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GPOBA

The Global Partnership on Output-Based Aid

NEWS RELEASE

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Indonesia: World Bank-administered GPOBA Supports Expansion of Piped Water Supply to Surabaya's Poor

Washington D.C., February 20, 2009 – The World Bank, acting as administrator for the Global Partnership on Output-Based Aid (GPOBA), signed a grant agreement with the Republic of Indonesia for US\$2.4 million to increase access to piped water networks for poor households living in Surabaya.

Up to 15,500 households or 77,500 people are expected to benefit from the scheme through new household connections, including bulk supply or “master meter” connections for particularly poor, dense or informal communities not otherwise eligible for household supply.

“The GPOBA project will assist Indonesia towards achieving the Millennium Development Goal for water by specifically targeting those households that are least able to afford connection fees and network expansion,” said **Joachim von Amsberg, World Bank Country Director for Indonesia**. *“The benefits for these families will include improvements in health and savings from a reduction in the cost of water.”*

Currently, only 17 percent of households in Indonesia have access to piped water. Many families rely on wells, but use of such sources is becoming increasingly unsustainable due to contamination of shallow groundwater sources and over-pumping of deep wells. Many poor households also buy water from vendors and neighbors with piped-water supply, but this can cost them more than 20 percent of their income. While piped water is more affordable, steep connection charges constitute a barrier to entry for the poor.

“Surabaya has shown clear commitment to connecting the poor and the GPOBA project demonstrates an innovative master meter approach for informal settlements, where individual household connections are not viable,” said **Maurin Sitorus, Director of Funds at the Indonesian Ministry of Finance**. *“Providing service through bulk supply, and enabling communities to manage their own distribution networks, metering, billing, and collection is a new approach to service delivery that has not been tested before in Surabaya. Successful implementation of these schemes could have a very powerful impact on city leaders and PDAM managers.”*

Thanks to the GPOBA subsidy, the connection fee for poor households in the target areas will be US\$33 (payable over three months) instead of the usual price of US\$66-260. The project will be implemented jointly by the Ministry of Public Works, the local government, and the public water utility of Surabaya (PDAM Surabaya) which has shown a strong commitment to expanding the water network to the city's poor neighborhoods. In line with the output-based approach, most of the GPOBA subsidy will be paid to PDAM Surabaya only after the services have been delivered and verified by an independent agent.

“We hope this project will have a demonstration effect that will enable scaling-up and replication throughout Indonesia’s more than 300 public utilities, and help the country to increase the proportion of people with sustainable access to safe drinking water,” said **Suhail J. S. Jme'An, Senior Financial Analyst, and Yoonhee Kim, Urban Economist, World Bank Team Leaders for the project.**

The GPOBA project will draw on funds from the UK’s Department for International Development. Additional funding will come from PDAM Surabaya, the United States Agency for International Development (USAID), and user contributions.

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About GPOBA

The Global Partnership on Output-Based Aid (GPOBA) is a global partnership administered by the World Bank. GPOBA was established in 2003, initially as a multi-donor trust fund, to develop output-based aid (OBA) approaches across a variety of sectors including infrastructure, health, and education. OBA subsidies are designed to create incentives for efficiency and the long-term success of development projects.

GPOBA’s current donors are the UK’s Department for International Development (DFID), the International Finance Corporation (IFC), which is a member of the World Bank Group, the Directorate-General for International Cooperation of the Dutch Ministry of Foreign Affairs (DGIS), the Australian Agency for International Development (AusAID), and the Swedish International Development Cooperation Agency (Sida).

For more information on GPOBA, please visit: www.gpoba.org

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