups that exist are formal but they suffer from high staff turnover and low capacity. Districts have no strong incentives to ensure working groups are effective. No detailed analysis has taken place to gauge whether external support can be aligned with Indonesian national budget and procurement norms.

Despite its relatively low funding for this sector compared to that of some other donors and multilateral agencies, Australia is seen as a lead donor. Partnering with the World Bank and WSP in this sector improved overall effectiveness due to continuity, credibility and expertise and links to international research and information networks. There are some frustrations, however, with procurement and reporting systems.

Use of national and international technical assistance rather than infrastructure investment is appropriate given the context. Sector projects have made good use of national expertise and have used international experts sparingly. Despite this, both programs have relied heavily on external consultants and have not built enough technical capacity into government to ensure sustainability.

AusAID projects have promoted the role of women, but in practice the requirements for female participation have lagged and even where participation was present during the project, once project handover occurred women's participation often dropped. While this issue was identified in the project's mid-term review it does not appear to have been corrected. Data on women's participation is not collected at the national level.

Both policy and service delivery projects encouraged the adoption of a community-managed approach, which improves the sustainability of services. By empowering villages to manage their own systems, governance has been enhanced in terms of transparency and accountability, the promotion of intra-government coordination and regular monitoring and evaluation. Donors are readily adopting the community-managed methodology used by WSLIC2, however, districts are not using this model in their own projects due to lack of capacity and political will.

The two-pronged approach of supporting policy and service delivery projects has increased the effectiveness of both projects.

Recommendations

In middle-income countries, it is still necessary to accept that the water supply and sanitation sector relies on wider public financial management and public sector reforms. Activities should have a level of ambition appropriate to the progress in these reforms. Balance is needed between supporting government strategies and systems and fostering innovation and introducing international experience. Government strategies and systems are often functioning adequately to justify strengthening them from within rather than through parallel projects. External support can provide access to expertise and international experience. Transaction costs will reduce if the number of donor activities is reduced and an exit and sustainability strategy will help ensure external support is strategic and catalytic and allows for a gradual shift in the nature of support in line with increasing national capability.

To ensure a continued high level of achievement in the sector in Indonesia, Australia will need to remain responsive to new challenges. This will require extended policy dialogue with national sector authorities, in harmony with other donors.

Australia could make a substantial contribution to new areas of work, such as the utility crisis, through dialogue with the Ministry of Finance and other areas of government, and through flexible technical assistance for skills, services and piloting to leverage investment funds. It is unlikely to have a significant impact through providing top-up funding to infrastructure development projects, as the level of funding available to it is too low. Based on previous experience, any move into new areas will only succeed with long-term commitment.

The community model has improved sustainability at that level; however, it does not provide long-term institutional sustainability. Further support to formalise policy and structures to integrate community-based approaches in the sector is worthwhile.

Greater attention to the comprehensive integration of gender equality in all components of water supply and sanitation activities and alignment with broader national policy development is essential to ensuring sustainability and promoting gender equality more generally. Activities in the sector need to link with national gender units and be allocated sufficient resources to address gender equality.

More emphasis is needed on responding to decentralisation to enhance program performance and sustainability. Particularly at the local government level, support is needed for planning and allocating resources, M&E, implementing community-based strategies, providing hygiene education and sanitation, and improving water supply and sanitation in urban and peri-urban areas.

A simple national sector performance M&E system should be established to track coverage and functionality—to direct investment and hold the sector accountable for performance. This has been identified as a key activity for the second phase of WASPOLA; however, there has been little progress to date.

Recommendations for AusAID⁸

Australian support to Indonesia	<p>Engage in extended policy dialogue with national sector authorities in harmony with other sector donors.</p> <p>Continue the next phase of policy support (WASPOLA) to scale up and deepen the integration of policy within government.</p> <p>Provide grant funding for project support (PAMSIMAS) focusing on technical assistance and funds for pilot investments.</p> <p>Assist local government to monitor and provide post-construction follow up in areas where WSLIC-2 schemes have been built.</p> <p>Finalise the Water and Sanitation Initiative design.</p>
Australian support to water supply and sanitation in middle-income countries	<p>Accept sector reliance on wider public financial management and public sector reforms and stimulate best practice by supporting reforms from within national systems, where appropriate.</p> <p>Balance the support of government strategies and systems by fostering innovation and introducing international experience.</p> <p>Provide grant-funded technical assistance to larger multilateral lending efforts to leverage the impact of limited grant funds, but consider a balance with bilateral efforts.</p> <p>Engage government and partners in an active dialogue on progress on the national sector and external support to the sector.</p> <p>Comprehensively integrate national gender equality objectives into all components of water supply and sanitation activities.</p>

ABBREVIATIONS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> —National Development Planning Agency
CBTS	Community-Based Total Sanitation
CIDA	Canadian International Development Agency
CLTS	Community-Led Total Sanitation
DAK	<i>Dana Alokasi Khusus</i> —Special Allocation Fund
DFID	Department for International Development (United Kingdom)
GDP	Gross Domestic Product
GoI	Government of Indonesia
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit, Germany aid organisation
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDR	Indonesian Rupiah
IMF	International Monetary Fund
INDII	Indonesia Infrastructure Initiative
ISSDP	Integrated Sanitation Sector Development Program
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JMP	Joint Monitoring Program
KDP	<i>Kecamatan</i> Development Program—Sub-District Development Program
M&E	monitoring and evaluation
MDG	Millennium Development Goals
MTDP	Medium Term Development Plan
NGO	Non Government Organisation
ODE	Office of Development Effectiveness
ODF	open-defecation free

PAMSIMAS	<i>Program Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat—Community-Based Drinking Water and Sanitation Provision Program</i>
PDAM	<i>Perusahaan Daerah Air Minum—local government-owned water utilities</i>
PERPAMSI	<i>Persatuan Perusahaan Air Minum Indonesia—Indonesian Water Supply Association</i>
PEFA	Public Expenditure and Financial Assessment
PNPM	<i>Program Nasional Pemberdayaan Masyarakat—National Program for Community Empowerment</i>
Pokja AMPL	<i>Pembentukan Kelompok Kerja Air Minum dan Penyehatan Lingkungan—National Water Supply and Environmental Sanitation Working Group</i>
RPJM	<i>Rencana Pembangunan Jangka Menengah Nasional</i>
SANIMAS	<i>Sanitasi Berbasis Masyarakat—sanitation by communities</i>
SWASH	Sulawesi and Sanitation Hygiene
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
WASAP	Water and Sanitation Program
WASPOLA	Water Supply and Sanitation Policy Formulation and Action Planning Project
WATSAN	water and sanitation
WHO	World Health Organization
WSES	Water Supply and Environmental Sanitation
WSLIC	Water and Sanitation for Low Income Communities
WSP	Water and Sanitation Program
WSP–EAP	Water and Sanitation Program - East Asia and the Pacific

CHAPTER 1: INTRODUCTION AND CONTEXT

The 2007 Annual Review of Development Effectiveness produced by AusAID's Office of Development Effectiveness (ODE) found that despite the large amount of international development assistance given to improving service delivery; in many cases services and related human development indicators have not improved, and in some cases have actually worsened. In response to these findings, and to the planned increase in the Australian international aid budget, the ODE decided to evaluate the performance of the Australian aid program in three key sectors: health, education and water supply and sanitation. This working paper reports on Australian support to the water supply and sanitation sector in Indonesia.

Indonesia was chosen as one of two case study countries for several reasons: its strategic importance to Australia; the length and relatively high level of Australian funding to the sector compared to other countries in the region; the variety of aid modalities that have been used over time; and because it represents a middle-income country .

The Indonesia country evaluation took place in January 2009. Key stakeholder interviews and meetings were held in Jakarta and field visits made to Serang and Pandeglang districts (Banten province), Bogor district (West Java province), and to West and East Lombok districts (West Nusa Tenggara province).⁹ As the capital city, Jakarta represents the centre of planning, policymaking, and coordination of the sector. West Java and West Nusa Tenggara provinces represent different conditions in terms of poverty, geographical conditions and local government capacity.

This country report assesses the effectiveness of recent Australian support to the water supply and sanitation sector, in conjunction with overall sector performance. A discrete analysis of the national sector framework provides the basis for assessing with greater precision the effectiveness of external assistance to the sector, including Australia's contribution. Findings on national sector performance and the effectiveness of external aid are presented in chapters two and three respectively. Recommendations arising from these findings are in Chapter 4.

The recommendations are separated into those pertinent to:

- > Indonesia specifically, both in terms of funding and policy dialogue
- > middle-income countries more generally

The evaluation does not provide an in-depth assessment of any one project, but uses examples from key current or recent projects to evaluate effectiveness of assistance to the sector.

Indonesia is a middle-income country with a highly developed and decentralised state apparatus and rapidly developing democratic institutions.

The country experienced a dramatic economic downturn after the 1997 Asian financial crisis and with it a major increase in poverty. In the years up to 2008, the economy experienced slow but steady growth, rising to 6.1 per cent in 2008.¹⁰ The more recent global economic crisis has had an impact on the Indonesian economy, which could worsen in coming years.

According to the recent World Bank Indonesia Poverty Assessment, poverty in Indonesia has three primary characteristics¹¹:

- > many vulnerable households are clustered around the national income poverty line (US\$1.55 per day), with 49 per cent of Indonesians living below US\$2 per day
- > many other households, not counted in income poverty measures, can also be classified as poor on the basis of their lack of access to basic services such as water and sanitation and their poor human development outcomes

- > vast regional disparities across all aspects of poverty.

The GoI is committed to reducing poverty and has proven this by incorporating its National Poverty Reduction Strategy into its Medium Term Development Plan (MTDP) for 2004–2009.¹² It has also made the politically unpopular move of reducing fuel subsidies and using some of the savings to fund national poverty-targeted programs in health, education, community-based infrastructure development and cash transfers to the poor.

Decentralisation of responsibilities for local governance and service delivery began in 2001. District-level government took over primary responsibility under decentralisation, with provincial governments taking a more limited coordination role.¹³ The resulting impact on services varies across the archipelago. The main criticism is that some district governments lack the capacity to provide the basic services, including water supply and sanitation, now under their responsibility. Responsiveness to consumer demands is evolving slowly, particularly as recent changes from appointed to directly elected sub-national leaders at district, sub-district and village levels provide political incentives.

CHAPTER 2: WATER AND SANITATION SECTOR PERFORMANCE

2.1 Assessment of the national sector framework

A national sector framework is the set of national policies, laws, strategies and guidelines along with the institutions and systems that make them work, including the budgets, plans and programs that guide sector expenditures.

The strengths and weaknesses of a national sector framework, both notionally and in practice, should inform the selection of appropriate aid modalities and will influence overall aid effectiveness. Any evaluation of how well external support is aligned to government systems must also start with an assessment of sector constraints, including the suitability of government systems and whether opportunities for closer alignment have been overlooked.

Policy

Indonesia has a national policy for Development of Community Based Water Supply and Environmental Sanitation (WSES).¹⁴ This policy places members of the community as the primary decision makers for all planning, design, implementation, operations and management of water supply and sanitation facilities and services. Although six director generals endorsed the national policy, official approval by the GoI is missing and therefore the policy has not been institutionalised or integrated into core government procedures and instructions. Only a few line agencies have adopted it into their water supply and sanitation programs.

The national policy best suits rural areas and other situations where water supply is not institutionally managed. There is not yet an accepted water policy for urban areas; water supply in urban areas is managed through various arrangements, including local government-owned water utilities (PDAM—*Perusahaan Daerah Air Minum*) that run largely under local statute.

The December 2008 national policy and strategy on the management of wastewater systems provides guidance to national and sub-national government agencies, communities and other stakeholders on achieving national and MDG targets on wastewater in rural and urban areas. The Ministerial regulations that support the policy focus on improving community access and participation in wastewater management systems and improving the legal framework for wastewater.¹⁵ As the policy is new, it is too early to tell whether all stakeholders will adopt it.

Legal framework

The decentralisation law of 2004 underpins the water and sanitation sector legal framework.¹⁶ According to this law, district governments are responsible for providing water and sanitation services to the communities within their jurisdiction, including creating local regulations on water and sanitation. The provincial governments have an oversight role. District regulations have a great impact on the sector as they establish the local operational framework, including tariffs and sanctions for rural and urban water supply and sanitation.

Indonesia's water resources law attempts to address issues related to water pollution, shortages and natural disasters.¹⁷ It was designed as part of a water management and conservation paradigm and in the wake of the Johannesburg Declaration in which Indonesia committed itself to improving water coverage to urban and rural areas. In this context the law allowed private participation in water supply provision (previously the monopoly of PDAM), and encouraged increased water coverage and better service delivery.¹⁸

The translation of national laws down to the sub-national level has been the legal framework's biggest shortcoming. Many existing laws and regulations are outdated, particularly those at sub-national level, and law enforcement is weak, especially for environmental sanitation.

Strategies, guidelines, programs and plans

Most strategies for the sector are created at national level for implementation at sub-national level. Once these strategies filter down to the sub-national level, they are vulnerable to local government capacity problems.

Indonesia's MTDP 2004–09 specifically identifies water and sanitation as key elements of creating an environment that can reduce poverty and benefit public health. The Ministry of Public Works' National Action Plan for water supply and sanitation is similar to the MTDP in that it focuses on achieving Indonesia's MDG targets.¹⁹ However, despite the high profile of the MDG targets and the congruence of the plans, various levels of government are not committing to addressing these targets, primarily due to other competing priorities of health and education.

In 2008, the Ministry of Health launched a National Strategy for Community-Based Total Sanitation (CBTS) to improve sanitation and household water quality.²⁰ The Ministry of Health has rolled out a national program as part of this strategy that targets 10 000 villages with a subsidy-free approach to promoting the uptake of improved sanitation. This Community-Led Total Sanitation (CLTS) approach is a key element of the strategy and aims to bring an end to open defecation through community action. CLTS, which is subsidy free, is promising in its rapid uptake but faces several challenges due to the legacy of previous sanitation projects that subsidised toilet construction. The Ministry of Public Works has implemented a community-based sanitation program known as *SANIMAS*²¹ for peri-urban areas and around 300 sites have benefited from the program since its inception in 2004.

The PNPM²² is part of the GoI's strategy to reduce poverty and improve local level governance in rural areas of Indonesia using a participatory planning approach. The program provides a combination of block grants, technical assistance and training so communities are able to determine their needs, plan, design infrastructure, and implement projects of their choice from an 'open menu'. Despite water supply and sanitation being a major sector targeted by the program, communities have chosen to spend only five per cent of block grants on water and sanitation infrastructure.²³

Institutions

The National Water Supply and Environmental Sanitation Working Group (*Kelompok Kerja Air Minum dan Penyehatan Lingkungan - Pokja AMPL*), though without legal basis, has established itself within the government as a credible and effective inter-ministerial coordinating body on matters relating to water and sanitation policy. The working group is the main point of contact between donors and government, acts as a 'clearing house' for donor coordination and provides an important source of sector information (through its magazine *Pevik*). It has filled an absence in the sector as the de facto apex body for water supply and sanitation. Despite a high profile, the working group remains vulnerable as its main funding source comes from a 'miscellaneous' category in the BAPPENAS budget. Funding is expected to finish in June 2009 as it is related to counterpart funding for external projects rather than being provided via a routine internal budget line.²⁴

The approximately 316 PDAM are important stakeholders in providing water to urban areas although they only serve 17 per cent of the total population.²⁵ The national government recognises their potential, as highlighted by Vice President Yusuf Kalla in December 2008 who urged all PDAM to commit to achieving the target of 10 million house connections in the following three years. This would provide water services to 55 million people in Indonesia who have no access to piped water.²⁶ However, this target is likely to remain out of reach for PDAM, because most

are financially crippled and their impact remains limited due to poor management, deteriorating infrastructure, revenue leakages and local regulations that set water tariffs too low to recover operating and maintenance costs.²⁷ Most PDAM are also very small, with less than 10 000 connections: only four per cent have more than 50 000 connections.²⁸

The independent Indonesian Water Supply Association (*Persatuan Perusahaan Air Minum Indonesia*—PERPAMSI²⁹) advocates for PDAM at the national government level. It has a training program and a decentralised organisational structure. It acts as a good source of information sharing and distribution for PDAM, but due to institutional weaknesses and funding constraints it has yet to reach its full potential.

Private sector artisans, masons and mechanics from within a community and technicians from outside engaged under contract, play a significant role in water and sanitation construction and maintenance. Small-scale commercial private water providers also operate in urban areas. However, there was no large-scale private sector investment in the water and sanitation sector during 2001 to 2005.³⁰ Despite GoI and World Bank initiatives to revive privatisation within the sector, conflict between legislation and regulations has prevented private sector participation.

Civil society groups, particularly Non-Government Organisations (NGOs), both local and international, play a vital role in the sector. Some NGOs are implementing water and sanitation programs in districts that have not yet received any form of government support in the sector. Despite the diversity in NGOs implementing programs, most are harmonised in their approach.³¹ Very few, however, work through GoI systems. Other civil society groups, including religious leaders in village communities, play a significant role in the success of community-based approaches. Religious leaders support community cohesion and influence and encourage clean and healthy behaviours to complement water and sanitation infrastructure.

Institutional responsibility for wastewater and sewerage is difficult to pinpoint. Usually sewerage and other wastewater collection and treatment services fall under a local government unit at provincial, district, or city level. However, the responsible department varies within each local government. Very few PDAM provide sanitation services.

Budgets

Although there has been some increase in local government investment in water and sanitation since decentralisation, a significant proportion of funding remains executed at the national level. Budget allocation for water and sanitation at the sub-national level is often unknown.³² The local government does not earmark water and sanitation funds when disbursing the district budget to various district government departments, of which up to eight budget units may be involved. Exact budget amounts are unclear but it is thought that water and sanitation activities receive very low funding from the district government compared to other sectors (estimates are between one per cent and two per cent of local government budgets).³³ This low level of funding is attributed to lack of prioritisation of water and sanitation. Funding is also highly variable and unpredictable.³⁴

National government earmarked funds from the Special Allocation Fund (*Dana Alokasi Khusus*, DAK³⁵) are distributed to local governments through BAPPENAS.³⁶ In 2005, DAK allocation for water supply was IDR203 billion and IDR608 billion in 2006.³⁷ These DAK grants are only a small portion of total local government revenues.

Cross cutting aspects

Poverty reduction

The 2004–09 MTDP focuses on poverty reduction and identifies improving access to water and sanitation as being critical to reaching the country's 2009 poverty target. The national water and sanitation policy also targets the poor as essential beneficiaries of water and sanitation programs. Despite this, there are no laws or regulations to mandate PDAM to target and provide services to the poor and SANIMAS does not target the poor. Communities that enter into the SANIMAS program do so through a combined self-selection and competition process. Some donor-supported projects are aimed at the poor and include criteria for poverty targeting.

Gender

Women form the most active community group in the water and sanitation sector (because their roles include collecting water, using water to cook and instilling healthy and hygienic behaviours in children), yet women tend to have comparatively little influence on sector management. Affirmative action to encourage women's participation in decision making at the community level is one of the national water and sanitation policy's implementing strategies; however, women still face obstacles to participating in decision-making. The key challenge for communities is to transfer the policy into a process where women's participation is meaningful, not just symbolic. Women's participation in the public sector (as public servants and politicians), particularly at decision-making levels, also contributes to an appropriate gender perspective in water and sanitation programs and activities. Despite this, Indonesia has a low percentage of female politicians at all government levels and women tend to be far removed from decision making in the public service.³⁸

Environment

The national water and sanitation policy recognises current environmental problems, such as water shortage and pollution, and promotes environmental-based development consistent with the values of environmental conservation. The national water legislation shares this goal. Implementation of the Water Resources Law and consolidation of national and provincial basin management agencies (plus establishment of participatory irrigation management) is underway partly through a World-Bank financed project housed in the Directorate General of Water Resources in the Ministry of Public Works. There are a number of other initiatives.³⁹

Nevertheless, the scale of the challenge is huge and the investment levels required are considerably beyond present sector resources. Though the national policy and water law emphasises the importance of the environment in water and sanitation, the Ministry of Environment's participation in the sector is minimal. In fact, the Ministry is not a signatory to the national policy and its enforcement of environmental standards in regards to water quality and sanitation is lacking.

Governance

Indonesia recently improved its ranking in Transparency International's Corruption Perceptions Index. With decentralisation and the devolution of responsibility (and to a certain extent funds) to the district level governments, the role of supervision of local government has largely befallen provincial governments. At this level, there are gaps in the allocation of responsibilities and clarity of roles, and in enforcing some of the new regulations governing sub-national government performance. On the positive side, the supervision of government in the regions is supported, at least in some areas, by civil society. In most regions, anti-corruption NGOs such as Transparency International have sprung up. Regional newspapers, which have increased in numbers many times over since the downfall of

President Suharto, regularly reports cases of suspected collusion and corruption between government agencies. At least one region, the city of Bandung, has established an ombudsman's office to support improved governance.⁴⁰

Summary of assessment on the national sector framework

The main points that arise from a brief assessment of the national sector framework are:

- > The GoI has not approved the national water and sanitation policy and therefore the policy is not properly integrated into government procedures and instructions. As such, sub-national government does not have the appropriate tools to implement the policy.
- > The national water and sanitation policy has helped to harmonise the water and sanitation activities of donors and NGOs.
- > No policy addresses the complexity and uniqueness of water and sanitation in urban areas.
- > The decentralisation law of 2004 underpins the legal framework for the water and sanitation sector. As such, district governments have the mandate (but rarely the capacity) to provide water and sanitation services to communities in their jurisdiction.
- > The 'translation' and implementation of legislation from the national level to the sub-national level (in provincial and district regulations) remains a challenge.
- > CLTS is the government's approach to stopping open defecation. Both the Ministries of Health and Public Works are actively implementing this approach in their sanitation activities. SANIMAS is also showing some promise as an approach for densely populated settlements.
- > The National Working Group, though informal, acts as the sector's apex body. Despite its success in coordinating the sector, it remains vulnerable to budgeting uncertainties.
- > Despite being a key stakeholder, many PDAM are not financially viable and have little impact due to poor management and deteriorating infrastructure.
- > The community level private sector plays a significant role in infrastructure construction and maintenance.
- > Civil society is very active in the sector. NGOs are implementing numerous water and sanitation activities and religious leaders are influential in changing hygiene behaviours in communities.
- > Low prioritisation of the sector by district governments has led to low sector funding (approximately one to two per cent of district budgets).

2.2 Performance achievement

Coverage

Figures for water and sanitation coverage vary between sources (e.g. BAPPENAS and the Joint Monitoring Program⁴¹), yet statistics consistently show that rural areas are lagging behind urban areas in both water and sanitation coverage. They also show that much work is needed in rural and urban areas to reach the MDG targets by 2015.

Table 2.1: Progress towards MDG Target 10—BAPPENAS and Joint Monitoring Program

Indicator	% of total population	
	BAPPENAS 2007	Joint Monitoring Program 2006

	1990	2007	2015	1990	2004	2015
Piped water coverage—urban	35.4	30.8	67.7	28	30	64
Piped water coverage—rural	5.6	9.0	52.8	2.0	6.0	51
Sanitation—urban	57.6	81.8	78.8	65	74	82.5
Sanitation—rural	19.2	60.0	59.6	37	40	68.5

Source: WHO and UNICEF Stalker P 2007, 'Let's Speak Out for MDGs' and JMP 2006: <http://www.wssinfo.org/en/welcome.html>

Unit costs

The unit cost varies for rural water supply based on gravity fed systems supplying small communities with public taps, depending on the distance to the source and the complexity of the scheme, but on average, it is less than US\$15 per person.⁴²

Functionality

Data on the functionality of community water and sanitation schemes (where it exists) is highly variable. This variation depends on the system's age, the approach used to create the system and the definition or criteria used to determine functionality.⁴³ A Project Performance Audit Report of the ADB's Rural Water Supply and Sanitation Project revealed that less than four years after project completion, only 30 per cent of the water supply facilities and 30 per cent of sanitation facilities constructed by the project were still functioning.⁴⁴ In a Ministry of Health report that reviewed the functionality of water infrastructure in five districts that had implemented the WSLIC Project from 2001 to 2006, the average functionality of public taps was 72 per cent, with 99 per cent being the highest and 52 per cent being the lowest.⁴⁵ The significant differences in functionality between the ADB and WSLIC activities has been largely attributed to the participation of communities in the construction of infrastructure⁴⁶ (with the ADB project not employing a community-based approach) and the communities recovering monthly fees to cover maintenance costs of water and sanitation systems (such as in WSLIC-2).⁴⁷

Health in relation to water and sanitation sector

The health impacts of poor water and sanitation in Indonesia are clear. Water-related diseases of diarrhoea and typhoid are two of the four leading causes of under-five mortality in the country.⁴⁸ The Department of Health promotes the health benefits of hygiene and sanitation in its CBTS approach. It emphasises that diarrhoea cases can be reduced by around 32 per cent by improving basic sanitation; up to 45 per cent by washing hands with soap after defecation; and by 39 per cent through treating household drinking water. These activities combined can reduce diarrhoea cases by up to 94 per cent.⁴⁹

2.3 Issues

Informal sector coordination

The water and sanitation sector has no apex body responsible for coordinating activities. Responsibility for the sector rests with several government departments that have formed working groups to coordinate activities at national, provincial and district levels. The success of these working groups depends on many factors, including continued funding, government support, political will and staff retention.

Decentralisation continuing

Decentralisation has the potential to trigger an increase in demand for clean water and sanitation by bringing responsibility for hygiene promotion messages and the provision of basic services closer to village level. District governments can create local regulations suitable to communities within their jurisdiction. This is currently the case regarding tariffs for water received through PDAM networks. The transfer of the majority of responsibility for water and sanitation provision to district government has not been supported, however, by appropriate budget allocations or measures to ensure cost recovery, although on-lending and on-granting of external loans and grants to regions has been possible since a 2003 decree. Most local governments lack the capacity and incentives to implement and manage water and sanitation activities. In part, the lack of incentives is fuelled by low demand for improved water and sanitation sources. Communities have adapted to a life where well or river water and defecation in rivers or fields is the norm without fully realising its impact on their own and others health. Regulation is inadequate and the potential for improvement through investment in collective systems is under-appreciated by both communities and local government.

Sector monitoring and evaluation incomplete

Reports on Indonesia's progress towards achieving its national water and sanitation goals vary depending on the information source. Methodologies to obtain M&E data vary in quality, and methodologies for community sampling are often poor. Universally agreed indicators of water supply system functionality are also missing. This has resulted in a landscape where current data is inconsistent (government research/statistics do not match NGO or independent statistics) and lacks meaning.⁵⁰

The GoI—through BAPPENAS and the Indonesian Statistics Bureau, and with assistance from donors and NGOs—is developing a sector-wide M&E framework. The framework intends to identify indicators and definitions that encourage consistent data collection and reporting from the district level up.⁵¹

Low prioritisation to sector (especially sanitation)

Despite increased attention to water and sanitation (through advocacy by NGOs and commitment to the MDGs) the sector, particularly sanitation, is not given a high priority at national and sub-national levels. This is especially evident in government budget allocation, and because of the very few local governments that have used their own resources and budgets to implement water and sanitation activities. Stakeholders at the district level look to the national government for sector prioritisation and leadership. The common belief is that if the national government leads in this field, district leaders will follow and reflect this in their budgeting.⁵² Raising awareness through 'road shows' is one way of trying to address the lack of sub-national government and community understanding of the importance of water and sanitation.

Private sector is strong

The small-scale private sector (for example artisans, masons and mechanics) at the community level is strong. Community water and sanitation activities benefit from this local knowledge and skills during the implementation and construction phase, and during post construction through proper and timely maintenance. There are also significant economic benefits gained through employing the local private sector to construct and maintain water and sanitation infrastructure and systems.

Confused sector regulatory environment

Despite recent reforms and the enactment of several laws in the sector, appropriate implementation and enforcement of the laws has not occurred. A particular gap is caused by the lack of environmental regulations that identify, monitor and enforce national standards for water and sanitation systems. The regulatory framework is convoluted and burdensome, primarily due to outdated and contradictory regulations. For example, several national government regulations lock PDAM into paying 55 per cent of their profits to local government owners and many local regulations are not updated regularly, so PDAM's water tariffs and sanctions are rarely increased.⁵³ As a result, these water utilities are unable to cover basic operation and maintenance costs. In addition, there is a complicated system of national regulations and standards inhibiting local initiative. An example is financial accounting and regulations that seem to inhibit the hiring of community organisers at district level to implement and support a community-managed approach to water supply.

Mainstreamed community approach

Donors and NGOs operating in the sector have adopted and mainstreamed the community approach endorsed in the national policy into their water and sanitation activities. The central roles of BAPPENAS and the National Working Group have been critical in this area.

Scale and diversity

The scale and diversity of Indonesia's approximately 480 districts presents a challenge to governments and donors planning to implement a single nation-wide approach to water and sanitation—such as CLTS. The success of community-based and community-led water and sanitation projects has varied, not only in terms of process (length of implementation) but also in terms of infrastructure quality and maintenance (sustainability). The approach has been most successful in rural communities and less successful in urban and peri-urban communities.⁵⁴

2.4 Opportunities and constraints for external support

The key issues arising from this assessment of the national sector framework and sector performance point to potential opportunities and constraints for providing external support. These are summarised below.

Opportunities

- > A strong and vibrant private sector that is able to deliver low-cost affordable services.
- > Emerging improvements in public financial management and civil service reform and especially decentralisation.
- > Integration of the community-based approach into the rules, cost norms, guidelines and instructions of local government will ensure replicability of the approaches developed and sustainability of benefits achieved.
- > Breakthrough progress in replicating sanitation in rural areas (CLTS) and peri-urban areas (SANIMAS).
- > Changes in the financial impasse experienced in the urban sector (potential of on lending).

Constraints

- > Low immediate budget priority on rural water supply and sanitation at local government level.
- > Lack of a formal apex body for the sector.

- > Cost of environmental challenges which is likely to exceed the cost of service delivery especially in areas undergoing rapid urbanisation or where water resources are threatened.
- > Scale of the challenge especially to develop, for community-based approaches, the capacity for community facilitation and managing its supervision.
- > Low consumer demand for better services once schemes are operating. This threatens to undermine many of the schemes and approaches that have been developed based on providing subsidies for basic service levels.

These opportunities and constraints are not static. External support to a dynamic medium-income country such as Indonesia needs to be flexible and responsive to new developments.

CHAPTER 3: EFFECTIVENESS OF EXTERNAL SUPPORT TO THE SECTOR

3.1 External support

The Indonesian water supply and sanitation sector is supported by a combination of bilateral and multilateral agencies and international NGOs. While the sector is crowded, there is a reasonable degree of coordination and attempts by some agencies to look for gaps when determining how to allocate funding. Broad consensus and use of the GoI's Community Based WSES Policy exists.

Most bilateral donors channel their support through self-managed bilateral projects. Historically, external support has focused on rural water supply, with less attention to rural sanitation and urban water supply and sanitation. Recent support, however, indicates a renewed focus on sanitation and increased support to urban and peri-urban areas.

At present, multilateral funds only flow to projects financed through the national government. Current funding arrangements do not allow funds to flow directly to local governments. Local governments also appear unwilling to borrow for water supply and sanitation. Both the World Bank and the ADB have recently had trouble approving and signing new loans for the institutional water supply and sanitation sector.⁵⁵

The major external contributors to the sector are outlined below.⁵⁶

The World Bank

The World Bank supports various programs through credit agreements for the sector specifically and more generally for urban and rural infrastructure (where there may be water and sanitation components). The World Bank has activities across Indonesia, including in Eastern Indonesia.

Water supply and sanitation projects include:

- > International Development Association (IDA) credit agreement for a US\$137.5 million loan with the GoI for PAMSIMAS (rural and peri-urban water supply and sanitation)
- > IDA credit agreement for a US\$77.4 million loan with the GoI for WSLIC-2 (rural water supply and sanitation), approved in June 2000; supported by an Australian \$11.133 million-technical assistance grant, approved at the same time
- > proposed urban water supply and sanitation project.

The World Bank multisector projects with water and/or sanitation components include:

- > Private Provision of Infrastructure Technical Assistance Project (urban)
- > Urban Sector Development Reform Project managed through the Public Works
- > IDA credit agreement with the GoI for the Third Urban Poverty Project
- > International Bank for Reconstruction and Development (IBRD)/IDA credit agreement with the GoI for the Kecamatan Development Project (rural) managed through the Ministry of Home Affairs
- > National Program for Community Empowerment – *Program Nasional Pemberdayaan Masyarakat - PNPM* (rural)

Asian Development Bank

The ADB supports various projects in urban and rural areas that contribute to the sector either as dedicated water and sanitation projects or as infrastructure and community development projects. The ADB's projects also have a broad geographical coverage and include the:

- > US\$64.7 million loan for the Community Water Services and Health Project in 1350 villages including assistance to tsunami-affected areas
- > technical assistance loan for a Private Sector Participation Development Facility which provides project; preparation funding and capacity building to regional governments for urban infrastructure
- > Water Supply and Sanitation Project managed through Public Works
- > Neighbourhood Upgrading and Shelter Sector Project managed through Public Works
- > Metropolitan Medan Urban Development Project managed through Public Works
- > Sustainable Capacity Building and Development Project (multisectoral) managed through the Ministry of Home Affairs
- > proposed US\$25 million loan for the Metropolitan Sanitation Management and Health Project.

GTZ

GTZ has one project in Eastern Indonesia focusing on community-based water and sanitation service provision. ProAir is a five-year water supply and sanitation project in five districts in the Eastern Islands. The Ministry of Health manages this project, which will be complete in September 2009.

UNICEF

UNICEF was absent from the sector for several years and spent some time discussing its approach with the GoI. It is now providing assistance predominantly in Eastern Indonesia through its US\$23 million Water and Environmental Sanitation Program, including traditional approaches and Community Led Total Sanitation activities.

Plan International

Plan International has a community-based approach that includes water and sanitation as one component. Plan International projects are set up long-term in communities (sometimes up to 15 years), to provide continuing support and support sustainability.

CIDA – CARE Canada

CIDA and CARE Canada support rural development in South Sulawesi and Gorontalo through the Sulawesi Rural Community Development Project. The five-year project focuses on providing water supply and improving sanitation.

Japan Bank for International Cooperation (JBIC)

The JBIC focuses on urban sanitation with the Denpasar Sewerage Development Project, managed through GoI's Public Works.

Netherlands

The Netherlands focuses predominantly on urban sanitation in coordination with the World Bank's Water and Sanitation Program. It provides funding to the Indonesia Sanitation Sector Development Program (urban and peri-urban) that commenced in 2006. This program aims to develop an enabling framework for the sanitation sector, including working with policy makers and developing an investment strategy. It includes a public awareness campaign based on large-scale surveys, local capacity building in implementing sanitation plans, as well as city sanitation pilots.

In Eastern Indonesia, the public Dutch water company (Water Supply Company Drenthe) and Dutch development aid have supported several water companies. In addition, the Dutch have provided funding to UNICEF to implement their water and sanitation activities in the region.

United States Agency for International Development (USAID)

USAID's major activity in this sector is the Environmental Services Project, which includes a nationwide hand-washing campaign supported by soap manufacturers as part of an international WHO program. The project focuses on urban and peri-urban areas. The Environmental Services Program is the largest bilateral assistance program for the sector.

USAID has also provided technical assistance to water utilities in Java and Sumatra on cost recovery tariffs and improved technical operations with the objective of improving creditworthiness and ability to borrow to meet network expansion needs.

3.2 Performance of Australian support

Australia has assisted in rural water supply and sanitation to Indonesia since the 1980s, particularly in Eastern Indonesia. Support has included the provision of infrastructure, hygiene education, technical advice and training.

Australia's present strategy for water and sanitation support in Indonesia is for continued direct support and co-financing approaches, emphasising the critical role good policy and effective governance play in delivering water supply and sanitation services.⁵⁷ The strategy further notes that Australia will help the Government of Indonesia to formulate policy and fund rural and urban water supply and sanitation at provincial and district levels. Australia will also continue to work closely with other donors, particularly the World Bank. The main thrust of water and sanitation is to contribute to sustainable growth and economic development by reducing constraints to infrastructure and productivity growth. Indonesia will also receive funding in the short term through AusAID's Water and Sanitation Initiative.⁵⁸

The two current forms of assistance are through policy support (WASPOLA) and service delivery support (WSLIC).

This performance assessment focuses only on current Australian assistance to Indonesia. It makes limited comment on planned assistance for the immediate future.

Indonesia Water Supply and Sanitation Policy Formulation and Action Planning Project (WASPOLA)

Australia has supported WASPOLA for more than 11 years commencing with WASPOLA 1 (1998 to 2003 and extended to mid 2004) and more recently WASPOLA 2 (2004 to 2008 and extended to June 2009). WASPOLA's original focus was as a rural water supply and sanitation policy formulation and action-planning project, but WASPOLA 2 has encompassed an Indonesia-wide water supply and sanitation policy formulation and action planning scope. Currently under negotiation and finalisation is the WASPOLA Facility, which will focus on policy development, policy implementation and sector management.

Box 3.1: The Water Supply and Sanitation Policy Formulation and Action Planning Project—Phase 2 (WASPOLA 2) 2004–09 (A\$8.1 million)

The main goal of WASPOLA 2 is to build GoI capacity to implement policy and to continue ongoing policy reform for the water supply and environmental sanitation sector, emphasising demand responsive and participatory approaches. WASPOLA 2, which is the successor to an initial phase that ran from 1998 to 2003, is funded by an A\$8.1 million grant from Australia through a World Bank-executed trust fund. It is managed by the WSP-EAP. WASPOLA 2 implementation is led by the Government of Indonesia through BAPPENAS and supported by counterpart funds.

While WASPOLA 1 focused on community managed water supply and basic sanitation facilities and services and on innovative approaches and methodologies for the application of participatory and demand responsive approaches, WASPOLA 2 takes a broader approach to leveraging investments in the sector. It does this by: (a) improving the policy framework and implementation; (b) minimising investment risks through applied research and implementation capacity building; and (c) facilitating scaling-up to high-quality, large-scale projects.

Specifically, this has included:

- > helping the national government to develop and implement environmental sanitation and both community-based and institutionally-managed water supply policy and to coordinate these among many agencies through a national working group
- > helping some 62 district and city governments to understand the community-based WSES policy and to prioritise, plan and budget for the sector
- > assisting with the establishment of sector coordinating committees/working groups at the district level and supporting training for government, NGOs, and community-based organisations in facilitating key community-based health and sanitation approaches
- > supporting field trials of innovative approaches and assisting with scaling up investment
- > improving M&E data collection and analysis, and strengthening information sharing and public communication.

Planning is underway for a WASPOLA support facility for the next several years.

Outcome of previous monitoring

AusAID has primarily monitored WASPOLA through independent mid term reviews, while six monthly monitoring is undertaken by WSP-EAP.

Findings from the WASPOLA 1 Mid Term Review (2002) are generally positive noting that the success of the program was its approach to policy development, which was undertaken by the GoI through a national working group and other forums and at a pace determined by GoI stakeholders.⁵⁹ WASPOLA purposefully uses a flexible

approach that allows it to respond to demand for policy, planning and innovation support from a variety of sources. This responsive approach is effective as a way to address the variety of circumstances encountered across Indonesia.

The WASPOLA 2 Mid Term Review (2006) concluded that the project had made significant achievements in the sector and noted the leadership by BAPPENAS and GoI ownership through a national interagency working group as a major strength. The review's recommendations were strongly project-oriented (quality assurance systems, M&E, financial management and reporting) rather than focused on further alignment of the project with GoI systems.

Table 3.1 outlines the recommendations from the review and the status of each.

Table 3.1: Recommendations from the WASPOLA 2 2006 mid term review and their status

Mid term review recommendations	Status January 2009
Progressing the National Policy: Development of Community Based WSES to a legal instrument	Although signed by six director generals this policy is not yet legalised
Improving policy adoption at district and subdistrict level through capacity building	Training and support is directed to district governments but not yet to sub-districts
Possibly formalising the national working group (within BAPPENAS) as the national WSES coordination resource centre	The national working group is not constituted by decree; however, BAPPENAS does not see the need to formalise the group as it continues to achieve informally and has greater day-to-day flexibility than any line department
Synchronising WASPOLA district selection in line with the subsidiary agreement between the GoI and the Government of Australia, to achieve entry into priority provinces in Eastern Indonesia	WASPOLA continues to use an appropriate demand-driven approach of province and district self-selection.
Developing a strategy for scaling up to expand geographical coverage and synchronising WSES projects and programs	WASPOLA's strategy for scaling up is to support working groups in districts where there are new or existing water supply and sanitation projects
Improving strategic planning and the project's governance arrangements at high levels of government, Australia and the World Bank	High-level activities and negotiations have improved and are operating satisfactorily
Improving project management, M&E, reporting and annual plans, communication structures and financial management	The project has solved its project management issues: both the Team Leader and Project Director have been replaced; reporting is now of a better quality and includes achievement reporting ⁶⁰ ; a quality assurance manual with standard operating procedures has been prepared which is useful for the working group and will be useful for the next WASPOLA project
Developing a sustainability and exit strategy	A sustainability and exit strategy has been prepared but requires updating and refinement ⁶¹

Evidence of achievement of objectives

Community driven approach to water and sanitation

Through its role in developing and facilitating the national community-based WSES policy, WASPOLA is credited for 'changing a lot in government' by shifting the existing paradigm to a completely new demand-led participatory approach.⁶² The policy has succeeded in harmonising donor interventions, with Australia, the World Bank, the ADB, UNICEF, GTZ, and several NGOs adopting similar community-based water and sanitation approaches. The outcomes of this policy adoption have been an improvement in sustainability of interventions, and greater attention to community choice and gender equity.⁶³ However, while the policy has changed mindsets, it has not penetrated government systems to the same extent and there is evidence that the Ministry of Public Works is not fully implementing the community-managed aspects of the policy (such as establishing village management groups and operations and maintenance fees).⁶⁴ The policy has been applied to rural water and sanitation schemes but it is unable to influence community-based approaches in multisectoral and open-menu projects with water and/or sanitation components such as PNPM. While the policy's lack of legal formality has not been a barrier to its use by

donors and NGOs, legalisation of the policy, and its translation into government instructions, regulations, budgets, cost norms and circulars, would considerably strengthen GoI implementation.

Functioning inter agency coordination

WASPOLA's role in improving coordination between government agencies involved in water and sanitation is widely recognised as an outstanding project achievement.⁶⁵ Unprecedented coordination has been effected through the National Water and Sanitation Working Group (Pokja AMPL), with government agencies and ministries that had previously worked in isolation from one another now collaborating (e.g. BAPPENAS and Ministry of Health). This has given the GoI impetus to coordinate more widely on water and sanitation approaches and coordinate donors. The working group's running costs—including M&E, training, and developing communication materials—are met by the GoI's annual counterpart budget of approximately US\$1.5 million. The budget is channelled through BAPPENAS and then allocated to working group partners so they can perform their responsibilities. However, the vulnerability of this budget as counterpart funding dependent on an associated external project rather than being fully integrated into the national budget, and its likelihood of ending in 2009, brings into question the sustainability of the National Working Group.

As part of policy implementation, WASPOLA has replicated the working group structure in 62 districts through the project's capacity building support.⁶⁶ Although these working groups are supported by the local governor/regent, established by local decree and locally funded, capacity varies. Handover of responsibilities and duties when working group members' change needs strengthening. Approximately seven of 62 working groups supported by WASPOLA have experienced a complete change of members, requiring full re-training of newcomers.⁶⁷ Coordinating district budget sources between agencies is also a challenge for working groups.⁶⁸

The success of the working group model is apparent by the desire of BAPPENAS to scale up the approach and to include working groups on all water and sanitation projects. Currently 200 working groups have been established, including 15 UNICEF water and environmental sanitation project areas, for which WASPOLA responds to requests for training and assistance.⁶⁹

Demand-led policy implementation and strategic planning capacity building

WASPOLA's demand-led approach to support for strategic planning and operationalising the Community Based WSES National Policy is attracting increasing interest from local governments prepared to commit to training and an increased workload without funding. Initially four provinces and four districts signed up, which then increased to nine provinces and 49 districts. At the end of 2008, these provinces have added 13 more districts to the program, representing a 26 per cent increase. All 62 districts have a strategic plan unique to their circumstances and local issues, which prioritise water and sanitation activities.⁷⁰

While there is a growing interest in strategic planning from districts, this planning appears to take place almost entirely in the context of donor-supported projects—only two observations of local governments making their own investments beyond external projects were made.⁷¹ Notably both of these had female regents. The main reasons why districts do not implement strategic plans in full are lack of financial and human resources. Typically, local governments have little understanding of their role in decentralised service delivery and tend to concentrate on managing routine recurrent budgets as in the past.⁷² Local government autonomy is also a relatively new concept—before decentralisation, local governments were told what to do by the national government.

The WASPOLA approach of improving coordination and training stakeholders is only effective in cases where significant investment funds are available. At the same time, it is important that the coordinated response to the

sector be applied to all investment, including the national budget. WASPOLA initiatives are most likely to take root when de-linked from specific external projects—although they still need to be supported with investment funds.

Timing of WASPOLA support in the investment cycle is also important. Where WASPOLA strategic planning and exit strategy training is provided to local governments at the closing stage of investment projects (e.g. WSLIC), the approach is not as effective as when this type of training is made before investment projects begin.⁷³

Greater use of GoI structures to build capacity will be needed if a reasonable proportion of the 480 districts is to be assisted. A permanent home for the community empowerment training skills required for provincial and district train-the-trainer programs needs to be established within Indonesian institutions. Many of the district facilitators are currently trained by BAPPENAS even though the Ministry of Home Affairs is mandated to do so. Potential roles for WASPOLA are to assist with standardising and institutionalising core facilitator training within the Ministry of Home Affairs to meet the great demand for trained facilitators.

WASPOLA's efforts to develop institutionally managed water supply and sanitation policy has stalled, as the right context has not been in place to progress this. Recent Ministry of Finance action to relieve PDAM of debt obligations is providing an opportunity for further engagement, including through WASPOLA asset management assistance to 24 PDAM who have committed to debt restructuring.⁷⁴ The institutional climate has so far only permitted preliminary discussions on policy, however. Strategic studies such as the WASPOLA Small Scale Water Providers Study are contributing to policy recommendations to GoI to expand piped water services to the urban poor.⁷⁵ The Vice President's challenge for 10 million new household connections by 2013 will also sharpen the focus to PDAM and institutionally managed schemes.⁷⁶

Recognised national apex body

The de-facto apex national working group (Pokja AMPL) is a significant focal point for water and sanitation issues and information. WASPOLA support to the group has strengthened its capacity in communications, public relations, information sharing of case studies, research and lessons learned, and in marketing to local governments through 'road shows'. The national working group is a widely recognised source of water and sanitation materials information and it experiences high demand from donors, NGOs, institutions and consumers.⁷⁷ Donors and NGOs are financing networking and information opportunities, indicating broad support for the group's information function outside of WASPOLA support. The group is also using media advocacy to stimulate public opinion and community demand for better water and sanitation conditions.

Sanitation innovation and adaptation

WASPOLA has helped pioneer new sanitation approaches in Indonesia including:

- > Community-Led Total Sanitation (CLTS)

The knowledge gleaned from a WASPOLA-organised and funded study tour to India and Bangladesh in 2004 helped influence the Ministry of Health to adopt this international community-led, subsidy-free approach to sanitation. Six districts piloted the approach in 2005, with WASPOLA support and training, and the findings were widely disseminated with WASPOLA support.

- > SANIMAS

SANIMAS is a community-based, informed-choice urban sanitation approach covering household connections to a communal septic tank and/or public toilets, with bathing and laundry facilities and a biogas system. Funding is provided by national and sub national government and NGOs, with a four per cent contribution from the

beneficiary community. WASPOLA implemented, monitored and evaluated field trials of SANIMAS in densely populated peri-urban areas of seven cities. These approaches have been mainstreamed and replicated on a national scale by the Ministry of Health (Community Based Total Sanitation Strategy) and the Ministry of Public Works (SANIMAS), and further promoted through WASPOLA information-sharing activities.⁷⁸

Eight programs and projects (including WSLIC) are implementing standard or variations of CLTS (depending on the local situation and local government) indicating a high degree of donor harmonisation around the approach. The total number of districts implementing CLTS is now 213. Because of the program's pilot, according to the GoI, 160 villages became ODF in 2006 and 450 villages in 2007, although the basis for the ODF status is unclear.⁷⁹ Site visits during this evaluation highlighted the uneven application of CLTS and the need for various site-specific approaches to sanitation. WASPOLA's planned CLTS assessment activity will help identify models of CLTS implementation and local adaptation.⁸⁰

A visit to a SANIMAS site appeared promising.⁸¹ However, a review of the field trials and the Ministry of Public Works SANIMAS implementation suggests that sustainability is threatened due to lack of attention to operations and maintenance and inadequate internalisation of the community-based approach by government.⁸²

Australia's grant funding and technical assistance delivery

All Australian WASPOLA grant funds are channelled through a World Bank executed trust fund managed by the WSP-EAP. Similar to other projects, WASPOLA finances are managed outside of the GoI's budget.

Australia's funding has remained reasonably consistent, starting with WASPOLA 1 (A\$8.3 million) through to WASPOLA 2 (A\$8.1 million) and now the proposed WASPOLA Facility (A\$10.0 million). As is expected for this type of capacity building technical assistance, more than two thirds of the budget is on staff costs and consultant fees.⁸³ A substantial proportion of the remaining budget is for travel and media/communication costs.

The World Bank's procurement system is used, which has generated mild dissatisfaction and frustration both in terms of the reporting required and the inability to purchase support items for the National Working Group. A complication for WASPOLA is the different management reporting required for the three major stakeholders and the incompatible reporting schedule.⁸⁴ The need to report in multiple formats and duplicate translation efforts wastes high-level resources.

The quality of technical advisors has generally been good, with some variation early on. WASPOLA has for the most used local staff and specialist consultants. With the exception of the Project Director and Team Leader who are international consultants.⁸⁵ This has many advantages, including efficiency and effectiveness for language, knowledge of GoI systems and Indonesian culture. There appears to be high calibre and experienced staff employed directly by WASPOLA. The current Team Leader has many years experience working in Indonesia and has extensive in-country knowledge. Experienced WASPOLA facilitators with train-the-trainer skills are in high demand outside of WASPOLA. There is a substantial pool of local expertise including universities, NGOs and private consulting companies on which to draw for short-term specialist services.

The 11 years of continuous and consistent WASPOLA technical assistance support has been crucial for taking advantage of opportunities in the sector as they present themselves. For example, WASPOLA has been able to progress when GoI has implemented changes or made announcements requiring a policy or strategy response such as: (i) decentralisation and devolution of authority for water and sanitation to local authorities; (ii) official adoption of the MDGs in 2000; and (iii) recent debt restructuring of PDAM. Long-term engagement enables support to be provided as the GoI is ready, thus allowing WASPOLA to align closely with the pace and objectives of government.

Longer-term support is justified to meet the continuing need for improved sector management and improved knowledge management.

Use of the World Bank's WSP-EAP as the WASPOLA manager has added value to the technical assistance through its continuity, credibility and expertise in the sector. As part of a World Bank program, the WSP has a long-term presence in Indonesia and a high profile, enabling it to contribute to donor harmonisation in a way that would be unlikely through a private sector managing contractor. The WSP has links to research and information networks, which can contribute to information sharing and lessons learned, including on international experience (e.g. CLTS and SANIMAS) and experience with decentralisation issues. This evaluation considers the 14 per cent fee charged by the WSP to be justifiable.⁸⁶ A disadvantage in using the WSP, however, is the associated World Bank bureaucracy. The relationship between AusAID and the WSP is harmonious, and outside of designated reporting milestones, largely operates on an informal but close working relationship. Although not a typical choice for a managing contractor, this evaluation sees no compelling reason to change the WSP.

A weak area of the technical assistance is the poor continuity between the end of one project and the start of another. Both WASPOLA 1 and 2 were extended from their original completion dates by six months to facilitate a smooth handover from one to the next. This reflects a lack of proactive planning by AusAID, which adds uncertainty to projects and risks the loss of experienced staff who may be suitable for, and able to provide continuity to, future phases. A case in point is the WASPOLA Facility, which was investigated by an AusAID design team in the first quarter of 2007 but is yet to be finalised. The design process is overly complex with many conflicting opinions.

WASPOLA Facility

The proposed WASPOLA Facility has key features that will further consolidate the positive impact of the project to date:

- > To encourage innovation, a flexible facility with funding available for a wider range of government departments for policy development and sector management activities on a completely demand-led basis
- > A move towards greater recipient execution with a staged increase in recipient-executed funding over the Facility's four years. This improves alignment and sustainability of support.
- > Greater emphasis on gender including a long-term gender position with potential to influence policy development and operationalisation, and bring gender issues to the forefront.

The Second Water and Sanitation for Low Income Communities Project (WSLIC-2)

Evidence of achievement of objectives

Physical results

As of 30 September 2008, WSLIC had reached some 2123 villages, benefiting some 4.6 million people in project areas.⁸⁷ The project also reports a 55 per cent increase in access to clean water and a 16 per cent increase in access to sanitation among poor households (across all socio-economic categories these figures are 45 per cent and 13 per cent respectively); however this data includes only about half of the villages reached and is based on self-identification of socio-economic levels.⁸⁸

The lag in sanitation results has been repeatedly noted in project supervision documents. The project includes a commitment to CLTS, whose goal is to achieve ODF communities. Nothing less than 100 per cent of the population using toilets will be counted as a success. By this measure, according to review missions, CLTS was undertaken by some 547 villages from 2006 to 2008, with only 12 per cent achieving ODF status; some 228 hamlets are ODF. Access to adequate basic sanitation has increased by 14 per cent across all villages participating in CLTS.⁸⁹

Box 3.2: WSLIC-2 2004–2010

The US\$106.7 million WSLIC-2 project (including Australia's total contribution of US\$6.5 million and community contributions) aims to improve water supply, household and community basic sanitation, and hygiene practices in more than 2 000 villages in 37 districts within eight provinces in Indonesia. The project provides 80 per cent of the costs of improvements, with the remainder contributed by communities and local (district) governments. Communities subsequently manage the water systems, covering 100 per cent of operations and maintenance costs. The project has adopted the zero-subsidy CLTS approach for sanitation. It also targets health and hygiene behaviour in schools.

The project's four components are:

1. building the capacity of community and local institutions, which supports using participatory methodologies for identifying and preparing community-level projects
2. improving health behaviour and health services with sub-components dedicated to school health and hygiene, hygiene and sanitation promotion and outreach, and community health
3. developing water and sanitation infrastructure for which communities must provide their portion of the cost in cash and/or in kind
4. project managing at national government and district government levels.

Using census poverty and health data, a national coordinating team chose four initial provinces and undertook a provincial-level road show to encourage participation. Villages applied for the project and were selected using a number of criteria, including poverty and health data. With support from teams of trained facilitators, villages developed a community action plan. They also developed technical proposals and management plans, including mandatory participation of women on implementation and management committees.

Significant features of WSLIC-2 are a high degree of beneficiary control over decision-making for community investments, the level of institutional focus, and the scope and content of the health component. Funds are channelled through block grants given directly to villages with separate budgets for district-level support. Grants are managed, villages are selected, and technical guidance is provided through provincial-level service contracts. Funds are used for public water supply, but household connections may be allowed provided the households pay the costs of connection.

The water supply portion of WSLIC-2 will be completed in 2009, but the sanitation portion, project impact evaluation and district capacity building has been extended until 2010.

⁸⁹US\$11.113 million

Functioning of the water supply systems as of January 2009 is high, both because of the simplicity of the systems and the fact that most are relatively new. Almost all are gravity-fed piped systems and dug wells; between 5 and 10 per cent were said to have a pump (which introduces an additional level of maintenance and operations). Because the project began in 2002, with the first water supply systems completed in 2003, it is unlikely that problems with functioning are because of lack of source capacity. This is due to inaccurate yield assessment, flooding (for example, blocked intakes), minor disasters such as landslides and damage to catchments through illegal logging or agricultural activities, or management issues such as household connections exceeding the design capacity of the small system. The project management unit reported that 98.7 per cent of the systems are functioning; the high and fractional

figure casts doubt on the methodology of calculation as well as the definition of ‘functioning’.⁹⁰ In the seven WSLIC-2 project villages visited by the evaluation team, only one had problems with water flow due to a clogged intake eight km from the village, and an additional one appeared to be non-functional due to management issues.⁹¹ The evaluation team did not visit WSLIC-1 schemes and was not able to obtain data on WSLIC-1’s functionality.

Institutional development and capacity-building

In the WSLIC-2 villages visited, all but one had a functioning and enthusiastic water management committee—the main institution formed at village level—and there is little doubt that communities have been empowered to self-manage their water systems. Two water management committees provided evidence of innovation. These had expanded services or used the capital from user fees for community development (Box 3.3). Only one village experienced problems with water supply and this was because of lack of management. Overall, there is strong likelihood that the water management committees will continue well beyond project completion. An institutional impact study of the WSLIC-2 project is underway along with a post-construction census of completed villages in 24 districts. The results of the study and census will be used to develop district capacity for longer-term sustainability.⁹²

It is more difficult to make accurate conclusions about capacity building in sanitation at the village level. Access to adequate sanitation seems to have improved, and project-monitoring data report some improvement in health behaviours. However, changing many years of open defecation behaviour and habits takes time and the transition to 100 per cent ODF villages with adequate sanitation for every household is a long-term process. In many villages, including those visited by the evaluation team, the easy access to rivers and streams for defecation further slows the adoption of desirable sanitation behaviours. While community facilitators have had training in CLTS, they are unlikely to have skills and experience in adapting the approach for local conditions.

At national, provincial and district levels, WSLIC-2 has motivated significant intra-government project-based coordination but it is questionable whether the working groups formed will endure beyond the projects—there is no nationally-mandated system or incentives for their continuation. Capacity, in the form of skills such as project management, process monitoring, water and sanitation technical oversight, and facilitation of health improvement and community empowerment, has undoubtedly been *provided* to government at various levels under project contracts. Less capacity has been *built* within government except for more generalised skills (including coordination). For example, out of 24 persons employed by the central project management unit within the Ministry of Health, seven are civil servants, 11 are consultants and six are ‘not government staff’.⁹³ Consultants filled health promotion and technical roles at the provincial level. All district community teams (including technical and community development specialists overseeing teams of facilitators) were procured by contracts for provincial packages tendered at national level.

While facilitation skills and capacity for community-driven development have been vastly increased by WSLIC-2, failure to apply the community-driven approach on a consistent basis for the government’s own efforts in the sector leaves the replicability of the approach in doubt. The need for facilitators was cited repeatedly by district-level water and sanitation working groups, but there seems to be little drive to use the cadres already trained and no strategy to organise, supervise or monitor them.

Crosscutting issues: environment, water resources management, gender, and governance

Environment

The goals of increasing piped water coverage and improving access to sanitation overrode some environmental concerns in WSLIC-2 although in a broad sense the environment is improved through reduced open defecation (especially directly into rivers). The type of latrines favoured in the project—or the septic tanks favoured for public toilets, especially in congested areas—could have environmental or human health implications from seepage into groundwater and shallow wells.

Water resources management

The project has contributed towards the water resources legal framework and has supported promising initiatives in water resources management. A professional approach has also been adopted to ensure that schemes do not abstract above the safe yield of water sources. Nevertheless, insufficient attention has been paid to the longer-term need for catchment protection and to the need for a regulatory environment that can ensure water sources are sufficient and remain free from contamination. Application of the guidelines remains weak.⁹⁴

Gender

Promoting the role of women has been an important part of the design and execution of WSLIC-2, although in practice the project may have lagged behind requirements for women's participation. The project guidelines (which are part of the formal credit agreement with the GoI) state that 30 per cent of village implementation teams and user-group management committee members should be women.⁹⁵ It appears, however, that data on women's participation is not collected at national level. In some villages visited (notably Pancawati) the evaluation team confirmed that these gender requirements had been and are being met; in others it seemed that the 30 per cent requirement for village implementation teams, even if once met, was not continued beyond the handover of the project to community management. This issue was identified in the project's mid-term review but does not appear to have been corrected.⁹⁶

Governance

WSLIC-2 has enhanced good governance by a) empowering village management of systems, which in all observed cases carries forward principles of transparency (especially regarding financial information) and accountability, b) promoting intra-government coordination at district, provincial and national levels, and c) regular monitoring, evaluating and reporting of the project management unit at national level. While some aspects could possibly be improved, they are solid achievements. Although probably more a tribute to growing transparency in Indonesia more generally than an outcome of the project alone, information was freely shared at all levels and in general issues and problems were frankly acknowledged and openly discussed with the evaluation team. The remaining uncertainty is whether district governments will assume the role of assisting communities with the management and technical problems that are bound to arise in the medium- to long-term, as there is a lack of political will and capacity to do so. In East Lombok, for example, it was reported that villages requested assistance from a leading NGO (Mitra Samya) to intervene with local government in resolving lingering issues—roles were uncertain and accountability an issue.⁹⁷ Some longer-run support roles may be falling back to PDAM in part because, as witnessed in West Lombok, PDAM systems may co-exist with community-managed water supply.

Australia's grant funding and technical assistance delivery

Australia's grant support has been in the form of a recipient-executed discrete trust fund administered by the World Bank and is for financing technical assistance, special studies and service contracts.⁹⁸ The support has provided international technical specialists that the GoI may not have been able to procure itself, possibly due to cost limitations on hiring consultants. Technical specialists and activities funded by Australia have made important contributions in enabling the project to meet its goals. Project management advice and coordination, training (in

curriculum development and training coordination), preparation of school and community health materials, studies on project effectiveness, and design for the next major water and sanitation project (PAMSIMAS) have all been informally singled out by World Bank staff and members of the National Working Group as crucial contributions resulting from Australian funding. Moreover, both the World Bank and GoI officials lauded Australia's long-term commitment to the sector as well as the Agency's flexibility in funding.⁹⁹

In the context of a middle-income country such as Indonesia, technical assistance rather than infrastructure investment is an appropriate use of financing (particularly grant funding). The terms 'technical assistance' and 'capacity-building' are sometimes combined for project analysis purposes, making it difficult to differentiate between advisors and activities such as training. Australia's contribution was six per cent of the original plan, with the GoI (including communities) supplying 22 per cent, and IDA/IBRD the remaining 72 per cent. By component, water and sanitation infrastructure was 42 per cent, capacity-building 33 per cent, health behaviour three per cent, and project management 22 per cent. None of these weightings is inappropriate given the task and goals.

WSLIC-2/WASPOLA symbiosis

The gains made by WSLIC-2 were inestimably enhanced by the WASPOLA project, through the establishment of working groups for water and sanitation at the district level, the training of a considerable number of community development facilitators and the emphasis on the inclusion of women's groups and NGOs in district coordination.

The symbiosis has increased the profile of and investment in the water and sanitation sector at the district level, which should lead, but has not yet led, to greater use of local funds in projects that replicate WSLIC-2's methodology. To some extent, national programs, such as PAMSIMAS and PNPM, substitute for direct district investment, although most programs have an element of district contribution. A large challenge for districts will be investment in urban and peri-urban water supply systems as the huge financial and institutional issues of PDAM begin to be resolved. The coordination promoted by WASPOLA could have a strong effect here. The design of the PAMSIMAS project includes a bias toward operating in districts where working groups are already in place.

Conclusions on aid effectiveness: poverty targeting, efficiency/cost effectiveness, sustainability, replication and budget alignment

Poverty targeting

There is no doubt that WSLIC-2 has reached a substantial number of the water-poor in Indonesia. The 4.6 million persons served through the project did not previously have access to clean water and relied on (distant) springs, shallow wells, and stream and river water often polluted by open defecation upstream. As noted in Section one, the classification of Indonesia as a middle-income country belies the fact that many people clustered around the official poverty line are in a tenuous state and could easily slip below that line. While poverty incidence is highest in the more remote eastern provinces, about 57 per cent of the poor live in Java or Bali.¹⁰⁰

The eight provinces selected for WSLIC-2 were chosen based on a range of criteria including poverty, the incidence of diarrhoeal diseases and rates of access to safe water; districts within these provinces were identified using roughly the same criteria.¹⁰¹ A demand-driven approach was also used, since both districts and communities were required to supply a portion of the funds needed for project implementation.¹⁰² Because one lesson of the first WSLIC project (1994 to 2000) was the value of targeting poor households within communities and including them in community decision-making, WSLIC-2 adopted a model of community identification of poor households at village level to try to ensure both coverage and participation in decision-making.¹⁰³ While for various reasons the goal of having the poor participate in implementation and management was not met, it is clear that the percentage increase in access to

improved water sources among households identified as poor was significantly higher than for households identified as middle-income or wealthy.¹⁰⁴ To some extent, this also reflects the fact that wealthy households already had adequate facilities.

Considering the number of variables and goals of the project, the poverty targeting methodology was adequate and effectively reached the poor, although poverty was not strictly measured by conventional or internationally accepted standards of income purchasing power at the village level.

Efficiency/cost effectiveness

Project efficiency might be measured as the cost of reaching each beneficiary. At less than US\$15 per person for water supplied, the project seems very efficient. It is almost impossible to measure the efficiency of sanitation improvements, although CLTS would appear to be extremely cost effective, particularly when subsidies are absent.

Sustainability

The sustainability of the infrastructure, institutions and projects introduced by WSLIC-2 largely hinges on whether district governments are willing and able to assume a longer-term support role for village-managed water supply systems or perhaps, more importantly, continue campaigns for improved sanitation and hygiene behaviour. The growing number of house connections poses technological and water management issues, and many villages will need reinforcement of management systems and principles; reaching ODF status for more villages will require sustained effort. The evaluation team could find no longer-term studies on the sustainability or functionality studies of community-managed water or sanitation project such as WSLIC-1, or the Kecamatan Development Project. However, improved access to water supply and sanitation in rural areas seems to have the best chance of sustainability with the community-led implementation and management methodologies and approaches used by the WSLIC.

Replication

The methodologies and approaches introduced by the project are replicable as shown by the significant level of harmonisation among donors working in the water and sanitation sector.¹⁰⁵ The PAMSIMAS project aims to scale up WSLIC-2 to a national basis and reach some 5000 villages using similar methodologies and approaches. Yet it appears that districts are not adopting the WSLIC-2 model for stand-alone efforts that use their own funds. In East Lombok, members of the evaluation team visited a district-funded project to improve water supply. It appears that the community participation approach used for WSLIC-2 was scarcely applied, in part because it was reported that district budgeting systems and norms impede hiring community facilitators (there is no coded budget line permitting this expense). Also, communities were not required to contribute to constructing the system. The prospects for sustainability could be enhanced by more formal and detailed responsibility for monitoring, evaluation and post-construction support by district government.

The principle of community-managed water supply and sanitation demonstrated by the project is based on the national policy developed under the WASPOLA project, which has been adopted but not legalised. Successful and sustainable replication by local governments, however, would require a) reinforcement of project methods by local government, b) financial commitment by district assemblies, and c) commitment, leadership and coordination by key directorates of the Ministry of Home Affairs and the Ministry of Public Works.

Budget and alignment

One major feature of the WSLIC-2 project has been the provision of block grant financing directly to villages for constructing water systems, bypassing provincial and district government financial management and systems. Because the project requires national and district contributions, the project suffered considerable delays when government budgeting and payment systems did not produce counterpart funds in a timely manner. In some cases, this meant that villages received block grants as late as September and were expected to complete construction by December.¹⁰⁶

It appears that there has not been a detailed analysis of the possibility of aligning support to the sector with Indonesian national budget and procurement norms. Various projects, including the Australian-supported, World-Bank-led Public Expenditure Analysis and Capacity Harmonization (PEACH) program are supporting improvement in public financial management, but detailed analysis defending or rejecting alignment for sectoral support is lacking.¹⁰⁷ Given the preceding observation on budgeting and payment systems, this is not surprising, but there may be scope for direct support on a pilot basis for selected provinces.

The GoI has decided to commit more money to the PAMSIMAS project. About 72 per cent of the US\$106.7 million WSLIC-2 project was financed by a World Bank (IDA) loan and 22 per cent from Indonesian sources, including national and district budgets and communities.¹⁰⁸ Australia financed six per cent of WSLIC-2. The PAMSIMAS project may reach US\$375 million in total funding, with 50 per cent financed by a World Bank (IDA) loan, and 50 per cent in Rupiah funding, including 20 per cent from the national government, 20 per cent from communities and 10 per cent from the local government. Australia has been asked to consider contributing A\$10 million in grant funding for training, disseminating information, monitoring and evaluating baseline studies and providing other technical assistance.

Box 3.3: WSLIC-2 post-project initiatives in East Lombok district

In East Lombok district the WSLIC-2 Project has resulted in some notable community initiatives after construction of small piped water systems and commencement of full community management. The project financed the construction of small, piped systems and public taps, with households paying for their own household connection. The district government has also provided some water meters for household connections.

Kal-Tim (sub-villages of Kalijaga Timur, Alkmeel and Lotim)—One water users association serves the cluster collectively known as Kal-Tim. After system construction, the East Lombok district government gave 10 water meters to the users association. This enabled the group to treat the first 10 full payments for household connections (IDR450 000 or about US\$45 each) as capital to finance the remaining connections, thereby improving the level of service from public taps to house connections for much of the community. Initially, 20 households applied for house connection. Within two months, 47 house connections were installed, and within a year and a half, 198 meters were installed, covering close to one-quarter of the total population of 4300.

However, this improved service has raised technical and financial issues. Users pay only IDR100/m³ (about US\$ 0.01) for water consumed. The users association believes they need capital investment to optimise system capacity by replacing some pipes at the water intake to one larger in diameter to draw more raw water from the source. Further training in technical management and finance (including estimating potential income and accessing finance) is also needed.

Rempung village—This peri-urban village of approximately 5500 people (1283 households) has increased its economic prosperity because of the WSLIC project. Six community members gained employment in implementing the WSLIC and maintaining the infrastructure; the community water system is more reliable and cheaper than the PDAM network (households connected to both networks prefer the community water system) and monthly fees are being used for community water system maintenance as well as small business loans for community members. The water user group, which contains a number of very active women, allocates 50 per cent of the water tariffs (usually IDR3.000 per household) collected each month as 'social funds'. Loans for small business, often community merchants, are drawn from these social funds and paid back under Islamic principles (with no interest).

3.3 Review of evaluation questions

Appendix F reviews in detail the evaluation questions of the Terms of Reference. The questions that drew the strongest positive and negative assessments are summarised below:

Positive assessment

There is evidence to conclude that Australia's support to the water sector in Indonesia has:

- > met the priority needs of poor women and men
- > improved priority outcomes
- > been based on an adequate assessment of constraints
- > supported the right stakeholders
- > targeted sufficient resources at the principal constraints
- > balanced long-term capacity building with short-term visible results
- > been well harmonised with other support efforts

- > been highly effective and catalytic
- > created outcomes that have improved the delivery of water and sanitation
- > has increased access for poor women, men and other vulnerable groups.

Negative assessment

There is evidence to conclude that Australia's support to the water sector in Indonesia has:

- > not been sufficiently aligned to partner government systems (no assessment has been completed on how to align, however)
- > not sufficiently improved gender equality
- > not sufficiently improved overall productivity of the system to deliver better services in urban areas

3.4 Lessons relevant for sector support to middle-income countries

Ten lessons for assisting the water and sanitation sector in middle-income countries have been learned based on experience in the water and sanitation sector in Indonesia (including what has not occurred) over the past decade.

1. The model of simultaneously supporting institutional development and accompanying investment (alone or in concert with other donors or government programs) is sound. Technical assistance (i.e. specialised personnel and skills) adds the most value when it is accompanied by funding for investment or implementation of activities related to the technical assistance, including testing new ideas and technologies.
2. General or sector-specific financial analysis should be undertaken before any assistance is provided to determine if support can be aligned with government budgets or systems. If the sector can support alignment, it is prudent to introduce activities on a pilot or selective support basis first to test the strength of sector policies and practice.
3. Where decentralisation is part of government policy, strong effort should be made to build capacity in local government to help this level of government fulfil its responsibilities. However, capacity building for service provision is not effective without funds for investment.
4. Institutional development support can help clarify and strengthen national government roles and responsibilities in the sector. A long-term commitment by government to fulfilling its roles and responsibilities is essential if the support is to be effective. A clearly defined 'apex institution' with defined responsibility for leading or coordinating the sector is important.
5. It is better to provide long-term assistance (five to 10 years) with budget continuity and flexibility. This can contribute to the development of the sector more effectively than numerous short-term (three years) interventions, even if these interventions are large in scale.
6. It is important to continue to support government efforts to harmonise and coordinate donor activities.
7. Support should de-emphasise project-based M&E in favour of national sector-based M&E.
8. Use of local expertise can be highly cost-effective and appropriate. Use of international advisers should be limited to when expertise is not available or not of sufficient quality locally.
9. An assessment of sector resources and capacity should be carried out before determining which implementation model and contracting option is best matched to project/program objectives.
10. Whether assistance will be effective or sustainable often depends on reforms in other sectors (particularly in public financial management and the civil service).

3.5 Issues on aid effectiveness to the sector

Assessment of the national sector framework and government systems

There is a tendency to design project objectives and frameworks without a thorough analysis of the national sector framework. Projects are therefore designed as stand-alone rather than as part of a government's broader objectives, outputs and strategies. If government efforts are successful then it is best to support them rather than adopt an independent approach. If they are not successful, it is more constructive to enter into discussion about how to improve government efforts before providing support (as opposed to ignoring them or writing them off). The tendency to design stand-alone projects, in other words, limits the ability to align to government objectives and to build institutional capacity.

Strengthen all elements of the national sector framework

There is a tendency in government-to-government cooperation to focus on the service delivery role of the public sector and not pay enough attention to the service delivery role of the private sector or to piloting the advocacy role of civil society. For a sector to function well, the private sector and civil society need to play a constructive role. Focusing on service delivery through the public sector while under emphasising the role the private sector and civil society can play tends to overlook the important regulatory role of the public sector.

Technical assistance that is flexible and consistent

Experience in the water and sanitation sector in Indonesia shows the value of low key but consistent and flexible technical assistance especially for policy development and implementation. The ambition of contributing to radical new directions with the aim of greatly increasing performance levels is unlikely to meet its objectives in a short period of time. A support horizon of 10 years is more realistic with a commitment span of at least half that.

Mobilising national and international gender expertise

Much has been achieved in raising gender awareness in the water and sanitation sector and many national programs have introduced important features such as affirmative action for women representation on user committees. While these are steps in the right direction, they often only paid lip service to gender and are not a springboard for training and empowering women. Expertise to help mobilise gender efforts is available, but not put in practice during project implementation.

Institutionalising new approaches in the national sector budgets and sector practice

Community-based approaches are commonly accepted by national authorities as superior to the purely technical approaches adopted in the past. Nevertheless, essential elements of the community-based approach, which require expenditure for "software" elements such as community mobilisation and training, while accepted on externally supported projects, are not adopted for projects financed out of the national budget. In order to finance community-based approaches out of the national budget, GoI would need to change the instructions and budget estimates to allow for expenditures on community facilitators, mobilisation and training.

CHAPTER 4: RECOMMENDATIONS

4.1 Recommendations for Australian support to water and sanitation sector in Indonesia

Recommendation 1

Engage in an extended policy dialogue with national sector authorities and in harmony with other sector donors.

Rationale

The water and sanitation sector in Indonesia, although well established and achieving good performance in some areas, is facing new challenges especially in the urban sector and in ensuring effective decentralisation. To enhance performance and increase the effectiveness of external assistance it is recommended that Australia takes up the following issues (labelled as dialogue issues 1.1 to 1.4):

Dialogue issue 1.1

Integrate the cost of water and sanitation working groups into permanent government budget lines.

Rationale

At present operational costs of the working groups at national and local levels are partly supported by projects such as WASPOLA and partly by government agencies. At national level BAPPENAS, for example, has a considerable budget line under counterpart funding that is available for the water and sanitation working group's expenditure. To a lesser extent, the same is true for district and provincial based water and sanitation working groups. It is important that the long-term costs of sector coordination are transferred from temporary counterpart funding budget lines into permanent budget lines, to ensure the continuity of inter-institutional coordination once external projects withdraw.

Dialogue issue 1.2

Issue the necessary instructions and guidance to adopt the national policy for development of community-based water supply and environmental sanitation (2003) at district level for projects funded out of the national budget.

Rationale

At present, the national policy for community-based water supply and environmental sanitation development is being used mainly for projects that are funded externally. The policy—with its focus on user cost recovery and the establishment of user managed water committees—is not being used for projects funded out of the national budget. There is a need for government at national and sub national levels to issue instructions and provide guidelines for local government departments on cost norms and mechanisms for hiring facilitators to mobilise the communities and assist with collection of community contributions as well as provide training in operation and maintenance.

Dialogue issue 1.3

Districts undertake a more active role in post construction support.

Rationale

Although the national policy foresees that communities will be responsible for operation and maintenance there is an acknowledgement that for many schemes there will be a need for periodic support from local government, especially for the larger more complex schemes and for promoting hygiene. Local government representatives will need to visit and monitor community schemes to assist with technical and institutional problems. Where districts have done this they have been able to help communities overcome problems and better ensure sustainability using relatively few resources. There is also a category of schemes, which, due to their complexity, proximity to urban areas or high density of household connections will probably benefit from being institutionally managed. Local government will have a responsibility for ensuring the orderly transfer of such schemes to local PDAM or other models of utility management.

Dialogue issue 1.4

Establish a national sector performance M&E system

Rationale

Strategy 15 in the national policy calls for the establishment of a simple M&E system. This has not yet been achieved. There is great uncertainty about the level of sector coverage which means it is difficult to: i) know if sector policy is working as intended or needs to be adjusted; ii) direct investment to the geographical regions where it is most needed and, iii) hold the sector accountable for performance. The sector M&E should be as simple as possible so it is not a burden on government. It should be based as far as possible on regular household surveys and existing methods of data collection to eliminate the need for new and/or additional effort. It could be based on up to 10 key indicators such as the ones in box 4.1. All donor projects should then use and support such a simple national sector monitoring instead of developing their own systems.

Dialogue issue 1.5

Address the urban utility crisis.

Rationale

Indonesia must make substantial progress in the urban water supply and sanitation sector if it is to meet related MDGs. With the Government's demonstrated commitment to replicating community-led and community-managed water supply and sanitation models (through the PAMSIMAS national project and commitment to CLTS), urban water supply is the next frontier for progress. It will also be one of the most difficult areas to demonstrate impact on the population, because many of the early steps must be at the 'upstream' policy and financial levels—and at the level of capacity building in district governments, together with major levels of investment in water supply and sanitation. Immediate issues include financial recovery, operational strengthening, and possible consolidation among districts for PDAM with low numbers of connections. The Ministry of Finance is leading the early steps. Australia can make a substantial contribution should it enter this arena because of its:

- a. excellent current support for and dialogue with the Ministry of Finance
- b. experience (through WASPOLA and WSLIC-2) with the kind of flexible technical assistance likely to be useful as a catalyst for action, or to provide skills, services, or pilots that leverage potential investment funds.

Box 4.1: Possible indicators for the rural water and sanitation sector

1. water supply coverage
2. sanitation coverage
3. coverage of water supply and sanitation in schools
4. functionality of water supplies
5. unit costs of water supply
6. unit costs of sanitation
7. gender equality *
8. water quality *
9. water resources regulation*
10. hygiene practice*

* measures to be decided upon

Recommendation 2

Continue the next phase of policy support (WASPOLA) to scale up and deepen the integration of policy within government.

Rationale

Policy support over the last 10 years has been characterised by low intensity but continuous assistance that has served to enhance ownership and ensure that policy interventions were relevant to changing circumstances. Although many aspects of policy support have been implemented, others still need catalytic support to become fully institutionalised. Future assistance should be strategic and operate under the leadership of the water and sanitation working groups. A particular area of support that is needed relates to the establishment of a sector M&E system (refer Dialogue Issue 1.4). Australian support should continue to be channelled through the Water and Sanitation Program hosted by the World Bank because this has led to good results in the past. Support should be flexible and respond to new opportunities rather than being tied to a strict work plan conceived at the start.

Recommendation 3

Provide grant funding for project support (PAMSIMAS) with a focus on technical assistance and funds for pilot investments.

Rationale

The WSLIC-2 loan project will end in 2010. It will be replaced by a new loan project known as PAMSIMAS, which will continue to support community-based water supply and sanitation. Although PAMSIMAS will start as a project, the intention is to convert it to a program with gradual use of government systems and decision-making structures. This worthwhile and timely effort will require careful management. Australian grant funding for the provision of technical assistance will help ensure a successful transfer from project to program, which, in turn, will consolidate and safeguard the successes of the earlier projects. Australian grant funding will also help ensure that nationally replicable systems can be established for training and supervising the facilitators needed for the community-based strategy. Investment funds provided by Australia are best used to pilot innovative new techniques and approaches where existing methods are not yielding successes (e.g. in saline affected coastal areas, in areas where sanitation is very difficult or in remote ethnic communities). The impact in reaching poor and disadvantaged groups will be greater and strategic if the grant funding is used for piloting alternative approaches in difficult areas rather than for simply topping up routine investments in pipes, taps and toilets.

Recommendation 4

Assist local government to monitor and provide post-construction follow up in areas where WSLIC-2 schemes have been built.

Rationale

There will not be an overlap between the WSLIC-2 loan project and the new PAMSIMAS project. PAMSIMAS will support different districts. As part of the project's exit strategy, WSLIC-2 will need to ensure that the local governments involved are able to undertake the necessary monitoring and post-construction follow up.

Recommendation 5

Finalise the Water and Sanitation Initiative design.

Rationale

The latest concept design (October 2008) of the Water and Sanitation Initiative envisages a program that co-finances five ongoing or soon to be started projects with international donors. Although this might complicate program management, it spreads the risk as most projects are complex and it is likely that at least some of them will be delayed. The urban focus of the initiative, compared to previous support that was purely directed at the rural sector, is appropriate. Important financial and institutional advances in the sector—such as possible on-lending to water utilities—are likely to happen in the near future. At present PDAM represents the sub-sector most in need of external support. Although the potential for support to the urban sector is great, there are considerable risks that the required institutional changes to allow the sector to operate efficiently will take longer than expected and outrun the time frame of the initiative, which only runs until 2011. There is scope for flexibility between the five supported projects so that projects commencing first could absorb more funds to make up for delayed or abandoned projects. It is also possible to place some funds within the Indonesia Infrastructure Initiative (INDII), which might allow for a more gradual execution of available funds.

4.2 Recommendations for external support to the water and sanitation sector in medium-income countries

Recommendation 1

Accept sector reliance on broader public sector and governance reforms and stimulate best practice by supporting reforms from within national systems, where appropriate.

Rationale

The water and sanitation sector will always depend on broader public sector and governance reforms. In medium-income countries, the sector cannot attempt to become efficient in the absence of improvements to national public financial management systems and civil service capacity. National progress in financial management and public sector reforms will in many cases limit the appropriate level of ambition and the speed with which the water and sanitation sector itself can advance; at least for the part of the sector that depends on the public sector (such as the regulatory function). Nevertheless, the sector can constructively focus on implementing best possible practice being introduced as part of these broader reforms. For example, if a new financial management system or staff appraisal system is being launched then the implementation of this in the relevant water or sanitation ministry or agencies can be supported as a way of advancing the sector closer to its full potential.

Recommendation 2

Balance the support of government strategies and systems with fostering of innovation and introduction of international experience.

Rationale

In medium-income countries, government strategies and systems are often well conceived and functioning adequately to justify strengthening them from within rather than establishing temporary project-based alternatives.

However, even if an analysis of the readiness for alignment shows that government systems can be effectively improved and supported, retaining some flexibility for introducing and piloting innovations from outside continues to have value. This does not imply that government cannot or should not be innovative. In some cases, external support can play a useful neutral broker role in a sector and such support is usually best provided independently from any particular government agency. In other cases, studies of difficult or controversial topics are often easier and will have greater influence if executed by external agencies.

Recommendation 3

Provide grant-funded technical assistance to larger multilateral lending efforts to leverage the impact of limited grant funds, but consider bilateral efforts where appropriate.

Rationale

Increasingly, for many medium-income countries the benefit of external support arises not so much from finance for investments but from access to expertise and international experience. In medium-income countries, the scale of investment will tend to be large and in many cases, if the investments themselves are financially viable, they can be financed through loans. In these circumstances bilateral sector support efforts will often be most beneficial if they are linked to broader multilateral or multi-donor programs. Transaction costs will be reduced as the number of different and potentially contradictory activities funded by donors is reduced. The ability to base the support on sound sector analysis will be enhanced, as more resources are available for program preparation and for sector policy dialogue and monitoring since several donors can contribute. Similarly, the ability to provide sound and high quality technical assistance will be increased, particularly where the combination of multilateral and bilateral support means grant funds are available for technical assistance and exchange of expertise can support the broader investment based loan programs. Nevertheless, there will often be cases where no suitable loan or multi-donor programs are present or where projects are already ongoing and not in need of further support. In other cases, new or particular challenges will be best addressed through separate focused efforts that are not linked or encumbered by a broader project. These might involve piloting special techniques in difficult areas or experimenting with innovative social approaches. In such cases, bilateral efforts might prove more fruitful as they can be quicker to start and more flexible in their execution.

Recommendation 4

Engage government and partners in active dialogue on progress with the national sector and external support to the sector.

Rationale

The effectiveness of support particularly that provided for improving national systems from within will tend to be highly dependent on how well the sector as a whole is performing. Regular, active and open dialogue on progress will enable the exchange of viewpoints and review of advances and setbacks. This review can then be used to determine whether external support needs to be re-directed or adjusted to be more effective. The sector dialogue should focus on harmonising the viewpoints of external development partners and ensuring the conditions for increasing alignment to national systems. It should occur as part of a sector-wide approach to planning, using annual stakeholder reviews that include civil society and the private sector as well as the public sector.

Recommendation 5

Design an exit strategy that ensures sustainability.

Rationale

An exit strategy that ensures sustainability will make external support strategic and catalytic—rather than a substitute for what Indonesia can do by itself. Such a strategy needs to include clear and measurable benchmarks and triggers for withdrawal and a process that will allow for a gradual shift in the nature of support in line with increasing national capability. When the conditions are right to enable sustainability and external assistance is withdrawn for a particular area of support, there might still be a need to assist other areas. In Indonesia, one example of this relates to withdrawing support to coordination mechanisms. Withdrawal could take place once the costs of the mechanisms are provided for in national budgets; however support to new areas—such as addressing the urban utility crisis or institutionalising the community-based approach within government sector expenditure—would still be highly beneficial.

Recommendation 6

Align sector activities with national policy developments in gender equality and comprehensively integrate gender equality into all components of water supply and sanitation activities.

Rationale

Greater attention to the comprehensive integration of gender equality in water supply and sanitation activities and alignment with broader national policy development is essential to ensuring sustainability and promoting gender equality more generally. Activities in the sector need to link with national gender units and be allocated sufficient resources to address gender. Women's participation should be encouraged not just through quotas, but also through activities aimed at changing attitudes and the status of women. To assess the success of water supply and sanitation activities in reaching women and men, and to evaluate their impact on gender equality, it will be essential to develop clear gender objectives that link into national objectives. It will also be essential to collect gender-disaggregated data and carry out gender analysis, promote and participate in policy dialogue with donors and government.

APPENDIX A: TERMS OF REFERENCE

Water and sanitation sector evaluation

Series—improving the provision of basic services for the poor

Background

During 2008–09, the ODE will evaluate the Australian aid program’s performance in three key service sectors: health, education and water supply and sanitation. These terms of reference relate to the water and sanitation sector evaluation. Improving basic services for the poor was identified as a significant challenge for the aid program in the ODE 2007 ‘Annual Review of Development Effectiveness’.

A greater focus on aid effectiveness and increased spending on water supply and sanitation has given rise to the need to assess various aid modalities and their relative benefits in different settings. Some competing priorities need to be considered such as the long-term objective of building capacity for sustainable improvement versus the immediate needs of the poor for enhanced service delivery. There are also questions over how to maintain effectiveness whilst scaling up efforts in the sector, particularly where capacity is an issue.

This evaluation seeks to evaluate the effectiveness of contemporary aid delivery mechanisms to improving water and sanitation service delivery to the poor. A focus on two case study countries, East Timor and Indonesia, will allow the evaluation to comment on various different delivery mechanisms and potential areas for future improvement.

Purpose

To inform understanding of how Australian aid can support sustainable improvement in the delivery of essential water and sanitation services. The evaluation will do this by assessing the effectiveness of previous Australian support and drawing out lessons on what has worked and what has not, in order to identify improved approaches. It will also indicate what should be continued, and what Australia should be doing differently. A key role of the evaluation will be to identify the factors that explain the differing results observed and consider the implications for future support.

Scope

The evaluation will include a desk review, case studies and field visits. It will review major Australian activities supporting the delivery of essential water and sanitation services completed within the last five years and assess their contribution to water and sanitation service performance in recipient countries.

It will also consider, where possible, the extent to which current and planned activities reflect the lessons learned from previous support to the sector. ‘Water and sanitation system’ is defined broadly to include all stakeholders involved in financing and delivering essential water and sanitation services, including private sector and not-for-profit organisations as well as public sector water and sanitation bodies. The evaluation will examine the effectiveness of joint efforts in the sector. It will not attempt to attribute results to Australian funds in a narrow sense.

The evaluation will address this core question.

- > Is the approach used by the aid program to improving the delivery of essential water and sanitation services to poor women, men, girls and boys effective?

The evaluation will also address the following subsidiary questions.

- > Does Australian assistance to the sector meet the needs of poor men, women, girls and boys?
- > Is the approach taken by Australia to provide support cost effective?
- > Is the aid provided likely to have sustained results?
- > Are the current approaches scalable and/or applicable to different countries/regions?

Management arrangements

ODE will manage the evaluation. To do so, ODE will procure a team of independent consultants. The team will consist of two to three consultants with (collectively) significant experience in:

- > water and sanitation service delivery (technical and institutional knowledge)
- > aid modalities such as bilateral, multilateral and sector wide approaches
- > gender equity impacts of aid and engendering aid programs
- > public financial management
- > community development
- > governance
- > social development
- > evaluation methodology and practice
- > country knowledge/experience in selected evaluation field sites.

Ideally, the team will also include a representative from the partner government and a representative from ODE. Local consultants known to both the post and partner government may be employed to assist in the logistical arrangements or preliminary research where required.

A reference group will be set up to provide technical and quality review of the evaluation TOR, methodology and draft report and may include among others:

- > members of AusAID's infrastructure, gender and fragile states thematic groups
- > Australian, international or local NGO representatives
- > technical experts unable to join the field team
- > representatives from desk or post
- > others with specialist knowledge (i.e. gender) to ensure high evaluation quality.

The reference group will provide advice to the team leader but will not have a management role.

Implementation

The evaluation will include several phases, as outlined below.

Time permitting, preparation will include a brief visit by the evaluation team to Canberra to consult with thematic and country representatives to gain a deeper understanding of the context in which the water and sanitation sector programs have been developed.

Preparation phase

- > consultation with desk and post
- > document and data review and analysis (sector and country)
- > development of evaluation methodology and fieldwork guides
- > development of evaluation tools and report outline
- > identification of key stakeholders for interview
- > develop field research plan
- > consultation with associated AusAID staff.

Outputs for preparation phase

- > synthesis report summarising Australian support to the water and sanitation sector and the available evidence on results
- > background paper on intended fieldwork locations
- > detailed research methodology and evaluation tools
- > list of key stakeholders for interview
- > field research plan.

Fieldwork phase

The evaluation team will conduct fieldwork in East Timor for approximately 10 days and in Indonesia for approximately 15 days. ODE will liaise closely with Posts to coordinate with existing planned reviews and ensure there is no duplication or avoidable burden on the programs.

Fieldwork will be primarily based on semi-structured interviews and focus group meetings (as appropriate) with key stakeholders identified by the team including:

- > AusAID field staff
- > government officials at different points in the delivery 'chain'
- > Managing Contractors (technical assistance staff)
- > other donors and multilaterals
- > private sector
- > relevant NGOs/civil society organisations
- > intended beneficiaries.

Fieldwork will be conducted at a number of sites as well as at the national level in each location. Site choice will be informed by inter alia available poverty analyses, variation in water and sanitation service delivery agents and variation in outcomes of Australian support and performance of the water and sanitation services.

Outputs for fieldwork phase

- > a summary of all information acquired from key informant interviews, meetings, focus group discussions and other activities carried out during fieldwork
- > data and reports collected from field locations
- > other documentary evidence such as photographs and maps
- > draft country reports for each country visited.

Report writing, review and finalisation phase

Subsequent to the fieldwork phase, the evaluation team and ODE will ensure that all relevant information is gathered to prepare a preliminary draft report for review. The team and ODE will participate in a visit to Canberra to debrief and discuss the evaluation findings. Information may include (but is not limited to):

- > retreat minutes
- > written inputs from team members
- > other data and evidence collected from field sites
- > previously prepared sector and country reviews.

The team leader will be responsible for producing a country report for each field study location and an overall report for the sector encompassing the views of all team members based on discussion and written inputs.

After the research team agrees on the draft report, a final draft will be written and circulated for peer review. The report will then be finalised.

ODE will present the findings to the Parliamentary Secretary for International Development Assistance.

Outputs for the report writing, review and finalisation phase

- > minute of evaluation team retreat
- > individual written inputs from evaluation team members
- > draft evaluation report for review
- > minute of peer review meeting
- > final report
- > PowerPoint presentation for the Parliamentary Secretary.

Schedule

Timing is dictated by the fieldwork schedule, which in turn should be aligned as far as possible with partner government or AusAID activities and not clash with other planned missions. The availability of core team members will also influence the timeline.

The current schedule for field visits is:

East Timor: second to third week December 2008

Indonesia: second to third week January 2009

It is hoped that fieldwork for both locations can be completed no later than end January 2009 to ensure results are available in time to feed into the broader Service Delivery evaluation.

Potential evaluation questions

Relevance of Australian support

- > Is the predominant model of water and sanitation service delivery supported by the Australian aid program fit for purpose in meeting the priority service needs of poor men and women? If not, why?
- > Are the improvements in water and sanitation service delivery supported by the aid program sufficient to improve priority outcomes for poor men and women related to water and sanitation services (including primary outcomes such as access and affordability and secondary outcomes such as improved health)?
- > Has Australian support been based on an adequate assessment of the constraints to service delivery for poor men and women, including political economy factors, the impact of conflict (where applicable) and the willingness and capacity of stakeholders to deliver the necessary improvements?
- > Has the aid program supported the right stakeholders in the water and sanitation sector?
- > Have sufficient resources been directed to address the targeted constraints?
- > Has the design and implementation of Australian support achieved the right balance between long-term capacity development and short-term, visible results?
- > Does the previous and current pattern of assistance provide a sound basis to scale up assistance effectively for water and sanitation service delivery?

Appropriateness of approach

- > Has the strategy to improve service delivery supported by the aid program been coherent, realistic and well-budgeted, and based on consultation and stakeholder ownership?
- > Has alignment of Australian support with partner governments been appropriate given assessment of responsibilities, capacity and commitment and, where applicable, the impact of conflict?
- > Has an appropriate balance been struck between support for capacity-building, provision of technical assistance and the provision of goods and services?
- > Has Australian support been sufficiently harmonised with other international and national actors to manage the risks of fragmentation?
- > Has the choice of instruments and modalities for Australian support been appropriate, given local context and timing/sequencing issues? And are current modalities adequate to enable a scaling up of support to water and sanitation service delivery?
- > Has the aid program adequately managed the risks of Australian support eroding existing local capacity?
- > Has the approach taken by Australia addressed concerns of aid volatility and predictability?
- > Where relevant, has Australian support been sufficiently whole-of-government to address linked political-security-development issues?
- > Has adequate, timely performance information been available and have appropriate changes been made to approach of the aid program in the light of this?

Effectiveness of Australian support

- > What outcomes have been achieved as a result of Australian support and have these improved the delivery of essential water and sanitation services?
- > Has access to essential water and sanitation services increased for the poor, women and other vulnerable groups?
- > What contribution has Australian support in the sector made towards improving gender equality/reducing gender inequality?
- > What factors explain variations in the outcomes achieved and system performance within the case study countries?
- > Has Australian support helped improve the productivity of the system, including: incentives to deliver better services, more efficient delivery mechanisms, increased resources at the front-line, and greater reach of services to the poor, women and other vulnerable groups?
- > Has Australian support strengthened key accountabilities within the water and sanitation system between policy makers, service providers, civil society organisations and poor service users?
- > How sustainable are the gains that have been achieved, in terms of the effectiveness of Australian support in building:
 - Political support and pro-poor policy-making capability?
 - system capacity, including financial viability and harnessing skills of state and non-state providers?
 - voice and participation of poor women and men or advocacy groups in the system?

Scalability

- > Is there potential for successful interventions to be scaled up within the case study country?
- > Is there potential for successful interventions to be applied to different countries? What aspects would be transferable?

APPENDIX B: INDONESIA BACKGROUND PAPER

Country profile

Indonesia is the largest archipelago in the world, consisting of more than 17 000 islands. The country's official language is Indonesian (*Bahasa Indonesia*), but approximately 737 local/ethnic languages are in use in the country. The population is 220 million (making it the fourth most populous nation in the world) of which more than 60 per cent (132 million people) live on the island of Java. Average life expectancy is 70 years and the adult literacy rate is around 88 per cent. Indonesia ranks 107 (out of 177) in the Human Development Index.

Government systems and politics

Indonesia consists of 33 provinces and approximately 483 districts.¹⁰⁹ Administration was decentralised in 2004 and as a result, responsibility for service provision now rests at the district level. The national government retains responsibility for matters related to foreign affairs, defence, justice and religion. Decentralisation has faced some obstacles including lack of local government capacity to balance revenues and expenditures, corruption and poor communication between the national and sub national governments.

Indonesia is a recent democracy. Following the fall of President Suharto in 1998, Indonesia has undergone several governance reforms with particular emphasis on the public sector and corruption. From 2004, the President is directly elected by the people. Despite these reforms, politics in Indonesia is still ruled by elitism and government systems continue to be plagued by low capacity, poor management and coordination.

Macroeconomic performance

The Asian financial crisis that began in 1997 had disastrous impacts on Indonesia's economy. The country's debt grew to more than 100 per cent of its GDP, exports and inputs also dropped. Approximately 23 per cent of the population was living in poverty during the financial crisis.¹¹⁰

Since the crisis, Indonesia has recovered due to sensible fiscal management and macroeconomic policies as well as increased tax and export revenues. Despite this impressive recovery, Indonesia continues to be burdened by subsidies. In 2008, the Government took the bold decision to cut fuel subsidies by 28.7 per cent, which before the cut, were estimated to be costing it more than US\$17 billion per year.¹¹¹

Initial projections were that Indonesia would fair well during the current global economic crisis, however in late November 2008, economists predicted that Indonesia would not go unscathed with a predicted drop in growth from six per cent to as low as 2.5 per cent in 2009.¹¹² This drop in growth—in addition to companies having trouble accessing capital—will inevitably lead to massive layoffs around the country.¹¹³

Inflation has been rising since 2007 and this now poses a key risk for the country with the threat of the Bank of Indonesia continuing to increase interest rates to bring inflation down. Exports continue to grow with export demand showing resilience to slowing growth in the majority of developed economies.¹¹⁴ According to World Bank sources, Indonesia's ratio of public debt to GDP has fallen from 100 per cent in 1999 to 40.8 per cent in 2006 and is expected to be between 30 per cent and 35 per cent in 2009.¹¹⁵

Public finance management¹¹⁶

Since the Asian financial crisis, Indonesia has transformed its management and allocation of public resources. Significant progress has been made in establishing a regulatory framework for improved public financial management and appropriate regulations have been developed and implemented (to varying degrees of success).

Budget process

Despite improvements in public financial management, the Indonesian budget system remains inflexible and impractical. The budget process is hindered by excessively detailed documents, necessitating a considerable time for Parliament to prepare and discuss the budget. Bottlenecks in the system create delays in disbursing the budget, often resulting in a large share of funds being spent at the end of the fiscal year. Budget administration is also a burden with intensive coordination required between the National Development Planning Agency (BAPPENAS) (responsible for annual sectoral allocations), the Ministry of Finance (responsible for the preparation of the budget) and line agencies that fail to inform BAPPENAS of anticipated costs and disbursement schedules.

Decentralisation

World Bank figures indicate that Indonesia's regional governments now manage 40 per cent of total public expenditures and carry out more than 50 per cent of public investment. According to the World Bank, Indonesia's main development challenge is not to transfer additional resources to local governments in poor areas, but to ensure effective spending of existing resources. In 2006, unspent reserves in local governments reached 3.1 per cent of GDP. Even poor regions with low fiscal resources such as East and West Nusa Tenggara saw their general budgets (*Dana Alokasi Umum*) from the national government increase by an average of 75 per cent in 2006. Despite these large surpluses, resources were often channelled to the wrong places.¹¹⁷

Transparency/audit

The state audit law has strengthened the role of the external audit institution, the State Audit Agency (*Badan Pemeriksaan Keuangan*). This agency is now in charge of the external audit of all government institutions, while the State Development Audit Agency (*Badan Pengawas Keuangan Pembangunan*) with the Inspector General of each Ministry coordinates the internal audits of the national government. The *Bawasda* offices manage the internal audits in the regions.

Corruption

Indonesia has had a long and much publicised history with corruption. Since the fall of President Suharto in 1998, Indonesia has taken positive steps towards combating corruption. In 2008, Transparency International's Corruption Perceptions Index ranked Indonesia 126 out of 180.¹¹⁸ This ranking had improved since 2007 (from 143) mainly due to the ability of the Corruption Eradication Commission to bring forward high-profile cases to court. The problem however, due to decentralisation and the increased flow of financial resources to local governments, remains widespread.

Poverty

Indonesia's population remains vulnerable to increasing energy and food prices.¹¹⁹ Based on the Indonesian Statistics Board's definition of poverty, in 2007 an estimated 16.58 per cent of the population were living in poverty.

¹²⁰ According to the World Bank, a large number of Indonesians are vulnerable to poverty with almost 42 per cent of Indonesians living between the US\$1 and US\$2 poverty lines.¹²¹

Indonesia is characterised by widespread regional disparities in poverty. Compared to other provinces, the island groupings of Nusa Tenggara, Maluku and Papua in Eastern Indonesia have the highest poverty incidences and severity as well as poorer performance in almost all socio-economic indicators. While poverty incidence is highest in more remote eastern provinces, about 57 per cent of the poor live in Java or Bali.¹²² According to the World Bank, more than two thirds of the poor live in rural areas, more than half do not have access to safe water, 73 per cent do not have access to decent sanitation, almost two thirds work in agriculture, and more than half have less than primary education.¹²³

Poverty features as a key issue for the 2009 presidential election. The current government is trying to address the problem through a three-pronged approach: 1) direct assistance to the poor through unconditional cash transfers and rice provisions; 2) community-based assistance under the National Self-Reliant Community Empowerment Program (*PNPM*), which predominantly addresses localised infrastructure; and 3) the provision of microcredit to almost one million small businesses.¹²⁴

Progress towards achieving Millennium Development Goal 7, Target 10, in Indonesia

Access to safe drinking water and sanitation in Indonesia is low by international and regional standards, and Indonesia is not on track to reach its MDGs on water and sanitation.¹²⁵ In fact, 24 of Indonesia's 33 provinces will fail to reach MDG targets for safe drinking water supply by 2015 at current investment levels.¹²⁶ To achieve the MDG targets for water and sanitation, services will need to improve for an estimated 70 million people each year until 2015 and US\$573 million will need to be invested annually.¹²⁷

Access to safe drinking water

Access to safe drinking water improved during 1990 to 2004 (refer Table A2.1). At a subregional level, rural areas increased by four per cent, however urban access to safe drinking water decreased by five per cent. Reasons for this likely lie with population increases and urban migration, in addition to a rural focus in new water infrastructure (particularly in Eastern Indonesia).¹²⁸ Despite an overall increase in coverage of access to safe drinking water, household connections are still quite low—in urban and especially rural areas. Low access to safe drinking water has been attributed to inadequate national and sub national government commitment to build water facilities, insufficient technical-financial-managerial capabilities of local government-owned water utilities (PDAM), and vague water sector investment regulations which lead to low community and private sector participation in water sector development.¹²⁹

Table 4.1: Access to improved, safe water in Indonesia

Water coverage					
	Urban		Rural		Total
	Coverage (%)	House connections (%)	Coverage (%)	House connections (%)	Coverage (%)
1990	92	27	63	2	72
2004	87	30	69	6	77
Progress (1990–2004)	-5	3	6	4	5
Target (2015)					86

Source: WHO/UNICEF 2006, Joint Monitoring Program for Water Supply and Sanitation Coverage Estimates

Access to basic sanitation

Access to basic sanitation has also improved in both urban and rural areas; however, there has been no improvement in household connections (refer Table A2.2). Most sanitation facilities do not meet appropriate sanitation standards. The high proportion of households in rural areas without appropriate sanitation facilities has been attributed to: a lack of awareness by the community; low priority of the local government; and low participation of the private sector in wastewater management.¹³⁰

Table 4.2: Access to improved sanitation in Indonesia

Sanitation					
	Urban		Rural		Total
	Coverage (%)	House connections (%)	Coverage (%)	House connections (%)	Coverage
1990	65	2	37	-	46
2004	73	2	40	-	55
Progress (1990–2004)	8	0	3	-	9
Target (2015)					73

Note: For sanitation, household connections only take into account domestic connections that are connected to a sewerage system and therefore exclude septic tanks or dry sanitation, even if privately owned.

Source: WHO/UNICEF, Joint Monitoring Program for Water Supply and Sanitation Coverage Estimates

Sector framework: water and sanitation in Indonesia

The 2004 decentralisation laws on regional governance form the bedrock for the water and sanitation national sector framework. These laws stipulate that district governments are responsible for the provision of water and sanitation services to communities within their jurisdiction. As such, water and sanitation services hinge on the political will and capacity of district governments as well as district regulations, which determine tariffs and sanctions for rural and urban water supply. The key challenge for district governments in this framework is to interpret and transfer national laws down to the local level.

Policy and legal framework

In June 2003, Indonesia's National Policy on the 'Development of Community Based Water Supply and Environmental Sanitation' (WSES policy) was signed off by six GoI Directorate Generals.¹³¹ The policy assists local governments to carry out their water and sanitation development plans and programs more effectively in a decentralised government system. It was designed to be used by all levels of government, NGOs, beneficiaries and donors.

The policy places beneficiaries as decision-makers and implementers with an emphasis on environmentally friendly development, women's roles in decision-making, accountability of the planning process and improved M&E. The policy identifies 17 implementation strategies that provide a framework for sustained and effective use of WSES facilities and services. Strategies include increasing investment in human resource capacity, applying a cost-recovery principle that ensures WSES facilities and services are financially self sustaining, raising awareness of environmental aspects of WSES, and developing an M&E system for all levels of government.

Specific legislation on water:

The right to access water for basic daily needs is guaranteed in Article 5 of the Water Resources Law (*Undang-Undang Sumber Daya Air 7/2004*). Under this provision, the state holds the obligation to organise various efforts to guarantee the availability of water for everyone; however, district government has primary responsibility for water provision.¹³²

The Water Resources Law also stipulates that private sectors may participate in the provisions of water supply (through cooperation with PDAM).¹³³ The Water Resources Law was the result of the Water Resources Sector Reform Program—a donor funded government project. Following the program's completion in 1998, the Water Resources Law was finally enacted by Parliament in February 2004. It focuses on water conservation, infrastructure and its management and is more detailed than its predecessor (the *Irrigation Law 11/1974*) which was written at a time when Indonesia was considered to have abundant sources of water.

Specific legislation on sanitation:

In late 2008, the Ministry of Public Works released ministerial regulations to support the national policy on the management of waste water systems.¹³⁴ These ministerial regulations are the first body of legislation to address the sanitation sector specifically. They intend to harmonise the sector with all waste water system plans and activities required to follow the regulations and associated policy. Both the regulations and policy focus on achieving national targets and MDGs.

Sanitation issues are indirectly addressed in other pieces of Indonesian legislation, particularly the Health Law (*UU Kesehatan 23/1992*) and the Environmental Management Law (*UU Pengelolaan Lingkungan Hidup 23/1997*). The Health Law identifies appropriate solid and liquid waste security as being essential to achieving healthy environments. The Environmental Management Law focuses on quality standards and environmental damage caused by corporate activities.

Institutional set up*Government*

At a national level, there is no sole apex body responsible for water and sanitation, rendering several ministries responsible for various parts of the sector.

Health Ministry: responsible for providing guidance and support for improved public health and the monitoring of drinking water quality standards, as well as providing guidance to regional governments for improving sanitation coverage and implementing hygiene promotion programs. The Ministry focuses primarily on rural areas.

Environment Ministry: responsible for laws and regulations concerning all aspects of environmental protection, including water resources.

Public Works Ministry: responsible for all nationally funded public works, for ensuring compliance in the regions with technical standards and designs, and supporting the technical development of the water, wastewater, solid waste transport and urban renewal subsectors.

Within the Public Works Ministry, the Directorate General for Human Settlements provides guidance and technical support to regional governments for the design and implementation of sanitation facilities, and is responsible for sanitation projects funded by the national Government.

The Directorate General for Water Resources provides guidance in allocating surface water resources among users and is a key member of the Water Resources Council.

National Development Planning Agency (BAPPENAS): responsible for urban and rural infrastructure planning and coordination of national reform processes; plays a leading role in formulating policies for water supply, sanitation, solid waste management, transport and urban renewal; reviews major sanitation issues affecting urban areas.¹³⁵

Other government ministries are also involved in the sector, but to a lesser extent.¹³⁶ Although water and sanitation are not specifically identified, according to articles 13 and 14 in the decentralisation law (Local Governance Law/*UU Pemerintahan Daerah 34/2004*), local governments are responsible for water and sanitation through: designing and monitoring construction, regional planning, providing facilities and managing the environment.

Water and sanitation working group

The national inter-ministerial WSES Working Group was established during the first two phases of WASPOLA. Convened by BAPPENAS, this national working group is responsible for coordinating and harmonising the sector. Despite its informal status, the group has succeeded in harmonising donor and government specific water and sanitation programs in line with the national WSES policy. However, its key weakness is that it does not have a specific GoI budget allocated to it and its main source of funding (through a BAPPENAS miscellaneous budget line) is expected to end in 2009. Other working groups exist at provincial and district levels, and these are responsible for the coordination of water and sanitation activities within their province or district. These sub-national level working groups are, however, vulnerable to high staff turnover and low capacity.

Water enterprises

PDAM are primarily responsible for the supply of water to communities in Indonesia. According to the ADB, approximately 90 per cent of Indonesia's population live within the areas serviced by PDAM. However, the majority of the population (approximately 83 per cent) does not receive services from the local PDAM and rely on other sources of water including self-provision (shallow groundwater abstraction, rainwater collection and surface water from nearby rivers) and commercial on-selling (through small-scale independent providers).

PDAM are often inefficient due to the following reasons:

- > regular district subdivision has resulted in the creation of new utilities that are often too small, have too few connections and are too inefficient to operate effectively
- > many local governments siphon PDAM revenue streams that should be used for operation and maintenance purposes
- > the majority of PDAM are heavily indebted and only able to continue operating due to government subsidies
- > PDAM infrastructure across the country continues to deteriorate, with no significant investment made in assets over the past decade
- > PDAM are not responsive to consumer needs
- > most PDAM lack a commercial focus and are poorly managed—local governments set water tariffs, which are often too low to recover operating and maintenance costs.¹³⁷

Governance

Financial management of water and sanitation sector funds is characterised by low political pressure and demand from households, which have developed their own coping strategies (including drawing water from private and unregistered wells).¹³⁸ This low consumer demand and channelling of funds to other sectors has seen PDAM become inefficient and insolvent.

To mitigate the risk of misuse of public funds (including through corruption, collusion and nepotism) the World Bank and the GoI have agreed to an Anti Corruption Action Plan for the third phase of the Water Supply and Sanitation for Low Income Communities program (WSLIC-3 or PAMSIMAS). The plan is based on lessons learned and experiences from the previous two projects: WSLIC-1 and WSLIC-2. It outlines and explains six key elements that are crucial to preventing corruption in the project.¹³⁹

Plans and budgets

Two national water and sanitation plans were prepared in 2004. The first plan was the ‘Medium Term National Plan for Water and Sanitation’ by BAPPENAS. The second was the ‘National Action Plan on Clean Water and Sanitation’ by the Ministry of Public Works. Both plans are similar but with slightly differing targets.¹⁴⁰

According to local government budgets during 2003–05, the average allocation for sanitation was at approximately 2.3 per cent of the total district budget. This is higher than the 0.18 per cent allocated for sanitation in provincial budgets. In the national budget, only 0.036 per cent was allocated for sanitation.¹⁴¹ To provide some context for these figures, the GoI only spends IDR200 per person on sanitation annually (approximately US\$0.02). The minimal figure needed to address sanitation issues in Indonesia is at least IDR47,000 (or US\$4.70) per person annually.¹⁴²

Although local governments vary in their management of water and sanitation provisions, there are similarities in their water and sanitation budgets:¹⁴³

- > the vast majority (approximately 90 per cent) of local budget allocations are for capital investment (source development, installation of pumps and distribution pipes) with only minor amounts allocated for technical assistance, project support and maintenance
- > hygiene hardly features in local budgets, except in some allocations towards the maintenance of sanitation clinics
- > allocations for solid waste are minor (at all levels of local government)
- > sanitation receives about one fifth of total budget allocations for water supply, but this varies across government levels.

Monitoring and evaluation

The WSES National Policy places a special emphasis on M&E in its implementation strategy. The policy highlights improving M&E models and using performance indicators for water and sanitation facilities and services. It also stipulates that M&E are required at all levels of government through a bottom-up approach. The policy encourages community level M&E through data collection, problem solving, implementation and management. This also increases communities’ decision-making capacity. Higher levels of government (district, provincial, national) are required to coordinate and collect M&E data from lower level governments and are responsible for feeding this information upwards.

Despite this policy focus, there is no common M&E framework in the sector. All donors and GoI operate independently, using their own M&E frameworks, which has resulted in a wide range of M&E databases that cannot

be compared to each other or consolidated to generate an overall picture of progress of community-based water and sanitation implementation.¹⁴⁴

Sector reforms

In April 1998, following the Asian financial crisis, the World Bank offered a US\$300-million loan program to the GoI to restructure its water sector (this program was known as: Water Resources Sector Adjustment Loan—WATSAL). This loan offer was the result of a World Bank study that concluded the Bank could no longer continue assisting in the water and irrigation sector without a major restructuring or reform of the sector. BAPPENAS and the Ministry of Settlements and Regional Infrastructure took the lead and created a task force consisting of government officials, NGOs and World Bank staff to develop a reform plan.

A key output of the reform was the Water Resources Law (7/2004), which adopted several principles proposed by the World Bank, including the paradigm that water is an economic good (consequently opening the door to the private sector).¹⁴⁵

Donor coordination

The goal of the national WSES Policy is to provide a foundation for harmonising activities in the sector by using a common, community-based approach. The policy has been successful in harmonising donor and NGO projects and to a certain extent, GoI activities. However, given the many stakeholders involved in the sector, including donors and several government ministries, donor coordination and harmonisation within the water and sanitation sector is an administrative burden.¹⁴⁶

The national working group is the key body within the GoI responsible for coordinating and harmonising the sector. It is the main point of contact between donors and the Government and acts as a clearing house of information for key stakeholders (particularly district governments, NGOs and donors). The working group has effectively taken on the role of being an apex body within the GoI for water and sanitation issues.

Cross cutting issues

Gender

A gender inclusive approach in water and sanitation projects in Indonesia will contribute to the country's efforts to achieve the MDGs for the sector, as well as gender equality, child health and maternal health. To a certain extent, the GoI realises this and as such, has identified gender mainstreaming as a key instrument to the success of its Medium Term Development Plan (2004–09). The WSES National Policy identifies women's roles in decision making as an important aspect that has for a long time been lacking or disregarded in water and sanitation work in Indonesia. The policy identifies women as a specific 'target' where future efforts must be directed. Despite this gender focus in two key policy documents, the application of gender equality in water and sanitation projects in Indonesia is patchy. An AusAID analysis of water and sanitation projects in Indonesia revealed that while some initiatives integrated gender or had developed a gender action plan (WSLIC-2 and PAMSIMAS consecutively) others (such as WASPOLA 2) had failed to include gender equality indicators in their M&E framework.¹⁴⁷ Issues that hinder the comprehensive integration of gender equality in water and sanitation projects include the lack of capacity of GoI to mainstream gender into water and sanitation programs and the lack of capacity on the donors' behalf to properly mainstream gender into the design, implementation and evaluation phases of such projects.

Environment

As a cross cutting issue, the environment features extensively in water and sanitation law and policy. In the National WSES policy, environmental education, environmentally friendly development and environmental conservation and management are consistently referred to as policy implementation strategies. Although the environment is a feature of the policy and the logical link between the environment and the management of water resources and the sustainability of sanitation infrastructure, the Ministry of Environment has not signed off on the national WSES policy and is largely absent in the sector.

The Water Resources Law (*UU 7/2004*) emphasises water as being an environmental resource that is part of a greater ecosystem and is an important element for the life of flora and fauna. The law calls for the appropriate and sustainable management of water. In the Indonesian Law concerning Environmental Management (*UU 23/1997*), water is only mentioned in the context as being a medium that can be contaminated or polluted. There is no mention of sanitation.

Summary of key issues/assessment national sector framework

Indonesia's national sector framework is still in development. Whilst weaknesses are evident, that a framework exists and is functioning at various levels should not be undermined. Most aspects of the current framework are still new and require time to be appropriately adopted and implemented by donors and government.

Policy

The national WSES policy has been successful in harmonising the water and sanitation sector. All donor and GoI water and sanitation activities are using the community-based approach (though, there are some variations). However, the policy itself has not been legalised by the GoI and, therefore, has not been integrated into all GoI procedures and instructions. In addition to this, the policy is not easily accessible and is rarely referenced in donor documents (despite donor assistance in its development). In terms of its applicability, a criticism of the policy is that it is too general for most district and provincial governments to find useful. This generality has caused confusion in local governments over how to action the principles of the policy, resulting in inconsistency of implementation among districts.¹⁴⁸

Coordination

There is no apex body for water and sanitation issues—at least six ministries and agencies are involved in implementing sector-related activities. This combined with numerous donor-led projects has created an administrative burden not only at the national level, but also at district levels where resources and capacity are significantly less to coordinate projects and activities. In spite of this burden, the working groups at all levels of government have generally been successful in coordinating and harmonising water and sanitation projects. However, the success of these working groups largely depends on the local context, specifically the political will and capacity of the government departments.

Supporting legislation

One of the biggest weaknesses of the sector framework is that there are very few strong and specific legislation addressing the sector. Where there are laws, the enforcement of these laws is weak. A key strength of the supporting legislation is that both the Water Resources Law and the national WSES policy view water as an economic and non-

everlasting public good. This paradigm opens the door to the private sector and promotes the notion that users must pay for the service.

Resource allocation at local level

District governments (that are responsible for service delivery) are allocating very little funding to water and sanitation activities. Of the funding allocated, the majority is being spent on infrastructure and very little is allocated to behaviour change and infrastructure maintenance (two contributing factors to sustainability). At a more general level, local governments lack the capacity to manage revenue and expenses in such a way that sustains the sector.

Institutional weaknesses and absence of private sector

Despite a water resources law, which allows private sector participation, there is an overwhelming absence of the large-scale private sector in the water and sanitation industry. With the exception of two private water companies in Jakarta, a private operator in Batam and a joint venture in Bali, the remaining PDAM are all government owned. Donor initiatives, which have aimed to promote private sector participation, have been unsuccessful and have arguably contributed to the lack of interest from foreign investors.¹⁴⁹ The absence of a private sector has left PDAM failing to operate as businesses resulting in them not generating enough revenue for maintenance costs and loan repayments.

Insufficient investment

There has been insufficient investment made in water and sanitation infrastructure due to most PDAM not being credit worthy, and legal impediments following the decentralisation law, which constrains local government borrowing.¹⁵⁰

External support to the sector

Australia Indonesia Partnership Country Strategy¹⁵¹

The Australia Indonesia Partnership Country Strategy initiatives work at the national and local (provincial and district) levels of government. The country strategy's geographic focus recognises five priority provinces, which have low development indicators and are among the poorest in Indonesia: Papua, West Papua, East Nusa Tenggara, West Nusa Tenggara and Nanggroe Aceh Darussalam (Aceh) (refer Attachment 1 for map).

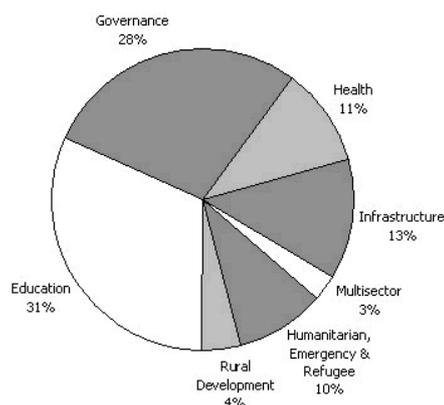
The goal of the Australian and Indonesian governments is to work in partnership to achieve a more prosperous, democratic and safe Indonesia by implementing Indonesia's National Medium Term Development Plan. The country strategy's key pillars are:

- > Pillar 1: sustainable growth and economic management
- > Pillar 2: investing in people
- > Pillar 3: democracy, justice and good governance
- > Pillar 4: safety and peace.

The methodologies for delivering this aid include working within GoI systems, working with civil society and donor harmonisation.

Water and sanitation fall under pillar 1 (sustainable growth and economic management). The country strategy highlights that Australia will sustain its contribution through direct support and co-financing approaches, emphasising the critical role good policy and effective governance play in delivering water supply and sanitation services. Australia will help the GoI formulate policy and fund rural and urban water supply and sanitation at provincial and district levels. Australia will continue to work closely with other donors, particularly the World Bank.

Figure A2.1 AusAID funding to Indonesia 2007-08



Australia's assistance to Indonesia continues to increase. In 2006-07, Australia's development assistance to Indonesia was A\$344.3 million. In 2007-08 this grew to AU\$458.8 million and in 2008-09 it grew again to approximately AU\$462.0 million.¹⁵² Indeed, the Indonesia program is the largest Australian bilateral program.

According to figures from 2007-08, education and governance sectors received most Australian funding followed by infrastructure and health. (Refer Figure A2.1)¹⁵³.

AusAID Water and Sanitation Policy Framework

In the FY08-09 budget, the then recently elected Australian Government announced it would allocate A\$300 million to the water and sanitation sector over the next two years. Following this announcement, the AusAID water and sanitation thematic group

created a Water and Sanitation Initiative Policy Framework outlining how this money would be spent.

The goal of AusAID's initiative is to improve the living standards of the poor by improving their access to more effective and sustainable water supply and sanitation services thereby contributing to progress toward the achievement of the MDGs. The initiative's guiding principles are to increase the focus on urban water supply and sanitation while maintaining a strong rural program; expand funding for sanitation; emphasise scaling up successful approaches; and increase engagement and partnership with multilateral and other bilateral agencies, civil society organisations and global water and sanitation initiatives.

Aid support to the sector

The water and sanitation sector in Indonesia has attracted much support from the donor community. Attachment 2 lists the various bilateral organisations, multilaterals (development banks, United Nations organisations), NGOs and the private sector funding water and sanitation programs in Indonesia.¹⁵⁴ Only a handful of these programs are being implemented/executed through GoI systems—usually the Ministry of Health, BAPPENAS or local governments. The majority of activities are implemented by NGOs or a bilateral donor.

The programs described in Attachment 2 are addressing most of the sector weaknesses identified in the sector framework above including infrastructure and policy, environmental issues, hygiene practices, and the efficiency of PDAM. Some programs are also targeting school hygiene and health for mothers and children less than five years of age.

A common theme in most of the programs is the focus on engaging with communities (the beneficiaries) and developing a demand from the community level for better water and sanitation services and increasing their capacity and knowledge in this sector. Other key themes include engaging with PDAM and improving healthy hygiene habits.

In terms of geographical location, most programs focus on districts located in western Indonesia (e.g. Aceh, Sumatra) and central Indonesia (e.g. Java, Kalimantan, Sulawesi). Very few programs are being implemented in eastern Indonesia, particularly in Papua and Maluku. Data does not specify whether water and sanitation programs are more likely to be implemented in rural or urban areas.

While there appears to be ‘spread’ of programs addressing key elements of the sector, the impacts and sustainability of these programs are questionable. Despite most running for approximately four to five years, many are operating on small budgets and not being executed through GoI systems. In addition, very few have been developed to compliment existing water and sanitation programs.

Issues for donors

In addition to the systemic issues within the water and sanitation sector, the existence of so many donors creates additional problems and issues concerning the effectiveness of aid to the sector in Indonesia. Based on the information provided in the sector framework above, the core issues facing donors include:

- > working with local governments in a decentralised system (issues of coordination and harmonisation as well as increased risks of corruption)
- > poor financial management at local levels of government (and the impact this has on PDAM and their service delivery)
- > lack of political will, particularly at the local level where communities have adapted to a lack of access to water and sanitation (by extracting water through ground wells etc)
- > the rural-urban dichotomy: whether donor projects should focus on rural areas (most often the poorest) or on urban areas (often the most populated and polluted).

For donors such as Australia that are funding water and sanitation projects through the World Bank, issues include:

- > delays due to World Bank procurement rules and guidelines
- > delays due to negotiations between the World Bank and the GoI
- > branding and recognition issues for the bilateral donor
- > difficulties in integrating overarching principles (such as gender and environment) into projects
- > absence of in-depth program knowledge held by the bilateral donor.

APPENDIX C: AUSAID CURRENT AND PLANNED INITIATIVES

WSLIC-2

Table 4.3: WSLIC-2—Water and sanitation for low-income communities 2

Initiative number	Initiative name	Dates	Amount approved	Amount expended
INE608	World Bank WS&S for low income communities Ph 2	January 2000—June 2009	A\$12.5 million	A\$11 153 071 (as at November 2008)
Goal	To improve the health status, productivity and quality of life of poor communities in under-served rural villages in project provinces.			
Objectives	To improve the health behaviour and health services of poor communities related to water borne diseases; provide safe, adequate, cost effective, and easily accessible water supply and sanitation services; and develop sustainability and effectiveness through community participation.			
Location	West and East Java, West Nusa Tenggara, West and South Sumatra, and Bangka Belitung and South Sulawesi			
Implementing agency	Ministry of Health, through the Directorate General of Communicable Disease Control and Environmental Health			

Initiative summary¹⁵⁵

The project was designed to be community-based and demand driven, drawing on lessons learned from earlier projects (WSLIC 1). It has four major components, namely:

- > community and local institutions capacity building
- > improvement of health behaviour and services
- > provision of water and sanitation infrastructure
- > project management.

Key strengths/achievements¹⁵⁶

Maintenance and community ownership

Villages have generally been able to maintain and ‘protect’ the infrastructure built through WSLIC-2. This result has been attributed to the feeling of ownership that the community had gained throughout the program—the result of being involved in planning and construction, as well as the investment (financial, labour and material) the community had made.

Impact on beneficiaries and quality of life

Generally, clean water can be accessed easily (no need to travel too far). The result is that the beneficiaries, mostly women, can now spend their time on other activities and there are fewer cases of illness and disease (especially diarrhoea related problems).

Community participation

WSLIC-2 has successfully employed a participative method to capacity building. As a result, women's participation is good. However, there is a need to have simple manuals on maintaining and fixing facilities for the users of these facilities (mostly women).

Key weaknesses*The sameness principle*

Every village was able to receive up to IDR280 million regardless of geographical differences and other conditions. Training on technical matters was not tailored and so did not meet the special needs and conditions of each district.

Sustainability issues

No specific information on how to maintain a water supply was provided (for example, villagers did not know that planting trees would maintain water supplies). In addition, some villages were not able to collect monthly payments for spare parts and water pumps, and in some places, due to the rural/remote location of villages, spare parts were difficult and time consuming to obtain.

Gender

WSLIC-2 has incorporated a gender mainstreaming strategy into the project design. The strategy's objective includes promoting equal participation of men and women in all stages of planning and decision-making and managing their water and sanitation services. The initiative has generated data on gender composition of community facilitators, village working teams, and attendance at key village events during planning, implementation, participation of training.¹⁵⁷

PAMSIMAS**Table 4.4: PAMSIMAS—Third water supply and sanitation for low-income communities project**

Initiative number	Initiative name	Dates	Amount approved	Amount expended
Still in draft on AidWorks	PAMSIMAS (third Water Supply and Sanitation for Low Income Community Project—WSLIC-3)	2007–2011	A\$9.5 million	
Goal	To increase the percentage of low-income rural and peri-urban populations accessing improved water and sanitation facilities and practicing improved hygiene behaviours, through programmatic mainstreaming and scaling-up of a nationwide community-driven approach to water and sanitation supply MDGs.			
Location	South Sumatra, West Sumatra, Riau, Banten, West Java, Central Java, South Kalimantan, East Nusatenggara, Central Sulawesi, South Sulawesi, West Sulawesi, Gorontalo, Maluku, North Maluku and Papua			
Implementing agency	Ministry of Public Works			

Initiative summary

PAMSIMAS is the third stage extension of earlier assistance (WSLIC Phases I and II) by AusAID and the World Bank to the GoI in support of community-based water and sanitation infrastructure.

The total value of the project is US\$275 million, of which US\$137.5 million is International Development Association funding and US\$137.5 million is GoI and community funding. Australian funds will be used for a range of activities, including technical assistance and block grants.

PAMSIMAS consists of five components¹⁵⁸.

- > Community empowerment and local institutional development: this will support interventions at local community, district and provincial levels. It will support and facilitate planning and management of water, sanitation and hygiene improvement programs and it will build commitment and expand the capacity of national, provincial and district government agencies.
- > Improving hygiene and sanitation behaviour and services: this will ensure that targeted community households are gaining access to improved sanitation facilities of their choice, are using improved infrastructure effectively and are progressively adopting key hygiene practices.
- > Water supply and sanitation infrastructure: the majority of funding will go to the construction of new facilities but the rehabilitation of existing, non-functioning facilities is not excluded. Funding will be through block grants to beneficiary communities based on an evaluation of their community action plan. Communities will be responsible for operation and maintenance costs.
- > District and village incentive grants: these will be provided through two sub components based on selection criteria for each level
- > Implementation support and project management: this will cover technical assistance for training activities, capacity building, health, sanitation and water supply at all levels of government; project management, implementation oversight and quality control; and the evaluation of project outcomes.

Gender

The design of PAMSIMAS has included a gender action plan and has stated that the project will engage a gender specialist. The project will promote efforts to collect gender disaggregated data in project implementation.¹⁵⁹

WASPOLA 2

Table 4.5: WASPOLA 2—Water and sanitation policy formulation and action—Phase II

Initiative number	Initiative name	Dates	Amount approved	Amount expended
IND681	WASPOLA (Water and Sanitation Policy Formulation and Action) Phases 1 & 2 ¹⁶⁰	September 1997–June 2009	A\$17.8 million (WASPOLA 2: A\$8.1 million)	A\$16 897 358
Goal	WASPOLA Phase 2 aims to improve Indonesians' (particularly the poor's) access to adequate and sustainable water supply and environmental sanitation services.			
Purpose	To increase the capacity of GoI to implement policy and continue the ongoing process of policy reform for the WSES sector.			

Location	West Sumatra, Bangka Belitung, Banten, Central Java, Nusa Tenggara Barat, South Sulawesi, Gorontalo
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Initiative Summary

WASPOLA 2 has an expanded policy reform agenda through piloting a national policy on community-based water supply and environmental sanitation in several districts. It is also formalising national policy on institutional water supply and sanitation management for urban and peri-urban areas.

Key strengths/achievements

According to the WASPOLA 2 Mid Term Review (2006)¹⁶¹, the key strengths of WASPOLA 2 include:

- > strong BAPPENAS support, coordination and direction resulting in an institutional basis for the sector initiative, namely the working group co-located with WASPOLA
- > strong collaborative relationship between AusAID and the World Bank Water and the Sanitation Program for East Asia and the Pacific (WSP-EAP) that is mutually beneficial and providing WASPOLA with an enhanced profile across the donor community and within WSES program and project interventions
- > enhanced sustainability as evidenced by the establishment of the working group and by provincial and district decrees specifically building upon the WASPOLA – WSES policy initiative
- > a strong degree of ownership and departmental coordination of the WASPOLA program at both district and provincial levels through the establishment of the active working group.

Key weaknesses

According to the WASPOLA 2 Mid Term Review (2006), the key weaknesses of WASPOLA 2 include:

- > limited recognition in the site selection planning processes of the Government of Australia – GoI Subsidiary Arrangement provisions that describe mutually agreed priority provinces in Eastern Indonesia
- > the absence of an M&E framework and systematic M&E against agreed indicators of performance and outcomes concerns of all stakeholders
- > project reporting is principally activity-based with virtually no reporting against project outputs and objectives
- > the absence of an agreed Project Design Document which has impacted on quality reporting and contributed to uncertainties about roles and responsibilities and operational processes
- > the lack of clear operational guidelines with some uncertainty about channels of communication and roles and responsibilities (covering WSP-EAP, AusAID, the WASPOLA team, the working group, BAPPENAS), which has also impacted on project performance.

Gender

In the WASPOLA 2 design, promoting gender equity is stated as one of the key result areas in the M&E strategies. However, the project M&E framework does not have indicators to assess achievements in this area.¹⁶² The next phase of WASPOLA will develop a gender strategy and employ specialist technical assistance.

WASPOLA Facility

Table 4.6: WASPOLA Facility (WASPOFA)

Initiative number	Initiative name	Dates	Amount approved	Amount expended
Still in draft on AidWorks	Water and Sanitation Policy and Action Planning (WASPOLA) Facility—Phase 3	2009–13	A\$10.5 million	
Goal	The goal of WASPOFA is to improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation services, contributing to increased economic growth.			
Purpose	To strengthen the capacity of the GoI to guide the development of the WSES sector, emphasising demand responsive and participatory approaches, through the establishment of a facility that has the flexibility to respond to emerging needs and issues in core program areas.			
Focus	The primary focus is at the national level on policy development and policy implementation objectives. However, within this primary focus it would be directly involved in a broad range of activities in pilot provinces and districts.			

Initiative summary

The WASPOFA initiative will build on the success of WASPOLA by supporting a facility to promote ongoing support to the GoI to implement policies on urban and rural water supply and sanitation.

The new WASPOFA would have three main delivery components:

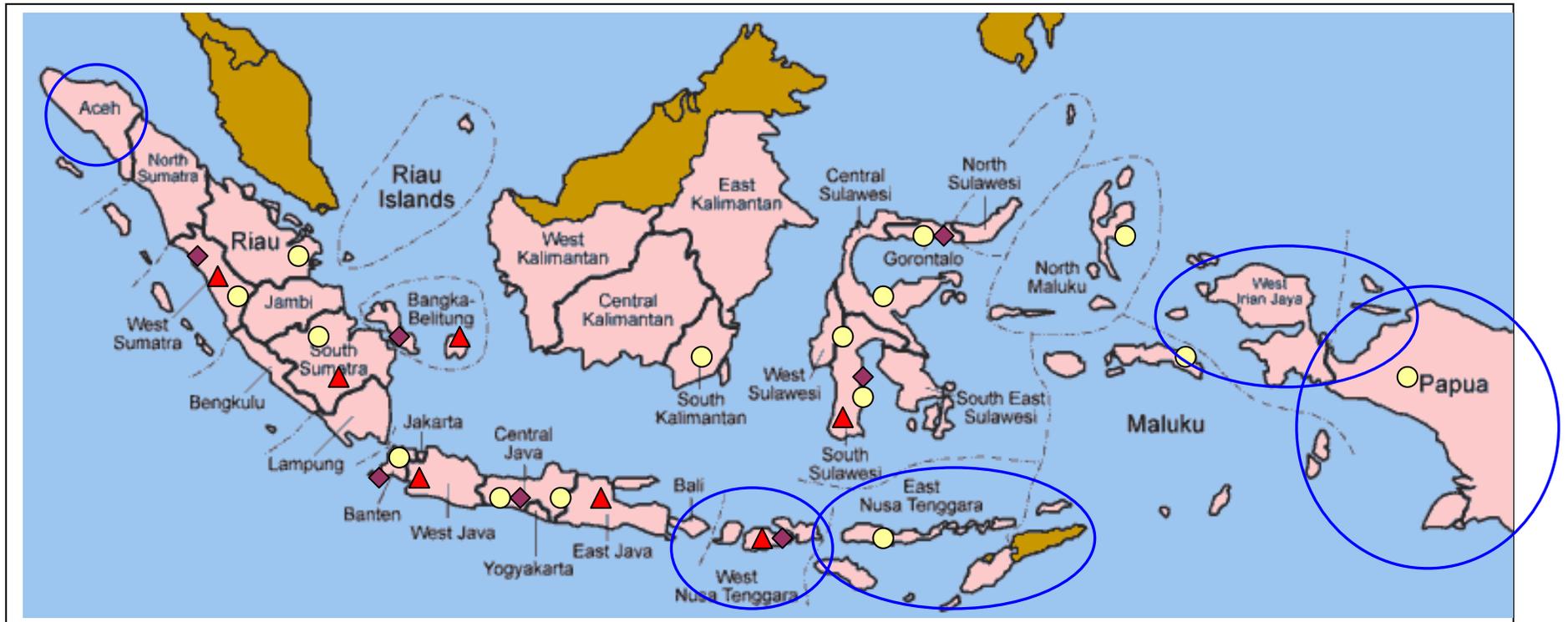
- > to develop WSES policies in response to evolving political, economic, social and technological context and best practice
- > to develop improved systems and procedures for implementation of WSES policies
- > to strengthen sector management functions, with emphasis on coordination, knowledge management functions, human resource development and M&E.

Gender

The WASPOLA Facility will work to a gender action plan and will engage a gender specialist. The design will promote gender equity as a key output of all focus areas of the facility. The initiative will also promote the collection of gender-disaggregated data.

APPENDIX D: MAP OF INDONESIA

Provinces where water and sanitation initiatives are taking place



- WSLIC-2 ▲
- PAMSIMAS ●
- WASPOLA 2 ◆
- AusAID country strategy priority provinces ○

APPENDIX E: OTHER DONOR FUNDED PROGRAMS IN THE WATER AND SANITATION SECTOR¹⁶³

Donor/ funding agency	Name of program, duration, & commitment	Geographic focus/location	Brief description of program	Executing or implementing agency/partnership or donor
ADB	Community Water Services and Health Project (CWSH) US\$65m loan December 2005 to December 2011	Four provinces—Jambi, Bengkulu, West and Central Kalimantan, 27 districts, 1350 villages	An innovative loan-based investment involving rural communities in the planning, financing, implementation and upkeep of new water supply and sanitation facilities. Project components include improved local government capacity for facilitating, regulating and where necessary delivering quality services in water, sanitation and health to targeted communities; strengthened community capability to develop, co-finance, build, operate and manage community-based water supply and sanitation facilities, ensuring women's participation throughout the process; improved access to WSES facilities in targeted communities; sanitation and health behavioural change program delivered. Aims to provide about 1.2 million people with safe drinking water and 600 000 with improved sanitation	Directorate General of Disease Control and Environmental Health, Ministry of Health
WSP	Integrated Sanitation Sector Development Project (ISSDP) US\$5.28 million July 2005 to April 2008	Provinces: East Java, West Nusa Tenggara, South Sumatra, Bangka-Belitung, West Sumatra, South Sulawesi, West Sulawesi and West Java	Part of the WASAP for Water Sector Capacity Building and Sanitation Development Sector. The ISSDP supports development of institutional policy for water supply and environmental sanitation activities. Four key areas of action include: developing an effective enabling framework for sanitation; developing a coordinated investment framework; stimulating demand through a targeted public awareness and marketing campaign; developing local level capacity.	Ministry of Health
	Economics of Sanitation Initiative Indonesia is part of a wider five-country regional study costing a total of US\$800 000 January 2007 to December 2008	Indonesia wide, based on provincial disaggregated data	(1) Stage 1—Impact study: calculate the economic losses from poor sanitation in Indonesia and the benefits to be gained by improving sanitation, (2) Stage 2—Options study: calculate the different economic costs and benefits of different sanitation management models and technologies in Indonesia. The whole Economics of Sanitation Initiative study includes the development of the methodology and approach so it can be used in other countries and regions.	WSP and consultants funded by Sida and WSP
	Total sanitation and sanitation marketing US\$1.9 million to the Indonesia component—as part of a six-country program January 2007 to December 2010	29 districts in East Java	Promotion of Total Sanitation and Sanitation Marketing approach. Specifically: a) raise the number of people with access to water and sanitation by at least \$1.4 million in East Java by: i) increasing demand for sanitation from households through behaviour change; ii) ensuring an adequate supply of suitable sanitation products and services; iii) building capacity of national and sub national governments to develop and implement policies that support effective rural sanitation programs; b) learn lessons about sustainable adoption on a larger scale in to reach the MDGs by 2015; c) contribute to global understanding of the total sanitation and sanitation marketing for increasing safe and hygienic sanitation for more than 250 million by 2015.	Funded by The Gates Foundation.

Donor/ funding agency	Name of program, duration, & commitment	Geographic focus/location	Brief description of program	Executing or implementing agency/partnership or donor
Dutch Trust Fund (Royal Netherlands Embassy) Administered through the World Bank	Indonesia Water and Sanitation Program (WASAP) for Water Sector Capacity Building and Sanitation Sector Development US\$22 million 2005–09	NAD, Nias 10 PDAM in Riau, N Sulawesi, N Maluku and Papua targeting 80 per cent coverage and five-year financial break even	The program supports the GoI to address key gaps in sector activity and support the overarching goal for sector reform and investment. Main area of support for capacity building initiative is urban water supply. Sub-programs include: a) Program Administration and Advisory Services; b) Water Supply Capacity Building; c) and d) ISSDP; e) Sector Performance Monitoring; f) Water Resources Management Sector Work; g) Sanitation Project Preparation Facility Capacity building and institutional development of PDAM with PERPAMSI and the World Bank. Sectoral approach to develop a national policy and strategy for sanitation—ISSDP. Pilot projects on sanitation in urban areas; provide input to ISSDP. Water and Sanitation Facility for Nanggroe Aceh Darussalam and Nias. Aligning the water resources sector with national water resources management goals.	Executed by WSP (ISSDP), PERPAMSI and PDAM
USAID	Environmental Services Program (ESP) US\$46 514 140 December 2004 to September 2009	Nanggroe Aceh Darussalam, North Sumatera, West Java, DKI Jakarta/Banten, Central Java/DI Yogyakarta, East Java	Five-year program to work with government, private sector, NGOs, community groups and other stakeholders to promote better health through improved water resource management and expanded access to clean water and sanitation services. Program components include: watershed management and biodiversity conservation as well as environmental services delivery and environmental services finance. Cross-cutting themes include public outreach and communications, geographical information systems and spatial planning. Focus will be on urban and peri-urban areas, and input into the management, operation, and financing of PDAM.	Development Alternatives, Inc. (DAI)
GTZ and KfW	Rural Water and Sanitation Project in NTT and NTB (RWSSP) US\$3m	NTT, NTB	RWSSP emphasises the provision of community level water and sanitation services at once community commitment and finances are confirmed and a Community Action Plan is prepared. The project operates a demand driven responsive approach whereby communities can come to the project to request for assistance.	Executed by GTZ/NTT Government
Private sector	Enviro Nusantara Private Australian and French-owned company	JV with Tangerang PDAM operating since 2003–04. Four to five other JVs pending with other municipal PDAM.	Management contracts with PDAM based on rehabilitation, operation and transfer. Typical contract period 15 to 20 years. Typical investment A\$15 to \$A20m/plant. Typical plant capacity 500 to 1000 l/sec. Initial JV with Tangerang considered highly successful. JV covers water production only. Distribution retained by PDAM. Actively seeking other JV opportunities. No major regulatory hurdles reported. Other companies becoming interested in doing the same thing.	PDAM (state-owned water company)
CIDA partnered with CARE	Sulawesi and Sanitation Hygiene (SWASH)	Sulawesi comprising 122 rural communities	The project goal is to strengthen community capacity to plan and implement services in CIDA's social development priority areas as well as to promote greater equity and sustainability in the management and use of Indonesia's natural resources.	Executed by CARE Canada

Donor/ funding agency	Name of program, duration, & commitment	Geographic focus/location	Brief description of program	Executing or implementing agency/partnership or donor
Canada and CARE Indonesia	2003 to 2008 US\$11.2m	and six urban settlement areas	Expected results of the project are: a) improved access to water and sanitation, household health, particularly of women and children in SWASH project areas; b) increased community empowerment through civil society strengthening and training activities.	Executed by CARE Canada
Individual and Dutch Governmen t sponsorshi p, USAID, CIDA, Department of Internation al Developme nt (DFID)	Plan International 1969 ongoing US\$3m annually	N/A	The program components include: school hygiene promotion; community and children empowerment; Save The Children as its core activity through education, hygiene promotion and WSES and livelihood; CB WSES including home latrine, hygiene promotion and integrated school hygiene program; building community capacity and capability in WSES.	Executed under the BAPPENAS Managed Trust Fund
Mercy Corps	Healthy Places Prosperous People (HP3) US\$1 million June 2006 to June 2010	North Jakarta	Project goal is to improve water supply, sanitation and solid waste services through pilot project interventions that achieve economic benefits at the household level.	Funded by IDRC; Implementing partners: URDI, Environmental Services Program, Swiss Contact, Municipality of North Jakarta
	SENYUM (Health and Safety for Communities/Sehat dan Nyaman untuk Masyarakat) US\$7 million November 2004 to September 2008	North Jakarta, Central Jakarta, West Jakarta	The program aims to improve the health of mothers and children under five through improved maternal and child health practices, improved access to water supply and sanitation facilities and improved hygiene practices.	Funded by USAID
	SHSP (Sumatra Health Schools Program) US\$1075m	West Sumatra, Riau, Lampung, Bengkulu, Yogyakarta	Improving the health of children enrolled in schools through nutrition and hygiene behaviour interventions; involving water supply and sanitation infrastructure, and behaviour change promotion and training in school facilities.	Sumatra Program funded by Ethos Starbucks Yogyakarta Program funded by private money donated for the Yogyakarta emergency
UNICEF Funded by The	Water and Environmental Sanitation (WES) Programme	25 districts and five (poor areas of) provincial capitals in	The purpose of the program is to improve hygiene practices and access to water and sanitation in about 180 villages, 500 primary schools and five urban areas (together serving about 440 000 people) by the end of 2010.	At the national level BAPPENAS is the coordinating agency; local government implements at provincial and district level.

Donor/ funding agency	Name of program, duration, & commitment	Geographic focus/location	Brief description of program	Executing or implementing agency/partnership or donor
Netherland Embassy, Sida and UNICEF	Approx US\$23m for the entire WES program, (\$6 m for sanitation) January 2006 to December 2010	six provinces: East Nusa Tenggara, West Nusa Tenggara, Papua, West Papua, Sulawesi Selatan, Maluku.		
BORDA	Regional Project 'Sustainable management of natural resources in SEA' Euro 2 500 000 January 2008 to December 2010	21 provinces in Sumatra, Java, Bali, NTT, Sulawesi, Kalimantan	Program objectives: basic need services (Community-Based Sanitation and WWTP for small and medium enterprises) are established as appropriate, environmental friendly, decentralised technical and social options in urban rural areas in Indonesia, Philippines, Vietnam, Laos, Cambodia and Southern China within a demand oriented multi-stakeholders framework.	Three partner NGOs: BEST, Bali Fokus, LPTP
Japan Internation al Cooperatio n Agency (JICA)	Urban Environmental Improvement Program 2008–14	N/A	The program focuses on sanitation and wastewater treatment etc.	N/A
JBIC	Denpasar Sewerage Development Project (DSDP) US\$45million November 1994 to October 2008	Denpasar, Sanur, Seminyak and Legian	Major objective of the program is to improve natural and human environmental condition and enhance public awareness on environmental pollution issues in the project area, through construction of sewerage system including booster pump station and wastewater treatment plant.	DG of Human Settlement, MPW
The Netherland s Embassy	Sanitation Master Planning in Pekanbaru US\$1 500 000 June 2007 to December 2008	Urban area of Pekanbaru	Development of master plan for sanitation (solid and liquid waste) and urban sanitation including testing the proposed strategies and including these practical lessons in the final master plan.	PT Kaskoning Indonesia together with sanitation working group
Plan Indonesia	Community Water and Environmental Sanitation	Kebumen, Grobogan,	The program is aimed at: (1) improving the key hygiene practices among communities of Plan Indonesia's working area, with evidence across households, pres-schools, and village delivery posts; (2) improving	Yayasan Sehat Selayar (local NGO) and community-based organisations

Donor/ funding agency	Name of program, duration, & commitment	Geographic focus/location	Brief description of program	Executing or implementing agency/partnership or donor
	project US\$1 500 000 million January 2005 to December 2008	Rembang, Surabaya, Ponorogo/Pacitan, Dompu, Bima, Kupang, Sikka, Lembata, Soe, Kefamenanu, Jeneponto, Selayar	community water supply and waste-disposal (solid wastes and wastewater) facilities with sustained operation and maintenance management arrangement; (3) contributing the development of relevant government policies and implementation of government programs in the area of health, hygiene and sanitation.	

APPENDIX F: REVIEW OF EVALUATION QUESTIONS

Relevance of Australian support	Summary	Evidence/comments
Is the predominant model of water and sanitation service delivery supported by the Australian aid program fit for purpose in meeting the priority service needs of poor men and women? And if not, why?	Good	The model is well suited to middle-income countries. Projects have influenced pro-poor policy at national and project levels. Greater alignment to Gol systems is required, and is being phased into the next generation of projects.
Are the improvements in water and sanitation service delivery supported by the aid program sufficient to improve priority outcomes for poor men and women related to water and sanitation services (including primary outcomes such as access and affordability and secondary outcomes such as improved health)?	Good	WSLIC has substantially improved access to water services for poor men and women, although sanitation is lagging. Financing mechanisms, including tariffs, are flexible and pro-poor. Water and sanitation systems are selected through village-informed choice and household affordability. Improved health has been achieved but is not well documented.
Has Australian support been based on an adequate assessment of the constraints to service delivery for poor men and women, including political economy factors, the impact of conflict (where applicable) and the willingness and capacity of stakeholders to deliver the necessary improvements?	Good	The two forms of support complement each other to eliminate constraints. WASPOLA is addressing capacity issues; WSLIC participation is by stakeholder self selection.
Has the aid program supported the right stakeholders in the water and sanitation sector?	Good	Yes. WASPOLA's support to national and district government has been crucial at advancing the sector. WSLIC has supported village stakeholders. Less support to NGOs and private sector.
Have sufficient resources been directed to address the targeted constraints?	Good	Resources have been adequate.
Has the design and implementation of Australian support achieved the right balance between long-term capacity development and short-term, visible results?	Good	Yes. In particular, the long-term commitment in Indonesia has been rewarded with greater opportunities for engagement, and influence in the sector in excess of Australia's financial contribution. Shorter-term visible results, of increasing access to water and sanitation and better health outcomes, has also been achieved.
Does the previous and current pattern of assistance provide a sound basis to scale up assistance effectively for water and sanitation service delivery?	Adequate	Somewhat. Australian support has established policies and practices, which are being replicated by the Gol and other donors. Quality control of replication needed.
Appropriateness of approach	Adequate	Highly suitable for middle-income countries, but use of Gol systems should be increased.
Has the strategy to improve service delivery supported by the aid program been coherent, realistic and well budgeted, and based on consultation and stakeholder ownership?	Good	Yes
Has alignment of Australian support with partner governments been appropriate given assessment of responsibilities, capacity and commitment and, where applicable, the impact of conflict?	Adequate	Yes, but needs to move forward to greater alignment with Gol systems. Assessment of how to align is missing.
Has an appropriate balance been struck between support for capacity building, provision of technical assistance and the provision of goods and services?	Good	Yes. Support has only been for strategic capacity building and technical assistance as is appropriate for a middle-income country which has its own means to purchase taps and toilets
Has Australian support been sufficiently harmonised with other international and national actors to manage the risks of fragmentation?	Good	Yes. Australian support through WASPOLA and WSLIC has been at the forefront of sector harmonisation.
Has the choice of instruments and modalities for Australian support been appropriate, given local context and timing/sequencing issues? And are current modalities adequate to enable a scaling up of support to water and sanitation service delivery?	Good	Long-term support has been particularly appropriate for addressing emerging issues (WASPOLA). Modalities are appropriate for trialling and supporting scalable approaches.
Has the aid program adequately managed the risks of Australian support eroding existing local capacity?	Adequate	Some capacity building at local level but WSLIC-2 operating outside of government systems and in some aspects is substituting local capacity.
Has the approach taken by Australia addressed concerns of aid volatility and predictability?	Adequate	Long-term assistance provided but delays between project phases has provoked uncertainty.
Where relevant, has Australian support been sufficiently whole-of-government to address linked	Adequate	Support is linked to a broader strategic program.

Relevance of Australian support	Summary	Evidence/comments
political-security-development issues?		
Has adequate, timely performance information been available and have appropriate changes been made to approach of the aid program in the light of this?	Good	Yes. Performance information available including independent reviews, although some WSLIC functionality information is not reliable. Impact assessment is missing but imminent. Each new phase of WSLIC and WASPOLA has drawn on lessons learned and improved approach.
Effectiveness of Australian support	Good	Highly effective and catalytic; poor reached; sustainability promising.
What outcomes have been achieved as a result of Australian support and have these improved the delivery of essential water and sanitation services?	Good	As above.
Has access to essential water and sanitation services increased for the poor, women and other vulnerable groups?	Good	As above.
What contribution has Australian support in the sector made towards improving gender equality/reducing gender inequality	Poor to Adequate	Inclusion of women in decision-making is institutionalised in national community-based policy and in guidelines for village management organisations, but implementation is weak. Women have benefited from greatly reduced health care and labour burdens, but remain outside of mainstream decision-making.
What factors explain variations in the outcomes achieved and system performance within the case study countries?	n/a	Success of water schemes varies due to available water resources, budget for system development, strength of local leadership, degree of community participation, and commitment to operations and maintenance. Sanitation success varies depending on settlement density, alternative defecation areas, local leadership and quality of sanitation facilitation.
Has Australian support helped improve the productivity of the system, including: incentives to deliver better services, more efficient delivery mechanisms, increased resources at the front-line, and greater reach of services to the poor, women and other vulnerable groups?	Adequate	Yes. WSLIC supports community empowerment leading to better quality and sustainable water and sanitation services; but village funding cap is a constraint. Urban services have had only very limited attention.
Has Australian support strengthened key accountabilities within the water and sanitation system between policy makers, service providers, civil society organisations and poor service users?	Adequate	Yes. WASPOLA trials, evaluations, reviews and information sharing have improved openness and accountability, however WSLIC accountability is oriented to donors not government system. Unclear how poor service users are included.
How sustainable are the gains that have been achieved, in terms of the effectiveness of Australian support in building:		
• Political support and pro-poor policy making capability?	Adequate	Good political support but not always backed up financially. Pro-poor policy project based.
• System capacity, including financial viability and harnessing skills of state and non-state providers?	Adequate	Some capacity has been built within the government sector. Some capacity building within NGOs but private sector is not targeted.
• Voice and participation of poor women and men or advocacy groups in the system?	Good	Good for community participation but women's voices are not always heard. NGOs and universities included in approaches and involved in monitoring, evaluation, and information sharing.
Scalability		
Is there potential for successful interventions to be scaled up within the case study country?	Adequate	Yes—already occurring. Lack of human resources (facilitators) a main constraint.
Is there potential for successful interventions to be applied to different countries? What aspects would be transferable?	Good	Yes. Support to national government for development of policy, apex function and information sharing. Other catalytic interventions are transferable to middle-income countries.

APPENDIX G: KEY INFORMANTS AND EVALUATION TEAM PROGRAM

Table 4.7: Key informants—Canberra and Jakarta

Position	Organisation
Program Officer	ADB
Social Sector Specialist	ADB
Assistant Director General Indonesia and East Timor	AusAID Canberra
Manager, Infrastructure	AusAID Jakarta
Minister-Counsellor/Senior Representative	AusAID Jakarta
Program Manager (Water and Sanitation)	AusAID Jakarta
Program Manager (Papua Unit)	AusAID Jakarta
Program Officer (Papua)	AusAID Jakarta
Program Manager (Aceh)	AusAID Jakarta
Indonesia Desk—Policy and Analysis	AusAID, Canberra
Indonesia Desk—M&E and Gender	AusAID, Canberra
Indonesia Performance and Information	AusAID, Canberra
Head of Research Indonesia Program	AusAID, Canberra
Indonesia Performance and Information	AusAID, Canberra
Indonesia Performance and Information	AusAID, Canberra
Deputy Director General Asia Division	AusAID, Canberra
Indonesia Performance and Information	AusAID, Canberra
Infrastructure Section	AusAID, Jakarta
Program Director of ANTARA and Sub-National Advisor	AusAID, Jakarta
Counsellor	AusAID, Jakarta
Infrastructure Policy Advisor	AusAID/Ministry of Finance
Director, Indonesia Political and Strategic Section	Australian Department of Foreign Affairs and Trade, Canberra
Staff	Department of Regional Development (Ministry of Home Affairs)
Director for Settlements and Housing	BAPPENAS
Directorate for Settlements and Housing	BAPPENAS
Directorate for Settlements and Housing	BAPPENAS
Directorate for Settlements and Housing	BAPPENAS
Deputy Regional Coordinator	BORDA
Program Leader (WASH)	CARE International Indonesia
CB/MPA Specialist	CPMU WSLIC 2

Staff	CPMU WSLIC-2
Staff	CPMU WSLIC-2
Head of Waste Management	Environmental Health Directorate, Ministry of Health
Staff of water and sanitation sub Directorate	Environmental Health Directorate, Ministry of Health
Director	Environmental Health Directorate, Ministry of Health
CPMU WSLIC-2	Environmental Health Directorate, Ministry of Health
Watsan Staff	Environmental Health Directorate, Ministry of Health
Water Supply Engineer	Environmental Health Directorate, Ministry of Health
Head of Water and Sanitation Subdirectorate	Environmental Health Directorate, Ministry of Health
Principal Adviser	GTZ
Staff	Home Affairs Ministry
Staff	Indonesia Communication Forum on Drinking Water Quality Management
Senior Policy Officer	Indonesia Policy and Analysis, AusAID Canberra
Staff	LP3ES
Urban Director	Mercy Corps
Urban Governance Advisor	Mercy Corps
Country Director	Mercy Corps
Staff	Ministry of Finance
Environmental Sanitation Directorate	Ministry of Public Works
Subdirectorate of Sanitation	Ministry of Public Works
Acting Country Director	PCI
Program Advisor	PCI
Grants Manager	Plan International
WES Specialist	Plan International
Director	PT Waseco Tirta—Water, Environmental & Management Consultants
First Secretary Water Resources	Royal Netherlands Embassy
Staff	Sanitation Technical Team Secretariat
Water and Environmental Sanitation Specialist	UNICEF
Project Officer	UNICEF Water and Environmental Sanitation Programme
Program Specialist	USAID
Program Specialist	USAID
Staff	WASPOLA
Community Development Officer	WASPOLA

Team Leader	WASPOLA 2
Staff	Water and Sanitation Working Group Secretariat
Task Team Leader WSLIC-2	World Bank
Pamsimas	World Bank
Operations Analyst	World Bank
Program Officer—WVA	World Vision Indonesia
WASH Specialist	World Vision Indonesia
MIS-Monitoring and Evaluation Specialist	WSLIC-2
Financial Specialist	WSLIC-2
Country Program Manager	WSLIC-2
CD and Gender Specialist	WSLIC-2
CLTS Specialist	WSLIC-2
Participatory Health Promotion	WSLIC-2 CPMU
Senior Sanitation Specialist	WSP
Adviser	WSP/AusAID
Regional Team Leader	WSP-EAP
Project Director	Yogyakarta Community Assistance Programme

Table 4.8: Key informants—field visits

Position	Organisation
SERANG DISTRICT	
Secretary	District Community Development Agency (BPMD)
Kabid P3KL/CDC Division	Department of Health
Head of city planning	District Development Planning Board
Economics Officer	District Development Planning Board
Governance	District Development Planning Board
Working Group Member	District Development Planning Board
General	District Development Planning Board
Head	District Development Planning Board
Clean Water	DSPAP
Kabid PNFI	Education Department
Head Officer	HARFA Pandeglang
Field Facilitators	HARFA Pandeglang
Administration staff	HARFA Pandeglang (NGO)
Members	Pandeglang Clean Water and Sanitation Implementation Group
Technician	Pandeglang Clean Water and Sanitation Implementation Group
Working Group Members	PKK—Family Welfare Movement
Secretary	PKK—Family Welfare Movement
Kasubid Praswil	Provincial Bappeda
Water resources development officer	Public Works
Social Cultural Officers	Social Cultural Department—District Development Planning Board

Head	Social Cultural Department—District Development Planning Board
Poverty Officer	Social Department
Researcher	Urban and Regional Development Institute
General Director	Water Utility Serang
Technical Director	Water Utility Serang
Planning	Water Utility Serang
Inspector	Water Utility Serang
General Specialist	Water Utility Serang
BOGOR	
Kasi Kesling	Department of Health
Kabid Kerja	District Development Planning Board
Staff	District Development Planning Board
Head	District Development Planning Board
Section head	District Development Planning Board
Head of section	Health Department
DPMU WSLIC Bogor	Health Department
Pelaksana	Prodal Regional Sekretariat
Environmental Sanitation	Provincial Health Department
Kasek WSLIC	Provincial Health Department
WSLIC	Provincial Health Department
Director General	Water Utility
Director Technical	Water Utility
Staff	Water Utility—Sawangan Depot
Staff	WSLIC-2
NUSA TENGGARA BARAT PROVINCE	
Staff	Health Department
Coordinator	Mitra Samya (NGO)
Staff	Mitra Samya (NGO)
Staff members	Provincial Development Planning Board
Bid PP2	Provincial Development Planning Board
Head/Lecturer and Researcher	Provincial Development Planning Board
Member	Provincial Drinking Water and Environmental Sanitation Working Group
Staff	Public Works Department
Project Officer Water and Environmental Sanitation	WES UNICEF
Project Officer Health and Hygiene	WES UNICEF
WEST LOMBOK DISTRICT	
Village Head	Batu Kambung Village
Staff members	District Development Planning Board
Staff members	District Health Department
Staff	Water Utility
NORTH LOMBOK DISTRICT	
WSLIC facilitator	Department of Health
DPMU WSLIC	Department of Health

Head	Department of Health
Staff	District Development Planning Board
Health Centre Sanitarian/WSLIC facilitator	Health Centre
Staff members	Public Works
Residents	Rempung Village
Staff	Water Utility
Staff	YM3M (NGO)

Table 4.9: Evaluation team program

Date	Day	Activity
3 January 2009	Saturday	Team travel
4 January 2009	Sunday	Team meeting and planning; background reading
5 January 2009	Monday	AusAID briefings: country program staff Meeting with key stakeholders in Jakarta—World Bank WSP; BAPPENAS; AMPL Pokja
6 January 2009	Tuesday	Meetings with key stakeholders in Jakarta—DepKes; WSLIC-2 Team; Plan International Phone conference with RHK from Yogyakarta Community Assistance Program Meeting with USAID; AusAID Counsellor
7 January 2009	Wednesday	Meetings with key stakeholders in Jakarta—UNICEF WES; Ministry of Finance; ADB CWSH; LP3ES
8 January 2009	Thursday	Meetings with key stakeholders in Jakarta—GTZ; Mercy Corps, CARE, World Vision, Netherlands Embassy; PCI; Cipta Karya Phone conference with BORDA; Richard Manning
9 January 2009	Friday	Meetings with key stakeholders in Jakarta—Waspola; World Bank
10 January 2009	Saturday	Team workshop
11 January 2009	Sunday	Travel to Serang
12 January 2009	Monday	Meetings with Serang District WSES working group; PDAM Site visit to UNESCAP pilot Pamenkang village, Kramatwatu subdistrict; Islamic Boarding School sanitation, WSLIC Kandyakan village, Kragilan subdistrict; PCI site Pangi village, Pandeglang Travel to Bogor
13 January 2009	Tuesday	Meetings with Bappeda and WSLIC-2 Bogor District Project Management Unit; PDAM Site visits—WSLIC: Gunning Picung village, Subdistrict Pamijahan; Pancawati village, Caringin subdistrict
14 January 2009	Wednesday	Travel to Mataram Meeting with Nusa Tenggara Barat Provincial Government and Working Group Meeting with Mitra Samya
15 January 2009	Thursday	Meeting with Lombok Barat District Working Group/WSLIC Meeting with UNICEF Site visits—WSLIC: Selat village, subdistrict Narmada; Dasan Geria village, subdistrict Lingsar; Batu Kumbung, subdistrict Lingsar Site visits—UNICEF: Suanadi village, subdistrict Lingsar; school Sdn 1 Batu Mekar, subdistrict Lingsar
16 January 2009	Friday	Meeting with Lombok Timur Working Group/WSLIC Site visits—WSLIC: Kalijaga Timur/Aikmel/Lotim, Lombok Timur; Rempung village Site visits—Public Works: Kalijaga Salant village, Aikmel subdistrict; Kampung Sukarna, subdistrict Aikmel (Sanimas)
17 January 2009	Saturday	Travel to Jakarta, report writing
18 January 2009	Sunday	Briefing for AusAID Counsellor Infrastructure
19 January 2009	Monday	Briefings for BAPPENAS; AusAID Minister Counsellor

		Travel to Canberra
20 January 2009	Tuesday	Travel, team planning and report writing
21 January 2009	Wednesday	Briefing for AusAID—ODE; Indonesia Desk, Infrastructure Group
22 January 2009	Thursday	Briefings for AusAID—East Timor Desk; AusAID Executive
23 January 2009	Friday	Phone conference with WSLIC Team Leader; briefing for Deputy Director General Asia Division, AusAID; report writing, follow up
24 January 2009	Saturday	Team departs

APPENDIX H: DOCUMENTS CONSULTED

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APPENDIX I: METHODOLOGY REPORT

The initial terms of reference (refer Appendix A) were developed by ODE in consultation with the associated country desks and posts, the infrastructure thematic group and the Watsan Reference Group.¹⁶⁴ The two case study countries were selected in consultation with the associated country program lead and the infrastructure group. Indonesia and East Timor were selected as they have substantial and long-term funding from AusAID to the sector; variation in contexts (middle-income versus fragile state) and represent different aid modalities.

An independent evaluation team was appointed in November 2008 to carry out the water supply and sanitation evaluation. The team consisted of three independent consultants all with experience in the sector, knowledge of the case study countries and complementary specialisations in economics, public financial management and community development. Care was also taken to ensure the team had a strong understanding of the latest thinking in aid effectiveness, including gender equality, coordination and alignment.

The consultant team was joined and supported by an evaluation manager from ODE and a representative from the Indonesia desk (in the case of the Indonesia field visit). A local independent sector specialist provided support to the evaluation in Indonesia.

The first step of the evaluation was a review of existing information on: the AusAID water and sanitation program; the national sector framework in each case study country; and, donor assistance to the sector in each of the case study countries. A list of documents consulted can be found in Appendix H and a detailed background paper is attached in Appendix B.

Verification was then carried out through key stakeholder interviews in Canberra, East Timor and Indonesia. The briefings were also used to gain a broader understanding of the current context for AusAID and the selected case study countries. See list of key stakeholder interviews and meeting schedule in Appendix G.

In the case study countries, field site visits were also carried out to illustrate and confirm the issues identified from the document review (see list of sites in Appendix G). The sites were selected to ensure that the following types were represented:

- > AusAID assisted project that is working well
- > AusAID assisted project with problems
- > partner government own projects
- > non-AusAID donor or NGO projects.

The selection of a variety of project sites was designed to ensure that the team's findings were not skewed only to positive results.

In both countries, the evaluation team was assisted by AusAID post, partner government representatives, other donors and NGOs to identify and be guided to field sites. Efforts were made to balance this very useful and informative activity for all actors involved, and the need to ensure local informants were given the opportunity to express themselves freely. In-country debriefings were held on the preliminary findings with key partner government and post representatives at the end of each field visit. A debriefing visit was held in Canberra subsequent to the second country visit to present and test preliminary findings with key stakeholders in AusAID.

The evaluation reports include a country report for each case country and a synthesis report of key findings for aid effectiveness in the sector.