

## **Water as a Public Good in Indonesia:**

An evaluation of water supply service performance  
in an Indonesian water supply enterprise  
as a means to address social and environmental justice concerns

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## Abstract

A water supply service can be seen as a public or private good, but this thesis makes the argument that water is vital for society and so to ensure accountability it is important that water governance includes citizens' participation for social and environmental justice concerns. Public goods are generally defined as goods and services that are provided by 'means of public policy' (Lane, 1993, p. 21), or 'collective political choice' (Stretton & Orchard, 1994, p. 54) rather than by means of an individual market mechanism in which private goods are usually provided.

This thesis addresses the function of water as a public good. If social and environmental goals of water use are ignored, the implications can be detrimental particularly for the poorest members of society. An organization's goal effectiveness is usually related to its success in achieving desired outcomes of the organization's goals through a systemic management interaction across organizational aspects at the input, process, output, and outcome/impact stages. This thesis argues an evaluation model of performance measurement can be developed to reflect the characteristics of a public good for a water supply utility, and this model of performance measurement can assist in addressing issues of social and environmental justice.

Harris et al argue that better governance can only be achieved by working for democracy in multiple arenas (Harriss, Stokke, & Tornquist, 2004, pp. 7-8). This study considers multidimensional performance measures taking on board the values of many stakeholders with different backgrounds. It 'unfolds' and 'sweeps in' in many dimensions in an attempt at systemic representation (Ulrich, 1983, p. 169). McIntyre-Mills states that "service need to reflect the values of the users and for this to occur

the users need to participate in and decide on policy design and governance” (McIntyre-Mills, 2003, p. 14). Performance measurement systems can be used to detect a gap between services supplied by providers and various needs demanded by stakeholders.

The thesis develops an outcome performance measurement model for evaluating social equity and environmental justice concerns. It draws on and adapts four performance measurement models of the International Water Association, World Bank, Indonesian Home Affairs Department and Indonesian Water Supply Enterprise Association.

A complementary combined method was developed that addresses qualitative and quantitative governance concerns as they perform to water supply performance problems. Three research methods were used, namely the case study, survey and focus group discussion for collecting qualitative and quantitative data from the three governance sectors. These were triangulated. Five research tools in the case study method were used for collecting information from stakeholders in the three governance sectors including interview, personal communication or email, document analysis, direct observation and documentation. The survey was used to investigate 431 respondents from three case study locations in Cinusa<sup>1</sup> city, and the two focus groups were conducted in the city’s water supply company management for discussing problems of water supply performance as summarized from the survey.

The locus of this study was concentrated in the Cinusa city jurisdiction area, and the focus was the performance problem of the water supply company in Cinusa during 2001-2004. However, a comparative study of water supply performance nationally and internationally is presented for analyzing relative performance gaps.

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<sup>1</sup> A pseudonym.

This research evaluates interconnections among cost inefficiency, tariff escalation and other non-financial performances: water supply quantity, quality, continuity and pressure. Inefficient costs because of corrupt, collusive and nepotistic practices in this Indonesian water supply company implicate cost burdens in the company and prevent this water local public enterprise perform its social and environmental missions. The Cinusa local government as the owner of this local public enterprise and the Cinusa local parliament hold a monopoly power in some important decisions related to this local public enterprise, including tariff policy, senior management positions and the total amount of profit share paid to the local government. Such customers from lower income household instead of being subsidized as specified in the national regulation are paying at a profitable tariff and subsidizing this enterprise's inefficiency and the government's locally generated revenue.

The inefficiency alongside the profit sharing policy also weakens this enterprise's capacity to invest and improve its service performances. Improving the service performance is essential for current and potential customers and could also benefit the society economically, socially and environmentally, besides being of economic benefit to the enterprise itself. Securing public health concerns and groundwater preservations can be conducted by improving the accessibility, the availability and the reliability of water quality, quantity, pressure and continuity.

This research presents an evaluation model for improving the accountability of water supply by means of performance management tool and it makes policy recommendations.

## Declaration of Originality

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or a diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

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Candidate

Date: ...../...../.....

I believe that this thesis is properly presented, conforms to the specifications of thesis presentation in the University and is *prima facie* worthy of examination.

Dr. Janet McIntyre  
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Date: ...../...../.....

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