



International Association
of Water Supply Companies
in the Danube River
Catchment Area



WORLD BANK GROUP

Water



**DANUBE
WATER
PROGRAM**

Smart policies, strong utilities, sustainable services

THE DANUBE WATER PROGRAM

Smart policies, strong utilities, sustainable services

www.danube-water-program.org



Günther Schönleitner
Director, International
Financial Institutions,
Ministry of Finance
of Austria

“For the Austrian Government, the Danube Water Program is an excellent opportunity to foster exchanges with and give back to a region that is traditionally close to Austria, in a key area of focus of the Austrian cooperation. Partnering with the World Bank and IAWD has allowed our funding to support important stakeholders from utility managers to regulators and policy makers in discussing the sector challenges, and we hope to maintain and consolidate this important platform together with other donors.”



THE DANUBE WATER PROGRAM

In the wake of the European Union (EU) accession and harmonization, countries in the Danube region are undergoing a process of rapid modernization that has had a major impact on the organization and development of water and wastewater services. Professionals, institutions, and utility companies in the sector have shown interest in building their capacity, learning from each other, and analyzing their particular situation. The Danube Water Program was created to respond to this demand. Implemented jointly by the World Bank and the International Association of Water Supply Companies in the Danube River Catchment Area (IAWD) with a €4.5 million grant from the government of Austria, the Program works with regional, national, and local stakeholders to promote an informed policy dialogue around the core challenges facing the sector and to strengthen the technical and managerial capacity of the sector's utilities and institutions – in a nutshell, **smart policies, strong utilities, sustainable services**.

The Danube Water Program was launched formally in Vienna in May 2013 in partnership with line ministries, regulators, waterworks associations, and local government representatives of a dozen countries in Southeast Europe. Since then, the Program has facilitated knowledge exchanges among more than 200 sector professionals and policy makers in the region and beyond, launched four capacity-building programs benefiting more than 80 utilities, supported local initiatives worth more than €700,000 through competitive grants, developed a partnership around DANUBIS.org, a platform for sharing information on utilities, cooperated with a variety of organizations such as the Open Regional Fund, the European Benchmarking Cooperation, and national utility associations on the delivery of key elements, and leveraged more than €2 million of funding from beneficiaries and other donors, including Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Swiss Cooperation.

This brochure describes the Program and its activities, shares some early results of collaboration, presents findings and lessons derived from those activities, and describes its longer-term vision. More information can be found on the Program's website, www.danube-water-program.org

ABOUT THE PROGRAM

The Danube Water Program supports policy dialogue and capacity development to achieve **smart policies, strong utilities, and sustainable services** in the water supply and wastewater sector of the Danube region. It focuses on 11 target countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia, and Ukraine. Other countries in the region, such as Austria and Hungary, are also participating, but they do not benefit directly from Program funding.

The Program is run in a partnership between the World Bank and IAWD, with seed financing from the government of Austria. A joint Program team based in the World Bank office in Vienna manages the program on a day-to-day basis in close coordination with World Bank staff and IAWD partners in the region.

The Program operates under the oversight of a Steering Committee comprised of senior representatives from the donors and agencies involved, and benefits from the guidance of an advisory committee with

THE DANUBE WATER PROGRAM'S COUNTRIES



The International Association of Water Supply Companies in the Danube River Catchment Area



IAWD is an association of water and wastewater utilities in the Danube river catchment area. It was established in 1993 by utilities from 10 countries with the objective of promoting joint national and international efforts to avoid and reduce risks to water supply, such as pollution and other types of harm to the condition of the Danube, its tributaries, and related groundwater resources. IAWD is headquartered in Vienna, Austria, and is hosted by one of its founding members, Vienna Waterworks.

The World Bank in the Danube Region



The World Bank is a long-standing financial and technical partner of the water supply and sanitation (WSS) sector in the Danube region. It currently has close to 15 active projects and programs in 8 of the 11 countries targeted by the Program, totaling more than US\$1 billion of lending. It also engages in an active dialogue with national and international institutions on challenges such as European integration, utility benchmarking, institutional reforms, and regulation.

participation of delegates from key water sector stakeholders in the region

The Program works with regional, national, and local stakeholders to three ends:

- ▶ Foster a common understanding of the sector's situation throughout the region
- ▶ Promote an informed policy dialogue around the core challenges facing the sector
- ▶ Strengthen the technical and managerial capacity of the sector's utilities and institutions.

Why This Program?

In the wake of EU accession and harmonization, the countries in the Danube region are undergoing a process of rapid modernization that has had a major impact on the status and organization of the water utility sector. Large investments in water and wastewater assets and infrastructure upgrading are taking place, often with significant external financial support. However, these investments have not been matched consistently with a regulatory, organizational, managerial, and technical modernization of the sector's institutions and governance, and many utilities in the region suffer from chronic problems of overstaffing,

poor financial performance, insufficient service quality, and tariff structures that fail to recover costs.

To address these challenges, new skills and knowledge are required to ensure high-quality, cost-efficient delivery of water and wastewater services, mobilize additional sources of funding for investments, and provide incentives for better performance. National governments and regulators need to define and implement policies on topics such as reforming utility management, targeting subsidies to low-income groups, restructuring tariffs, and improving regulation, while local governments and utilities need to develop their managerial capacity to improve the coverage, quality, efficiency, and sustainability of the water and wastewater services they provide. The Program seeks to facilitate these processes.

Program Financing

The Program is financed through a multi-donor trust fund managed by the World Bank, with an initial contribution of €4.5 million provided by the government of Austria for three years. The Program has leveraged additional resources totaling €2.1 million, including €900,000 from the Open Regional Fund for Southeast Europe (GIZ and Swiss Cooperation) and close to €600,000 from direct beneficiaries.

Program Partners

All activities of the Danube Water Program are implemented with regional, national, and local partners:

- ▶ **Policy makers and ministerial staff** – for example, to discuss sector reforms such as the upcoming aggregation of municipal utilities in Croatia
- ▶ **Regulators** – for example, to improve the collection of data on the performance of utilities in Ukraine
- ▶ **National waterworks associations** – for example, to develop and motivate young professionals to further engage in the sector modernization in Kosovo
- ▶ **Utilities** – for example, to improve energy efficiency in utilities in Romania, Serbia, and Ukraine
- ▶ **Local government associations and officials** – for example, to involve them in discussions on sector governance, through organizations such as the Standing Conference of Towns and Municipalities in Serbia.

Whenever possible, the Program also engages with other regional partners active in the water sector and coordinates activities with donors such as the Austrian Development Agency and Swiss Cooperation, international financial institutions such as the European Bank for Reconstruction and Development, universities and research centers such as the Jaroslav Cerni Institute in Belgrade, and professional associations such as the International Water Association. For example, the Program organized the 2014 Danube Water Conference jointly with the Open Regional Funds of GIZ and Swiss Cooperation. The Program's benchmarking activities are being developed with strong technical support from the International Benchmarking Network (IB-Net) and European Benchmarking Cooperation (EBC). And professionals from the region and beyond are sharing their experience through the Program's events and conferences.

Ivana Stanišić

Manager of the Department for Water Supply Network Operation, Bijeljina Water and Sewer utility, Bosnia and Herzegovina

"The Bijeljina Water and Sewer utility has been keen on improving the management of its assets for a number of years; the DWP asset management capacity-building program, led by Belgrade Waterworks, has been an exceptional opportunity for us to start realizing this vision. The program is tailored to the needs of each individual participating utility company, with the aim to improve our business practices. Early results are already visible, and we consider our investment into this capacity program to have been an excellent decision, because with minimal investments we can strengthen our technical capacity and create a solid information database that will allow us to better manage our assets."

OUR APPROACH

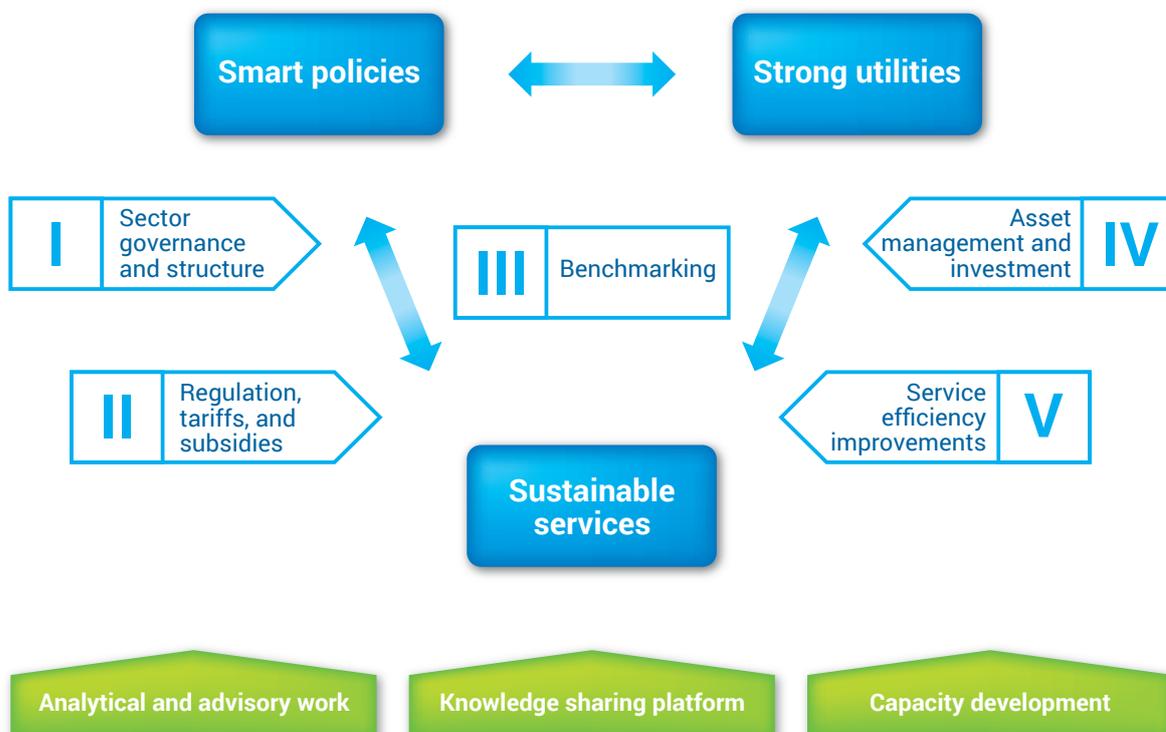
The Danube Water Program aims to achieve **smart policies, strong utilities, and sustainable services**. To realize this goal, it focuses on five areas of work: sector governance and structure (pillar I); regulation, tariffs, and subsidies (pillar II); benchmarking (pillar III); asset management and investment planning (pillar IV); and service efficiency improvement (pillar V). Focusing on these pillars has a clear logic: without effective and coherent structures of governance, proper regulation and tariffs, and accurate information about their assets and relative performance, utilities will not be able to manage themselves efficiently or to provide long-term, sustainable, and good-quality services.

Pillars I and II are traditionally of greater direct interest to policy makers and regulators, pillar III is of general relevance, while pillars IV and V are often discussed more closely with utility staff. However, the Program considers all pillars to be related, and many activities cut through various pillars to connect stakeholders who should, but typically do not, work together. For example, utility management and local governments

can provide valuable perspectives on the political economy of utility governance reforms, and regulators can offer suggestions on how to provide better regulatory incentives for proper asset management and more efficient services.

Program activities fall under three broad categories: the program supports **analytical and advisory work**, which is the development of new research or consolidation of existing material in order to improve the overall understanding of the sector's situation and challenges in the region. Other activities lend themselves to a **knowledge-sharing platform**, where the focus is on exchanging and sharing experiences and lessons among countries. Finally, activities targeting improved utility services focus largely on **capacity development**. The work plan, available on the Program's website, outlines each specific activity, including its main audience, objectives, and current status. The paragraphs and tables in the following pages provide an overview of the Program's on-going activities.

FRAMEWORK OF THE DANUBE WATER PROGRAM



REGIONAL ACTIVITIES OF THE DANUBE WATER PROGRAM

Focus	Activity
Analytical and advisory policy work	<ul style="list-style-type: none"> ▶ State of the sector study ▶ Review of aggregation experience of water and wastewater utilities ▶ Access and performance of WSS sector ▶ Social impact analysis of tariff reform in the WSS sector
Capacity development	<ul style="list-style-type: none"> ▶ WSS association strengthening and support
Pillar I: Sector governance and structure	<ul style="list-style-type: none"> ▶ Regional support for WSS sector policies and governance ▶ Regional EU accession cross-support in water sector
Pillar II: Regulation, tariffs, and subsidies	<ul style="list-style-type: none"> ▶ Regional support for WSS sector regulation
Pillar III: Benchmarking	<ul style="list-style-type: none"> ▶ Regional performance indicators system initiative (DANUBIS.org) ▶ Benchmarking for utility improvement (EBC/Danube)
Pillar IV: Asset management and investment	<ul style="list-style-type: none"> ▶ Regional results-based asset management program for interested utilities
Pillar V: Service efficiency improvement	<ul style="list-style-type: none"> ▶ Regional results-based energy efficiency capacity-building program ▶ Regional results-based commercial efficiency capacity-building program
Knowledge-sharing platform	<ul style="list-style-type: none"> ▶ Annual Danube water conference ▶ Participation in key regional events ▶ Development of communication platform ▶ Outreach to strategic partners

Ivan Ivanov
President,
Bulgarian Water Association

"In the ongoing reforms of the water sector in Bulgaria the introduction of benchmarking is essential. The Bulgarian Water Association took up the difficult task to lead this process. Without the support of the Danube Water Program Competitive Grant it would have been impossible. DWP allowed us not only to develop a very effective program of utility benchmarking that is strengthening the Association and its utilities, but it has also been important for us to develop the relationships and share experience with other Water Utility Associations."

COUNTRY ACTIVITIES OF THE DANUBE WATER PROGRAM

Geographic focus	Analytical and advisory activities	Benchmarking activities	Competitive grant activities
Subregional activities		<ul style="list-style-type: none"> ▶ Support for regional EBC/Danube hub for Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia ▶ Support for regional EBC/Danube hub for Albania and Kosovo ▶ Support for regional EBC/Danube hub for Moldova and Romania 	<ul style="list-style-type: none"> ▶ Strengthening the capacity of water utilities in Bosnia and Herzegovina, Montenegro, and Serbia through benchmarking
Albania	<ul style="list-style-type: none"> ▶ Support for the WSS sector 	<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	<ul style="list-style-type: none"> ▶ Framework and business model for a Western Balkans Training Center ▶ Training course for business planning for water utility associations
Bosnia and Herzegovina		<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	<ul style="list-style-type: none"> ▶ Editing of the technical rules and guidelines of the DVGW (Deutsche Vereinigung des Gas- und Wasserfaches, the German association for gas and water) and translation into Bosnian language ▶ A geographic information system for the WSS network for efficiency improvement in East Sarajevo
Bulgaria			<ul style="list-style-type: none"> ▶ Utility benchmarking
Croatia	<ul style="list-style-type: none"> ▶ Support for Croatia's utility aggregation process ▶ Support for sector regulation 	<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	
Kosovo	<ul style="list-style-type: none"> ▶ Review of the policy framework for public-private partnerships 	<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	<ul style="list-style-type: none"> ▶ Development of a young professionals network
FYR Macedonia		<ul style="list-style-type: none"> ▶ Coordination of benchmarking and policy support activities 	<ul style="list-style-type: none"> ▶ Capacity development for utilities in the areas of regulation, efficiency, and quality ▶ Reduction of non-revenue water in public utilities commissions
Moldova			<ul style="list-style-type: none"> ▶ Retraining of members of the National Association of Water Utilities on operation of WSS systems
Montenegro		<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	
Romania			<ul style="list-style-type: none"> ▶ Strengthening the capacity of the Water Training Center and water utilities
Serbia	<ul style="list-style-type: none"> ▶ Support for EU accession process in the WSS sector 	<ul style="list-style-type: none"> ▶ Support for benchmarking activities 	<ul style="list-style-type: none"> ▶ Performance improvement of the water utilities in South Serbia ▶ Translation of the DVGW technical rules for training of trainers
Ukraine	<ul style="list-style-type: none"> ▶ Review of national water strategy's alignment with EU directives 	<ul style="list-style-type: none"> ▶ Support for a national EBC/Danube hub for Ukraine 	<ul style="list-style-type: none"> ▶ Improvement of the national benchmarking system in the WSS sector

PROGRAM ACTIVITIES AND RESULTS

Analytical and Advisory Work

The Danube Water Program staff is developing a strong analytical basis for its activities by undertaking a state of the sector review of water and wastewater services in the Danube region as well as other analytical work. The state of the sector review is intended to create a baseline of comparative knowledge on the sector in the region. The Program also conducts analytical studies exploring policy issues, such as defining efficiency gains resulting from the aggregation of water utilities in several countries in the Danube region, assessing access to WSS services across pov-

erty quintiles and ethnic minorities, and reviewing the social impact of tariffs and tariff increases on poor households in selected countries.

In addition, regional and national advisory activities support specific policy dialogue and advice to WSS institutions about how to modernize the sector, often in parallel with existing World Bank engagements. For example, the Program is supporting recently formed regulators in Croatia, Ukraine, and elsewhere in efforts to strengthen their country's regulatory mechanisms; support on the European accession process is being discussed in Serbia and Montenegro, among others. Utility sector consolidation is being considered in several countries, including Albania, Bulgaria, Croatia, and Ukraine, which are keen to continue learning from good (and not so good) regional practices. Kosovo has expressed interest in receiving specific advice on innovative public-private partnership models to improve utility performance.

Pillar I Early Result: Bucharest Policy Event

On September 23–25, 2013, a select group of 30 policy makers, regulators, and key utility representatives from the Danube region met in Bucharest to discuss smart policies for strong utilities and sustainable services. The topics discussed at this informal, high-level meeting included the challenges and opportunities posed by European accession for the water sector, the political economy of implementing successful water sector reforms, and the proper policy incentives to promote strong utilities.

For three days, participants also reflected on the particular cases and lessons learned in countries, such as Estonia, Romania, and the Russian Federation, that have been at the forefront of recent trends in water sector reform, such as the setup of formal regulatory frameworks and the push to consolidate the water sector market into larger and financially and technically stronger utilities.

Participants met in small country groups to exchange information about concrete sector challenges and upcoming policy actions in their own context, present their findings, and seek expert advice from other countries

and Program experts. As a result of the Bucharest event, a half dozen country-level policy actions amounting to around €500,000 were selected for support and are currently ongoing.

The presentations can be viewed at the Danube Water Program's website, www.danube-water-program.org



DANIEL KOZAK, THE WORLD BANK

Dražen Kurečić
 Assistant Minister,
 Ministry of Agriculture
 of Croatia

“The Croatian water sector is going through important changes; the Danube Water Program events have been an excellent opportunity for the Croatian government to learn from and exchange with other countries in the region and beyond on how to implement successful reforms.”

Pillar II Early Result:

Capacity Development for Recently Established Regulatory Agencies

In the past 10 years, countries in the Danube region have been part of a trend toward greater regulation of water and wastewater service provision. Of the 11 countries covered by the Danube Water Program, 7 have a regulatory authority that oversees the water sector: Albania, Bulgaria, Croatia, Kosovo, Moldova, Romania, and Ukraine. Of these regulatory agencies, only the Albanian Water Regulatory Authority was created before 2000. Others were established or assumed regulatory functions over water services in the past 10 years. A regulatory workshop organized by the Danube Water Program in Florence, Italy, in November 2013 confirmed that the trend toward greater water sector regulation also applies in the wider European context, with the Portuguese Water and Waste Services Regulation Authority established in 1997, the French National Agency for Water and Aquatic Environments set up in 2007, and the Italian Regulatory Authority for Electricity and Gas assuming regulatory functions over water services as recently as 2011.

Since its inception, the Danube Water Program has been engaging with water sector regulators to support these relatively young agencies in developing their regulatory capacities. Under pillar II, the Program has rolled out a series of activities aimed at equipping regulators with tools to improve their performance. Capacity-building activities have focused on tariff-setting methodologies, regulatory benchmarking, political economy of regulation, and the independence of regulatory authorities. Participating regulators have expressed interest in continuing to engage in regional exchanges and country-to-country learning, possibly under the auspices of the Energy Regulators Regional Association (ERRA) or the Network of European Water Service Regulators (WAREG). The Program will continue working with regulators in the region by facilitating discussions and offering capacity-building activities that address their interests and needs.

Olga Romanyuk
Commissioner of
Ukraine's National
Commission of the
State Public Utilities
Regulation

"The Danube Water Program is a great platform for the exchange of experience, ideas generation, and professional communication between the regulators of the water sector! Establishing friendly relations with colleagues from Portugal, Romania, Bulgaria, Albania, Croatia, and other countries enables us to develop and implement incentive-based tariff regulation, significantly improve the national benchmarking system, and implement a system of service quality regulation in Ukraine."

Knowledge-Sharing Platform

The Danube Water Program is creating opportunities for water sector professionals to access and exchange information within and among countries in the region and beyond. In its effort to act as a knowledge-sharing platform, the Danube Water Program has developed and is using a variety of mechanisms, including major conferences, workshops, study tours, and online information. Soon after the start of the Program, a website was created to share information on upcoming events, opportunities for involvement, and resources on water issues. The website, www.danube-water-program.org, has become a well-used reference tool, with almost 100 visits a day.

The Danube Water Program has also launched a platform (DANUBIS.org) to facilitate comparisons of the performance of utilities within and across countries. DANUBIS.org has become the largest and most complete repository of resources for and about water and sanitation utilities in the Danube region.

Recognizing that online platforms do not replace direct exchanges, the Danube Water Program is creating space for high-ranking professionals and stakeholders in the sector to learn from and exchange information with each other, first and foremost through the annual Danube Water Conference. The latest event, held in May 2014 and co-organized with the Open Regional Fund, involved more than 130

people from each of the Danube countries. The conference was designed to ensure interaction between different types of actors involved in water services (national governments and line ministries, regulators, utility associations, utilities and municipal associations, and municipalities). The cross-sectoral and inter-country dialogue created by these annual conferences has been instrumental in creating a sense of community and helping professionals in the sector to build relationships and to understand the needs and concerns of other sectors influencing water decisions.

In addition to major conferences, the Program is supporting exchanges among key stakeholders. For

example, regular meetings chaired by the IAWD have brought together water utility associations to exchange experience and develop common programs. An important topic of these meetings has been how best to create synergy in undertaking training and capacity-building programs for their constituents. The associations have committed to continue working together and sharing experiences related to business models that strengthen their ability to support their members.

Although the direct results of the Program's knowledge-sharing activities are difficult to measure, the opportunities for exchanging information and fostering dialogue have been positively received.

Pillar III Early Result: DANUBIS.org Water Platform

DANUBIS.org (Danube Utility Benchmarking and Information Sharing) is an online repository of resources for and about water and sanitation utilities and services in the Danube region. It was launched officially in May 2014 during the Danube Water Conference. The platform covers all countries within the Danube watershed. DANUBIS.org is meant to be a one-stop location for WSS resources, including utility performance data and relevant studies, news, events, and training opportunities.

DANUBIS.org is intended to “develop a regional, public performance indicator system for water supply and sanitation utilities in the Danube region, in order to allow for country and utility performance data comparison.” It is based on the methodology, data sources, and information technology (IT) solution of the International Benchmarking Network (IB-Net), but it also provides customized information for stakeholders in the Danube region and includes a broad set of regional resources beyond the database.

DANUBIS.org was developed by the Danube Water Program team with technical and financial support

from the World Bank's IB-Net. It is guided by a steering group representing most of the watershed's countries and builds on the data and information of national institutions (regulators, line ministries, and utility associations), making the information comparable across countries.

As a result of the DANUBIS.org initiative, new actors such as the Bulgarian, Romanian, and Ukrainian regulators have taken steps to make utility data publicly available. Regulators in Albania and Kosovo have confirmed their willingness to continue their long-standing collaboration with IB-Net. In addition, new players beyond the Program's 11 countries—Hungary and Austria, among others—have expressed interest in participating in the initiative. Since being launched, DANUBIS.org has been visited by more than 200 distinct users in close to 50 countries from the region and beyond. Using feedback received during the May 2014 steering group meeting, the team is working to make the platform even more flexible and relevant and expects to launch an updated version in the fall of 2014. DANUBIS.org is available to all at www.danubis.org.



DWP / DANUBIS

Early Result: Annual Danube Water Conference

The Danube Water Conference is the Danube Water Program's flagship, taking place in Vienna each year in May. In 2013, it focused on **"Smart Policies, Strong Utilities, Sustainable Services"** and in 2014, it focused on "From Challenges to Opportunities." The conference convenes key water and sanitation sector and municipal government representatives from the Danube region to discuss challenges and opportunities in the sector and ways to, jointly, achieve smart policies, strong utilities, and sustainable water services.



HOUDEK, VIENNA WATER

In May 2014, more than 140 participants from 20 countries and institutions as diverse as utilities, regulatory agencies, line ministries, donors, international financial institutions, local governments, universities, and utility associations met for two days in a dozen sessions and many more side meetings to network, share information, and collaborate. At the conference Hungarian regulators compared views and experiences regarding the challenges of setting up a new regulatory framework with their peers in Croatia; utilities from around the region learned how a small, entrepreneurial Moldovan utility cut its energy consumption by 50 percent; and Serbian government staff exchanged good practices on EU integration with counterparts in Romania, Bulgaria, and Croatia.



Miodrag Milovanović
Assistant Director General
of the Belgrade-based
Jaroslav Černi Institute

"It was an excellent event, well organized, with very interesting and thought-provoking presentations—one of the rare conferences where you have a chance to hear something new, from really relevant people."

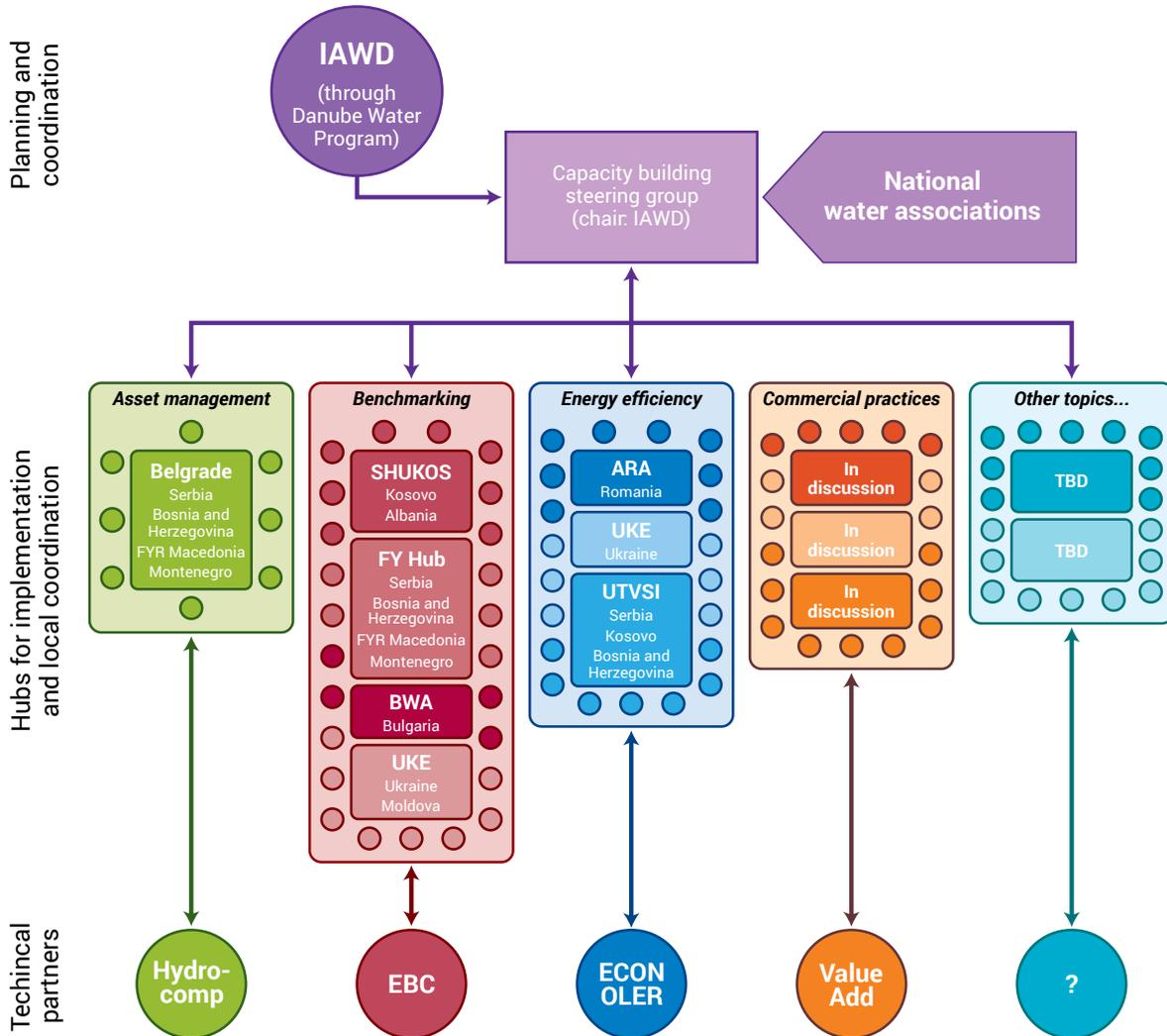
Capacity Development

Strengthening utilities in their efforts to provide efficient and sustainable services is a key focus of the Danube Water Program. The Program is supporting capacity development in complex managerial topics for which existing training and traditional ex-cathedra approaches are ill suited. The Danube Water Program's capacity development activities rely on IAWD's overall planning and coordination, jointly with national waterworks associations. IAWD usually conducts a competitive process to identify a strong technical partner, either among partner utilities and universities in the region or in the private sector, to develop content and support its implementation. Local partners—most

often waterworks associations—develop "hubs" providing capacity development to utilities in their area and language. Capacity development programs generally last between 6 and 12 months and help teams of staff members, rather than individual professionals, to develop concrete results for their utility. Utilities pay a participation fee to cover part of the costs, and national hubs are expected to continue developing the training offerings after the initial pilot.

Based on stakeholder consultations, initial capacity development efforts have been targeted at four areas of utility management: asset management, utility benchmarking, energy efficiency, and commercial and business practices:

DANUBE WATER PROGRAM PARTNERSHIPS FOR CAPACITY DEVELOPMENT ACTIVITIES



► **Asset management.** The Program has supported the establishment of an asset management hub at the Belgrade waterworks. The hub assists 18 utilities in carrying out an Asset Management Program using a platform developed by the consulting company Hydro-Comp. Each of the utilities is working with the team to assess its assets and is sharing and comparing information and experience with the others. Based on the results of the Program, a manual for asset management will be prepared and shared with other utilities so that they can also undertake the steps necessary to assess and maintain their assets (pipes, pumps). Future capacity-building programs will also learn from this pilot.

► **Utility benchmarking.** Utilities need to know how to analyze their performance over time and compare it with that of similar utilities to determine the operational areas where additional improvements are needed. The Danube Water Program has developed a Utility Benchmarking Program that will allow up to 40 utilities to carry out a detailed analysis of their performance and compare it with that of their peers in the region and beyond. The initiative is developed under the overall framework of European Benchmarking Cooperation together with regional hubs based in waterworks associations in Bulgaria, Serbia, Kosovo, and Ukraine. The hubs assist utilities in assessing their performance and provide reports detailing the improvements on which they should focus. It seeks to assist the utility in learning

what areas of action might be most beneficial for the utility, rather than comparing the relative performance of various utilities.

► **Energy efficiency.** Energy use clearly influences the ability of utilities to provide water services at an affordable price. The Program has launched a capacity-building program that is helping 33 utilities to conduct their own energy audits, using an approach that builds on international best practices. A complete manual on energy efficiency has been developed and is now available for all utilities in the Program and beyond. Participating

utilities also receive assistance in finding the funding to carry out the investments needed to improve their energy efficiency.

► **Commercial and business practices.** Running a utility in a technically efficient manner is not enough to ensure the sustainability of services. To help utilities to manage the business side of the operations, the Program has launched a capacity-building program that is helping utilities to improve their commercial efficiency. This program supports about 40 utilities in improving and strengthening their commercial, technical, and economic efficiency.

Pillar IV Early Result: Asset Management

Managing assets effectively is an important step in guaranteeing the sustainable operation of a utility. To run efficiently, a utility needs to know where its pipes, pumps, valves, and reservoirs are—all of the assets that make up the water supply or wastewater system—as well as their condition. Recognizing that many utilities in the Danube region do not have organized, systematic information, the Danube Water Program has initiated a program to help selected utilities to manage their assets. The Program works to create awareness of asset management procedures, principles, and methodologies and to ensure that these practices become a standard part of the operations of every utility.

In its first iteration, the Program is assisting 18 utilities from target countries, including Bosnia and Herzegovina, FYR Macedonia, Montenegro, and Serbia, that have committed staff to participate in a 16-month program. The first working meeting took place in June 2014 on the mountain of Jahorina, just outside Sarajevo. More than 40 participants gathered to present the challenges they face and the status of their existing asset registry.

Together with the newly formed IAWD knowledge hub for asset management, they launched a capacity-building program to put in place a more advanced asset management program in each of the utilities. At the end of the 16 months, it is expected that utilities will have stronger knowledge of the topic and will be better able to manage their assets.

The utilities will meet regularly throughout the project to continue dialogue, share experiences, discuss good and bad practices, and learn from one another. Between workshops, they will work with consultants and the hub team on specific actions. Important data about the status of the situation in the utilities have already been developed. In parallel, the Danube Water Program has developed partnerships with Open Regional Fund as well as the Network of Associations of Local Authorities of South-East Europe (NALAS) and local government associations, to ensure that these tools and the knowledge gained are made available to municipal officials as well. This effort is especially important because municipalities often own the assets.



ASSET MANAGEMENT BELGRADE HUB TEAM

Pillar V Early Result: Energy Efficiency

High energy costs often contribute to unsustainable operating costs that directly affect the financial health of WSS utilities and affordability of their services. Improving energy efficiency is key to reducing the operational costs of these utilities. Energy represents the largest controllable operational expenditure of most WSS utilities, and many energy efficiency measures have a payback period of less than five years.

In light of the above, the Danube Water Program launched a capacity-building program to improve the energy efficiency of WSS utilities, which provides comprehensive technical assistance and capacity building in three countries—Serbia, Romania, and Ukraine. In each country, technical training workshops are being held to build the utilities' capacities for (1) conducting energy audits, (2) developing investment plans, and (3) preparing a transaction associated with improved energy efficiency, possibly by following performance-based or Energy Service Company (ESCO) schemes. These workshops are organized in close collaboration with

national utility associations to help them to build their capacities for replicating the approach in their own countries. The program is co-funded by the Energy Sector Management Assistance Program (ESMAP) of the World Bank.

The capacity-building program was initiated on April 8–10, 2014, in Sofia, Bulgaria. More than 60 representatives from 35 water utilities attended a training session, which provided a highly informative general introduction to implementation of an energy efficiency program. The event was followed by a first round of national workshops in July 2014, and more follow-up will take place over the coming six months. The training activity is developed and delivered by Econoler, a specialized technical consulting company that was hired under the Danube Water Program, while IAWD and the national water utility associations provided organizational support for the event. National water utility associations are also making staff available to coordinate and implement national-level activities, and it is expected that they will be able to run similar programs in years to come.

Early Result: Competitive Grants Delivering Results

In September 2013 the Danube Water Program published a call for proposals for funding activities and actions to support local, national, and regional utility management and improved operational practices. The Program has distributed grants worth more than €700,000 to 14 out of 71 applications received. Among the awarded projects are technical training and education for utilities staff in Moldova, benchmarking for utilities in Bulgaria, the translation and use of DVGW good practice guidelines in Serbia and Bosnia and Herzegovina, and the development of a non-revenue water management strategy for a utility in FYR Macedonia.

All of the projects under the grant program have signed agreements, and the proposed work is under way and starting to bear fruit: 35 engineers and managers have completed the first university-based training program in Moldova, and 3 utilities have completed data collection for benchmarking in Bulgaria. Public education has been an important focus of some of the grants, and the World Water Day was used as an occasion to launch cooperation among utilities in Southern Serbia and to distribute in Kosovo education materials that were produced by SHUKOS. In Macedonia 15 utility managers participated in training on utility regulation, and 15 young professionals from Romania took part in a joint Austrian and German training program to strengthen the skills of utility operators.

The first steps in more long-term projects have also been taken. For example, for a project to develop a business model for a Western Balkans Training Centre, an initial

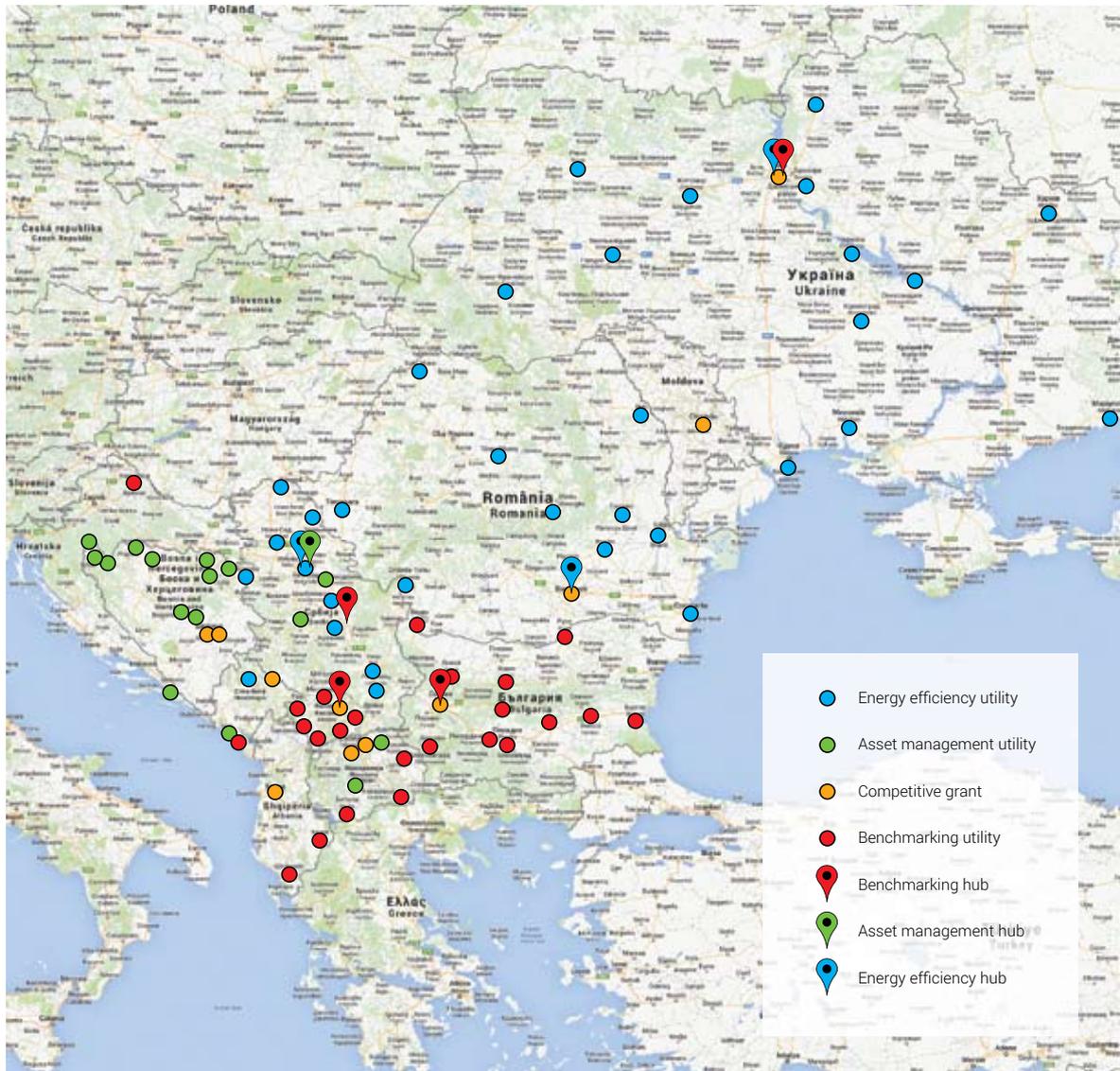
assessment of existing training and needs has been organized and conducted by the Albania Utility Association. Funding institutions (including World Bank, GIZ, Swiss Cooperation, U.S. Agency for International Development, KfW, and Austrian Development Agency) met in May 2014 during the annual Danube Water Conference to determine how additional funding could be made available for training and for building on the project results.

Over the coming months, additional activities will be conducted, and further results are expected. There clearly are many ideas and opportunities for a grant program to support utilities and persons involved in the water service sector, and the enthusiasm and interest shown have demonstrated that such a program would help to improve utility performance.



EASTERN SARAJEVO WATERWORKS

CAPACITY BUILDING ACTIVITIES UNDER THE DANUBE WATER PROGRAM



Branka Milutinović
Maintenance Manager,
Belgrade water and
waste water utility

“Large water and waste water utilities, such as Belgrade water and waste water utility, are among the largest consumers of electric energy; hence an application of any energy efficiency measure is a worthy effort. We are very thankful for the support of the World Bank and IAWD for energy efficiency in the WSS utilities capacity-building program.”

THE PROGRAM'S FUTURE

After establishing networks and launching core analytical and capacity-building activities under the five pillars, the Danube Water Program has reached the middle of its first phase of implementation. The principal activities are ongoing, most of the resources have been committed, and concrete results are beginning to emerge.

The first phase of the Program is scheduled to finish in October 2015, and most of the funding and activities are projected to be completed by that date. This first phase has laid an important foundation, but much more remains to be done.

One common thread throughout the Danube Water Program is the search for sustainability. Many of the Program's activities focus on supporting the development of sustainable services, whether through support for sector regulatory and financing frameworks, the strengthening of public utilities' managerial capacity, or analytical work on needed investment and ways to achieve EU wastewater treatment standards. The Program's vision — **smart policies, strong utilities, and sustainable services** — is more than just lofty words. The search for sustainability is also at the core of the design of many of the Program's activities themselves.

Great care is taken to coordinate activities with existing institutions and mechanisms and to achieve the Program's impacts in the most cost-effective manner. For example, the utility benchmarking support includes significant up-front investment in the creation of capacity and IT platforms that local hubs can then maintain on a cost basis. Utilities participating in energy efficiency or asset management capacity-building programs pay a fee to participate and cover their own travel and accommodation expenses. Partnerships with universities and research institutions in the region ensure that the analytical work creates local capacity and informs ongoing research. The DANUBIS.org platform—a flagship accomplishment of the Program—is managed jointly with more than a dozen institutions in as many countries and is based on existing data collection mechanisms and IT tools.

Consistent with its conceptual framework, the Danube Water Program has a long-range vision for the future that goes beyond what is currently being done:

- ▶ **Establish, under the auspices of IAWD, a durable network of water services professionals throughout the region.** This network will be established and sustained through the annual Danube Water Conference and through in-person meetings and virtual channels for exchanging good practices and learning from the challenges and opportunities of others.
- ▶ **Consolidate and maintain, through DANUBIS.org and other platforms and partnerships, a permanent base of knowledge on the state of the water sector in the Danube region.** With the help of national institutions, DANUBIS.org will document the performance of water services and the enabling environment in which they are provided and address other relevant policy issues.
- ▶ **Develop a self-financed capacity-building curriculum in close partnership with the national waterworks associations organized in specialized hubs and covering integrated and managerial issues typically not covered in more traditional technical training.** These will include identifying and financing energy efficiency measures, managing assets better, and improving commercial practices.

Turning this vision into reality is a challenge that will extend far beyond 2015. The Danube Water Program has therefore initiated discussions on a second phase that will focus on mainstreaming the Program's activities into a sustainable institutional and financial framework. It is actively seeking partnerships with technical and financial institutions in the region. Please contact the Program team if you are interested in joining this effort.

Junaid Kamal Ahmad
Senior Director,
Global Water Practice,
the World Bank

"South-East Europe is going through momentous changes on its journey towards greater EU integration. The water and sanitation sector is no exception: through our daily work, we see first hand the need to accompany utility financing with solid policy advice, to ensure sector reforms take into account regional and international good practices and to help grow and connect capacities and experiences in the region's utilities and governments. The Danube Water Program allows us to work with IAWD and others to achieve exactly that, and our partnership with the Austrian Government offers us the strategic opportunity to work together towards **smart policies, strong utilities and sustainable services** for all."

Vladimir Taušanović
IAWD president

"If the launch event of the Danube Water Program, held in May 2013 in Vienna, was the take-off of the Program, we have now reached cruising altitude and fly full speed to reach our goals. We believe that this will be an important contribution to the water and wastewater sector in the Danube Region."



For further information



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