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Indonesia

A New Wave of Water Privatisation in Indonesia

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The central government of Indonesia has repeatedly announced its intention to universalise access to clean water by 2019. To achieve this, an estimated 27 million new connections are needed, with a major investment gap of IDR 274.8 trillion (US\$20.8 billion).

And most of the time, as clearly seen from official documents such as the government's 2017 (PPP) book: Public Private Partnerships, Infrastructure Projects Plan in Indonesia [1] and the president's regulation, the government sees privatisation as the silver-bullet solution.

As a result, 2017 has seen a new wave of water privatisation in Indonesia. The following are some of the major water privatisation projects being promoted by the government:

? Pasuruan, East Java. Umbulan Drinking Water Supply System (SPAM) in Pasuruan is the government's flagship water "megaproject", which heavily promotes private sector involvement. The project is worth IDR 4.51 trillion (US\$341.38 million) and is mainly implemented through Public-Private Partnerships. The water facility is officially opened since 20 July 2017. The impact of this water privatisation will include five densely populated municipalities as well as industrial centers (Surabaya, Pasuruan, Sidoarjo, Mojokerto and Gresik) because the new water facility supplies clean water to various municipal water utilities. The project has already sparked public resistance. Civil society organisations have protested against the project and called upon local legislators.

? Semarang, Central Java. A drinking water facility, also under the SPAM development project, is ready to be built in the western part of Semarang, a town of 1.5 million people. The project will cost IDR 1.1 trillion (US\$83.26 million) and the government has appointed a private company to implement the plan. The project is claimed to be the solution for improving water supply to reduce rapid land subsidence. The concession was given despite the existence of a capable public water utility.

? Bekasi, West Java. The government of Bekasi (population of 2.6 million) is working together with a water consultancy firm to accelerate a drinking water facility project in the city. Even though at the moment the project is still at an early stage, there is a high possibility that the water supply system project will be awarded to the private firm.

? Batam Island, Riau. Water services in Batam (population of 944,000) are already operated under a privatised system. However, BP Batam, the local authority, is preparing two drinking water supply system projects. While the current private water company's business contract will end in 2020, from its statements in the media, it can be inferred that BP Batam will involve other parties from the private sector.

? Bandar Lampung, Lampung. The government is organising an auction for private companies bidding for Bandar Lampung's water supply system (population of 881,000). The project is worth IDR 1.40 trillion (US\$105.97 million). So far, there are five consortiums shortlisted. The successful candidate will be announced by the end of 2018. According to the government's PPP roadmap, the concession of Bandar Lampung's water supply system will be arranged as a 25-year contract.

? South Bali. The Ministry of Public Works has stated a commitment to build water infrastructure in South Bali by inviting private companies. At the moment, the government is making adjustments to the local institutions in order to render regulations amenable to water privatisation. The Governor of Bali has welcomed the ministry's plan.

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? Other drinking water supply system projects that will be offered as PPPs are: Pondok Gede (US\$25 million), Pekanbaru (US\$35.5 million), and the raw water facility in Banten (US\$17 million).

Most projects are designated officially under the umbrella of Umbulan Drinking Water Supply System (SPAM). The concept of SPAM actually covers the whole process of drinking water supply, from raw water collection all the way to drinking water distribution to users while the most of recent projects are linked to raw water treatment. According to the annulled water resources law, SPAM projects should be implemented by state-owned companies. However, the law only loosely prioritises state-owned companies, and is quick in mentioning that the government is also allowed to involve the private sector. The central government, apparently, has strong preference for the latter.

In addition, the trend demonstrates how the government is sidestepping privatisation of water utilities by providing a room for the private sector in the water treatment process. This is the upstream process during which drinking water is produced. The downstream portion of water services, that is distribution and operation, falls under the domain of water utilities that are still managed and owned publicly.

This could be problematic for public water utilities that are already self-sufficient. The public water utility PDAM Surabaya for instance, which has exceptionally good performance, will instead be burdened with dependency on for-profit companies' water supply. As can be seen in Jakarta, the government and public water utility can hardly hold the private companies accountable for their rates policy and performance. [2]

The earliest wave of water privatisation in Indonesia took place in Jakarta in 1997. Two private companies managed to take over the operation of water services in Jakarta. The privatisation has been failing miserably, leaving half of the population without access to proper piped-water services. Other problems are mounting, such as skyrocketing tariffs and financial losses to the public budget.

The public keeps striving to end water privatisation. One of the strongest efforts is through legal action. The residents and civil society organisations filed a citizen lawsuit in 2012 against water privatisation. In 2015, the residents won and the privatisation contract agreements were annulled by the court. The ruling, unfortunately, was challenged by the defendants, including the private water operators and the central government.

This has effectively deterred the city administration from taking over water services, as the contract agreements that give private operators an exclusive right to deliver water services are still effective. It is very likely that the private operators are buying time through legal tactics in order to maintain privatised water services until contract expiry. And globally, maintaining the first wave of water privatisation is key to pave the way for the next ones.

In October 2017 the Supreme Court ordered termination of water privatisation and restoration of public management to ensure human right to water. While it needs to be seen how this decision is implemented and if privatisation in Jakarta were to be stopped entirely the ruling could help raising critical attention to privatisation projects beyond Jakarta and could curb the spread of water privatisation in other areas of Indonesia.

22 December 2017

[1] Republic of Indonesia Ministry of National Development Planning/ National Development Planning Agency. Public Private Partnerships, Infrastructure Projects Plan in Indonesia, 2017. Republic of Indonesia Ministry of National Development Planning/ National Development Planning Agency, 2017, www.bappenas.go.id/files/9314/8767/...

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[2] Amrta Institute for Water Literacy. The Unfair Cooperation Agreement on Water Privatisation. 2015, <https://www.tni.org/en/publication/...>