

Pro-Poor Public Service Performance of PDAM in the Province of Southeast Sulawesi

Syamsul Anam, Syamsir Nur

Halu Oleo University, Southeast Sulawesi, Jl.H.E.A.Mokodompit, Kendari, Southeast Sulawesi

Abstract: *The fulfillment of the need of clean water is one of the basic services that should be provided by local governments. The responsibility of providing clean water services by local governments generally involve the private sector through the Regional Water Company (PDAM). Any involvement of business entities in public service delivery tends to create a conflict of interest that would affect the fulfillment of the need for clean water, especially in the lower income groups / poor. Therefore, it is important to analyze why clean water service by PDAM is inaccessible and unaffordable especially for the low-income households. This study analyzed the relationship between PDAM service performance in generating pro-poor public services by using Partial Least Square (PLS) method. The unit of analysis is the household customers both in urban and rural areas. This research resulted in the finding that the performance of PDAM generate pro-poor public services. Because of the quality of service and coverage needs to be improved so that water could reach and accessible to low-income people / poor.*

Keyword: Public Service, PDAM, PLS

1. Introduction

The design of decentralization in the development model is not only a space for local governments to explore and exploit the potential of the region, but also makes the locus of public services become closer and open. It means that the role of local government is very important and strategic in the implementation of development activities and public services in the area.

Shifting public service system along with the financial system for the regions raises new issues and challenges including the quality of public service and local government fiscal capacity that is different from one region to others. Different ability and concern from each local government influences their ability to provide access to basic services, meeting the needs of people and providing other strategic services. Local governments with good fiscal capacity and interest in public service are capable of conducting development well, while the poorer regions and less concerned with public services tend to have limitations in acceleration of development and even ignore the needs of service to citizens.

Several studies show that the role of government in public services have not fully show the maximum results. There are at least three factors that affect the performance of the government, namely the function, funding and focus (Pattinasarany, 2012). Functional assignment and authority between the central, provincial and local (function) for the implementation of public services in certain sectors have not been followed consistently by the central government that led to the inefficiency of local government spending. On the other hand, the local government income (PAD) is too small compared to the balance funds that hold government fiscally lazy, so that the income structure is not conducive to conducting efficient public services (funding). Another thing is also known that the financial system of central and local (intergovernmental relations) are still focused on standardization and input equalization, yet the equalization

of performance or quality of the shopping area of the quality of public services and economic growth (focus).

Fulfillment of the need of clean water is one of the basic services that should be provided by local governments. Insufficiency of clean water will have an impact on economic and social aspects for the community, especially for the low income groups. Mungkasa (2006) revealed that when the urban population has access to clean water is limited then it will lead to decreased quality of life, reduced productivity, increased costs of health and environmental pollution is inevitable, all of which leads to an increase in poverty in urban areas. Munif (2012) also confirms that the lack of access to clean water in Indonesia affected by poor management of the environment, the issue of financing water infrastructure and the weak capacity of the service provider of clean water.

In Indonesia's constitution, water is a public good and part of the human rights. Social contract between government and citizens in the 1945 Constitution (Article 33, paragraph 3) describes the guarantee of the existence of water as a public good. Therefore, the right to clean water is a human right. (Hanafi, 2011). Therefore utilization of water resources (especially water) should be planned in such a way as to meet the principles of expediency, justice, independence, conservation and sustainability.

This approach believes that the government is the most responsible party for protecting and fulfilling the citizen's right to water. According Setianto (2009) in Santoso (2010) respect for the right to water can be done with efforts to ensure accessibility to individuals and groups, including management. The recognition of the right to water can also be realized with good water availability in terms of quantity and quality. Besides attention to both factors, the government must also provide assurances that the availability and the accessability that can reach more people in need at the same time can also be reached by most of the low income people. Hence there is a debate how the government manages water services as an economic activity

without having to leave the perspective of water in accordance with the constitution.

Related to the above, the increase in service coverage and quality of water through the provision of infrastructure is a fundamental right of all people and is a major challenge for local governments. That is the provision of clean water infrastructure priority aspects of fairness, affordability and equity. Therefore, the government intervention through regulation, subsidies, taxes, or by imposing it as a private good that goods that are excludable and rival (Mankiw, 2001).

As we know that currently the responsibility of providing clean water services are generally managed by the local government through the Regional Owned Enterprises (enterprises) by the Regional Water Company (PDAM). Management through business entities show that their involvement (management) the private sector in public service delivery is intended to meet public needs in the water sector as service delivery. Villaverde A. Ruiz et al (2013), revealed that the incorporation of service pattern (mixture) is an option to combine the advantages of public ownership and private management, despite another opinion stated that the merger of the company's management can significantly lead to internal conflict between public interest and private interests manager (Cruz and Marques, 2012).

Water service managed by a business entity that tends to create a "conflict of interest" requires a management approach that should be controlled and supervised by full adherence to the rules and regulations. It is intended that the management of business entities are open, accountable and followed by a monitoring process. Various facts related to the provision of clean water that is carried by PDAM in some areas indicate the problem in terms of services, especially the aspect of quality, quantity, continuity and reliability of water supply systems.

Researchers saw that the necessary management of business entities in the perspective of corporate governance to address conflicts of interest between the regulators or the principal (the local governments) are interested in the public service and the operator or agent as a business entity. Implementation of corporate governance on public governance in water services allow for synergies that make the government and private sector cooperated in the name of public interest and can work more effectively in realizing the people's welfare.

This study aims to analyze the performance of the pro poor public service managed by PDAM, especially in Southeast Sulawesi. This study aims to fill the gap and contribute to the development of science in public economics, especially to link the concept of public service with the development of the science of organizational governance as well as the concept of pro-poor. In practical terms this study aims to present recommendation for the local government and water management office (PDAM) on how to provide pro poor water management system.

2. Research Methods

This research was conducted in Southeast Sulawesi Province that is focused on service users of PDAM in Kendari and Kolaka. Specifically, we focus on customer categories of households that consume water on the Block category I (0-20 M3), of the with the water consumption that lower than other consumer blocks. Data collection through structured interviews using a questionnaire as well as technical documentation (document records).

Analysis of Partial Least Square (PLS) was used to analyze the relationship between the performance of public services with the provision of clean water that is pro-poor. Indicator variable performance of public services consists of: utilization, service quality, service coverage and customer satisfaction; while pro-poor indicator variable consists of affordability and accessibility. To gain a broader perspective, or to explore the quantitative data of the indicator under study, the researchers did engineering embedding the embedding of data (embedded) qualitative data into quantitative data. Researchers believe that doing this way can help the researcher to dig deeper and enriching information about the description of the participants in the research samples and to describe how qualitative data are used to describe aspects of quantitative research that can not be calculated (unquantifiable). This means that this technique is believed to enrich the analysis of the relationship between the performance of public service with the provision of clean water carried by PDAM as a business entity (profit oriented).

3. Results and Discussion

Meaning of Variable

There are 2 (two) variables used in this study, namely the performance of public services and pro poor variable. These variables are translated into indicators and furthermore is constructed into a variety of items statement.

Public Service Performance Variable

This variable is measured through four (4) indicators of use (utilization), quality of service, scope of services and service satisfaction. Rated loading factor and average indicators on public service performance variables are presented in Table 1.

Table 1: Loading Factor value and average indicators Variable Performance Public Service

	Indicator	Outer Loading	Mean
Y _{1,1}	Utilization	0,912	2,98
Y _{1,2}	Quality of service	0,958*	3,54*
Y _{1,3}	Scope of service	0,875	3,23
Y _{1,4}	Service satisfaction	0,908	3,15

Note: * The highest point

Higher outer loading value on service quality indicator means that a good quality service to the citizens, especially for the customer will encourage the increased service performance of water company (PDAM) as a public entity. Services include administration services in the form of procedures and the ability of employees in providing

services and the handling of complaints and technical service operations the ability to provide clean water that meets the criteria of quantity, quality and continuity (3Q). Similarly, if the quality of service is not good enough, the performance of the public service performed by PDAM will also be affected (not good). Outer loading value on indicators of quality of service is consistent with the value of the average (mean) of respondents' perception.

On the other hand, the low value of the indicator of use / utilization confirm that the water company has not been able to provide enough clean water for the customer (quantity aspect), followed by the unfluent distribution especially on respondents who lived far from the point of reservoirs (aspects of continuity). This indicates that the PDAM service performance has not reflected the balance between services offered (supply of service) and public demand. Besides the distribution of water that have not been enjoyed by customers equally, as well as the differences in level of fluency as well as the amount of water obtained mainly in the zone / pipeline network for the area inhabited by the poor category.

Another empirical fact that the respondents also expressed on the technical aspects; quantity and continuity of the distributed water taps are unable to meet their daily needs and should seek other alternative sources to obtain drinking water. While in the non-technical aspects, respondents provide an assessment that has not been good to the performance of local governments in controlling the services performed taps to the customer as well as the condition of the infrastructure, especially the condition of the pipe network and the quality of the water meter owned by the current.

Therefore, Table 1 above makes it clear that service quality is a major factor in determining the performance of the public service by PDAM. Quality of service is more focused on aspects of the quality of water distributed in the form of the level of turbidity, color and odor of the water or on the aspect of continuity. Researchers believe that public satisfaction is important to note because it will affect the trend in the number of customers fluctuated, inefficiency and competitiveness amid the emergence of alternative sources of clean water acquisition is relatively easily accessible by the public.

Pro Poor Variable

Pro-poor variables were measured through two (2) indicators, namely affordability and accessibility. Dimension Accessibility consists of the ease in obtaining the services, the ease in obtaining information and channel complaints / grievances of services, the time used for water taps and ease in obtaining water taps (piping) compared to non-piped water. While the dimensions of affordability is associated with the amount of service connection charges, water rates, the proportion of income used to pay for water taps and water taps price comparison with commercial water rates. Rated loading factor and average pro poor indicators on variables are presented in Table 2.

Table 2: Loading Factor value and average indicators of Pro Poor Variable

Indicator		Outer Loading	Mean
Y _{2.1}	Affordability	0,950*	3,30*
Y _{2.2}	Accessability	0,938	2,89

Note: *= The highest point

Table 2 shows that affordability has outer loading indicator is higher than the indicator of access. This means that more accurately describe the affordability indicator variable pro poor. It also means that the efforts of pro-poor public service by fulfilling the needs of clean water supplied by public water utilities greatly influenced by how far the costs of the clean water be accessible to the public. Outer loading values on the affordability indicator is consistent with the perception of an average value (mean) of respondents.

The indicator value indicates that the level of consumption of piped water taps for the customer category of households is influenced by the proportion of their income to pay (ability to pay). Most of the respondents revealed that the amount of the connection fee services remains high for new customers along with the current rate is still expensive so the proportion of income used to pay fares are quite large. It is the judgment of respondents which do not correspond with the number and level of fluency water they receive. It also disclosed that the tariff determination system that applies is not right when viewed by class / type of customer. However, respondents feel that the price of tap water is cheaper than the price of commercial water. Therefore, the aspect of affordability in the provision of piped water is one of the important factors in providing public service that pro-poor.

Other indicators that access, which is known that the majority of respondents perceive the provision of access to clean water by PDAM is still not good. Respondents revealed that the time used for getting water taps still long enough, with less frequent in dry season. As a result there is a tendency of respondents considered that the acquisition of the distributed water taps more difficult than with the acquisition of commercial water. However, respondents revealed that complaints service is considered easy by the customer and there is no difficulty in servicing procedures for new customers as well as the complaints procedures and complaints for customers.

4. Discussion

These results indicate that the effect of public service performance against the pro-poor can be demonstrated on the value of the correlation coefficient of 0.360 with a positive direction. With the value of the correlation coefficient is positive and the value of t-statistic 2.369 > 1.960 or 0.01 p value < 0.05 indicates that the results of the analysis of performance against the pro-poor public service is proven that there is a positive and significant correlation between the performance of public service with the service pro-poor.

This means that the performance of services carried out by PDAM in providing clean water can directly increase access and affordability of water services for domestic customers.

The results of this study indicate that when PDAM improve service performance including extended coverage (coverage area) services as well as increased service 3Q (quality, quantity and continuity) of water were distributed there will be an increase in access and affordability of infrastructure of water services to households users.

Empirical evidence shows that service quality is the most important dimension in determining the performance of public service according to the customer ratings which also consistent with the value of loading factor in this research model. There are several items that are used to measure the quality of service in this study including the reliability of the infrastructure owned by water company (PDAM), the reliability of the infrastructure in the services and the quality of the water provided by PDAM. Therefore, on the supply side, infrastructure conditions, the ability of the organs of the companies and the quality of water that is distributed into the main factor determining the performance of the public service performed by PDAM; which means that the extent of PDAM is able to maintain or increase the number of customer requests (demand) in providing water services.

This finding is reinforced by the results of interviews with some respondents who are generally reveal that there are differences in the time used for water taps, the time difference in complaint handling service, differences in water discharge obtained and even they admit sometimes there is a discrepancy between the number of bill payments with the amount of water should be consumed; which directly influence the performance of public service performed by PDAM in providing water services (public service). Therefore, water services pro-poor requires an increase in performance as operator service by PDAM with the involvement of local government as an owner and the party that most responsible for the provision of public services for the people easily, equitable and affordable.

The findings of this study reinforce the views expressed Halim (2010) that if the user (consumer) is difficult to get clean water because of the long distance, and high connection costs and even mostly do not match the expected preferences of the customers. This finding is consistent with the views expressed by several studies such as Howard and Bartram (2003); Santoso (2006), which emphasizes that the farther distance and length of time used will limit the access to clean water for the community. On a managed service taps, conditions and length of piping distribution network as well as restrictions on the time of distribution (rotation system) will affect the flow of water obtained difference customers. Thus the above empirical studies emphasize that dimension is an indicator that determines access to clean water services are pro-poor.

The study's findings also reinforce the research Villaverde A. Ruiz et al (2013), stating that although the management of public services by the government is the biggest guarantee for social purposes without impeding efficiency, but there are many facts that the management of water services by the government area does not guarantee accessibility, bias against the poor and even inefficient.

The findings of this study confirm the opinion expressed by Setiono (2009) that the government is a party that is most responsible for the fulfillment of the public right to water. The shape of recognition of the right to water can be realized with good water availability in terms of quantity and quality as well as guarantee that the availability and accessibility can reach more people in need at the same time can also be reached by most of the community income. Affirmed also by Hendri (2010) which states that related to the implementation of public services, the government is obliged to provide facilities, infrastructure and / or public service facilities, providing quality service, and is responsible for the implementation of the public service.

Main results of empirical studies, C. (2010) suggested that clean water is not entirely cheap. However, the water company is obliged to help poor people to obtain clean water they deserve. It also stated that water company (PDAM) does not have the sufficient funds to develop the pipeline for the poor because the price of water was too cheap which affect the inability of the poor to pay the cost of installation.

The results of these findings is in line with the results of research conducted by Walker et al (2000) which states that despite the low prices has been applied in the tariffs of water supplied by the local governments, water company (PDAM) is still useful, especially for the low income / poor. However, to some extent, PDAM does not help to the poor too much due to their service coverage is limited resulting in poor people should look for other sources at a price that is much more expensive. This means that the management of water supply piping and pro-poor can not be done only with the determination of low tariffs or tariff subsidies but more importantly is the improved service performance.

5. Conclusion

- 1) Results showed that service quality is the most important aspect of performance variables describing public service of water company (PDAM) in the management and provision of clean water, while the dimensions of affordability is the most important aspect of variables describing pro poor. Quality of service indicates that a quality service to the citizens, especially for the customer will encourage increased service performance of water company as a public entity whereas affordability meant that efforts for pro-poor public service by fulfilling the needs of clean water is greatly influenced by the cost over the clean water can be reached by the public.
- 2) This study proves the existence of a conceptual model that integrates the relationship between public goods, public service and the concept of pro-poor, where previous studies carried out separately.
- 3) This study proves that the performance of public service conducted by PDAM in managing and providing clean water affect the pro-poor services. That is a good public service taps will create the requirement for clean water for the community that is easy, cheap and affordable.

References

- [1] BPS Kota Kendari. 2013. Buku Putih Sanitasi Kota Kendari 2012. Badan Pusat Statistik. Kendari
- [2] BPS Kabupaten Kolaka. 2013. Buku Putih Sanitasi Kabupaten Kolaka 2012. Badan Pusat Statistik. Kolaka
- [3] Budds, J., dan McGranahan, G.2003. Are The Debates on Water Privatization Missing The Point? Experiences From Africa, Asia and Latin America. *Journal Environment & Urbanization*, 15 (2), pp. 87-113.
- [4] Bird, Richard. 2000. Desentralisasi Fiskal di Negara-negara Berkembang. Gramedia. Jakarta.
- [5] Bik, J, Thomas .2004. Analysis of Cost, Affordability, Reliability, and Regulatory Compliance in Small Community Water Systems in The Midwestern United States. A Disertation Departments of Geography (Interdisciplinary with Agribusiness Economics) in the Graduate School Southern Illinois University Carbondale. ProQuest Information and Learning Company.
- [6] Cahyono, Eko.F dan David Kaluge. 2012. Analisis Pengaruh Infrastruktur Publik Terhadap Produk Domestik Bruto Perkapita di Indonesia. <http://www.ejournal.uin-malang.ac.id>.
- [7] Chan, C., Forwood, et al. 2009. Public Infrastructure Financing: An International Perspective. Working Paper-Productivity Commission Staff Australian Government's.
- [8] Ghozali, Imam dan Hengky Latan. 2015. Partial Least Square; Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0. Badan Penerbit Universitas Diponegoro. Semarang
- [9] Gray., N.F.2000. Drinking Water Quality. Cambridge University Press.
- [10] Hadipuro, Wijanto. 2009. Valuasi Air. Amarta Institute-TIFA Foundation. Jakarta
- [11] Hanafi, Imam. 2011. Kebijakan Air Bersih. UB Press. Malang
- [12] Hendri. 2010. Pelayanan Publik Menurut UU No. 25 Tahun 2009. <http://lp3si.wordpress.com>. April 2014
- [13] Howard, G. And Jamie B., 2000. Domestic Water Quantity, Service Level and Health. World Health Organization 2003. http://www.who.int/water_sanitation_health/diseases/WSH03.02.pdf. Maret 2014
- [14] Hyman, David. 2005. Public Finance; Eighth Edition. Thomson SouthWestern. USA
- [15] JCV. Pezzey, G.A Mill. 2015. A Review of Tariffs for Public Water Supply, Environmental Agency, UK.
- [16] Mankiw. N. Gregory. 2001. Principles of Economics, 2nd ed. Haris Munandar (penerjemah). Pengantar Ekonomi Jilid 1. Erlangga. Jakarta
- [17] Matei, Ani and Ciprian Drumasu. 2014. Romanian Public Sector. A Corporate Approach. *Procedia - Social and Behavioral Sciences* 109 (2014) 1120 – 1124
- [18] Mungkasa, O. 2007. Dampak Investasi Air Minum Terhadap Pertumbuhan Ekonomi dan Distribusi Pendapatan di DKI Jakarta. <http://www.academia.edu>. Februari 2014
- [19] Ningsaptiti, Restie. 2010. Analisis Pengaruh Ukuran Perusahaan dan Mekanisme Corporate Governance Terhadap Manajemen Laba. <http://www.undip.ac.id>. Mei 2014
- [20] Pattinasarany, D. 2012. Desentralisasi Fiskal dan Pelayanan Publik. <http://www.google.com>. Februari 2014
- [21] Puspitorini, D dan Masduqi, A. 2012. Strategi Penyediaan Air Bersih di Desa Rawan Air Bersih di Kabupaten Ponorogo Propinsi Jawa Timur. Tesis Program Studi Teknik Prasarana Lingkungan Permukiman Program Pascasarjana Institut Teknologi Surabaya
- [22] Rochmah., S. 2013. Responsivitas Pelayanan; Studi pada Kebijakan Pelayanan Air Bersih. UB Press. Malang
- [23] Rao, G., and Richard M. Bird. 2012. Coping with Change: The Need to Restructure Urban Governance and Finance in India. Working Paper International Paper for Public Policy. United States of America.
- [24] Santoso, H. 2010. Air Bersih dan Sanitasi Sebagai Kebijakan Sosial. Modul Kebijakan Publik. Komunitas Indonesia untuk Demokrasi, Jakarta
- [25] Utama, C. 2010. Manajemen Kenaikan Tarif PAM Untuk Peningkatan Akses Air Bersih Bagi Seluruh Masyarakat. *Jurnal Administrasi Bisnis-Unpar Vol.6, No.2: hal. 146–159*
- [26] Villaverde, A. Ruiz., et al. 2013. The "Social Choice" of Privatising Urban Water Services: A Case Study of Madrid in Spain. Working Papers in Applied Economics. WPAE-2013-22 (Economía Aplicada II), Facultad de Economía, Universitat de València