



Financing Water Supply in Rural Indonesia Asia Inclusive Finance Forum 2019 World Water Week

Rural Water Service Provision in Indonesia

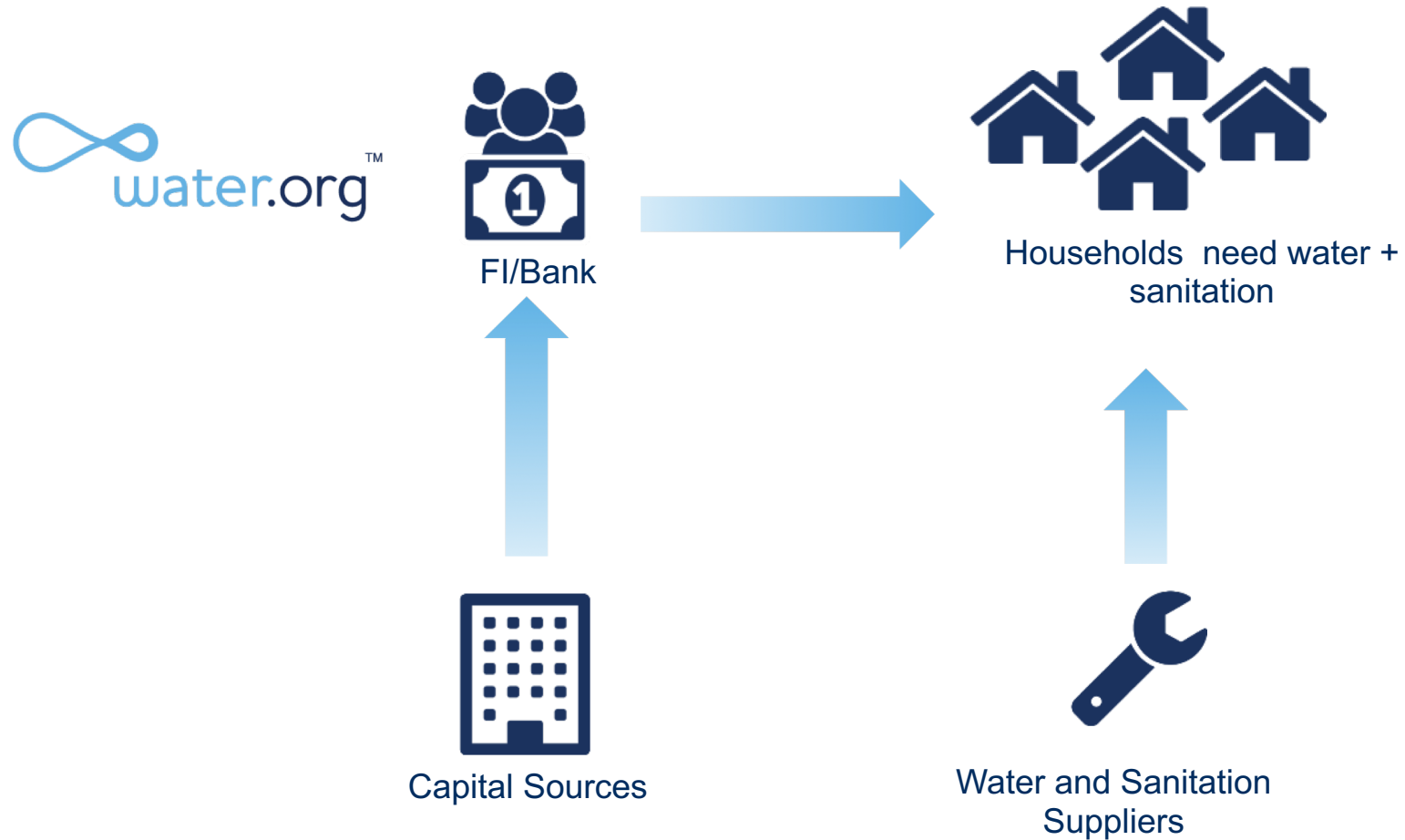
INDICATOR	VALUE
Population without Basic Access* in Rural Areas	21,000,000
Basic Access Rural Coverage Rate (overall)	82%
Basic Access Rural Coverage Rate (lowest quintile)	63%
Piped Water Rural Coverage Rate (overall)	<7%
Population Practicing Open Defecation in Rural Areas	19,000,000

**Note: Basic Access = drinking water from an improved source, provided collection time \leq 30 minutes for a round trip, including queuing*
-- Source: JMP (2017)

Rural Service Provision and Investment

- District governments responsible for WSS provision
- Rural services decentralized mainly to community-based organizations (CBOs)
- Increasing degree of community participation in service development
- Government of Indonesia PAMSIMAS initiative
 - Create new CBOs (over 5K new CBOs planned within a five year period)
 - Build capacity of existing 22K+ CBOs to improve and extend services
 - Support initiated by World Bank and other external development financial institutions
- Significant WSS under-investment
 - Public investment (all govts.) estimated at \$500M/year (less than \$2/person)
 - Typically represents less than 2% of budgets
 - Incapable of meeting SDG6 goals at present
- Limited availability of financing for household improvements

WaterCredit – A Response to Household Finance Constraints



WaterCredit Results to Date

11

Financial institutions implementing WaterCredit

185K+

Loans disbursed through WaterCredit partners

\$36M

Capital disbursed in form of loans

705K

People's lives improved thru WaterCredit



WaterCredit Results to Date

\$188

Average loan size

99%

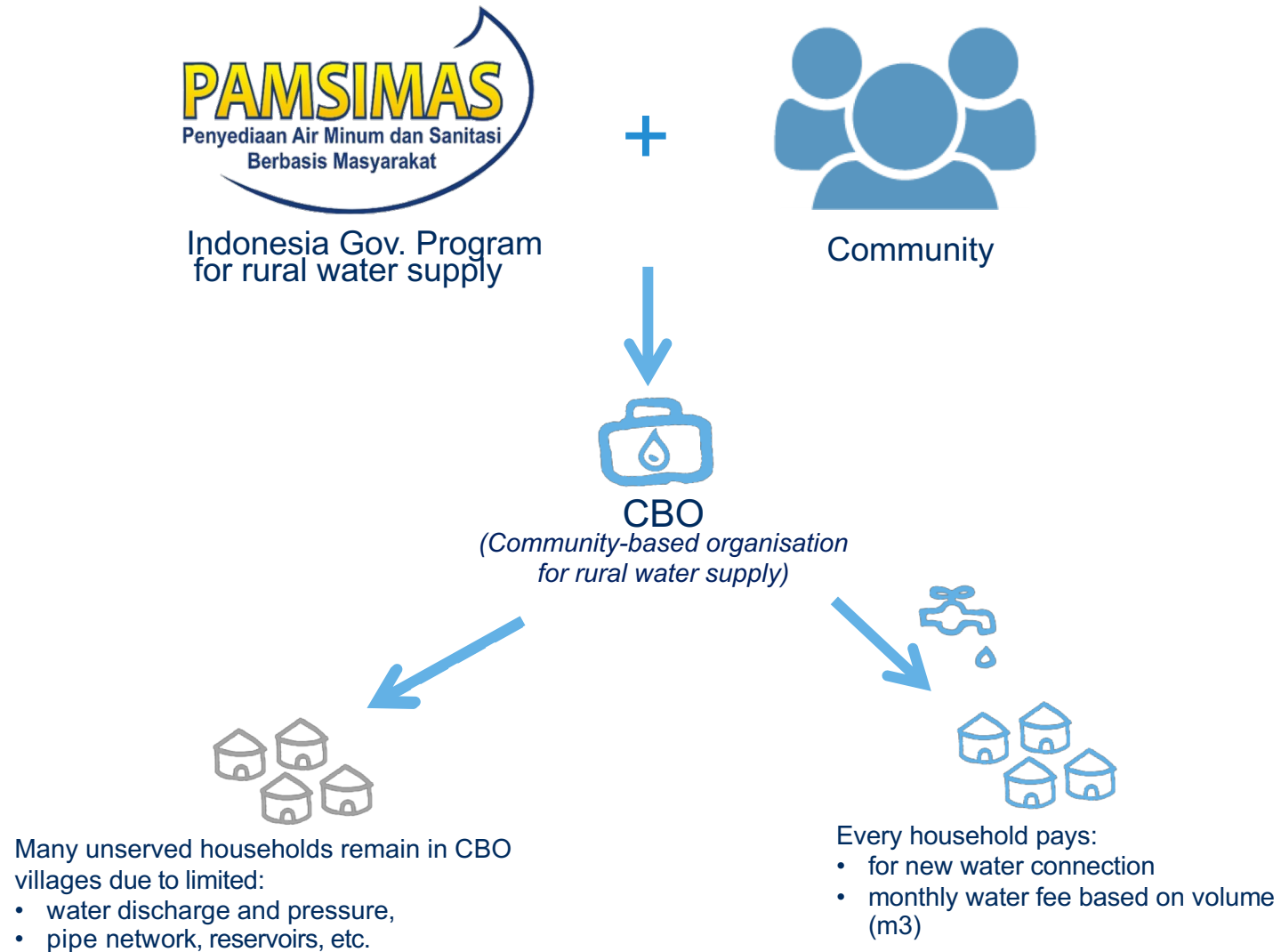
Repayment rate

82%

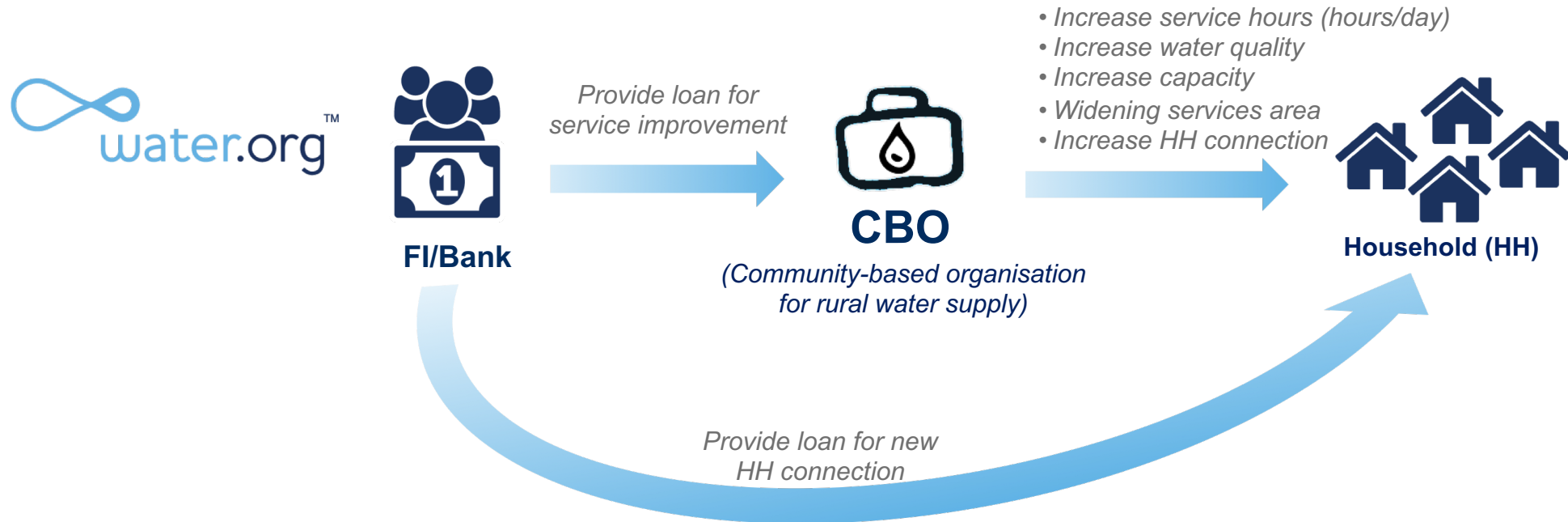
Borrowers are women



Community-based Organization Model



CBO WaterConnect – A Response to Financing Needs



CBO WaterConnect Results to Date

14

Financial institutions engaged in WaterConnect

194

Loans disbursed to CBOs from financial institutions

\$450K

Capital disbursed in form of loans to CBOs

200K

People's lives improved thru WaterConnect



CBO WaterConnect Results to Date

\$2,500

Average loan size (“upper micro” size scale)

97%

Repayment rate

3

Major regions of Java island



Scaling CBO Financial Access Nationally

- **Key Elements**

- CBO and Financial Institution (FI) identification
- Financial management training within PAMSIMAS capacity development package
- CBO Investment package design and planning
- Financial institution CBO loan product development
- CBO – FI transaction facilitation
- Limited guarantee mechanism
- Scaling and replication of experience & lessons outside Java

- **Objectives**

- Secure finance for estimated 3,000 CBOs, improving over 3M lives
- Strengthen basic financial management and investment package skills among existing and new CBOs across Indonesia

Lessons and Challenges

- **Developing Finance-Ready CBOs**

- Increase focus on sustainability and external finance within PAMSIMAS' training and supervision of CBOs
- Match investment needs with repayment capacity (often requires incremental investments over multiple cycles and/or blended finance)
- Unexpected Lesson #1: The value of borrowing goes far beyond the loan amount.
- Unexpected Lesson #2: There is value in making loan proposals *for non-qualifying CBOs*.

- **Preparing financial institutions for CBO lending**

- Familiarize FIs with CBO rural piped water microenterprises
- Demonstrate that lending to CBOs can be low risk, despite lacking formal collateral
- Develop solutions for risk and collateral concerns (limited partial guarantee)
- Create approaches (often with CBO Associations) for developing strong CBO proposals

- **Future Policy and Supervision Environment for CBOs**

- Due to PAMSIMAS, number and importance of water CBOs in rural areas is growing rapidly
- Urgent need for policy and supervision practice to catch up to conditions on the ground

Terima Kasih
(Thank you!)

