

# Mercy Corps Indonesia

## Scope of Work for Consultants

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**Project/Consultancy Title:** Consultant Team or Institution for Developing Technical and Financing Option Scheme for KPSPAMS Service Expansion

**Project Location(s):** Blitar Regency

**Finance Department Code:**

**Financial Code:** 8500-614-20127-01 (PUPR Drinking Water: Develop a business model for expansion of household connection services by PDAMs and KPSPAMs)

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### Background

Indonesia is facing an enormous challenge reaching its goal of a universal, safely managed water and sanitation system. Nationally, only 19% of Indonesians have access to piped water, and a sewage connection is available to less than 2% of the population. This means only 7.4% of wastewater is safely collected and treated, while 92.6% is discharged untreated. The World Bank estimates that 70% of groundwater pollution is the result of leaking septic tanks and septage disposed in waterways<sup>2</sup> posing a significant health risk to people across the country. The Medium-Term National Plan 2019-2024 (RPJMN) set out to address the gap in WASH services. Starting from a 2018 baseline of 89% of households with access to improved drinking water, and 77% with access to improved sanitation facilities, the RPJMN estimates that an \$18.4 billion investment is required to meet its intermediate WASH goals<sup>3</sup>. These include 100% of households access improved drinking water; 15% of households access safe drinking water and 30% access piped water; while 90% of households access improved sanitation, 15% of households access safe sanitation, and the number of households utilizing safe wastewater management increases to 6.5 million. Current national and local budget allocations will meet only \$11.3 billion or 35% of the need, illustrating the resource gap towards meeting the 2030 goal of universal access, per the SGD #6 standards as stated in the Presidential Decree 59/2017.

Given the need for massive investment in WASH infrastructure and broad changes in individual and collective behaviors to achieve the countries targets by 2024, the involvement of communities, households, and the private sector will be pivotal at every stage. Closing the financing gap will require diverse resource investments, reducing costs, increasing tariff, taxes, and transfers, and exploring alternative financing tools. Market-based solutions that can connect unserved and underserved populations to WASH products and services may help close this financing gap.

The overall goal of USAID IUWASH Pasar is to catalyze and grow local markets for water, sanitation, and hygiene (WASH) products and services in Indonesia's vulnerable urban areas. To achieve the overall goal, the project will focus on the following three main objectives:

- Improve business environment to foster greater private sector contribution for WASH services and products.
- Enhance viability of WASH businesses and increase availability of affordable, desirable WASH products and services to underserved market segments.
- Improved key WASH behaviors for increased demand with correct and consistent use of WASH products and services.

One of the WASH category market is market for household drinking water connections. One of the main actors providing drinking water connections in the USAID IUWASH Pasar assisted district area is KPSPAMS of PAMSIMAS. In the implementation of PAMSIMAS since 2008, active community involvement in program management has always been the main key to success. To date, there have been 35,000 points in Indonesia that have been served by access to drinking water and sanitation through PAMSIMAS, where this achievement needs to be continuously improved so that the

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sustainability of the program's benefits can continue to be felt by the community. In this regard, the Community Group for Managing Drinking Water Supply and Sanitation Systems (KPSPAMS) plays an important role in the management of PAMSIMAS, especially in the management of assets that have been handed over. However, on the other hand, this is a challenge for the government, where the program that has been running since 2008, there are differences in management capacity in each KPSPAMS in the region which results in the less than optimal role of KPSPAMS in increasing access for communities served by safe drinking water connections.

### **Overview of the Condition of KPSPAMS which is Considered to be Functioning Well**

In addition to secondary data available at the PU Office / Village Government Office in Blitar Regency, the project also conducted field observations to see the actual conditions of the KPSPAMS directly. Observations were made on two KPSPAMS that were considered to have the best performance in the Blitar Regency area based on recommendations from the offices. From the visit, the following information was obtained which became the basis for designing subsequent activities in this SoW:

- Water quality in water sources needs to be improved through a treatment process. Facilities built during the Pamsimas program generally do not use water treatment options at the water source. Both KPSPAMS admitted that the water sources they used still contained quite high levels of phosphorus. This fairly high phosphorus content also has an impact on the functioning of services due to affected facilities such as the condition of the pipes that are starting to become clogged due to phosphorus deposits.
- In addition, the equipment used to distribute water generally uses low-middle standard equipment which will be a challenge in terms of maintenance when it has been used for a long time, as experienced by the two KPSPAMS that have been operating for more than five years.
- The institutional transformation of KPSPAMS into BUMDES is highly dependent on the understanding and commitment of the village head in ensuring the sustainability of service quality. One of the KPSPAMS was once transformed into a BUMDES but did not continue - and returned to its original state - due to the intervention of the village head who also replaced the KPSPAMS management who lacked capacity. This inappropriate intervention by the Village Head ultimately disrupted the quality of service.
- The demand for access to drinking water by the community will increase when some of the community has received SR KPSPAMS services. They are even willing to pay more than other customers when they realize that a larger investment is needed to build access connections to their homes due to the more challenging geographical conditions of the area. One of the KPSPAMS specifically explained their experience related to this where one of the hamlets - which is located relatively above the water source - was able to pay higher contributions when they learned that additional investment was needed to pump water to their residential area compared to other settlements that use gravity mechanisms.
- It is necessary to explore business models that can attract the interest of private actors to collaborate in increasing the coverage and quality of KPSPAMS services. The two KPSPAMS that are considered the best have a small business scale so that they are not yet attractive for the involvement of the private sector.
- The administrators involved in the management need to get more appreciation from various parties, especially the village government. It is necessary to build a model of KPSPAMS contribution to the village community and strengthen the image of KPSPAMS so that it becomes a credible and important institution for the village. One of them is through improving the quality of KPSPAMS administrators to be more professional. The two KPSPAMSs visited gave the impression that there was no commensurate appreciation for the administrators.
- There needs to be an alternative initiative for water source conservation activities for KPSPAMS to maintain the sustainability of services. The availability of water sources used is

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threatened by climate change. Both KPSPAMSs stated that there was an effect of the dry season on the capacity of the water discharge flowing to households.

### Assignment Objective

The USAID IUWASH Market Project will recruit a team of consultants to carry out a series of efforts aimed at developing a support model for KPSPAMS in improving and ensuring the sustainability of the drinking water service system for household customers, especially in terms of the availability of access for KPSPAMS to technical options to improve the quality and coverage of facilities, their financing aspects, and finally their managerial capacity. In addition, the consultants are also tasked with designing a capacity building support mechanism to build the readiness of KPSPAMS to be eligible to access financial products from banks, financial institutions, or the private sector. This series of activities is described in the scope of work below. This model will be piloted on a limited basis in Blitar Regency and is expected to be used more widely in the project area.

### Scope of Work

The scope of work for this assignment are:

1. Conduct a study to map the existing capacity and potential for KPSPAMS development:
  - The study will be conducted in all KPSPAMS registered with the Dinas PU or PMD in Blitar Regency.
  - Participants are mainly KPSPAMS, PDAM, and relevant district offices particularly to explore their Master Plan for Drinking Water Supply System (RISPAM). Methodology includes desk studies, interviews, field observations, online questionnaire.
  - Topics of the study includes:
    - Type and potential capacity of water sources, type of system (at water sources, distribution pipes, household systems including water meters, etc.
    - Condition and functionality of facilities, location/part of the system that is not functioning (related to technical aspects - if not functioning or partially functioning), asset ownership, repair efforts that have been made and sources of repair costs and actors who carry out repairs, current maintenance mechanisms, etc.
    - Number of house connections and idle capacity based on installed capacity, market potential (household connections that can be served based on water source capacity)
    - Institutions: since (long standing), current institutional form (formal documents owned) and relationship with the village government (formal documents that can be identified), history of relations with the village government (conflicts, formal cooperation, others)
    - Management of KPSPAMS managers: organizational structure, number and positions/functions of personnel, employment status (fixed, variable cost), salaries and benefits, frequency of changes in chairman and management (if any), background to changes
    - Implementation of SR fees: since when, mechanism for determining the amount and fee mechanism, socialization efforts carried out, initial obstacles to date related to tariff implementation, experience when raising fees, etc.
    - Survey of existing customer satisfaction and interest of potential new customers including willingness to increase fees for service improvements (existing customers) and desire to pay fees (new customers)

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- Look at their books to get an idea of their financial prospects such as revenue generation, types of expenses, profits, etc.
  - Others that will be explored later with selected consultants
2. Based on the results of the study obtained, consultants are expected to conduct analysis and design scenarios to increase the capacity of KPSPAMS so that it is feasible to access financing from banks/MFIs or private parties by:
    - Grouping of KPSPAMS based on future development potential in the context of cooperation with the private sector
    - Recommend a management board structure and develop a capacity development delivery model that includes identification of skills gaps, curriculum and modules, and delivery methods (It is expected to use existing curriculum, modules and other instruments that are used by the government through the Pamsimas program). It also includes mentoring mechanism towards formal institutionalization
    - Developing a standardization mechanism for KPSPAMS management actors in collaboration with local governments
    - Designing campaigns and KPSPAMS competition awards
  3. Conduct analysis to build private sector involvement in developing drinking water access in the region. The results of the analysis will then be used to design a business model that collaborates between KPSPAMS, PDAM, and the private sector
  4. Develop a scenario of technical options to strengthen service quality:
    - Technology options that can improve the quality and scope of KPSPAMS services starting from water treatment at water sources and distribution networks
    - Financial projection scenarios for KPSPAMS when adopting the technology implementation option
    - Financing scheme products for the technology implementation option in collaboration with banks or potential financial institutions
  5. Conduct trials only on aspects of implementing technology options designed for facilities currently used by KPSPAMS (1 or 2 KPSPAMS), starting from water treatment at the water source to home connection facilities. This technical option is a technical option that has been previously developed by considering its suitability to the financial capacity of KPSPAMS. This is a critical point in terms of building KPSPAMS interest in technology option products and their financing before providing managerial capacity assistance.

## Consultant Deliverables and Timeline

The consultant will be responsible for the following deliverables with timeframe as following details:

No	Task	Deliverables and Outputs	Timeline
1	Conduct a study to map the existing capacity and potential for KPSPAMS development	<ul style="list-style-type: none"><li>• Desk study report</li><li>• Survey design and instrument (online)</li><li>• Data collection</li><li>• Study report with spatial analysis</li></ul>	February – March 15, 2025
2	Develop capacity building scenarios for KPSPAMS	<ul style="list-style-type: none"><li>• KPSPAMS segmentation</li><li>• Capacity building delivery model</li><li>• Standardization model of KPSPAMS administrators/ management actors</li></ul>	March 1 – 31, 2025

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		<ul style="list-style-type: none"> <li>Designing campaigns and KPSPAMS competition awards</li> </ul>	
3	Conduct analysis to build private sector involvement in developing drinking water access in the region	<ul style="list-style-type: none"> <li>A business model that can encourage private sector participation in working with KPSPAMS to improve overall regency access to drinking water</li> </ul>	March 1 – April 15, 2025
4	Develop a technical options/scenario of KPSPAMS service quality strengthening options	<ul style="list-style-type: none"> <li>Technology options technical design</li> <li>Financial projection scenarios of KPSPAMS when adopting the technology option</li> <li>Financing schemes product (in collaboration with financial institutions)</li> <li>Dashboard to monitor progress</li> </ul>	January 27 – March 31, 2025
5	Conduct trial to implement the designed technology options to the facilities currently used by KPSPAMS	<ul style="list-style-type: none"> <li>Technology options installed</li> <li>Inputs for improvement documented</li> <li>Finalized the technology options design</li> </ul>	April 1 – May 31, 2025

### The Consultant Working Period

This consultation period is effective from February 2025 to May 2025. The four months period will be allocated for activities to achieve the deliverables described above.

### The Consultant Fee and Payment Mechanism

Payment will be made based on the achievement of each deliverables as evidenced by the acceptance of outputs requested (see deliverables table above) with the following arrangement:

- Payment-1: 50% on completion of Deliverable-1, 2, and 3
- Payment-2: 50% on completion of Deliverable-4 and 5

### Travel Allocation

The consultant will be based in Surabaya. The consultant must be willing to travel to project target locations with prior approval from the supervisor. Travel costs will be provided allocated separately by USAID IUWASH Pasar.

### Reporting and Work Arrangement

The consultant will report to the PIC assigned for this consultancy, WASH Product Development Advisor. The Consultants will work very closely with Objective-2 Lead, and regional team of IUWASH Pasar East Java.

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### Required Experience and Skills

- A team of consultant or an institution must have experiences in technical aspects of drinking water management and distribution, both PDAM and other small-scale piped drinking water managers
- Team members must have an understanding and experience of being involved in the PAMSIMAS program as evidenced by their involvement in the implementation of the PAMSIMAS program, especially in terms of strengthening the capacity of managers
- Institutions/teams also have the capacity to utilize digital media including for online-based surveys, spatial analysis, and monitoring
- Team members have experience in designing business models that build private collaboration with public institutions or small-scale business entities; and in bridging business opportunities through business models designed for potential business actors
- Team members have significant experience working in the WASH market development sector

### How To Apply

Prospective candidates shall email their proposal outlining (a) proposed methodology (b) team composition, expertise, and curriculum vitae of each, and (c) price quotation to [procurement@id.mercycorps.org](mailto:procurement@id.mercycorps.org) before **28 January 2025**. Only shortlisted candidates will be contacted.

### Diversity, Equity and Inclusion

Achieving our mission begins with how we build our team and work together. Through our commitment to enriching our organization with people of different origins, beliefs, backgrounds, and ways of thinking, we are better able to leverage the collective power of our teams and solve the world's most complex challenges. We strive for a culture of trust and respect, where everyone contributes their perspectives and authentic selves, reaches their potential as individuals and teams, and collaborates to do the best work of their lives.

We recognize that diversity and inclusion is a journey, and we are committed to learning, listening and evolving to become more diverse, equitable and inclusive than we are today.

### Equal Employment Opportunity

We are committed to providing an environment of respect and psychological safety where equal employment opportunities are available to all. We do not engage in or tolerate discrimination on the basis of race, color, gender identity, gender expression, religion, age, sexual orientation, national or ethnic origin, disability (including HIV/AIDS status), marital status, military veteran status or any other protected group in the locations where we work.

### Safeguarding and Ethics

Mercy Corps team members are expected to support all efforts toward accountability, specifically to our stakeholders and to international standards guiding international relief and development work, while actively engaging communities as equal partners in the design, monitoring and evaluation of our field projects. Team members are expected to conduct themselves in a professional manner and respect local laws, customs and MC's policies, procedures, and values at all times and in all in-country venues.