



## SUMMARY OF RESEARCH REPORT 10

# SUPPORTING SUSTAINABLE RURAL WATER SERVICE DELIVERY: DISTRICT ASSOCIATIONS OF COMMUNITY-BASED ORGANISATIONS IN INDONESIA

JUNE 2018

This summary report presents findings of research examining the effectiveness of District Associations of Rural Water Supply Community-Based Organisations (CBOs) in supporting CBOs and local governments to deliver sustainable rural water services.

**FIGURE 1** INTERVIEW WITH ASSOCIATION BOARD MEMBERS IN DEMAK, CENTRAL JAVA



### KEY FINDINGS

1. Associations were successful in effectively linking multiple CBOs and local government (acting as a “bridge”) and providing regular performance monitoring of CBOs and their services.
2. In general, Associations were fulfilling their key envisaged functions, however challenges included Association board members using voluntary time and incurring out-of-pocket expenditures to fulfil the monitoring function. Provision of technical and managerial support to CBOs and peer-learning was occurring, but was constrained by human resource capacity and distances.
3. The Associations’ overall business model, while addressing some aspects of a viable business model, was found to be unsustainable, particularly financially. There was also some confusion as to whom their ‘value proposition’ was directed, to CBOs or to local government, and a need to diversify revenue sources and types of partnerships.
4. Interactions between the Associations and LG were found to be generally positive, however, key areas of tension included local governments not sufficiently supporting Associations’ daily activities, limited responsiveness by local government to act on Associations’ monitoring information and high expectations by local government of Associations multiple roles, despite their voluntary nature.
5. Local governments faced real and perceived barriers to offering adequate funding support to Associations, and Associations lacked a clear institutional framework within which to operate. Widespread values of gotong royong and community empowerment served to reduce efforts to address Associations’ financial and institutional challenges.
6. Three emerging changes to the institutional context for rural water supply in Indonesia called into question the current Association model and may require its adaptation. These included (i) apparent overlap between the Associations’ duties and local government’s legally defined duties; (ii) the increasing role of the village government and village funds in rural water supply service provision; and (iii) emergence of the village-owned enterprise (BUMDes) model in addition to CBOs managing water supply services.

## Introduction

In the rural water supply sector in Indonesia, collective organisations exist in the form of District Associations of Water Community-Based Organisations (CBOs) to complement the role of existing institutions to support water service delivery. These Associations generally consist of a set of Board members drawn from their member CBOs. This type of intermediate support organisation can provide support functions at an economy of scale, including technical assistance, access to financial support and other services. However, a previous study found such organisations to often be fragile, with limited potential for sustainability without strengthened business models (Murta and Willetts, 2014).

**FIGURE 2** ASSOCIATION LEADERSHIP IN OGAN ILIR, SUMATRA



**FIGURE 3** ASSOCIATION BOARD MEMBERS IN AGAM, SUMATRA



This study was undertaken by the University of Technology Sydney Institute for Sustainable Futures (UTS-ISF) in partnership with the Center for Regulation, Policy and Governance, Universitas Ibn Khaldun Bogor (CRPG). The study was conducted in co-operation with Bappenas and Ministry of Public Works and Housing, Central Project Management Unit for the PAMSIMAS program, and was funded through the Australian Department of Foreign Affairs and Trade.

This research investigated how, and under which conditions, District Associations of Water CBOs could be successful, and support successful operation of their CBO members in providing reliable, quality water services. More broadly, this research aimed to examine Associations' effectiveness and inform discussion on how best Associations, government and development partners can extend best practices across the country

## Methods

The qualitative study involved semi-structured interviews with 54 Association board members and 44 local government representatives across Indonesia (including 10 locations across Sumatra, Java, Sulawesi and Kalimantan: Agam, Muara Enim, Ogan Ilir, Sidenreng Rappang, Wajo, Purbalingga, Demak, Pekalongan, Grobogan and Balangan). Purposive sampling was used to select ten Associations deemed to be successful by the Government of Indonesia (GoI) Central Program Management Unit (CPMU) of PAMSIMAS. Conceptual frameworks used to interpret and analyse the data included the interactive governance model (Kooiman, 2003; Kooiman et al, 2008), political economy analysis (Harris, 2013, ODI, 2009 and Fritz et al, 2009) and the business model canvas adapted for social enterprise (Knode, 2016). The qualitative data was analysed by thematically categorising, comparing and conceptualising the data in an iterative manner.

The findings are presented against the five research questions:

1. What are key successful aspects of the selected Associations?
2. What functions are Associations playing in practice, as compared with those envisaged?
3. What business model underpins Associations' functioning?
4. What factors influence the dynamics of interactions between local government (LG) and Associations?
5. What is the relationship between the Association model and the evolving institutional context for rural water supply?

## Findings

### Key successful aspects of the Associations

Five areas of success were common across the selected Associations. These included: i) effectively linking CBOs and LG, for instance facilitating constructive communication, resolving shared issues faced by CBOs, and acting as a 'bridge' to LG or an 'umbrella' group for CBOs; (ii) strengthening solidarity, knowledge sharing and professional networks, through social interactions amongst CBOs and expansion of professional relationships with LG; (iii) providing regular performance monitoring of CBO management, service delivery and functionality, which was valued by LG and a source of pride for Associations; (iv) offering shared vision and motivation to achieve universal access to safe water together with CBOs and LG; and (v) supporting CBOs in access to finance, through local banks and village funds from LG.



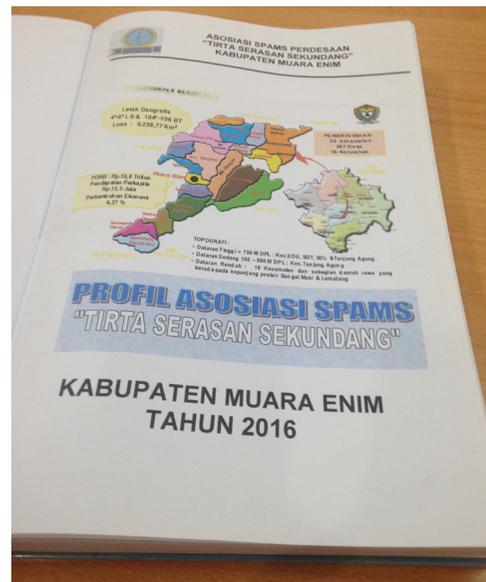
What's certain is they [associations] are useful in helping us to reach 100% clean water and sanitation, the role they play is extraordinary. We need the data [they collect] and the Association members. They have become an extension of us, our hand in the field.

*LG Representative*

**FIGURE 4** LOCAL GOVERNMENT REPRESENTATIVES IN OGAN ILIR, SUMATRA



**FIGURE 5** DOCUMENTATION OF ASSOCIATION IN MUARA ENIM, SUMATRA



### Association functions in practice versus those envisaged

The research found that Associations were generally fulfilling the key envisaged functions to the best of their ability, however challenges in some areas limited their full achievement. The GoI/PAMSIMAS guidelines proposed the following functions:

(i) monitoring, (ii) facilitation including technical and advocacy assistance, (iii) planning, (iv) peer-learning and (v) enacting quality standards.

In terms of the monitoring function, Association board members were undertaking the tasks envisaged, using voluntary time to regularly (either quarterly or annually) monitor CBO performance and services, and often traveling long distances to meet with CBOs and gather service information.



The association's problem is all about funding. Because we have to go to far away areas. We are not employees- we have to support our families and that comes first. If government support then we will be more serious. Transport costs- don't leave us like that.

*Association Board Member*

Human resource and technical capacity difficulties somewhat limited the Associations' ability to perform their facilitation, technical and advocacy assistance and planning functions, however the stronger Associations

were able to fulfil at least some of these functions. Whilst peer learning was highly valued, considerable geographic distances made it difficult in practice. The research also found that while Associations were tasked with enacting water service quality standards, this is the legal responsibility of the LG and requires the establishment of a national standard for community-based water that is not yet in place.

### Viability of Associations' business model

The research found that while some aspects of a viable business model were being addressed, the Associations' overall business model was unsustainable, particularly financially. We applied key building blocks of the Business Model Canvas to explore this area. These business model components are italicised in explanatory text below.

**FIGURE 5** LOCAL GOVERNMENT OFFICIALS IN SIDRAP, SOUTH SULAWESI



**FIGURE 6** VILLAGE WATER SUPPLY IN OGAN ILIR AND AGAM, SUMATRA AND WATER AND SANITATION FACILITIES IN DEMAK, CENTRAL JAVA



In terms of value-proposition, while Associations shared the same perceived social value of serving the community to ensure access to safe drinking water, the research found variation with respect to whom the Associations viewed their value proposition- to the member CBOs or to LG-, and also with respect to exactly what their value proposition was. For instance, to communities and CBOs, were they a genuinely representative body aiming to advocate to LG on behalf of CBOs and community, or were they a provider of technical and support services? And for LG, were they offering access to community and CBO voice and views, or were they an outsourced extension of government, checking on CBO service provision quality? This confusion concerning the Associations' value proposition was found to limit Associations' ability to choose and pursue a workable business model.

As mentioned above, financial sustainability was a concern, and the research found that diversified revenue streams were needed to meet relevant operational costs. Associations' revenue streams from three sources (revenue from membership fees, LG financial support and- in a few cases- providing technical services) were limited and unreliable.

“ There used to be recurring financial contributions [from CBOs], but there aren't anymore, there's no other source of income, there's no registration, purely from us and if there is assistance.

*Association Board Member*

This was due to the mandated voluntary nature of the Association model, the inability of member CBOs to afford the membership fees or Associations to logistically collect them. It was also due to limited LG funding and unclear policies on their provision of financial support. Whilst some operational costs were covered by LG (for example, office expenses), other costs, for example for training, monitoring and transportation, were not. Overall, it was clear that all Associations interviewed in this research were faced with financial hardship which limited their operational capacity and financial sustainability.

Key partnerships and customer relations were generally positive elements of Associations' business model. In terms of key partnerships, Associations generally demonstrated positive relations with LGs and with PAMSIMAS staff. Only in a few cases did Associations also engage with a broader set of partners including financial institutions or non-for-profit organisations. Customer relations between Associations and member CBOs were generally found to be functioning well, using phone and text for communications given long distances and remoteness.

“ In general, the coordination was seen as running smoothly and working effectively...It's good and harmonious, the coordination is good.

*LG Representative*

One challenge was a perception by some CBOs that Association board members were paid by LG, which in fact was not the case.

Access to key resources was shown to limit Associations' effectiveness. In terms of human resources, some Associations reported turn-over in their board members, and whilst most Associations had some technical skills (to offer services or to teach CBOs), participants reported needing further skills in management and financial management.

“ The administration here is not good, it needs to be built up by the Community Empowerment Body. I, the Area Coordinators and the Association aren't capable to build it up.

*Association Board Member*

Access to physical resources such as transportation (car or bike) were limited and reduced their ability to support remotely located CBOs.

### Factors shaping Association and local government interactions

Day-to-day interactions between Associations and LG involved communications on the needs of CBOs, planning and implementation of monitoring activities and participation of Associations in LG planning processes, for instance for new water systems. In all locations, the dynamics between Associations and LG was generally positive, with regular communication taking place, and various forms of support made available to Associations. However, using 'interactive governance' as an analytical framework, three key areas were observed to be 'pockets of tension' in the Association-LG relationship.

FIGURE 7 BAPPEDA OFFICE IN MUARA ENIM, SUMATRA



These three areas of tension in day-to-day interactions were: (i) LG not sufficiently supporting Associations' daily activities including not sufficiently financing their expected role in monitoring, confusion over who should pay for required water system repairs identified by Associations, and complexity as regards with whom amongst different LG agencies Associations should engage (for instance whether directly with public works department, through community empowerment agency, or through Bappeda as the lead); (ii) limited responsiveness by LG to act on monitoring information provided by Associations, exacerbated by Associations board members' shyness to raise this as an issue; and (iii) high expectations by LG of Associations' multiple roles, despite their voluntary nature.

“They don't recognise us, they don't follow up. The monitoring is only to 'control'. I'm still not sure of the point of this. After it is done, nothing happens.

*Association Board Member*

These three above-mentioned areas of tension can be partly explained by the second order of governance, the governance institutions (both formal and informal) which enable or control day-to-day interactions, and determine the 'allowable actions' of both Associations and LG. We found that the unclear institutional framework, unresolved Association legal status and constrained LG budgeting procedures limited the authority and effectiveness of Associations, and caused the above-mentioned

tensions in day-to-day interactions. The unclear institutional framework appeared to primarily emerge due to a mismatch between the expectation of Associations to act as an umbrella organisation and draw on their member base for financial and human resources with the reality, which reveals this resource base to be weak. In terms of the legal status, while the majority of Associations had a Notarial Deed, several faced challenges to obtain a Decision Letter from the regional government which they needed to enable access to funding.

Finally, limits to LG budgeting procedures, both real and perceived, also reduced LG's financial contribution to Associations. Some LG's perceived that they could not offer honorariums to Association board members, whereas Regional budgeting procedures allow this, and other LGs were doing so.

“We're confused, actually, what are the follow-up steps or rules if the Association is to be issued a Decision Letter from the Regent, we're confused there? We also want some sort of acknowledgement from the Organisasi Perangkat Daerah OPD, we appeared before their assembly... but from a legal perspective it turns out there is no way to accommodate the Association.

*Association Board Member*

Two underpinning values and norms, gotong royong and community empowerment, associated with the third order of governance, were found to significantly influence

perceptions and expectations of Association roles by LG and Association board members. These two values supported widespread acceptance of the significant voluntary time and effort contributed by the board members by both LG and board members themselves.

“At the beginning, we wanted to build up the village, the community and the clean water you know. And from there, we got together through PAMSIMAS...the kernel was we were clean water volunteers helping the local government and the community to get access to clean water.

*Association Board Member*

The strength of these two values and norms appeared to be a key reason why the above desired changes towards a clearer institutional framework, legal status, remuneration for Association board members and viable business model, were not actively pursued.

FIGURE 8 ASSOCIATION BOARD MEMBERS IN SIDRAP, SOUTH SULAWESI



### Alignment of the Association model to evolving institutional context

This research identified three emerging changes to the institutional context for rural water supply in Indonesia that call into question the current Association model, and may require its adaptation to this new context. The first change was regulations adopted in 2014 that place LG as legally responsible for water service provision. There appeared to overlap between the Association duties, as defined by the GoI/PAMISMAS Standard Operating Procedures, and LG duties, as defined by the PP 122 government regulation for water services in Indonesia. This was particularly true in the areas of monitoring and upholding service quality standards.

If LG delegates their mandated role to Associations, it could be argued that this should be formally acknowledged, and properly financially recompensed.



That we are now involved with the village is related to the amount of budget there, we encourage [our] friends, CBO friends to get actively involved, we also coordinate with the village administration to get invited, actively involved with the village administration.

*Association Board Member*

The second change was the increasing role of the village government and village funds in the management of community-based rural water services. The Association model promotes accountability of water CBOs to the relevant Association, rather than to village governments, and may require adaptation to better

incorporate the role of village governments. Examples of such adaptation were noted in the research. For instance, in some cases, coordinated action by Associations together with LG was promoting use of village funds to improve service sustainability.

The third change was the emergence of the BUMDes (village owned enterprise) model in managing rural water supply. Amongst selected locations, some districts supported the transfer from their water CBOs to BUMDes on the basis of sustainability and financial stability. However, others were concerned that transforming CBOs into a profit-oriented enterprise model would reduce the social good aspect of the CBO.

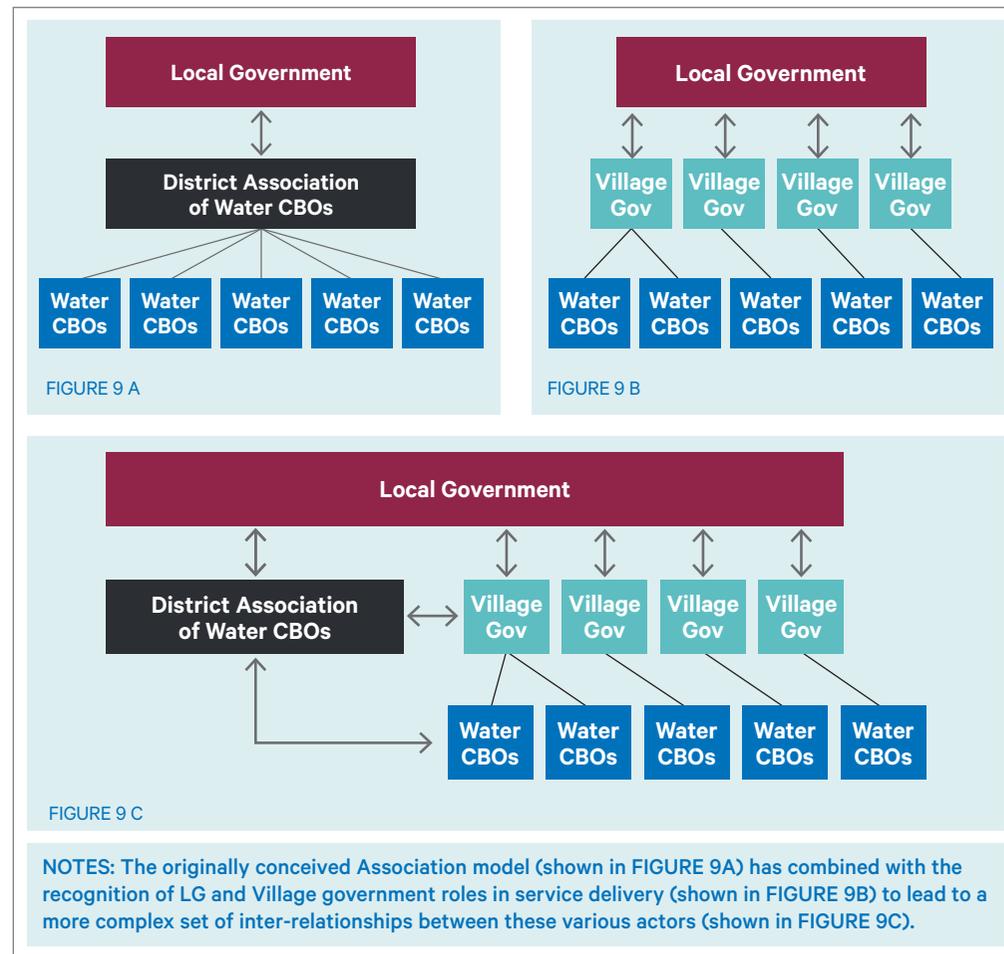


BUMDes is more profit-oriented because [it] must deposit contributions as village revenue. Meanwhile, the CBO is a social institution organization... [...].... What I fear is that later it would be forced to be commercial. The social values would be lost.

*LG Representative*

There are two major implications for the Association model. First is that Associations could proactively assist CBOs to negotiate their status and role with village governments, and cases of this were documented in this research. Second, is that a shift to BUMDes has implications for Associations' membership base, as BUMDes, with their profit orientation and primary accountability to village government, may be less inclined to see value in, and wish to participate in, a member-based collective.

FIGURE 9 GOVERNANCE LINKAGES AND INFORMATION FLOWS BETWEEN RURAL WATER SUPPLY STAKEHOLDERS



## Conclusions and implications

The concept of a district Association holds merit and can offer economies of scale in providing key aspects of a rural water service delivery model. This research has demonstrated that value, in that selected Associations played important functions in monitoring service provision and facilitating communication between large numbers of CBOs and LG. However, the research also showed significant issues to be resolved, as regards the financial sustainability of the Association business model, tensions that affect the relationship between Associations and LG, and alignment of the model to an evolving institutional context in which village governments play an increasing role.

Across the research locations, both Associations and LG recognised the need for, and interest in, strengthening Associations to become self-managed independent organisations with sound financial sustainability, improved autonomy and strengthened technical and managerial capacity. The implications of the findings of this research can be considered in three groups, described below. These ideas are put forward as a basis for discussion with relevant key stakeholders as options for consideration only, as there is no single path forward.

### Minor, incremental improvements to the current Association model

These improvements address common issues reported in this research. They include: LGs ensuring use of and response to monitoring data collected by Associations; LGs simplifying (to the extent possible) the process to apply for funding to support Association activities; LGs providing technical, administration and management skills specifically to Association board members, rather than just to all CBOs; sharing best practices between Associations across different regions; promoting open communication between Associations and LGs to overcome communications barriers due to status and hierarchy.

**FIGURE 10** VILLAGE WATER SUPPLY IN OGAN ILIR, SUMATRA



### Addressing the key challenges of the current Association model

These improvements address the three main challenges revealed in this research: financial sustainability, clarification of the legal and institutional framework for Associations and systematically building human resource capacity. Financial sustainability could be achieved through a combination of shifts in LG commitment and methods to provide funds as well as use of fee-for-service models by Associations. Clarification of the legal status, mandate and authority of the Association is possible through a well-delineated institutional framework that supports Associations, water CBOs, village governments and local governments to effectively perform their roles and responsibilities. Adopting a systematic approach to building Association board member capacity, motivation and skills could be done through a nationally or provincially provided training platform including formalised recognition of skills attained.

### Wider re-thinking of the Association model and its basis

Given the need for adaptation to the evolving institutional context, primacy of the village government and availability of village funds, as well as the extent of challenges faced by the Association model- it may be important to step back and reconsider the model. The service delivery functions fulfilled by an Association may be able to be fulfilled in other ways, including through actors such as private providers, PDAMs or village governments, or could be shared between an Association and such actors, narrowing and clarifying an Association's role (as either a representative body for CBOs or a service provider to them), or potentially for Associations to play an 'independent' oversight role for formal lines of accountability from water CBOs to village governments to LG.

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This summary draws on the following report: Soeters, S., Al'Afghani, MM., Avessina, J. and Willetts, J (2018), Supporting sustainable rural water service delivery: District associations of community-based organisations in Indonesia Enterprise in WASH – Research Report 10, Institute for Sustainable Futures, University of Technology Sydney.  
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### Acknowledgements

Significant thanks is extended to Bappenas for their support in facilitating this research. Thanks is also due to the Central Project Management Unit (CPMU) for PAMSIMAS at the Ministry for Public Works and Housing for their engagement, support and inputs. Research participants from local governments and district Associations of water community-based organisations in Sumatra, Kalimantan, Java and Sulawesi are thanked for their valuable time and contributions, both to this research and to the support of rural water services. This research was funded by the Australian Government - Department of Foreign Affairs and Trade.

### Citation

Soeters, S., Al'Afghani, MM., Avessina, J. and Willetts, J (2018), Summary of Research Report 10 - Supporting sustainable rural water service delivery: District associations of community-based organisations in Indonesia. Institute for Sustainable Futures, University of Technology Sydney. Available at: <http://enterpriseinwash.info>.



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