

SECTOR MINISTERS' MEETING 2019

San José — Costa Rica — 4-5 April



The Indonesia COUNTRY BRIEF

The Country Briefs were prepared by governments ahead of the SWA 2019 Sector Ministers' Meeting. They are a snap-shot of the country's current state in terms of water, sanitation and hygiene, and future targets.

1. Country context

- **Indonesia has undergone a remarkable transformation over the past 15 years to reduce poverty and create a growing middle class.** The national poverty rate has decreased significantly, from 24 percent (1999) to 9.66 percent (2018) equivalent to 25.67 million people. Economic growth averaged at 5.2% in 2018 and 2019 as domestic demand strengthened. Internationally, Indonesia also joined the G-20 as Southeast Asia's only representative. Although there has been a decrease of the Gini coefficient for consumption from 0.414 in 2014 to 0.389 in 2018, Indonesia's level of inequality is still considered to be relatively high compared with its East Asian neighbors.
- **Indonesia needs some further improvements to increase its human resources' productivity as stated relatively by Human Capital Index.** HCI value for Indonesia in 2017 is 0.53, an increase from 0.50 in 2012. With this number, Indonesia lays in rank 87 out of 157 countries. Thus, investment on health and education, as well as water and sanitation become a high priority for the governments.
- **Climate change is a major issue with Indonesia being one of the world's largest producers of greenhouse gases, one of the most vulnerable countries to climate change impacts. Many of these impacts are related to increasing water-related natural disasters and water borne disease outbreaks in the country.** Climate change also impacts WASH services in many ways: damaging or destroying infrastructure through droughts, floods, etc.
- **High urbanization leads to gradual increase of the share of poverty in urban areas,** from 34.7 percent in 2002 to 38.1 percent in 2018. And, **vulnerability to climate change also provides higher risks to urban populations and urban public infrastructure** in Indonesia due to high density populations in urban areas. Urbanization in Indonesia has primarily been driven by the densification of rural settlements, leading to their re-classification from rural to urban, followed by the natural growth of population in urban areas. As cities become more crowded, already inadequate WASH infrastructure cannot support the basic needs of a growing urban population.
- **Decentralization scheme.** Indonesia has heavily decentralized most of its development affairs since 1999. Sanitation and water development are among the development affairs that are decentralized, (Law of 23/2014 on Local Governance), making local governments becoming the lead in these two sectors development. As the nation's 34 provinces and 514 cities/districts have

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different capacity, the National Government must do intensive and continuous capacity building and provide technical and financial support to its local governments.

2. Indonesia's water, sanitation and hygiene sector

- Several **baseline data on WASH** as reported by National Development Planning Ministry, Bappenas, are as follows:
 - In 2018, 38 percent populations are using protected water sources (such as piped-water served by local operators, protected well, ground water and spring water) in their premises;
 - Seventy percent of reported primary and high schools are using protected water sources;
 - Seventy four percent are using improved sanitation facility (which includes 7 percent of safely managed sanitation, 61 percent of basic sanitation, and 6 percent of shared sanitation facilities). However, 22 percent do not have access to any sanitation facilities, including 9 percent of populations are still practicing open defecation in 2018;
 - There are lots of efforts to develop tools and instruments for data collection which aligned with SDGs indicators related WASH; as well as to provide an improve data and information systems publicly available on access and quality of WASH services.
- **Main sector challenges and gaps** which affect the attainment of the national targets are, as follows:
 - **Lack of demand from community**, in particular on safely managed sanitation. Citizen demand is highly insufficient to catalyze local government action.
 - At current levels, **governments' budget allocation to WASH is insufficient** to achieve SDGs target. It is also dominated by central government financing and it is limited in the extent to which it can incentivize sub national spending on poor-inclusive investments. Local government's budget allocation for WASH is limited due **to lack of priority of local government in WASH & of public finance availability for investment**.
 - **Weak regulatory and institutional capacity** at local level impacts to low performance of local governments' as the primary actor in providing WASH access and services in their respective areas, including on data collection in particular for safely managed sanitation.
 - On the planning side, efforts need to be done in aligning **key performance indicators** as well as their operational definitions applied by different programs and activities.
- **National actions** have been taken to make progress towards SDG6, such as:
 - **Government issued Presidential Decree No.59 Year 2017** on SDGs as basis for different ministers and stakeholders on how to achieve the SDGs;
 - **National discussions with different line ministries and development partners to agree on the definitions, indicators and targets of SDG6** which will be stated as part of National Medium-term Development Plan 2020-2024 prepared by Bappenas;
 - **Advocacy to local governments**, such as by conducting the advocacy and peer-to-peer learning as part of advocacy to Mayors and Head of Districts. Since 2015, such events has been conducted 8

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times, including the last one in Makassar which was participated by more than 40 cities with attendance of Minister of Bappenas to give his key speech in the event;

- **Accelerate the implementation of eliminating open defecation program** as part of key strategies to reduce stunting by incorporating WASH approaches into Indonesia's Scaling Up Nutrition efforts;
- **Support local governments to initiate safely managed sanitation**, in particular on improved fecal sludge management in urban area to improve quality of onsite sanitation system.
- **Support the financial capacity of local governments** through several funding mechanism collaboratively established between ministries, non-governmental bodies, and development partners.

3. Collaborative Behaviours, Building Blocks and Guiding Principles

- **Development partners provide significant contributions in the WASH sector, by providing financial or technical assistance (TA), under the leadership of national governments.** Active communications and coordination among governments and development partners are sustainably conducted at (i) planning stage through a formal mechanism to register planned loans and grants into governments system; (ii) implementation stage through regular meetings conducted by line ministries or Sanitation Partner Group; and (iii) evaluation & monitoring stage through regular reviews on projects funded by loans or grants. Sanitation Partners' Group (SPG) is established in Indonesia as a coordination forum between development partners in sanitation development in Indonesia.
- Governments and development partners have built a strong collaboration in WASH sector throughout building blocks towards SDGs and elimination of inequalities, as follows:
 - **Sector policy/strategy:** reviewing policy and guideline on STBM (Community Based Total Sanitation, Indonesian adaptation of Community Led Total Sanitation/CLTS) to accelerate and sustain national open defecation free, preparing the development of national framework for water supply as well as sanitation and fecal sludge management;
 - **Institutional arrangements:** a number of TA programs and projects have been jointly prepared and implemented to improve the institutional arrangement at local levels;
 - **Sector financing:** numbers of research and pilots to identify bottlenecks and opportunities to develop and test innovative financing scheme for urban and rural WASH, including on how to increase access for poor households and to involve domestic private in the sector;
 - **Planning, monitoring and review:** national sanitation flagship program, known as Accelerated Sanitation Development Program (PPSP – Percepatan Pembangunan Sanitasi Permukiman) which aims to improve the quality of planning, implementation and monitoring at local level is initiated and scaled-up jointly among the governments and development partners. Furthermore, a real-time monitoring database has been developed and applied through-out the country;
 - **Capacity development:** TA to institutionalize the rural sanitation capacity development program was prepared to reach the desired scale, efficiencies and quality of capacity building program to support the implementation of STBM program in reducing open defecation.

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4. Eliminating Inequalities

- **Poverty is only one determinant of WASH access;** geographic location also plays a significant role in affecting level of access to WASH. Furthermore, persistent gaps in service quality -rather than barrier to access- is the main challenge facing Indonesia at the outset of the SDGs period.
- **Eliminating inequalities has been regulated through Presidential Regulation No.96 Year 2015 to accelerate poverty reduction.** Furthermore, governments' policies and strategies to eliminate WASH inequalities will be clearly stated in upcoming National Medium-term Planning Development 2020-2024.
- Some data collected to show inequalities of access and quality of services based on BPS data in Year 2015, are as follows:
 - The bottom 40% of the income distribution make up just 7.5% of those with access to a piped water supply in urban areas, whereas the non-poor make up 22.1%;
 - Over a quarter of the poor drink unsafe groundwater, compared with 14 percent of the non-poor, and rely more strongly on groundwater sources for drinking;
 - Most of those who lack sanitation are poor and live in rural areas, and recent trends show the gap is widening;
 - An estimated 22% of Indonesia's population (+ 29 million people) is living in slums with low levels of access to basic services. In 2014, it was estimated that 30 percent of slum dwellers (9 million people) lacked safe drinking water, and 37 percent (11 million people) lacked sanitation.
- Progress made on progressively eliminating inequalities are, as follows:
 - **Expanding WASH services to greater proportion of the bottom 40th percentile¹ (the B40) through several programs,** such as Water Hibah program on piped water system in urban areas, PAMSIMAS on rural water supply scheme in rural areas; Sanitation Hibah program on piped sewerage system and SANIMAS program on decentralized sewerage system in urban areas; and
 - **Support the B40 in gaining access to WASH** by providing subsidy to targeted poor households, and or access to financial schemes, including from community social responsibility (CSR) and Islamic charity fund, etc.

5. Water, Sanitation and Hygiene Financing

- Although the total funding needed to eliminate inequalities and attain SDG 6 is not yet confirmed, it's expected that the **governments funding alone will not enough to ensure the provision of universal access as targeted in SDG6.**
- **Most local governments do not have sufficient financing capacities to develop proper WASH service in their respective area, either coming from taxes nor tariffs.** Currently, main source of local government's funding for WASH is from central governments. Obviously, the lack of financing capacity

¹ Based on World Bank's study, it's found that almost 40 percent of Indonesians lives below 1.5 times the poverty line and is having the highest risk of falling into poverty. Thus, a relatively small shocks can be enough to these vulnerable households to push them into poverty.

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will prevent them from having larger investment to establish sustainable service, in particular sanitation which is quite unpreferable compared with water.

- **Financing support from central government is not utilized optimally.** Supports for sewerage system investment often hampered due to the inability of local governments to provide matching funds. Performance-based grants, mainly in sanitation, is also challenged due to the reluctance of the city government to provide bridging funds.
- **Several approaches to increase the availability of funds for WASH,** including to eliminate the inequalities are, as follow:
 - Optimize **transfer funds to local governments**, such as increase the use of Special Allocation Funds (DAK) for WASH in rural areas, and Village Funds to build WASH facilities as subjects to the village's obligation;
 - Provide **results and performance-based finance** which is proven to increase the accountability and effectiveness of the investments, including to incentivize local governments to invest in their water and sanitation utilities to increase service connections as well as to initiate safely managed sanitation by reimbursing the numbers of constructed septic tanks following national standards.
 - Facilitate local banks to deliver **micro-finance**, as well as creating the national scheme, that allows poor and low-income communities as well as individual entrepreneurs and small businesses to access financial services, including loans for investment in WASH;
 - Elaborate **innovative financing source**, such as Zakat Funds, a form of alms-giving treated Islam as a religious obligation or tax, which refers to alternative scheme emerges from the Islamic society to provide sanitation and drinking water services throughout Indonesia; and
 - Strengthen **private sector engagements**, mainly for water supply, to allow water utilities to get financing services from commercial banks by providing guarantees and subsidy on interest rate; and also, to facilitate the public-private partnerships (PPP) arrangement for new infrastructures. Private sector engagement is also endorsed in form of collaboration in expanding service coverage, such as partnership between city operator with private desludging service, to boost safely-managed sanitation especially for onsite sanitation system.

6. Country priorities and commitments

- As stated in the upcoming National Medium-Term Development Planning 2020-2024 which will be formally issued by the new elected President in October 2019, SDGs' achievement is becoming one of the top priority for Indonesia. Thus, **the Government of Indonesia is committed to accelerate the achievement of open defecation free and scaling up the safely managed sanitation**, through:
 - **Improve the implementation of Sanitasi Total Berbasis Masyarakat** (Community-based Total Sanitation) program to achieve 100% ODF, as well as preventing slippage (going back to open defecation) by reviewing the status and progress of the ODF achievement at province, city/district, sub district and village levels to identify the main strategic actions. Furthermore, utilizing various tools on planning, budgeting as well as monitoring and evaluation to help local authorities in focusing their programs and budgets is important.

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- **Adopt the safely managed sanitation-oriented ODF and link it with fecal sludge management** to ensure the continuous gradual movement from ODF ladder to safely managed sanitation, especially for urban settings. Fecal sludge management, with scheduled desludging, would be one of the strategic type of service provided at city level for on-site sanitation system.
- **Enhance quality and sustainability of investment in safely managed sanitation** from all stakeholders **by ensuring the investments are made after proper governance is established.** Investment supports provided to the local governments should also be defined based on the level of governance at city/district level to make sure their readiness to invest and also to sustain the services. The governance aspects will include availability of local regulation on safely managed sanitation; capacity of local institutions to regulate, manage and provide services; availability of adequate budget for operation & maintenance to improve service, etc.
- **Strengthen alignment and synergy among 'conventional' public finance and innovative financing** to support local governments in ensuring poor households getting sustainable and safely sanitation services, such as by having blended finance to combine public finance and other sources of finance (in particular, domestic commercial finance) to scale up investment. Some new initiated creative financing which is currently piloted in selected areas, such as Zakat Fund to increase access to WASH, need to be scaled up and leveraged.
- **Intensify peer-to-peer learning as part of capacity building for local governments** which is currently have been initiated by development partners' funded projects, and several local associations, such as AKKOPSI (Alliance of Mayors for Better Sanitation), FORKALIM (Forum for Local Wastewater Service Operator to improve sanitation services).
- **Strengthen private sector involvement in the sector.** Not only to bring additional financial sources, private sector can support on the coverage expansion, improving service quality, technology for treatment and also for massive promotion and advocacy to increase demand to safely managed sanitation.
- As attainment of SDGs is also becoming prioritized agenda for development partners in Indonesia, **there are several commitments to support the Government of Indonesia, such as:**
 - To continue in **providing sustainable and innovative financial to close the financial gap for WASH investment** in Indonesia;
 - To **strengthen the technical assistance to build capacity**, including developing research and development to collect evidences and promote innovations and support knowledge exchange - from both within country and regional or global experiences, to build and strengthen capacity as well as partnership development;
 - To **align funding and priority** to support the government in providing access and services to the last miles;
 - To contribute in establishment of single monitoring mechanism at country level to track progress of SDGs attainment aligned with global indicators.

7. Mechanisms for review and follow-up on the priorities and commitments

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- **Strengthen incentive mechanism, including promoting rewards and awards**, not only to have higher priority on WASH sector but also to improve the governance aspect at local level to ensure better WASH service performance, such as institutional arrangement, regulatory framework, financing and tariff mechanism, service delivery, etc. This needs to be done in parallel with improvement of monitoring and evaluation systems, focusing on quality of data, coverage, and alignment of indicators and the operational definition.
- **Improve the capacity of local governments, especially provincial governments** to monitor the progress of target achievements at city level, including providing monitoring tools which is accessible to wider public.

8. Processes and materials used in the preparation of the Brief

- Country brief is prepared based on government data and other studies in Indonesia, such as:
 - Indonesia National Statistics Bureau. 2018. Official Statistics News on Level of Inequalities for Consumption. Jakarta: BPS.
 - ISF-UTS and SNV. 2019. Considering Climate Change in Urban Sanitation: Conceptual Approaches and Practical Implications. The Hague: SNV.
 - Ministry of Environment and Forestry. 2016. Nationally Determined Contribution. Jakarta: MenLHK.
 - UNICEF. SDG Baseline Report on Children in Indonesia. Jakarta: UNICEF.
 - World Bank. 2017. Improving Service Levels and Impact on the Poor: A Diagnostics of Water Supply, Sanitation and Hygiene in Indonesia. Washington: World Bank.
 - World Bank. 2018. Indonesia Economic Quarter Report. Jakarta: World Bank.
 - World Bank. 2017. Indonesia's Rising Divide. Jakarta: World Bank.
- Several meetings have been conducted under leadership of Bappenas. Joint governments and development partners meeting to reach higher commitment on SDGs' attainment and eliminating inequalities will be conducted by end of March 2019.

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