

Public-Public Partnerships in Indonesia
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The Experience

Tirtanadi in North Sumatra is the only PDAM (public water utility) in Indonesia to have adopted the Public-Public Partnership (PUPs) approach. PDAM Tirtanadi is owned by the provincial government of North Sumatra. There are 306 PDAMs in Indonesia and of these, only two (Jakarta and North Sumatra) operate at provincial government level, all others operate at district government level.’.

In the province of Northern Sumatra, through ‘Operational Cooperation’ PDAM Tirtanadi is involved in a partnership designed to improve water services in other, smaller (district-level) PDAMs. On 17 July 1999, a twenty-five year cooperation contract was signed between PDAM Tirtanadi and PDAMs in Deli Serdang, Simalungun, Central Tapanuli, Nias, and South Tapanuli districts. Management Cooperation contracts were also agreed with PDAMs in Labuan Batu and Dairi District.

NV Watterleidingmaatschappij Drenthe (WMD), The Netherlands committed to cross-border PUPs work with 11 PDAMs in the eastern districts of Indonesia (see <http://www.wmd.nl/>). Unfortunately WMD, a public company in The Netherlands, behaves as a private company in these PUPs. For example, in the first five years of the contract being signed, WMD’s role, like that of a private company, is to invest Euro 3.4million with the Dutch Minister for Development Aid, as WMD’s public partner, investing Euro 7.5million. In a fifteen year cooperation deal, the PDAMs or the district government will have to buy back WMD’s share in the contract. WMD is a public water utility in the Netherlands, behaving like a private company in Indonesia acting on a for-profit basis.

A similar cross-border partnership took place in Semarang city. In this case, conclusion wasn’t reached. Since January 1994, Senter has been operating as an agency for the Dutch Ministry of Economic Affairs. In the “Semarang Water Supply, Upgrading, and Privatization” project, Senter, gave financial support to a consortium of PT Karyadeka Griya Semesta (a private company in Indonesia), Witteveen+Bos (a consultant company in the Netherlands), Waterleiding Maatschappij Noord-West-Brabant (WNWM – a public water utility in the Netherlands) and Larive International. This was for a feasibility study examining options for a private company to provide water services in the city of Semarang. Even though the results of the study favoured the privatization of some parts of the service in PDAM Semarang, the plan has not been put into practice.

Cross-border PUPs in Indonesia tend to take on the characteristics of Public-Private Partnerships (PPPs). Foreign public water companies, as in the above cases involving Dutch companies, tend to act as private companies. The Dutch government itself prefers to treat these cooperation contracts as opportunities for Dutch public water utilities to engage in Private Sector Participation.

The behavior of some domestic government officials also creates problems for cross-border PUPs. An example of this was quoted by Antara News Agency on 17 January 2004. In this case, WMD promised to invest Rp. 200billion in exchange for taking over the management of PDAM Manado. In addition to the Rp 200billion, the district government also pockets an extra Rp 2.1billion per year if the proposal goes ahead. Concerns about the conditions involved in cross-border PUPs are heightened by district governments tendencies' to go for as much money as possible rather than considering what will really improve water services.

The Future

Starting in 2002-03, Perpamsi (Association of Indonesian water utilities) initiated a benchmarking program designed to establish best practices in PDAM management. This program is funded by the World Bank and managed by Perpamsi. Initially, 80 PDAMs joined the program and the expectation was that this would reach 150 by 2007 when the program ends. However, the current reality is declining participation. In 2003, only 51 PDAM's signed up. In 2004 this fell to 49.

This benchmarking program could be used as the basis for domestic PUPs, yet it does not attract many PDAMs. Furthermore, the PUPs model of PDAM Tirtanadi may be hard to replicate. This is because within the partnership, PDAM Tirtanadi has a higher "position" being owned by provincial level government with its partners owned by district level government. With same level governments, understanding between partners could be harder to achieve. For example, neighbouring PDAMs have encountered difficulties resolving water resource conflicts.

Two important steps could enable PDAMs in Indonesia to improve their water services through PUPs. The first step is to separate PDAM's management from the district government's intervention. A firm legal basis is required which states that PDAM is a company providing public services, with the priority being the improvement of clean water supply to the community it serves. This must also state that it is non-profit making body. This could also improve PDAM's recruitment potential in terms of displaying a professionalism which is limited in the current climate of political intervention.

The second step forward is to actively involve all of PDAM's stakeholders in decisions about operation. Actively involving stakeholders, particularly the consumer (as it is done in Porto Alegre), is not an easy thing to do in Indonesia. This is enhanced by apathy, low level of concerns and the principle that "the important thing is to get water regardless of the provider". The role of NGOs becomes important in order to encourage stakeholder participation.

PUPs can be used as a tool to improve PDAM's performance in providing water services. But cross border PUPs will only succeed if there is pressure to ensure that PDAMs are regarded company oriented towards the community's welfare.