

Water Efficiency Team (WET)

Location: Countrywide

Type: Water system efficiency

Size: 55 water enterprises

Funding: Total: US\$400,000

Private: US\$8,000

Public: US\$392,000

Objective: To improve water system service.

Duration: 1998–1999

Scale: Urban

Summary

Water service to the urban poor was greatly expanded through implementing the principle that the most efficient way to increase service delivery and coverage is through more commercially oriented and professional water enterprise management. The WET project made financial, management, and technical recommendations that helped more than 50 water enterprises reduce costs, increase revenues, and install 20,000 new water connections to the urban poor.

In-Country Principles That Attracted Nondonor Financing

- Capacity building and informed decision making
- Institution building and access to justice and enforcement of laws

A key principle that helped attract private investment in more efficient water delivery systems was the consideration of water as an economic, social, and environmental good, including acknowledgment of the full costs of water management and water services, and transparent, equitable, and sufficient allocation of those costs throughout society.



Also important were an emphasis on decision making and assignment of authority at the lowest appropriate level, broad stakeholder participation and empowerment in water resources decision making, and stable systems of access to and allocation of water.

Indonesia's reformation and decentralization initiatives have created a supportive atmosphere for professional, commercially viable, consumer-oriented piped water service. Local governments are now fully accountable to their constituents for their water enterprises, thus creating an incentive to provide affordable and convenient service.

Financing

Total project investment was US\$400,000. The United States-Asia Environmental Project (US-AEP) provided the bulk of the funding, and the Water Environment Foundation (WEF) contributed about US\$8,000 for general project support.

The Project

Less than 40% of Indonesia's urban population is served by piped water. Over the past 20 years, the Government of Indonesia has spent the equivalent of more than US\$2,000,000,000 on water-related projects. However, these efforts have not significantly improved service or increased coverage.

The primary goal of the WET project was to work directly with local water enterprises to identify areas for reducing costs and improving revenues and to improve the efficiency and effectiveness of water delivery services, especially during the 1989–1999 Asian monetary crisis.

Most of the water system enterprises assessed by WET suffered from high debt, idle excess production capacity, and a waiting list of potential consumers. Income for the water enterprises was low, because tariffs covered only about 70% of the average water enterprise's total costs.

Indonesia's 300 municipal water enterprises were so squeezed by soaring costs that some put untreated water through the mains, threatening large-scale epidemics, and others planned complete shutdowns. By implementing WET financial, management, and technical recommendations to address these problems, more than 50 water system enterprises were able to reduce their costs, improve their services, and increase their revenues.

Previous well-intended but misdirected policies required cash-strapped water enterprises to sell water to the poor at a loss, thus draining funds that would have been used to

expand and maintain the distribution system. As a result, the urban poor purchased from vendors who charged up to 12 times the price they would have paid for piped water, were it available. The new connections gave thousands of poor people access to clean water.

Technical Data

The project made recommendations addressing financial, management, and technical aspects of water delivery; it did not recommend, use, or install specific technologies.

Performance Data

Because of the WET recommendations, 55 individual water enterprises were trained in ways to improve service delivery. Approximately 20,000 new connections servicing 250,000 people were installed. At least 150,000 person-days of employment were generated.

WET helped small water enterprises create recovery plans and explained those plans to skeptical local governments. The local governments approved long-overdue tariff increases that were tied to improvements in service. WET assistance led to tariff increases valued at 12 times the start-up investment.

New connections were extended to customers on the backlog list, thus expanding service, increasing revenue, and moving water enterprises back to financial health.

WET's emphasis on transparency and self-help rather than capital infusion has helped move the Government of Indonesia's priorities for the development of the water sector toward full commercialization. WET has demonstrated that even small water enterprises can become financially self-sufficient with the institution of proper systems and procedures.

Participants and Roles

US-AEP partnered with the Government of Indonesia, the Asian Development Bank, and the World Bank to help fund the outreach effort. The WEF provided support with budgeting, travel, and selection and orientation of technical assistance teams.



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