"New Thinking on Water Governance" Conference

Public Private Partnership
City of Jakarta Example

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1. Public Private Partnership (PPP) Principles
2. PALYJA and its concession contract
3. Challenges for the Future
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PPP Contract Structures

- **Municipality**
  - **CONCESSION**
  - **BOT / ROT**
  - **AFFERMAGE** (Lease Contract)

- **Private Company**
  - **Operations & Maintenance**
  - **Design Build Operate**
  - **Management Contract**
  - **Technical Assistance**

- **Joint Venture Public/Private**
  - **Fully Privately Owned**

- Degree of Private Partner Involvement

- Contract Duration in Years:
  - 3
  - 5
  - 10
  - 20
  - 30
  - ∞
Partnership Approach

- Integration of SUEZ ENVIRONMENT global water skills into the local context.
- Partnership with local industrial and commercial organisations.
- Formalised partnership relationship with community leadership on long term basis.
- Mutual respect & understanding.
- Combining strengths.

Creation of specialised LOCAL WATER COMPANY to SERVE the COMMUNITY
Key Elements of PPP

• **Contract** provides:
  – Clear objectives
  – Clear standards
  – Strong control
  – Regulated price (decided by the Public Authority)

• **Assets ownership remains with public authority**

• **Operational responsibilities delegated to private sector**

• **Long term planning and control firmly in hands of public authority**
Balance of Stakeholder Interests

Consumers

Service Quality & Performance

Public Authority

Operator

Market Sphere

Political Sphere

Commercial Sphere
Review of Key Questions

Who Owns the Infrastructure?  Public Authority
Who Takes the Decisions?  Defined in the Contract
Who Sets the Water Tariff?  Public Authority
Who Operates?  Private Operator
Who Regulates?  Public Authority
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PALYJA
Western Part of DKI Jakarta

Westward of Ciliwung river

3 UPP : Unit Pelayanan Pelanggan
+ 1 UPP for Key Account
PALLYJA Ownership
(since July 2006)

Suez Environnement
- Lead Operator -
  51%

PT. Astratel Nusantara
(ASTRA Group)
  30%

Citigroup Financial Products Inc.
  19%

PALLYJA
Contractual Performance Objectives

Technical Targets

- Volume of water billed.
- Water production.
- Non Revenue water.
- Number of connections.
- Service coverage ratio.

Service Standards

- Quality of water supplied to the customers.
- Pressure at customers connection level.
- Customer care.
- Interruptions in distribution network.
- New connections.
2 majors Water Treatment Plants
(62 % of the total supply)

WTP Pejompongan 1
(Degremont 1953)

WTP Pejompongan 2
(Degremont 1965)
Extension & Improvement of Water Supply 1998-2008

Continuous supply
Unstable supply
No water
Approximate limit of salinity in shallow wells

1998
2008
Number of customers increased by almost 100%
6-Month Average Sales and NRW since Take Over
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New business model: Output Based Aid
New business model: Output Based Aid

With the GPOBA grant of US$ 2.5 million, PALYJA will provide access to the water system to about 7,000 low-income households by 2009.
Main challenges faced by Jakarta

The city of Jakarta is still looking for an increase of the piped water coverage

Groundwater usage, on which rely currently 25% of the population, is likely to be gradually reduced:

- The city of Jakarta is “sinking” because of the groundwater over-exploitation and risk of flooding increase
- Groundwater is getting more and more polluted (salt intrusion, chemical and microbiological pollutants)
- Groundwater tariffs will be increased and aligned with piped water tariffs

Therefore, new water resources and additional treatment facilities will be needed within the next 5 years to face growing demand and service coverage expansion
Thank you
Terima Kasih
Merci
Muchas Gracias
Matur Nuwun
Hatur Nuhun
Mauliate
Teşekkürler
Xie-xie
Obrigado