



Date: October 13, 2014

Juri Nistor
General Manager, AMAC
Moldova

Dear Mr Nistor,

Below you will find a comprehensive description of a Project that the International Association of Water Supply Companies in the Danube River Catchment Area (IAWD) is undertaking under the Danube Water Program.

Background Information

The Danube Water Program supports policy dialogue and capacity development in the water supply and wastewater sector in the Danube Region. The program is jointly run by the World Bank and the International Association of Water Supply Companies in the Danube River Catchment Area, with seed financing 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 water utility sector; and
- Strengthen technical and managerial capacity of the sector's utilities and institutions, including preparing and supporting service efficiency improvement activities

The Program is developed through five pillars covering topics ranging from strategic policy options all the way to utility operational matters. This letter speaks specifically to pillar five of the Program, which is Business Planning and Commercial Efficiency Improvements. Under this pillar, the Project will be seeking to assist water supply and wastewater utilities in the targeted countries of the Ukraine, Moldova, Montenegro, Kosovo and Macedonia.

This technical assistance is intended to be delivered by an expert team of utility professionals selected by IAWD through a competitive process. This team of utility professionals have been directed to work with and through the water associations in each of the targeted countries, so that the capacity building at the selected utilities can become, to

the greatest degree possible, an integral part of the member services provided by the national associations in the future.

Project Team of Utility Professionals

The Project Team that was selected by IAWD to undertake this technical assistance will be drawing on professionals from a Joint Venture Partnership consisting of the following organizations:

- Valu Add Management Services (Albania) Lead Partner
- Budapest Waterworks (Hungary)
- New Europe Advisory Consultants (Bulgaria)
- BHL Consultants (Hungary)

The Joint Venture Team will also be drawing on the unique expertise of its selected Subcontractors, who include:

- Brasov Water Company (Romania)
- WATO BG (Bulgaria)
- J2C Water Ltd (Cyprus)

The key contacts for the Joint Venture Partnership are as follows:

- Philip Giantris, Project Director (pgiantris@valu-add.com)
- Bambos Charalambous, Team Leader (bcharalambous@cytanet.com.cy)

The Water Associations in the targeted countries will be contacted by the Project Director, within the month of October 2014, to begin the process of identifying and selecting candidate utilities to enter into the Business Planning and Commercial Efficiency Improvement technical assistance program.

Summary Description of the Program

The Business Planning and Commercial Efficiency Improvement technical assistance program will be conducted over a 12-month period and is planned to proceed as follows:

Phase I - Development of a Capacity Building Program and Targeted Interventions

During Phase I, over a period of 2-months, the Project Team will conceptually plan and develop a results-based capacity building and targeted intervention program for the participating utilities consisting of a series of workshops/trainings as well as hands-on "homework" between workshops for the utility companies, which will culminate in the definition of concrete business plans that are primarily focused on improving the commercial efficiency of the utilities participating in the Project.

Phase II - Delivery of Capacity Building Program

Phase II of the Project, during a period of 5-months, will consist in the actual delivery of the capacity building program to help the utilities in the targeted countries to prepare business plans focused on achieving improvements in commercial efficiency (revenue collection,

customer service, etc). These will be developed in close partnership between the national partner water utility associations, local consultants and the Program team.

It is planned that a total of 40 utilities, from amongst the targeted countries, will be selected to participate in the Project during the Business Planning Phase. Since the resources of the overall Program are limited, only 15 utilities will be selected to proceed on to Phase III – Support to Implementation of Capacity Building Outcomes. Consequently, the performance of the 40 utilities participating under Phase II (Business Planning) will be regularly assessed by the Project Team, along objective criteria that measures the strongest commitment and best success expectations, to select the 15 utilities that will proceed to Phase III.

During the early part of Phase II, the Project Team will work with each of the national water associations to recruit a local national expert that will assist the Project Team in working with the utilities in the target country.

Phase III - Support to Implementation of Capacity Building Outcomes

Phase III of the Project, during a period of 5-months will consist in providing direct support to the 15 utilities in the implementation of their respective business plans. The support will be balanced between technical improvements, as well as implementation of the Business Plan initiatives focused on commercial practices that work to ensure that sufficient funds of the Utilities are reserved for the implementation of the Business Plan actions.

Targeted Utilities, Utility Commitment and Project Cost Share

Initially, the Project had intended to target utilities in the 20,000 to 50,000 served population range. Upon further consideration and discussions with professionals familiar with the water sector in the targeted countries, it was determined that the type of technical assistance to be provided might have the greatest positive impact on utilities that are somewhat larger. As a result of these inputs, the Project is now considering utilities with served populations up to 150,000 people.

To arrive at the 40 utilities that will be accepted to participate in the Project, the Project Team is developing specific criteria that will allow for a fair and objective comparison of applicants. Paramount in these criteria is a measure of commitment on the part of the utilities applying. In this regard, the utility will need to commit senior management staff to the Business Planning Phase of the Project, and demonstrate, in the application process that it has the management systems and procedures to quantitatively measure performance in for key commercial indicators.

Lastly, all the utilities that are selected to be part of the 40 utilities under Phase II, and the 15 utilities further selected to participate under Phase III, will be required to make a nominal payment as a form of commitment and cost sharing under the Project. These funds will actually go to the national associations to off-set some of the added costs that they may incur in providing their support to the Project.

Conclusion

On behalf of IAWD, we are truly excited to be making this Project available to you country and the utilities that will be selected to participate. We see this as a step to building a strong

and true partnership between IAWD and the national water associations in the Danube Catchment Area.

If you are not the person who will be ultimately taking responsibility for representing your Association under this Project, we would appreciate it if you could provide us the name, title, and contact information (e-mail and cell phone) for that person, as soon as possible.

If you have any questions regarding this Project, I encourage you to contact me directly by e-mail or by telephone as shown below.

Sincerely,

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