

DANUBE WATER PROGRAM (DWP) PHASE I AND PHASE II MID-TERM INDEPENDENT PROGRAM REVIEW

REVIEW BRIEF¹

February 5, 2018

The World Bank and the International Association of Water Supply Companies in the Danube River Catchment Area (IAWD) partner in the Danube Water Programme (DWP), which in turn partners with regional, national, and local stakeholders, to *support institutional capacity building and the development of regulatory and policy instruments in the water supply and wastewater services (WWS) sector in participating countries in the Danube Region*. The DWP supports regional and national activities in the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo², the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia, and Ukraine. A few other countries in the region are also participating, but do not benefit directly from the program funding. The program is funded by the Austrian government, through the Federal Ministry of Finance (MoF) in total amount of €9.5 million (in two phases). The program consists of two components: one (policy side) implemented by the World Bank, and the second one (on capacity development of utilities) by the IAWD, under the contract with the World Bank (in some areas there is joint implementation).

To realize its goal, the DWP focuses on **five areas of work (pillars)**: (a) pillar I, sector governance and structure; (b) pillar II, regulation, tariffs, and subsidies; (c) pillar III, benchmarking; (d) pillar IV, asset management and investment planning; and (e) pillar V, service efficiency improvement. The **program activities** fall under three broad categories:

- *Analytical and advisory services*
- *Capacity development*, including a competitive grants window to finance local initiatives
- *Knowledge sharing*, in which the focus is on exchanging and sharing experiences and lessons among countries, institutions, and utility companies

The primary focus of the second phase, which will end in December 2018, is the consolidation of the program activities into legacy institutions and platforms, for sustainability, including the following:

- *Knowledge sharing, performance indicator systems, and benchmarking*.³
- *Capacity development* through the Danube Learning Partnership (D-LeaP), a joint initiative of the IAWD and the national waterworks associations, to build the managerial and technical capacity of utility companies and their staff. D-LeaP's offer consists of a set of capacity development programs, developed regionally, to be delivered nationally by the waterworks associations and local partners. Current topics include asset management, energy efficiency, commercial efficiency and business planning, non-revenue water (NRW) reduction, access to financing, and water safety planning and emergency response.
- *Danube Water Conferences*, which meet annually to address European and global challenges in delivering water services, with an expectation of enabling a rich exchange of experiences among participants and professionals from the Danube region.

Boosting sustainability is also pursued through the capacity development of the national waterworks associations (as well as the IAWD) through conferences and exchanges among key stakeholders.

The independent review had the following objectives:

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² References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

³ This includes the DANUBIS.org website, an online repository of resources about WWS in the Danube region.

- *Examine the progress* (after the completion of phase I and the advanced progress of phase II) against the expected results outlined in the DWP work plan and the objectives set out in the grant agreement between the World Bank and the IAWD, which support institutional capacity building and the development of regulatory and policy instruments in the WWS sector in participating countries in the Danube region.
- *Reflect on lessons learned.*
- *Provide recommendations for the implementation of the DWP* until the closing of the second phase, within the context of the existing work plan.
- *Provide proposals for a possible next phase* (DWP phase III), including objectives, focus, design, organization, execution, and resourcing.
- *Propose ways to strengthen the program* in the short and medium term, particularly through the design of a potential third phase of the program.

The review follows the evaluation criteria for relevance, effectiveness, efficiency, impact, and potential for sustainability set by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). It uses mixed methods: desk review, short surveys, and key informant interviews are data sources, and the main methodologies are triangulation and contribution analysis. The following sections present brief findings of the review and the evaluation criteria.

RELEVANCE

The DWP began in 2013 to tackle an unmet need: supporting governments and water professionals in the Danube region to address citizens' demand for sustainable (universal, good quality, efficient, and financially sound) services. In addition, the region needed to meet the environmental requirements of the *acquis communautaire* of the European Union (EU), on the backdrop of the lack of skills and knowledge in terms of service delivery, policies, attracting funding, and management. The DWP met the international development priorities identified by the World Bank and the Austrian government. It is also relevant in the light of Sustainable Development Goal (SDG) 6. The DWP essentially invited the IAWD to partner with it, while within the IAWD itself, there were ideas to expand the scope of operations. The second stage of DWP perhaps pushed the IAWD too quickly to transform from its main purpose (leading utilities in Western Europe, primarily concerned with water quality monitoring), to what it expected to be (an organization facilitating improved performance of water utilities in the Danube region). Even though it agreed to participate in that vision, the ownership of the process and over the DWP products could have been stronger.

EFFECTIVENESS

Capacity Development

The program has achieved impressive results in helping utilities to improve their work practices related to asset management, and commercial and energy efficiency in the first phase.

- **Asset management.** Improvements in networks; increases in field surveys' frequency, number of maps per municipality, and number of consumers captured, were documented. Approximately 70 percent of the 49 participating utilities have established asset registries.
- **Energy efficiency.** Out of 20 utilities, which received support to finalize energy audits or identify suitable financing mechanisms, 18 have submitted an energy audit report, while seven confirm financing (€3 million in funding, or 37 percent of the needed investments). The audits identify, among other things, 22 million megawatts per year in (largely electromechanical) savings and €5 million per year cost savings.
- **Commercial efficiency.** Nineteen utilities developed performance improvement action plans. Improved analytical skills of utilities' staff (e.g., with quantifying business plans, and relating this to improvement plans of commercial efficiency activities), and establishment of adequate commercial procedures (related to meter management, customer billing and collection, and

complaint management) are recorded. Several companies report implementing debtors classification and handling.

Overall, *capacity development programs have benefited more than 100 utilities*. The programs have often led utilities to introduce changes in their operations or processes, which could then lead to improved performance. In addition, the programs have helped change utilities' attitudes toward capacity development, such as by starting to appreciate and be ready to pay for them.

The D-LeaP was a move to put the capacity development efforts on a sustainable footing in a model: The Program is to be credited for the vision of this transformation, from one-off training events to paid (but subsidized) workshop series to a vision of a self-sustaining model of capacity development. The planned timing for the full operationalization of the D-LeaP was, perhaps, too demanding time-wise, compared to the capacities of the national waterworks associations: the challenges were underestimated. At the time of the review the model has not been fully tested. The rollouts after the training of trainers has not happened yet, except for one case (plus, there was a joint training in another case with the IAWD and the GIZ funding).⁴ In the future there are plans for additional cases of partner agencies supporting the training under the D-LeaP financially. One reason for the rollout delays is related to the estimated costs of the offered capacity development programs. There is evidence that the costs could be reduced, however, with, for instance, (a) more e-learning elements; (b) more learning on-site (of the water utilities); and (c) using in-kind contributions. With these measures the risks to sustainability of the model could be reduced, and so these avenues need to be pursued. At the time of finalizing this review, three D-LeaP hubs have been registered, with more expected, and eight modules have been developed and on offer.

The DWP should have engaged more with local governments, but this gap was, to some extent, covered by the Open Regional Fund (ORF). At the time of the evaluation, the ORF had started implementing a large program, the Regional Capacity Development Network (RCDN), of which the IAWD is a partner. In addition, the IAWD and the Regional Association of Municipal Associations (NALAS) have now signed a memorandum of cooperation to foster this cooperation.

Benchmarking

- The DWP has contributed to improved coverage of the utilities by benchmarking, an important stimulus for utilities to perform better. In relation to **regulatory benchmarking**, at the time of the review, in four countries DWP's data platform was in use. The national waterworks associations in these countries collect data with data collection and management (DCM), which are generally sent to the International Benchmarking Network (IBNET), and some times also to the Regulatory Agencies in each country. At the time of the review, DANUBIS⁵ included a database of utility performance indicators for more than 651 utilities from 15 countries in the Danube region. In hindsight, there should have been a stronger and earlier engagement with the regulators and policy bodies to ensure (a) that the data platform funded by the program is used by more of them, (b) that they commit to it, and (c) that they identify national sources of funding for data collection. Otherwise, there is a risk that the utilities might not want to provide data entering various platform by various forms, and there will be significant risks to financial sustainability. The importance of intensifying this engagement to is still valid to-date;
- In relation to **utility benchmarking** (comparing performances among the utilities by the utilities), the European Benchmarking Cooperation (EBC) provided feedback on utilities' performance indicators. This has helped more than 55 utilities improve their

⁴ but it was not a "proof of concept" given the GIZ funding, i.e., the funding was not solely from the payments from the utilities.

⁵ See the website, www.danubis.org.

practices. The effectiveness of this activity was quite high, but continuing to subsidize this (in terms of the use of the EBC platform and participation in the workshops) after the second stage is not justified: this function could be performed under the same D-LeaP.

Overall, The DWP has contributed to (a) more *availability of benchmarking information* for policy makers, and (b) more *appreciation of benchmarking* among utilities. The benchmarking has, among other things, helped utilities to better interpret their performance indicators and take action to improve.

Analytical and Advisory Services

The DWP has supported several *regional analytical studies*, most of which are yet to be completed. The *State of the Sector (SoS) report* (Water and wastewater services in the Danube region – A State of the Sector, May 2015) contributes to the body of knowledge about the sector in the region and is highly valued by sector professionals. The DWP has supported also several *national advisory projects*: their effectiveness (i.e., adoption by the governments) in many cases has been affected by frequent changes in leadership, so the final outcomes are yet to be seen. In a few cases, there has been progress, such as in the case of the Sector Financing Strategy for the WWS sector in Albania, which has been formally adopted and used by the government. These advisory works and studies were mostly aligned with other activities: such alignment needs to be ensured. There could be more done in terms of the analytical and advisory work with governments to incentivize utilities to improve their performance by, among other things, participating in capacity development programs. The links between the DWP and the World Bank country programs were stronger at the time of the review than at the earlier stages of the DWP but could be further enhanced. For that, the internal visibility of the DWP needs to be increased. The focal points of the DWP need to convene regularly, be aware of both policy and capacity development related activities and promote the program locally.

Knowledge Sharing

The DWP has helped to convene the *annual Danube Water Conferences*, which were highly valued by the participants. The program is building the brand of the Danube Water Conferences as a unique venue, where the water professionals of various profile (utilities, regulators, experts, international development agencies, etc.) meet and improve their networks. Danube Water Conferences have *facilitated knowledge exchanges* among more than 450 sector professionals and policy makers in the region and beyond. Most participants reported that the conferences have *helped them to increase their access to resources and knowledge*. If the conferences were funded fully by the participants, they would, most likely, have fewer attendees. In addition, the smaller utilities, which could gain most from the participation, would not be able to participate. So, for these events, it is important to identify and pursue other potential sources of funding and preserve some (limited) funding under the DWP's potential next phase. The *DANUBIS.org website*, which is a space for stakeholders to interact, share news, and plans, is an important and valuable resource, but by all indications is underutilized, with the number of views per day on the lower side. There is a need to develop a strategic vision for its next stage, with an action plan to make it more appealing to utilities, municipalities, and national waterworks associations and implement. This is, in particular, the case for the country portals, but also for the website overall.

EFFICIENCY

The Program has achieved a lot in a short period of time (demonstrating strong adaptive management qualities), but in some respects, it has come at a cost of approaches needed to be revised, which caused delays. This step could have likely been avoided had there been thorough needs assessments prior to commencement (e.g., in the case of the D-LeaP). The cooperation with the Urban Partnership Program (also funded by the Austrian MOF and implemented by the World Bank) could have been stronger (as was envisioned). Going forward, the program's visibility should be increased along with outreach and communication. Also, the internal visibility of the program within the World Bank needs to be enhanced. Capturing important outcomes, to which DWP has contributed, needs to improve, too. And finally, the RCDN and the DWP need to be closely coordinated to ensure complementarity (and avoid competition) between these capacity development activities.

POTENTIAL FOR SUSTAINABILITY

DWP's design contains elements of sustainability, indicating a focus from the start. The program has contributed to strengthening the national associations of utilities, which now have business plans, and have received training. At the time of the review, however, there do not seem to be sufficient assurances that all the legacy initiatives (the D-LeaP, DANUBIS.org, and the annual DWC) will be sustained without DWP funding: boosting the chances that these will be sustainable will require further efforts. And, most importantly, This process will depend on IAWD transformation and evidence of ownership over the DWP products; at this stage it cannot be claimed that such evidence is strong. The program is helping to shape the IAWD as a more prominent association in the region (which is a key expected outcome in itself), and the IAWD is transforming, but too slowly. The expected changes need to become evident soon to alleviate concerns about DWP sustainability. This includes, among other things, the adoption of the draft business plan (elaborated with GIZ support), a new mission statement, and a statute.

POTENTIAL FOR IMPACT

At the time of the review it was too early to discuss the impact of the Program, i.e. long-term impact—actual changes in the service level and quality—of the DWP. It is however possible to assess the potential for this long-term impact. Although the Results Framework of the Program does not capture outcomes sufficiently, the evidence so far, indicates that it is already contributing to changed practices at the utility level, which could potentially lead to improved services. There is already evidence of improved services due to reduced water losses and improved energy efficiency, among others, but often, the companies need the financial resources to facilitate these improvements. A lot will depend on the sustainability of the capacity development model and advancement of benchmarking in an institutionalized fashion in the countries, and enough funding to the companies to implement their improved plans (one argument for the need for EU links, among other options).

LESSONS LEARNED

Institutional transformations are complex and demanding and cannot be expected to happen quickly. This is especially the case with associations, since these, by definition, bring together actors with varying perspectives. If such a transformation is key for a program being promoted, then—while appreciating and accounting for the challenges of this process—clear milestones, timing, and monitoring frameworks should be in place in advance.

Building capacities of national waterworks associations is key in promoting capacity development of water utilities to achieve better performance. Improving enabling environment, incentivizing the utilities to perform better, and finding the right mode of engaging with the municipalities are equally important.

Promotion of *benchmarking among utilities*, if combined with a feedback mechanism of explaining the performance to these utilities, can be highly effective in inducing changes at the process level. It might take time for the utilities to fully appreciate the benefits of being involved; in some countries the regulatory environment may be such that this interest might not be large.

When promoting *regulatory benchmarking*, it is essential to engage closely with the regulatory bodies, (and, in their absence, with the respective state structures) from the start to assure their buy-in. The objectives include seeing the process nationally institutionalized and funded from national sources.

Effective capacity development—mixing classroom training with targeted or tailored technical assistance to each utility—can induce tangible changes in utilities' processes. Whether the process-level changes then lead to performance-related improvements at the service level will often depend on the funding for investment projects, the enabling environment, and the cooperative behaviour of municipalities and related state structures.

Thorough needs assessments prior to implementing demanding initiatives are essential for the effectiveness and efficiency of any program. Their importance should not be underestimated so as not

end up with unrealistic timeframes, targets, and estimates, or result in the need to revisit and introduce major changes.

RECOMMENDATIONS

Until the end of the second phase, and in the potential third phase, the DWP activities should get *more focused* (and not spread across too many activities). These are the priorities:

- Implementing the D-Leap Model, introducing necessary improvements.
- Enhancing the strategic use of DANUBIS.org.
- Promoting the institutionalization of national benchmarking systems with regulators, focusing both on the use of DCM by the latter and on funding from national sources for data collection. The DWP funding for data collection needs to be phased out gradually.
- Streamlining the utility benchmarking initiatives, but with the understanding that it would be expected to run without the financial support from the funder
- Focusing (at least partly) the advisory services on improving the policy environment to promote each preceding priority identified.

Supporting, with limited budget, kick starting cost-effective measures related to peer-to-peer exchange actions and advisory activities for access to financing for the utilities could be considered, but with a time lag: the preceding items need to be focused on first and there is limited staff capacity.

Finally, enlarging the policy-level support could be considered, covering Water Security and Water Resources Management (WRM) more widely. This would be advisable provided there is a strong documented demand on behalf of the utilities, national associations, and interest from the IAWD, and if there are sufficient resources, given that sustainability of the legacy institutions (listed previously) must take priority. In this context, it is recommended to enhance the engagement with the countries in the Danube catchment area, which are less engaged with the DWP. Table 1 summarizes the recommendations.

Table 1: DWP Recommendations

Topic	Recommendations
IAWD ownership over DWP products	Conduct an independent assessment of IAWD (board and membership) to assess the level of ownership over DWP legacy initiatives in mid-2018, coupled with a compliance review with agreed upon indicators (e.g., adoption of the business plan; new mission statement; statute that will feature a Technical Secretariat). Tie the scope of funding of the potential third phase to the outcome of that assessment. To help increase the level of this ownership, discuss an option whereby the office of the Technical Secretariat will be co-located with the IAWD headquarters and merge the DWP and IAWD websites and newsletters.
DWP governance	Review the DWP Steering Committee composition and arrangements to ensure existence of arm's-length distance between program implementation and supervision, and to consider participation of internal stakeholders (e.g., other World Bank units, such as Country Management Units) and external partners (GIZ, State Secretariat for Economic Affairs [SECO], others) as observers.
Links between DWP and World Bank country offices	Create a working group from the World Bank focal points for each country (which have already been identified) and conduct regular meetings. Ensure that all are aware about all DWP components and support the national waterworks associations in promoting the program locally.
Theory of change and Results Framework	Ensure consistency in the wording of the DWP objectives across the documents. Develop a theory of change for the DWP and use it to revise the current Results Framework, capturing more outcome indicators (including at the process level). Various sources of data for the latter are easily accessible through the DWP components, e.g. D-LeaP. In addition, use surveys, assessments, and other similar tools.
Focus	Streamline activities under the DWP to ensure greater focus by merging or discontinuing financial support to activities that are meant to be sustainable at the end of phase 2. Focus on legacy institutions instead and the enabling environment around these.
Better linkages	Ensure better linkages between various activities: among components, in the regional-country dimension, and within each country.
Staffing	Consider increased staffing for the Technical Secretariat with a long-term consultant for the D-LeaP Hubs. Support DANUBIS.org with a strategic advisor (e.g., a short-term consultant). Resources permitting, add a support person for IAWD headquarters to focus on outreach.
Engagement with local governments	Monitor development with the RCDN and increase engagement with the local governments if important gaps are identified. For example, include local government representatives in training, if justified, and include selected representatives as part of the communities of practice

Topic	Recommendations
Support to waterworks associations	Continue the strategic support to waterworks associations that have shown commitment, mostly related to strengthening the Hubs (with mentoring support).
Support peer-to-peer exchange	Design cost-effective ways to support peer-to-peer exchange, such as by supporting communities of practice through the Leading Utilities' Benchmarking initiative, a virtual peer-to-peer hotspot on the DANUBIS.org. This could potentially include a self-financing utility-to-utility support initiative, but it is recommended to focus more on existing initiatives.
Analytical and advisory services	Enhance the engagement with policy-making circles, primarily in the context of improving the policy environment related to capacity development and benchmarking.
Benchmarking	Clarify the vision for all components to improve coherence and linkages. Create one component from the two <i>utility benchmarking</i> components—Danube Utility Benchmarking Initiative and the Leading Utilities Initiative—and ensure moving to full cost-recovery within a year, with possibly having just one Hub. Continue to offer the workshops, that are currently provided with EBC support under the D-LeaP. With <i>regulatory benchmarking</i> , enhance engagement with regulatory agencies and ministries to ensure (a) their use of DCM, revising the memorandums of understanding currently signed by the associations only (as the managing institutions) to be co-signed by the regulators and ministries; and (b) that they identify national sources of funding for data collection. Carry out a systematic exercise to look at the progress in each country and identify current or potential bottlenecks that may hinder it.
D-LeaP	Revise the approach to D-LeaP: (a) incorporate elements of on-site demonstrations and e-learning; and (b) allow more flexibility to cater for different country needs (such as different levels of the modules). Assist each Hub in revising (scaling down) its cost structure and in the startup phase, e.g. with promotion, identifying trainers and monitoring quality of training. Ensure that at the level of the Technical Secretariat, the changing demands in the countries (in terms of topics and complexity) are monitored with the national associations to ensure there is a capacity to respond. Conduct a review in late 2018, to monitor the progress and the status of implementing the recommendations from the Governance Review. Include representatives from policy-making bodies in the D-LeaP board. Ensure close coordination with RCDN.
DANUBIS.org	Design an approach on how to best promote the use of the platform, making it more appealing to the national associations, utilities and municipalities, e.g. with a web forum (a virtual peer-to-peer) to facilitate sharing experience, linked to DANUBIS.org. Develop a strategy on how to promote the use of the country portals by the national associations, based on better understanding of the reasons why it is happening to a limited degree currently (e.g. through a discussion forum with the leadership of the associations). Develop a sustainability plan for the platform.
Competitive grants window	Conduct an independent review of the completed grants to document achievements that, for instance, merit suggesting to be scaled up, replicated, or included in the D-LeaP offerings as potential sites to visit.
Annual DWC	Conduct a poll among participants to decide between two options: (a) conduct it as a roadshow in different countries or (b) build the Vienna Danube Water Conference brand. Possibly move to a once in two years format (in Vienna), while conducting the interim one as a smaller event (in the region).
Partnerships	Enhance the cooperation with the EU regionally and locally (also through national associations). Enhance the cooperation with, for instance, the Network of European Water Service Regulators (WAREG), the Energy Regulators Regional Association (ERRA), and the EurEau (European Federation of National Associations of Drinking Water Suppliers and Wastewater Services).
Communication	Relaunch the DWP website with a better content management system. Use social media more strategically to promote the DWP, such as having a Facebook page of the IAWD. Set up and use targets to measure progress of the websites and associated platforms. Develop a targeted distribution plan for the newsletter (e.g., specifically targeting the EU and policy circles among countries in the Danube catchment area, which are less engaged with the DWP). Improve stakeholder communication, ensuring that the national associations are aware about policy-level activities and vice versa.
Potential third phase	Enhance implementation of the D-LeaP model and the strategic use of DANUBIS.org. Focus on the regulatory benchmarking, while also streamlining activities related to utility benchmarking. The mentioned areas need to take a priority over other initiatives, including (a) additional policy-level engagement in other areas, such as WRM; or (b) starting a separate initiative promoting utility-to-utility experience. These should depend on the overall resources available.