



Urban Water Catalyst Initiative

Handbook for the Early Engagement Phase

November 2024

**with a focus on the roles of the Trusted
Advisor and Project Manager**



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A note to the reader

Purpose: This handbook has been written for the purposes of guiding work in the Early Engagement Phase of the key role players – the utility CEO, staff and management team, the Trusted Advisor, the Project Manager and the strategy and business plan advisors.

Scope: This handbook includes an introduction to the UWCI, and then focuses specifically on the activities to be completed in its initial phase. Chapter 1 provides the conceptual background, chapter 2 an introductory overview of the Early Engagement Phase. For ease of reference, specific guidance on each element or 'milestone' of this phase is organised into stand-alone chapters (3-9). These can be read in any order. Chapter 10 and 11 outline the formal transition into the next stages of UWCI support and sketch out the envisaged process to graduation.

The handbook covers the content of the work to be done by the Trusted Advisor, the Project Manager, and the strategy and business plan advisors, and suggestions on how this work could be done.

The manual does not cover Phases 1 and Phase 2, nor does it address contractual arrangements.

Status: The document will be updated and amended as appropriate based on the experience gained during implementation.

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1 Introduction

1.1 About the Urban Water Catalyst Initiative

The **Urban Water Catalyst Initiative (UWCI)** has been established to facilitate urban water utility¹ turnarounds with a special focus on global commitments to climate resilience and *leaving no one behind*. Designed as an integrated package of technical and financial assistance, the UWCI supports reform-minded utilities to transform themselves into well-performing, financially sustainable service providers.

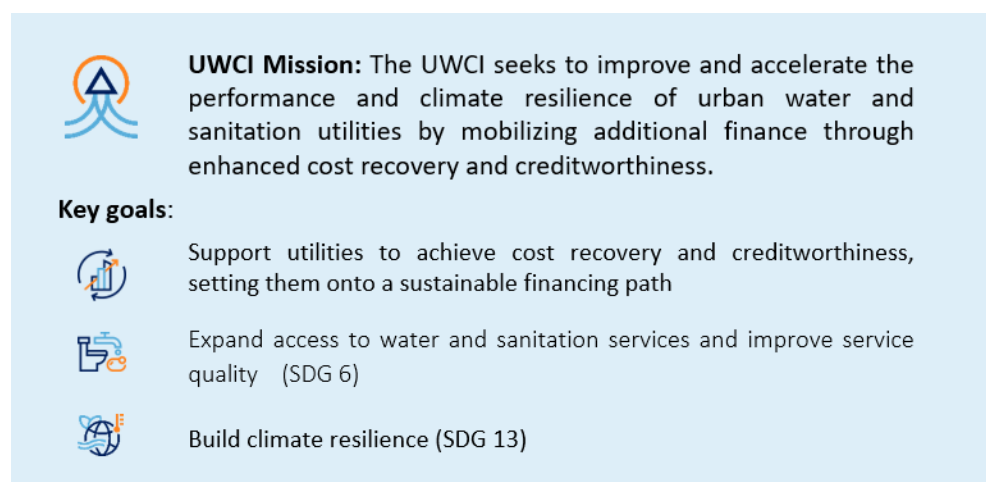
What is a utility turnaround? The term *utility turnaround* refers to a process through which the operational and financial performance of the utility is substantively improved over a defined period (typically five to ten years). The term implies a departure from the status quo; that is, a turnaround is almost certain to require a change in the organizational culture of an organization. The goal of a utility turnaround is to create a well-performing and financially sustainable utility that is creditworthy and therefore able to access finance, including commercial finance.

With the backing of the German and Dutch governments, the UWCI combines international best practice with the long-standing implementation experience of KfW, GIZ and VEI². Participating utilities will initially be able to access technical assistance and operational finance through the UWCI **Turnaround Facility**. By demonstrating commitment and capability to realise performance improvements, utilities can unlock investment finance to catalyse a sustained and sustainable improvement in services to their customers. This finance will be provided or facilitated through a **Loan and Guarantee Facility**, allowing utilities to expand access, improve service quality and build climate resilience.

¹ The UWCI supports utilities providing any combination of drinking water, wastewater and/or sanitation services. For simplicity, these will be referred to as 'water utilities' or 'utilities' in this handbook. The name *Urban Water Catalyst Initiative* does not imply a restriction to drinking water services.




² VEI (www.vei.nl), a full subsidiary of Vitens N.V. and Evides N.V., implements international Corporate Social Responsibility policy on behalf of seven Dutch drinking water partners (Vitens N.V, Evides Waterbedrijf N.V, WML, Waterbedrijf Groningen, Brabant Water, WLN and PWN). VEI also coordinates the WaterWorX programme of Water Operator Partnerships (www.vei.nl/projects/waterworx), which includes the additional utility partners Dunea, Oasen and WorldWaternet.

Figure 1: UWCI mission and key goals



UWCI Mission: The UWCI seeks to improve and accelerate the performance and climate resilience of urban water and sanitation utilities by mobilizing additional finance through enhanced cost recovery and creditworthiness.

Key goals:

-  Support utilities to achieve cost recovery and creditworthiness, setting them onto a sustainable financing path
-  Expand access to water and sanitation services and improve service quality (SDG 6)
-  Build climate resilience (SDG 13)

The explicit goal of UWCI is for participating utilities to graduate from the initiative having established creditworthiness and being able to access finance to fund further sustainable long-term investments to increase access, improve service quality and build resilience.

1.2 Informing principles

Transforming utilities³

The UWCI is founded on the premise that it is possible for utilities to thrive and move towards self-financing, whilst extending services and building resilience, even in challenging contexts. Accessing repayable finance and providing reliable services across the city, even in low-income areas, are not mutually exclusive. There is evidence that with a professional and committed management team, operating within a ‘good enough’ enabling environment, urban water utilities can operate sustainably and generate sufficient revenues to fulfil their mandates.⁴

‘It is possible for underperforming urban water utilities in developing countries to evolve into modern service providers with high-quality service delivery and a solid financial performance. This [requires] hard work and competent and audacious leadership [particularly] from the managing-director.’

Review of Success Stories in Urban Water Utility Reform, Report for SECO, 2016

Leadership by the utility CEO

Change occurs where there is a willingness to do things differently. The utility CEO is the person who carries the responsibility for the performance and outcomes of a utility and is key

³ A detailed introduction to the theory of change can be found in the Implementation Manual (See [Annex 1](#)).

⁴ See, for example, Engelsman, G. and Leushuis, M. 2016. Review of success stories in urban water utility reform. Rebel Group. Final Report to the State Secretariat for Economic Affairs (SECO), Switzerland, and Heymans, C., Eberhard, R., Ehrhardt, D. and Riley, S. 2016. Providing Water to Poor People in African Cities Effectively: Lessons from Utility reforms. World Bank.

to its transformation. Change must start with the utility CEO, and the CEO must obtain the support of the board and the utility owner. The primary client and partner for the UWCI is therefore the utility CEO.

Revenue sufficiency

A utility that is starved of resources cannot meet its service objectives. Insufficient revenue prevents a utility from accessing sustainable loan financing, leaving it grant-dependent and often cash-starved. A **key objective of the Urban Water Catalyst Initiative is to support utilities on a journey of financial transformation**. The goal is to support utilities to become creditworthy, able to sustainably access a significant share of their investment needs from their own resources and from loan finance. This journey will result in sustainable improvements in outcomes in terms of access, service quality and resilience.

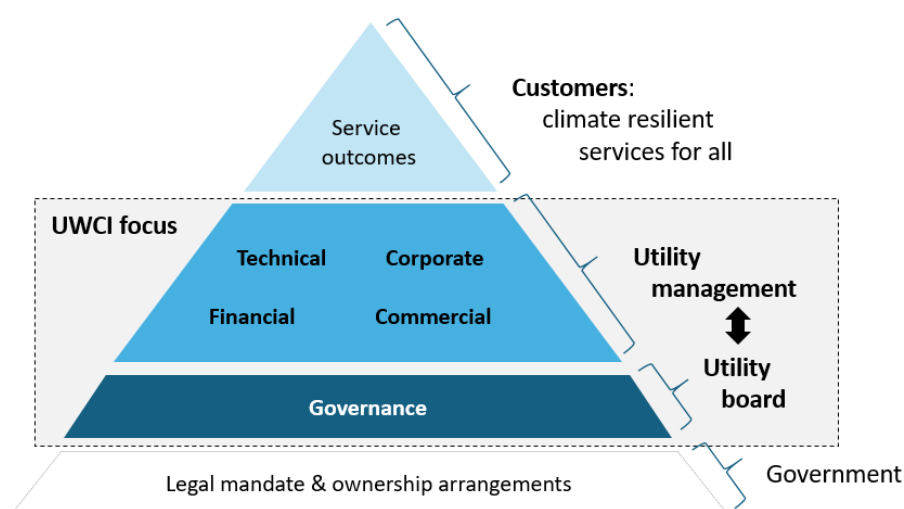
A 'whole-of-utility' approach

This financial transformation is very likely to require substantial improvements in the effectiveness and efficiency of the technical and commercial operations and corporate⁵ functions of the utility, implemented through effective management supported by sound governance.

The UWCI therefore explicitly embraces a 'whole-of-utility' approach as depicted in Figure 1. This is different to many technical assistance initiatives that typically focus more narrowly on technical aspects of a utility's operations, or financing initiatives that focus on project finance. Within this framing, the focus of UWCI support is on utility management and the governance environment within which management operates.

The approach adopted by the UWCI therefore places an emphasis on the CEO's leadership, securing political support for the reform objectives, getting basic operations right and facilitating culture change, before scaling up the support for higher levels of investment.

Figure 2: Improving services to customers depends on a 'whole-of-utility' approach. Adapted from World Bank Utility Turnaround Framework.



⁵ Corporate refers to organization effectiveness, including the strategy and human resources functions.

The role of the utility owner and governing board

The utility owner and governing board play a determinative role in the performance of a utility. They are typically involved in the appointment of the CEO, and the board oversees the performance of the CEO. The owner and board are therefore ultimately responsible for utility performance. When these roles are exercised well, the role is enabling. However, it is often the case that the actions of the owner and board hinder good performance.⁶ The UWCI seeks to address this issue early in the engagements with utilities, recognising that creating an environment in which a CEO can succeed is essential to the success of the initiative.

A 'good enough' enabling environment

The enabling environment refers to a country's policies, laws and regulations as they exist on paper and in practice. The UWCI acknowledges the importance of the enabling environment but asserts that this is not always determinative. Poor performance can and does exist where the enabling environment is supportive and good performance can be achieved even within a relatively unsupportive external environment. The UWCI chooses to work in environments where it believes good performance is achievable, that is, where the enabling environment is 'good enough' or where there are reasonable prospects to create these conditions.

Summary – essential conditions for success

The UWCI has distilled these principles into four essential conditions for successful transformation of a utility towards financial independence and sustainability (see box below).⁷

Figure 3: UWCI essential (minimum) conditions for success

⁶ Indeed, actions and interference on the part of the utility owners may well be a root cause of the poor performance and underlying financial woes. Utilities in this situation typically have little or no management autonomy and experience high levels of political interference in key management decisions and day-to-day operations.

⁷ These are closely aligned to the first order conditions for successful utility turnarounds identified by the 2016 Review of success stories in urban water utility reform for SECO.

UWCI essential (minimum) conditions for success



Utility leadership: The utility has a CEO and management team that want to succeed. The CEO is capable and committed, with a positive attitude.



Political support: The CEO has political backing, the owner-representative (political principal) wants the management team to succeed, and the leadership is stable.



Autonomy and accountability: The management team is protected, supported to succeed and held to account through 'good enough' governance, including

- A professional, independent board with a track record of 'doing right'
- Competitive, competence-based [recruitment](#)
- Competitive, transparent procurement that ensures value for money
- Performance incentives and accountability of CEO and management team



Financial capacity: There is a realistic pathway for the utility to achieve revenue sufficiency and substantive financial autonomy over time, i.e.

- Increasing and substantially positive operative cost coverage ratio
- User charges and tariffs cover an appropriate and growing share of full costs, including capital costs

1.3 A unique approach to utility transformation

The UWCI has been designed to give practical effect to its informing principles. It does this in the following unique way:

The UWCI offers a **dedicated mechanism** to support utility performance improvements, combining technical assistance and finance as an integrated package.

The UWCI provides support only where political and utility leadership can create and protect essential minimum conditions for utility success. Utilities are selected through a competitive process, in countries with 'good enough' enabling conditions.

Country selection. The UWCI only operates in countries where it is of the view that a 'good enough' enabling environment exists, or where there are reasonable prospects of these conditions being created. The UWCI undertakes a country eligibility assessment that evaluates the political, economic, policy and regulatory environment and associated risks (See Annex 1).

Utility selection. The UWCI undertakes a two-part competitive selection process. Utilities must be from eligible countries and meet defined eligibility criteria. These criteria are described in the Call of Applications 2023 Information Document (See [Annex 1](#)). Utilities who meet these eligibility criteria and have applied to the UWCI are then selected primarily on the basis of 'reform-mindedness', that is, the perceived commitment and capability of the utility management to improve utility performance, together with evidence that the necessary political support for this endeavour can be mobilized.

An agreement to create and protect essential minimum conditions: The UWCI makes available an experienced, senior advisor ('Trusted Advisor') early in the process to support the

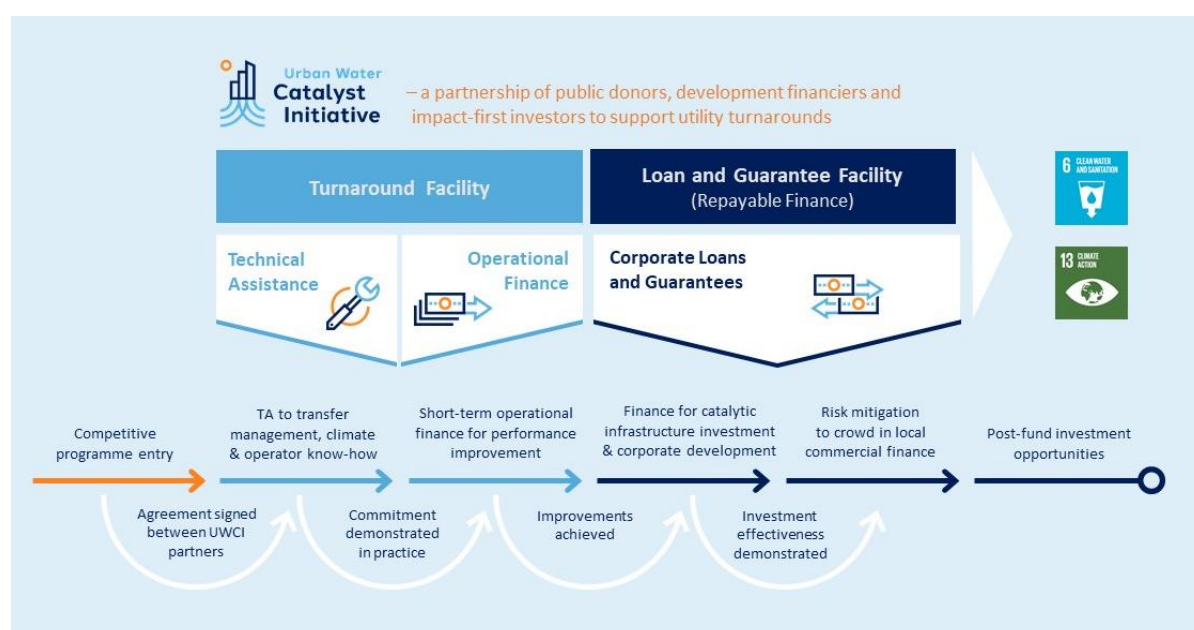
utility CEO to negotiate a ‘protective Compact’ between the utility regulator, owner, board and management. Through this agreement, the parties acknowledge that setting the utility on a path to improvement will hinge on creating and protecting the essential minimum conditions outlined above, notably ‘good enough’ governance and nurturing competent leadership.

A unique and sequenced package of technical and financial support: The UWCI offers technical assistance and operational finance through its Turnaround Facility and, subsequently, repayable investment finance through a complementary Global Loan and Guarantee Facility (Figure 2). For pragmatic reasons, the Turnaround Facility will be established before the Loan and Guarantee Facility. Once formally set up, the latter will offer direct loan finance for infrastructure and guarantees to support local domestic finance lending to the utilities participating in UWCI.

Though the specific governance arrangements for each of the two Facilities are yet to be established, there is an agreed and important feature of the Urban Water Catalyst Initiative, which is also a reason for its uniqueness: **the three offerings – technical assistance, operational finance and loan finance (including guarantees) for infrastructure – are fully integrated and are not to be considered in isolation from one another.** Utilities apply to participate in the Urban Water Catalyst Initiative, and not for a specific component of the offering.

Turning around a utility requires many actions and is necessarily a complex process. To maximise the chances of success in a context of scarce resources, it is important to sequence activities appropriately while building in flexibility. The UWCI design therefore pays careful attention to sequencing its support, allowing flexibility in the timing and details. The full period of engagement with each participating utility is anticipated to extend to between five and ten years, with the intensity of involvement varying over the period.

Figure 4: The Urban Water Catalyst Initiative offers integrated technical and financial assistance to accelerate utility turnarounds and reach SDG goals



Progress through milestones: Support is provided incrementally, and funding tranches are dependent on progress. The UWCI will withdraw support where Compact commitments are not kept, where conditions prevent a utility from achieving a transition to sustainable financing or where progress is not being made. The UWCI is designed to 'fail early' in these cases, limiting losses and allowing resources to be re-allocated to maximise outcomes and value for money.

Operational finance is made available early in the process to support performance improvements, with a focus on improving cash flows.

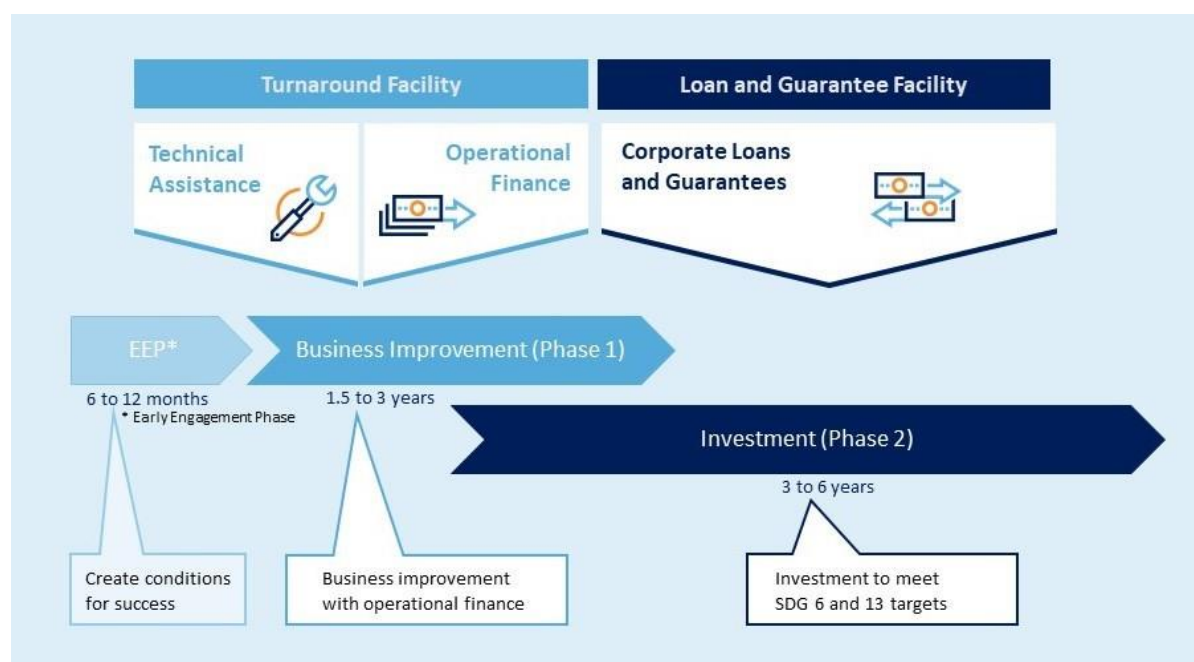
The UWCI will support **local currency, balance sheet financing** to participating utilities wherever practical, provided by the Loan and Guarantee Facility and/or local banks. This financing will respond to appropriate context-dependent goals to increase access, improve service quality and build climate resilience, partially financing the utility's investment needs.

In summary, the Urban Water Catalyst Initiative implements a unique approach to incentivizing and supporting utility turnarounds. This offering is distinct from other utility support available through the [German Utility Platform](#), the Dutch [WaterWorx](#) programme, the [Global Water Operators' Partnerships Alliance \(GWOPA\)](#), the World Bank's [Utility of the Future](#) programme and others. It also departs from the conventional country- or project-based loan financing typically provided by development finance institutions.

1.4 Phases of support

The UWCI offers support to participating utilities in two main phases: a Business Improvement Phase (Phase 1) and an Infrastructure Investment Phase (Phase 2). This support is preceded by an **Early Engagement Phase (EEP)** with the objective of creating and protecting the essential conditions required for success in the phases that follow. Both the Early Engagement Phase and the Phase 1 it leads into are managed by the UWCI Turnaround Facility; Phase 2 is managed by the Loan and Guarantee Facility.

Figure 5: Phases of technical and financial support by UWCI



In the **Business Improvement Phase (Phase 1)**, the UWCI provides a combination of **technical assistance and operational finance** for investments aimed at improving cash flow and creating a positive and virtuous cycle of further reinvestment by the utility, accelerating utility performance improvements across all important domains of performance.

In the subsequent **Infrastructure Investment Phase (Phase 2)**, the UWCI aims to **accelerate infrastructure investment** by providing loans and/or guarantees to the utility for priority no-regret investments in infrastructure that can take place while more detailed planning and feasibility studies are being undertaken. These loans are provided as balance sheet finance (corporate finance) rather than project finance.

The two main phases of support are described in [Section 12](#). The remainder of this handbook serves as a guide for the Early Engagement Phase.

2 The Early Engagement Phase at a glance

2.1 Overview

The Early Engagement Phase starts after the successful application of a utility and once a **Partnership Agreement** has been signed between the utility and UWCI. This agreement sets out the purpose of the UWCI, requirements for successful completion of the Early Engagement Phase, and the intentions of each party and expectations in relation to the conduct of partners for the Early Engagement Phase.

During the Early Engagement Phase, the utility CEO will be paired with a senior advisor (referred to as the ‘**Trusted Advisor**’) and activities will be facilitated and supported by an in-country **Project Manager**, both funded through the UWCI.

A key objective in the Early Engagement Phase is the crafting and signing of a **Compact** between the utility management and its major stakeholders. In addition, a utility must accomplish the following during this phase:

1. Publish a fit-for-purpose and board-approved utility strategy;
2. Get board approval for a corresponding business plan;
3. Implement and report on a Rapid Results Programme, and
4. Agree to a suitable technical assistance specification for Phase 1.

The Early Engagement Phase is expected to last 6 to 12 months. After successful completion of the EEP activities, the UWCI will take a decision on progression to Phase 1 based on a qualitative assessment of key milestones, interviews with the CEO and Trusted Advisor.

2.2 Purpose and key milestones

The Early Engagement Phase exists to allow time for relationship building and the development of trust between the utility and the UWCI. During this period, the parties have the opportunity to get to know and understand each other’s roles and expectations prior to making a longer-term commitment with substantial and reciprocal financial obligations.

The key persons at this stage are the utility’s **CEO** and the UWCI’s **Trusted Advisor** and **Project Manager**. Working closely together, they will focus on shepherding the utility through the key milestones of the Early Engagement Phase and thus secure progression into the main phases of UWCI support. For ease of reference, the key milestones are summarised below.

Table 1: Key milestones in the Early Engagement Phase

Milestone	Description
<p>1. Compact</p>	<p>The signing of a Compact between the utility management and its major stakeholders (board, owner and regulator) reflects the commitment to create, implement and protect conditions that will secure a lasting and successful partnership with the UWCI in support of improved utility performance and service outcomes. It defines strategic objectives and contains specific undertakings for establishing and further improving the essential conditions for success.</p>
<p>2. Strategy</p>	<p>The board-approved strategy defines the utility’s strategic priorities and its key medium-term (typically 5-year) goals, aligned with the Compact. It is subject to minimum requirements as set out in Section</p>

	4.4 and Annex 2 . Publication of the strategy represents a public pledge of its commitments to customers and other key stakeholders.
3. Business plan	A board-approved business plan gives practical effect to these strategic commitments, detailing the requisite activities, typically over a three-year period, informed by a climate risk assessment and a creditworthiness assessment or rating. This new or revised business plan is subject to minimum requirements as set out in Section 5.4 and Annex 3 and becomes the basis for the technical and operational finance support offered by the UWCI in Phase 1.
3a Climate risk assessment	An assessment of climate risks that is used to inform the business plan and associated investment plan to ensure future climate resilience.
3b Creditworthiness assessment/rating	An assessment (or rating) of the creditworthiness of the utility to inform a road map to achieve creditworthiness for incorporation into the business plan and to inform the investment plan.
4. Rapid Results Programme	A Rapid Results Programme enables the utility management to mobilise utility staff in support of the changes needed to realise the utility’s strategic goals. The focus is on achieving clearly defined results within a short period (typically 100 days).
5. Technical Assistance Specification	A specification of the technical assistance to be provided by UWCI during Phase 1 in support of the business plan. TA support offered through UWCI must complement any other ongoing or planned TA support programmes the utility is part of.

The activities to achieve these milestones can proceed in parallel and are described in the sections that follow.

2.3 Roles and responsibilities

It is the responsibility of the utility CEO to successfully complete the milestones in the Early Engagement Phase.

The UWCI offers the utility CEO and management team support during the Early Engagement Phase, as follows:

Milestone	Supported by	Nature of support
Compact	Trusted Advisor	Support in the negotiation of an appropriate Compact suited to the context.

Strategy	Ad hoc professional inputs arranged by UWCI	Advisory support for the development/ review of the utility’s strategy.
Business plan		Business planning support.
<i>Climate risk assessment</i>		Assessment of climate risks that can be used to inform the utility’s business and investment plans.
<i>Creditworthiness rating or assessment</i>		Credit assessment and related advisory support on changes needed to achieve creditworthiness, informing the utility’s business and investment plans.
Rapid Results Programme	Project Manager	Arrangement of facilitation, or purchase of goods and services, within a defined budget on behalf of the utility in support of the rapid results programme.
Technical Assistance Specification		Co-design of the technical assistance specification, together with the management of the utility.

The core task of the **Trusted Advisor** is to support the utility CEO to negotiate a Compact between the utility regulator, owner, board and management, a task which will require skilful navigation. In addition, the Trusted Advisor may offer mentoring and advisory support to the CEO in the successful completion of the other milestones. The Trusted Advisor is not a consultant in the classic sense and is therefore not expected to write reports or to manage persons or contracts. It is not a full-time role, and some of the activities can be undertaken virtually. Being paired with a Trusted Advisor in the Early Engagement Phase is not optional; however, the CEO will get to select the Trusted Advisor from a pool of advisors managed by the UWCI.

The primary role of the **Project Manager**, assigned by the UWCI and located in-country, is to coordinate and manage the activities and inputs from the UWCI during the Early Engagement Phase. This includes the budget and any contracts/agreements with internal or external resources used to support this phase, within the agreed resource envelope. In addition, the Project Manager will work closely with utility management in the design of the Technical Assistance Specification for Phase 1 and will also arrange support for the Rapid Results Programme. This is not a full-time role.

UWCI will arrange for additional **professional input** to the utility to reach key milestones as set out in the table above. This support will be bespoke, appropriate to the context, and provided within the UWCI budget guidelines and available budget. The use of this support is optional and may not be necessary in all cases.

2.4 Approvals

The quality of the work undertaken for each of the milestones is important and mechanisms for quality assurance are discussed in the sections that follow. Formal approvals during the Early Engagement Phase will be kept to a minimum and are shown in Table 2:

Table 2: Formal approvals

Milestone	Formal Approval	Minimum criteria
Compact	UWCI Turnaround Facility governing board *	Based on the provided template, the Compact must create minimum conditions to achieve a transition to sustainable finance.
Strategy	Utility governing board	Sets strategic goals for utility over five years and is aligned to the Compact. Must meet minimum requirements set out in Section 4.4
Business Plan		Sets out practical actions over three years to implement the strategy. Must meet minimum requirements set out in Section 5.4
Successful completion of Early Engagement Phase and entry into Phase 1	UWCI Turnaround Facility governing board *	Confidence in prospects for a successful partnership with UWCI based on qualitative assessment of key milestones, interviews with the CEO and Trusted Advisor, and an agreed technical assistance specification for Phase 1. See Section 10 .

Note: * Or the governing structure of the UWCI prior to the establishment of the UWCI Turnaround Facility.

3 A negotiated Compact

3.1 Purpose and outcome

The signing of a compact between the utility regulator, owner, board and management is the most important milestone in the Early Engagement Phase.

The **purpose** of the Compact is twofold. Firstly, the compact defines the strategic objectives of the partnership between the UWCI and the utility across all phases of support. Secondly, the compact includes a set of undertakings by key stakeholders to establish and further improve the minimum necessary conditions for these strategic objectives to be met.

The intended **outcomes** of the compact are changes in the formal and informal rules and practices that are necessary to allow the utility to manage and finance itself in a professional way, while ensuring that it is accountable for meeting the utility owner's goals for service availability, reliability, quality and resilience.

3.2 Parties to the Compact

The key parties to the Compact are:

- The **utility management**, represented by the CEO;
- The **utility board**, represented by the chair of the board;
- The **utility owner**, typically represented by the shareholder representative on the board or political head of the shareholder ministry; and,
- The **utility regulator**, typically represented by the chair of the governing board of the regulator, or political head if government is the regulator.

The details will depend on the context, and the appropriate composition of signatories to the compact is to be discussed and agreed with the Trusted Advisor.

The **UWCI is not a party to the Compact** but has a direct interest in it. The Compact includes the definition of the strategic objectives of the partnership between the utility and the UWCI, as well as undertakings to ensure the success of this partnership. The Compact must be approved by the governing structure of the UWCI, and UWCI may sign as a witness to the compact.

3.3 Compact template

The Compact template should be used as the starting point and basis for a negotiated agreement between the stakeholders.

The template includes:

- The utility context and rationale for the partnership with the UWCI
- The UWCI mission and offering
- The purpose of the Compact
- A definition of success for the partnership with the UWCI
- Undertakings by the parties to the Compact to create and protect the necessary conditions to achieve success, specifically relating to
 - strategy and business plan
 - management
 - governance
 - resourcing and financing.

While the details will differ from case to case, the Compact must include undertakings that create and/or protect the minimum essential conditions for success. These include undertakings necessary to establish or ensure the following:

- A **strategy** that has prioritised goals with clear time-bound targets,
- a **business plan** aligned to the strategy,
- Professional management and appropriate **managerial autonomy**, with accountability for performance,
- **adequate resourcing** to support the achievement of defined financial targets (including an operating cost coverage ratio target and creditworthiness), including undertakings related to tariffs, revenue collection and equity contributions,
- a regulatory environment that supports **revenue stability and predictability**, and
- **appropriate governance** arrangements that support and enable the above.

3.4 The role of the Trusted Advisor

While it is the responsibility of the utility CEO to negotiate and conclude the Compact with the utility board, owner and regulator, the Trusted Advisor will play a key role in supporting the CEO to do this. Navigating the sensitivities and potential pitfalls during this process will require Trusted Advisors to draw deeply on their own experience in managing and influencing the utility's external environment for the CEO to succeed.

The Trusted Advisor will undertake the following tasks to support the development of a Compact:

- support the CEO in a process of setting strategic priorities and goals for the utility that have the support of the management team, the board and the owner, and
- work with the CEO to identify the constraints that might hinder or prevent the identified goals from being achieved, and to devise strategies and tactics to address these constraints, paying particular attention to the authorising environment.

To be an effective support to the CEO in negotiating a solid and suitably ambitious Compact, the Trusted Advisor will need to:

- gain a good appreciation of the utility's context and authorising environment,
- get to know the key stakeholders (CEO, utility owner, board chair and other key players) and understand their interests and perspectives, and
- understand what stands in the way of the utility succeeding and have ideas how these constraints may be lifted.

3.5 Alignment on strategic priorities

As part of the compacting process, and working together with the CEO, the Trusted Advisor will review the utility's existing strategic goals and offer advice on how these goals might be revised and prioritised. The conversation should focus on the identification and clarification of the utility's priorities over the medium term, typically five years, and their alignment with the mission and goals of the UWCI.

The UWCI's mission is to improve and accelerate the performance and climate resilience of urban water and sanitation utilities. The UWCI has three goals: (1) to support utilities to achieve cost recovery and creditworthiness, setting them onto a sustainable financing path, (2) to expand access to water and sanitation services and improve service quality, and (3) to build climate resilience.

A successful partnership between the utility and UWCI requires alignment between the utility's own goals and these goals. The strategic priorities of the utility should therefore include the following:

- (1) financial performance improvements, including a goal of becoming creditworthy,
- (2) improvements in access to water and sanitation and service quality (SDG 6), and
- (3) increased climate resilience (SDG 13).

The identified strategic priorities of the utility, and how they will be measured, need to have the support of the utility board, owner and regulator, and need to be included as an annex to the Compact, as provided for in the Compact template.

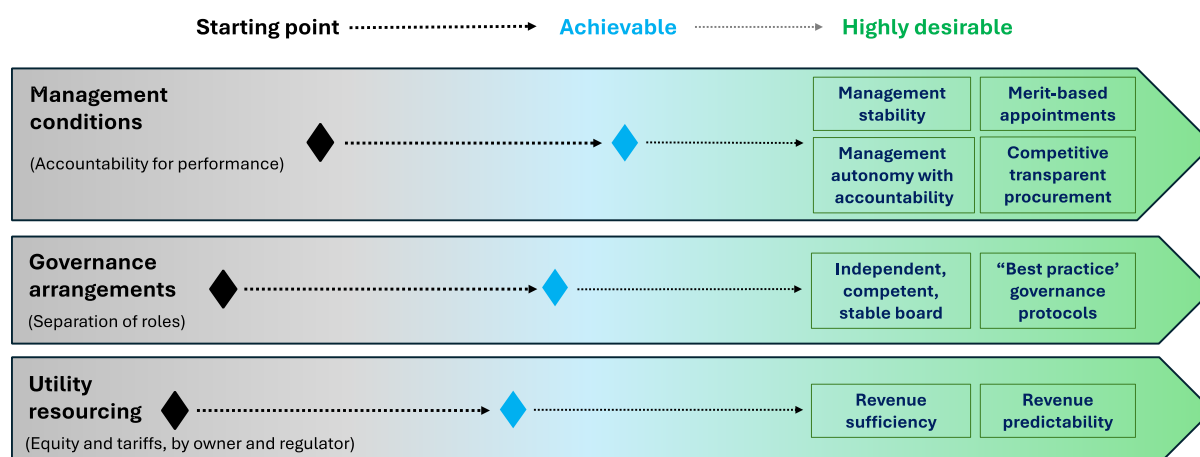
The specific goals, with targets and timeframes, will be set during the separate strategy review and development process (see [Section 4](#) below).

3.6 A 'good enough' enabling environment

Negotiating the requirements to establish a 'good enough' enabling environment for the utility to make substantial progress towards sustainable financing is key to the success of the whole initiative.

While it is relatively straightforward and uncontroversial to define the ideal normative conditions for a utility to thrive, identifying what is realistically achievable for a particular utility operating in its own unique context is as much an art as it is a science (Figure 4). The Trusted Advisor has a key role to play, drawing on considerable own experience and translating this wisely and empathetically into the new context.

Figure 6: Identifying achievable goals for changes in the enabling environment to support success is an art



Realistic commitments. During the compacting process, the Trusted Advisor and the CEO will identify improvements to the enabling environment that are necessary to support management effectiveness and will explore options for creating these conditions with stakeholders. **The focus is on what is realistically achievable in that specific utility and country context**, together with a frank assessment of what this means for utility management and its ability to make progress on the agreed strategic priorities. Though achievable commitments in a particular context may well remain some way off from the ideal conditions for effective performance, any significant movement towards the desirable conditions could have a major effect on the success of the initiative.

Written rules versus practice. The assessment should be fully aware of any differences between formal rules and what actually happens in practice.

No one-size-fits-all approach. Each situation will be different and will require context-informed approaches.

Dealing with sensitive matters. Key stakeholder behaviours and actions may make it hard or even impossible for a utility to achieve its strategic goals. This could be the case for a variety of reasons, including patronage and corruption. The Trusted Advisor will need to develop rapport and trust with the CEO and other stakeholders to work constructively in these contexts.

Perfection is likely to be the enemy of the good. While 'perfect' governance arrangements are undoubtedly supportive of good management, a pragmatic approach that aims for 'good enough' governance arrangements that are achievable is likely to be more productive in delivering good results.

3.7 Resources

In addition to making available a Compact template, examples of anonymised draft or concluded compacts will be shared for purposes of learning during and beyond the Early Engagement Phase.

3.8 Approval, quality assurance and timing

Approval. In addition to being agreed to and signed by the parties to the Compact, the Compact also must be approved by UWCI Turnaround Facility governing board⁸ as one of the conditions for the utility to successfully complete the Early Engagement Phase.

Quality control. A draft compact can be offered to the UWCI for review prior to formal submission. The Trusted Advisor, Project Manager and other UWCI staff can offer guidance as to minimum criteria and quality expectations for obtaining formal UWCI approval.

Timing. The target is for the Compact to be signed within three months, but no longer than six months, after the signing of the Partnership Agreement. Failure to sign a compact within six months may result in the UWCI withdrawing support and the utility exiting from the programme.

4 Strategy

4.1 Purpose and outcome

There is a saying, loosely attributable to Lewis Carroll, that states "If you don't know where you're going, any road will take you there". The purpose of the strategy is to avoid precisely that and clearly define the utility's priority goals, enabling it to chart a path towards them.

Any road will (not) do

"Would you tell me, please, which way I ought to go from here?"
 "That depends a good deal on where you want to get to," said the Cat.
 "I don't much care where—" said Alice.
 "Then it doesn't matter which way you go," said the Cat.
 "—so long as I get somewhere," Alice added.
 "Oh, you're sure to do that," said the Cat, "if you only walk long enough"

Alice's Adventures in Wonderland, Lewis Carroll

During the Early Engagement Phase, the utility will develop (or amend) a strategy that is centred on, and aligned to, the strategic priorities identified in the Compact. The strategy will have a five- to ten-year outlook and include explicit, measurable time-bound goals.

The strategy will have the approval of the board (and other stakeholders as appropriate) and will be published on the utility's website.

The utility's strategy therefore fulfils three important functions:

- it provides clear strategic direction for the utility,
- it aligns the support of key stakeholders behind the key strategic goals of the utility strategy, and

⁸ Or the governing structure of the UWCI prior to the establishment of the UWCI Turnaround Facility.

- it makes a public commitment to the utility's current and prospective customers.

The strategy is a public declaration to the utility's stakeholders of a set of firm commitments, and provides a narrative as to why these are important. The strategy guides the work of the utility and is not itself an operational document. The strategy is operationalized through the utility's business plan.

4.2 Responsibility

It is the responsibility of the utility CEO and management team to:

- develop a fit-for-purpose strategy that meets the minimum requirements set out below,
- to obtain approval from the utility board (and other stakeholders as appropriate), and
- to publish the strategy on the utility's website.⁹

4.3 Support

The UWCI may offer advisory support for the review and amendment, or development, of the utility strategy via the Trusted Advisor and the UWCI project manager. Where appropriate, and subject to budget availability and prioritisation, additional expert input may be arranged by the Project Manager on behalf of UWCI.

4.4 Minimum requirements

The strategy needs to include the three key goals set out in the Compact, namely (1) achievement of cost recovery and creditworthiness and setting the utility onto a sustainable financing path, (2) SDG 6 goals, and (3) building climate resilience (SDG 13),

Minimum requirements for the strategy are set out in [Annex 2](#). Where an existing strategy meets these minimum requirements, no amendment is required.

There is no prescribed format for the strategy, which should rather follow local norms and standards provided it meets the above requirements.

4.5 Other considerations

Consultation. It is good practice for the utility strategy to be informed by stakeholder consultation. In addition to the consultations undertaken during the compacting process, the utility should also consider meeting with key customers and organisations representing customers and civil society.

⁹ Where a utility does not have a website, the creation of a website will form part of the milestone requirement.

Preferably, the strategy should also have the following characteristics:

- be focused on a few priority goals. (The business plan offers the opportunity for a more comprehensive set of measures and associated actions.)
- be set for a timeframe that coincides with participation in the UWCI (typically 5 years or longer).
- be a separate document from the business plan which is a more detailed operational plan.
- be a relatively short¹⁰ document and which does not take long to complete and get approved.

4.6 Resources

A library of utility strategies will be collated by UWCI and made available for reference purposes.

4.7 Approval, quality assurance and timing

Approval: The strategy must be approved by the utility's governing board in a formal board resolution, and by other stakeholders as necessary.

The strategy forms part of the utility's submission for entry into Phase 1 of the initiative. UWCI will check for alignment between the approved Compact and the strategy, and that the strategy meets the minimum requirements.

Quality assurance: A draft strategy can be offered to the UWCI for review prior to formal submission. The Trusted Advisor, the Project Manager and other UWCI staff can offer guidance as to interpretation of the minimum requirements and quality expectations for obtaining approval from the UWCI governing structure.

Timing: The strategy should be approved within six months, but no longer than twelve months, after the signing of the Partnership Agreement. Failure to get Board approval for a strategy meeting the above requirements within twelve months may result in the UWCI withdrawing support and the utility exiting from the initiative.

5 Business plan

5.1 Purpose and outcome

A key purpose of the business plan is to guide the actions of the utility in the operationalization and implementation of the utility's strategy. The business plan translates high-level goals into

¹⁰ That is, less than 30 pages.

a detailed road map for management. In particular, the business plan guides resource allocation (people and money), and pays attention to the identification, specification and sequencing of actions or processes necessary to achieve the desired outcomes in a time- and cost-effective way. The business plan also provides a means to track progress against targets.

A well-designed and well-executed business plan will result in the achievement of the utility's strategic objectives, which is the desired outcome.

Whereas the strategy offers a stable 5 to 10 year outlook on the utility's strategic priorities and goals, the business plan is a dynamic document with a shorter time horizon that is revised every year, giving more detailed attention to the upcoming year, including budget implications, and has an operational focus with shorter-term targets and supporting actions. See Text Box "The differences between strategy and business planning" below.

5.2 Responsibility

It is the responsibility of the utility CEO and management team to develop or amend the business plan, and to obtain approval for the plan from the utility board and other stakeholders as appropriate.

5.3 Support

The UWCI may offer support to the utility in the development or amendment of the utility's business plan. Advisory support may be offered by the Trusted Advisor and the UWCI Project Manager. Where appropriate, and subject to budget availability and prioritisation, additional expert input may be arranged by the Project Manager on behalf of the UWCI.

5.4 Minimum requirements

The business plan must:

- be aligned to the board-approved utility strategy,
- be informed by a climate risk assessment (see [Section 6](#)),
- be informed by a creditworthiness assessment or credit rating (see [Section 7](#)),
- meet minimum content requirements for the business plan as set out in [Annex 3](#), and
- be **fit for purpose**, meaning that
 - o The business plan offers a practical guide to the priority actions needed for the utility to make meaningful progress towards its strategic goals.
 - o The business plan is matched to the available resources and includes a practical pathway to increase the availability of resources (money, people and know-how).
 - o The level of ambition and detail is appropriate to the context.

There is no prescribed format for the business plan, which should rather follow local norms and standards provided it meets the above requirements.

5.5 Consultation

Internal consultation. A well-designed and inclusive business planning process is key to create sufficient buy-in among staff and to anchor the business plan within the utility's organization. Business plan development typically involves the strategic level (CEO and management team), tactical level (department heads) and operational level (implementing staff). Sufficient time should be allocated to allow involvement across all three levels in the business planning process. Larger utilities will typically require more time for this compared to smaller utilities.

External consultation. Business planning is normally primarily internally focused, answering the question: how does the utility organize itself to deliver on the agreed strategy? Nevertheless, consultation with external stakeholders, beyond that undertaken for the development of the Compact and utility strategy, may be relevant and appropriate in some circumstances. The design of the business planning process should take this into account.

5.6 Resources

A library of utility business plans will be collated by UWCI and made available for reference purposes. The UWCI will also make available tools, templates and methodologies for business planning.

The differences between strategy and business planning		
	Strategy	Business Plan
Key objective	Set strategic direction for the utility	Operationalise the utility strategy
Essential questions to be answered	What outcomes do we commit to achieving, and why?	How do we achieve the outcomes?
Primary audience	All stakeholders	Management and staff
Time horizon (typical)	5 to 10 years	3 years
Revision	Every 5 or so years, or when there is major change	Every year
Informs	The business plan	<ul style="list-style-type: none"> - budget - management actions

One or two documents? The strategy and business plan are sometimes combined into one document. However, it is preferable to separate the two documents because the strategy is a stable directional document, and the business plan should be revised and updated annually.

Terminology. It is the purpose and core content of the documents that are important, not their specific name.

5.7 Approval, quality assurance and timing

Approval: The business plan must be approved by the utility’s governing board in a formal board resolution, and by other stakeholders as necessary and appropriate.

The business plan forms part of the utility’s submission for entry into Phase 1 of the initiative. UWCI will check for alignment between the approved strategy and the business plan and that the business plan meets the minimum requirements.

Quality assurance: A draft business plan can be offered to the UWCI for review prior to formal submission. The Trusted Advisor, the Project Manager and other UWCI staff can offer guidance as to interpretation of the minimum requirements and quality expectations for getting approval from the UWCI governing structure. The overriding quality consideration is that the business plan must be **‘fit for purpose’**, as set out above.

Timing: The business plan should be approved within nine months, but no longer than twelve months, after the signing of the Partnership Agreement. Failure to get Board approval for a fit-for-purpose business plan within twelve months may result in the UWCI withdrawing support and the utility exiting from the initiative.

6 Climate risk assessment

6.1 Purpose and outcome

Water and sanitation services are infrastructure intensive and as such vulnerable to climate risks, including but not limited to droughts and floods. It is anticipated that climate change will increase these risks.

The purpose of the climate risk assessment is to understand the nature and extent of these risks, and their likelihood and impact, and to inform appropriate actions and investments to mitigate these risks. The climate risk assessment is therefore an important input into the utilities business plan and associated investment plan.

The intended outcome is a practical business plan that is informed by an initial climate risk assessment, with actions to deepen understanding (where necessary), shape an appropriate investment plan and adjust operational procedures, that will result in improved climate resilience. Where appropriate and necessary, a more comprehensive and detailed climate risk assessment may be undertaken during Phase 1.

6.2 Responsibility

It is the responsibility of the utility CEO and management team to undertake a climate risk assessment.

6.3 Support

The UWCI may offer support to the utility in undertaking a climate risk assessment. Advisory support may be offered by the Trusted Advisor and the UWCI Project Manager. Where appropriate, and subject to budget availability and prioritisation, expert input may be arranged by the Project Manager on behalf of UWCI.

6.4 Minimum requirements

The climate risk assessment must meet the minimum content requirements set out in [Annex 4](#) and be **fit for purpose**, meaning that

- The climate risk assessment **understands** the nature and likely impact and frequency of key climate risks, and how these might change in future.
- The climate risk assessment proposes **practical priority actions** needed for the utility to increase understanding and to make meaningful progress towards improved climate resilience.

- The outcome of the climate risk assessment (understanding risks and priority actions to address risks) informs and influences the business plan.

There is no prescribed format for the climate risk assessment, which should rather follow country and utility norms and standards, provided it meets the above requirements.

6.5 Consultation

A stakeholder mapping is included as part of the climate risk assessment. Beyond key informant interviews, an extensive stakeholder consultation process is not expected to be part of the initial climate risk assessment in the Early Engagement Phase.

6.6 Resources

A library of utility climate risk assessments will be collated by the UWCI and made available for reference purposes. The UWCI will also make available methodologies, tools and templates.

6.7 Approval, quality assurance and timing

Approval: The climate risk assessment is approved by the utility's management as an input to the business plan.

Quality assurance: Beyond the minimum content requirements, the overriding quality consideration is that the climate risk assessment must be '**fit for purpose**' and add practical value that informs the business plan.

Where the UWCI contracts a service provider to undertake a climate risk assessment on behalf of the utility, the UWCI will undertake its own quality assurance of the methodology and product.

When reviewing the business plan, the UWCI will look for evidence that the business plan is informed by a fit-for-purpose climate risk assessment and includes measures to further understand and address climate risks that are appropriate to the utility context.

Timing: The target is for the climate risk assessment to be completed within six months after the signing of the Partnership Agreement.

7 Creditworthiness assessment

7.1 Purpose and outcome

A key objective of the UWCI is to support utilities to become creditworthy with the ability to access long-term infrastructure finance from the domestic commercial financing market.

The purpose of the creditworthiness assessment is to define suitable goals, with associated activities, to be incorporated into the utilities business plan, that will enable the utility to achieve creditworthiness and access loan finance.

7.2 Responsibility

It is the responsibility of the utility CEO and management team to have a credit assessment, rating or associated advisory service undertaken in a way that informs the utility's business plan.

(If an assessment or rating has been undertaken within a 12 month period before the signing of the Partnership Agreement, then a new assessment is not needed, provided the minimum requirements set out below have been met.)

7.3 Support

The UWCI may offer support to the utility in undertaking this assessment (or associated activity). Advisory support may be offered by the Trusted Advisor and the UWCI Project Manager. Where appropriate, and subject to budget availability and prioritisation, additional expert input may be arranged by the Project Manager on behalf of UWCI. This may be in the form of professional advisory services or arranging for a credit rating or assessment.

7.4 Minimum requirements

A credit assessment, credit rating or associated advisory service must meet the following minimum requirements:

1. Offer an assessment of utility credit risks in three domains (1) risks within the direct control of utility management, (2) risks that can be influenced or mitigated by utility management, including governance, (3) risks outside of the control of management. This assessment should include, at a minimum, the parameters set out in Annex 5.
2. Offer an assessment (formal or informal) of the utility's current credit rating status (on a country scale), if the utility were to be rated by an external independent rating agency. (This is not necessary if the utility has received a formal credit rating within the last 12 months.)
3. Propose a realistic prospective credit rating target for the utility over a period of 5 years, taking into account the ambitions of the UWCI to support utilities to achieve at least an investment grade credit rating (BBB or equivalent local currency rating).
4. **Provide practical guidance on steps the utility needs to take to achieve the credit rating target and to be able to access long term infrastructure loans from local commercial financing institutions.** These actions should be implementable through its business plan and the Compact with its owner, board and regulator.

5. The above should be informed by an understanding of local commercial lender requirements for providing long-term infrastructure finance to the utility.

7.5 Consultation

In fulfilment of the last minimum condition, it is expected that the utility (or professionals advising the utility on these matters) would have consulted with local commercial lenders to understand their minimum lending requirements for providing finance to the institution, both for short-term and long-term loans.

7.6 Resources

A library of credit assessments and ratings, anonymised where necessary, will be made available for reference purposes.

Tools and methodologies for rating and assessing creditworthiness will be developed and/or collated and made available to utilities.

7.7 Approval, quality assurance and timing

Approval. Any services to undertake a credit assessment or credit rating for a utility, and related outputs, will be approved by the management of the utility.

The expectation is that any formal public credit rating will be directly contracted and paid for by the utility in line with good practice.

Quality assurance. Where assessment or advisory services have been contracted by the UWCI on behalf of the utility, the UWCI will exercise quality control over the work of the professional provider, in addition to the oversight undertaken by the utility management.

Timing: The target is for the credit assessment (or rating) to be completed within six months after the signing of the Partnership Agreement.

8 Rapid Results Programme

8.1 Purpose and outcome

A rapid results programme is a short-term project aimed at translating a long-term goal into concrete actions, results and impact. The key purpose of the Rapid Results Programme in the Early Engagement Phase is to mobilise broad support among utility staff towards the utility's strategic objectives and to instil confidence in the management team.

The intended outcome is demonstrated success in achieving a well-defined objective (or set of objectives) over a short period of time (for example, 100 days), and in doing so, to develop

the momentum and confidence necessary to achieve the broader set of ambitious goals set out in the business plan.

8.2 Responsibility

It is the responsibility of the utility CEO and management team to develop and implement a Rapid Results Programme.

8.3 Support

The UWCI may offer support to the utility in undertaking the Rapid Results Programme. Advice on the choice, scope and design of a Rapid Results Programme may be offered by the Trusted Advisor and the UWCI Project Manager. Where appropriate, and subject to budget availability and prioritisation, additional support may be provided as follows:

- Facilitation of the Rapid Results Programme may be arranged by the Project Manager on behalf of the UWCI¹¹, and/or,
- Procurement of goods and services in support of the Rapid Results Programme may be arranged by the Project Manager on behalf of the UWCI.

8.4 Minimum requirements

The Rapid Results Programme must meet the minimum requirements set out in [Annex 6](#).

A high-level description of the Rapid Results Programme must be included in the Compact.

The utility must compile a **completion report** which sets out the baseline, the intended and achieved results, and reflects on the lessons learnt in the design and implementation of the programme.

8.5 Other considerations

Ideally, the utility should consider and implement follow-up initiatives in a similar vein to further develop momentum towards the utility's strategic goals.

8.6 Resources

A library of rapid results case studies and completion reports will be made available for reference purposes.

Tools and methodologies for implementing rapid results programmes will be made available to utilities.

¹¹ If the Project Manager has the appropriate experience, the Project Manager could facilitate the Rapid Results Programme.

8.7 Approval, quality assurance and timing

Approvals. A high-level specification of the Rapid Results Programme must be included in the Compact and therefore must be implicitly approved by the utility's owner, board and regulator, and by the UWCI.

The completion report must be approved by the UWCI.

Quality assurance. The Project Manager and Trusted Advisor may offer advice on the choice, scope and specification of the Rapid Results Programme, and may review and offer input on the completion report.

Timing: The target is for the completion report to be completed within twelve months of the signing of the Partnership Agreement.

9 Technical Assistance Specification

9.1 Purpose and outcome

The Technical Assistance Specification sets out the nature, scope and content of the technical assistance to be provided by the UWCI during Phase 1, in support of the implementation of the utility's business plan.

The intended outcome is that the utility, with the support of the UWCI, is able to implement its business plan effectively, thus making progress in achieving its strategic goals.

9.2 Responsibility

It is the co-responsibility of the utility CEO and the Project Manager to develop a Technical Assistance Specification.

9.3 Support

The UWCI Project Manager will work with the CEO and utility management to develop a Technical Assistance Specification, within overall budget parameters provided by the UWCI governing structure.

9.4 Design considerations

Flexibility to enable just-in-time and fit-for-purpose support. Both the extrinsic (explicit) and intrinsic (tacit) knowledge necessary to manage and operate an urban water utility

effectively already exists¹², though it may not be easily accessible for the participating utility. The challenge is therefore **how and when** to transfer this knowledge effectively.

- *Extrinsic (explicit) knowledge* can be codified and transferred through training programmes involving videos and written materials such as operating procedures, management protocols etc.
- *Intrinsic (tacit) knowledge* can only be acquired through experience and is best transferred through a learning-by-doing approach alongside people who already have this knowledge. The role of operator partnerships or some equivalent to this is thus crucial, to enable people with operating experience to pass on their tacit know-how to people who do not yet have the necessary experience.

Support is most effective where this knowledge transfer takes place ‘just in time’ and is ‘fit for purpose’, that is, where timing, content and formats are matched to when knowledge is needed, its value appreciated, and it can be implemented by the recipient utility. This requires a flexible approach to the provision of technical assistance.

Transfer of operator know-how. The intention of the Urban Water Catalyst Initiative is to transfer management and operators’ know-how through partnerships with well-performing utilities as part of its offering. The Technical Assistance Specification should set out how this will work in practice.

Complementary support. The support offered shall complement and not duplicate other support provided to the utility.

Technical assistance will be offered to the utility during Phase 1 in the following forms:

- A **project manager** located in-country and at the utility on a part- or full-time basis (depending on the size of the utility and scale of the technical assistance) to anchor and coordinate the technical assistance;
- Availability of a **trusted advisor** to offer mentorship, advice and support to the CEO on a part-time basis;
- **Coaching** to the CEO and senior management team;
- Provision of **short-term expertise** (weeks) **and consultants** for specific tasks; and,
- Making available **longer-term expertise** (months) to fill critical gaps on an interim basis while posts are being established and filled.

This support could be offered through a **water operator partnership** or via other mechanisms as arranged by the UWCI.

¹² There are many examples of effectively managed urban water utilities around the world and the approach to effective management shares many common elements even across diverse contexts.

9.5 Minimum requirements

The Technical Assistance Specification must meet the minimum requirements set out in [Annex 7](#) and have the full support of the CEO.

9.6 Resources

A library of technical assistance specifications will be made available for reference purposes.

Tools and methodologies for business planning and designing technical assistance will be made available to utilities. See [Annex 1](#).

9.7 Approval, quality assurance and timing

Approvals. The Technical Assistance Specification must be approved by the CEO, the utility board and the governing structure of the UWCI.

Quality assurance. UWCI may offer advice and input on the draft Technical Assistance Specification.

Timing: The target is for the Technical Assistance Specification to be completed within twelve months of the signing of the Partnership Agreement.

10 Successful completion of the Early Engagement Phase

The decision point at the end of the Early Engagement Phase is a key 'go' / 'no go' point for the UWCI. The following process will be followed:

10.1 Application for entry into Phase 1

The CEO and UWCI Project Manager will jointly assess the readiness of the utility to apply for entry into Phase 1 and decide when to make a submission (within the maximum timeframe of 12 months). (The Project Manager may confer with UWCI staff informally prior to a formal submission.)

The formal application for entry to Phase 1 will be a submission to the UWCI Turnaround Facility, comprising the following:

1. A signed Compact
2. A board-approved strategy
3. A board-approved business plan, together with a credit assessment or rating, and a climate risk assessment
4. A Rapid Results Programme completion report
5. An agreed Technical Assistance Specification

In addition, UWCI staff will review country risk.

10.2 Evaluation

The submission will be evaluated by the UWCI as follows:

1. A qualitative review by UWCI professional staff, answering the following questions:
 - **Country risk:** Have there been any significant changes in overall country risks (as set out in the country eligibility assessment) and what are the implications of these for proceeding or not? (UWCI internal review.)
 - **Compact:** Does the Compact create and protect the necessary conditions for success? Is there any evidence of the provisions in the Compact being implemented or contravened? What risks have been identified and how are these being mitigated?
 - **Alignment:** Is there alignment between the Compact, strategy, business plan and Technical Assistance Specification? Do these documents align with the overall goals of the UWCI?
 - **Ambition:** Are the utility's strategic goals suitably ambitious? Will the goals achieve creditworthiness, a pathway to sustainable higher levels of investment and significant contributions to SDGs 6 and 13?
 - **Risks related to attainment of the goals:** Are there good prospects that the plans, together with technical assistance support, achieve the intended goals? What implementation risks have been identified and how are these being mitigated?
2. Presentations to the UWCI governing structure as follows:
 - Summary presentation made by UWCI professional staff of the qualitative review, with a recommendation.
 - Presentation made by the utility CEO.
 - Presentation made by the Trusted Advisor on the merits of proceeding and any associated risks.
3. An interview with the utility CEO.

10.3 Decision

The Turnaround Facility's governing board will decide whether to offer a financial agreement covering further utility support for Phase 1.

The decision of the governing board will be recorded in meeting minutes, with supporting documentation. Any offer will be made in terms of a UWCI Phase 1 Agreement between the Turnaround Facility and the utility and be based on the signed Compact and the agreed Technical Assistance Specification.

Formal acceptance of the financial offer by the utility marks the successful conclusion of the Early Engagement Phase and commencement of Phase 1. Support provided by the UWCI in terms of the Early Engagement Phase comes to an end at this point. The UWCI Phase 1 Agreement supersedes the UWCI Partnership Agreement.

10.4 Exit

A utility will exit the initiative and cease to receive UWCI support and/or not proceed to Phase 1 in the following circumstances, unless otherwise agreed between the UWCI and the utility:

- Voluntary withdrawal by the utility at any time during the Early Engagement Phase, submitted in writing by the CEO.
- Failure to sign a Compact within **6 months** of the signing of the Partnership Agreement.
- Failure to complete all five milestones within **12 months** of the commencement of the Early Engagement Phase.
- A decision by the Turnaround Facility governing board not to proceed into Phase 1.

11 Monitoring, evaluation, accountability and learning

11.1 Purpose and approach

The purpose of Monitoring, Evaluation, Accountability and Learning (MEAL) is to ensure that the programme is accountable to stakeholders by collecting and reporting data on programme performance and progress, and using feedback to improve programme design and implementation.

MEAL incorporates accountability and learning into the monitoring and evaluation process. MEAL also emphasizes learning by systematically collecting and analyzing data to improve programme effectiveness and impact over time.

MEAL answers questions such as:

- Are we delivering our programme in an accountable and transparent manner?
- Are we engaging with stakeholders and addressing their concerns?
- Are we using the knowledge gained through monitoring and evaluation to improve programme performance and achieve better outcomes?

MEAL uses more flexible and adaptive approaches to data collection and analysis, while monitoring and evaluation tends to rely on predetermined indicators and targets.

The focus of MEAL in the early engagement phase is on the effective achievement of the milestones, and on learning through the experience to adapt and improve programme design.

11.2 Responsibility

The Project Manager will be responsible for overseeing MEAL at a utility level and for reporting on progress, and more specifically with respect to:

- Reporting on progress in achievement of the Early Engagement Phase milestones
- Capturing learning relevant to the improvement of programme design and effectiveness.

The Trusted Advisor is responsible to capture learning specifically with respect to the process of negotiating the Compact, but will also offer insights on overall programme design.

The utility CEO is responsible to report on a set of key performance indicators for the utility.

UWCI staff will be responsible for MEAL at a programme level, including the facilitation of inter-utility learning.

11.3 Minimum reporting requirements

The reporting must meet the minimum requirements set out in Annex 8 and be signed off by the utility CEO.

12 What comes next?

A brief overview of the two main phases that follow the Early Engagement Phase is given below.

12.1 Phase 1: Business improvement with operational finance

The purpose of Phase 1 is to accelerate performance improvements across the technical, commercial, financial and corporate domains of the utility with a focus on increasing operational cash flows and making effective use of this cash.

The support available during the Phase 1 will comprise:

- Strategic advice and coaching for the top management team
- Technical assistance to support business improvement
- Operational finance to be used for small investments, with a focus on supporting improvements in utility cash flow (on successful application to the UWCI).

The UWCI will again, in consultation with the utility CEO, contract a Trusted Advisor¹³ to offer a strategic advisory service related to the implementation of the utility's strategy and business plan. This will not be a full-time role.

The UWCI will assign a Project Manager to coordinate and supervise the implementation of the technical assistance. This Project Manager can be full-time and placed in the utility, where the size of the utility and the scale of the required technical assistance warrants this.

The activities during Phase 1 will include the following:

- Implementation of the business plan with technical assistance support – this will be provided in tranches, subject to satisfactory progress.
- Implementation of operational investments on successful application for operational finance.
- Master planning: A master plan with a 25 to 30-year outlook will be prepared/updated, including a water resources evaluation and a long-term investment plan.
- Pre-feasibility studies: Based on the master plan, pre-feasibility studies will be done for specific investment packages.
- Feasibility studies: At least one of the pre-feasibility studies will be followed up by a feasibility study leading to a proposal for an investment loan to the Loan and Guarantee Facility or a local commercial bank.

When substantial progress has been made and the utility is ready to apply for entry into the Investment Phase (or three years from the date of the Partnership Agreement was signed have passed, whichever comes first), progress will be evaluated by an independent evaluator contracted by the Turnaround Facility. Based on the conclusions and recommendations of this mid-term evaluation, the utility will be advised on improving and updating its business plan (to Business Plan '2.0'), and appropriate changes to the TA specification will be made.

Application for investment finance does not necessarily mark the end of Phase 1 support. Phase 1 formally ends when the utility has substantively met its objectives as set out in its business plan and/or the money allocated for technical assistance for Phase 1 has been fully utilised. It will also end and the utility will exit the UWCI if the Compact is breached or if the utility fails to make satisfactory progress.

12.2 Phase 2: Investment

The purpose of the Investment Phase (Phase 2) is to increase the level of investments into infrastructure made by the utility.

Whilst successful application for infrastructure finance marks the start of Phase 2, the support activities of Phase 1 could continue; that is, Phases 1 and 2 could run in parallel.

¹³ This can be the same senior advisor as in the Early Engagement Phase or a different person.

An application for infrastructure finance from the UWCI Loan and Guarantee Facility can only be successful once the following conditions have been met:

- Operational finance investments during Phase 1 were successfully completed (as evidenced by a completion report approved by the UWCI);
- A favourable recommendation from the mid-term independent evaluation was obtained;
- The business plan has been updated (Business Plan '2.0');
- The Technical Assistance Specification based on the above has been updated; and
- Any additional conditions for infrastructure finance (to be specified by the UWCI Loan and Guarantee Facility and/or local bank/s) have been met.

Key goals in the Investment Phase are to achieve and sustain creditworthiness (at a level defined by the strategy and in the business plan) and to reach agreement on a substantive financing package (with the Loan and Guarantee Facility and other financiers) covering the utility's realistic infrastructure investment needs over a period of five to ten years.

Both technical assistance and infrastructure finance during this phase will be released in tranches and will be subject to satisfactory process. Technical assistance will be provided in terms of the updated business plan and Technical Assistance Specification and to support the process of getting a larger financing package for infrastructure investments arranged (beyond that provided by the Loan and Guarantee Facility itself).

The indicative length of the Investment Phase is three to six years. The length of this phase, and the number of tranches, will depend on the scale and complexity of the investment programme financed by the Loan and Guarantee Facility.

12.3 Graduation

A utility will successfully graduate from the UWCI at the end of Phase 2 (Investment Phase) once it has:

- Substantively met or moved towards the goals as defined in its strategy and business plan ('2.0') and received a favourable evaluation related to Phase 2 activities by an independent evaluator.
- Implemented the investments using the finance or guarantees provided by the Loan and Guarantee Facility;
- Achieved creditworthy status, at a level defined in the utility strategy and business plan (this is likely to be at a minimum rating of BBB or the equivalent), rated by an independent entity;
- Reached a financing agreement with financiers (the utility owner, development finance institutions and local commercial banks) for a substantial portion of its realistic ten-year investment needs (beyond that provided by the Loan and Guarantee Facility itself).

12.4 Exit

UWCI support will be withdrawn and utilities will exit the initiative with prior notice under the following circumstances:

- Material breach of the Compact; or
- A failure to make satisfactory progress, that is, where agreed milestones are not met within a defined timeframe after due process has been followed (including a letter from the UWCI with a request for corrective actions to be undertaken); or
- Force majeure – unforeseen circumstances that may lead to termination by the UWCI and/or the utility.

12.5 End of Phase 2

Phase 2 support will end, unless otherwise jointly agreed, when:

- A utility has successfully graduated; or
- A utility has exited the programme in terms of Section 12.4; or
- The support funds for Phase 2 have been exhausted; or,
- The time period allowed for Phase 2 has come to an end.

Annex 1: Resource documents

Note: This list of resources will be expanded during programme implementation.

Document	Description and availability/link
Core documents	
Call of Applications 2023 Information Document	Information document guiding utility applications. Available from uwci@giz.de
Partnership Agreement	The agreement between UWCI and an individual participating utility covering for the early engagement phase. Available from uwci@giz.de
Compact template	A template to be used as the basis for the negotiated compact between the utility owner, board, management and regulator. Available from uwci@giz.de
Compact (signed)	The signed compact between the utility owner, board, management and regulator.
Strategies	
Example utility strategies	
Business plans	
Example business plans	
Climate risk assessments	
Methodology guideline	Available from uwci@giz.de
Example assessments	
Credit assessments and ratings	
Tools and methodologies	
Rating examples	
Business planning and technical assistance specification	
Business planning and technical assistance specification tool	Utility of the Future toolkit 2.0 (World Bank) A toolkit developed by the World Bank to assist utilities to assess key dimensions of utility management and improve business planning.

Business planning and technical assistance specification tool	<p>WaterWorX 'WOP tool'</p> <p>A tool used to guide business planning and the technical assistance provided through a water operator partnership.</p> <p>Available from uwci@giz.de</p>
Business planning and technical assistance specification tool	<p>AquaRating (IDB/IWA), used primarily in Spanish-speaking countries</p> <p>AquaRating offers an evaluation of the utilities' performance, based on indicators, best practices and reliable information. The goal of the rating system is evaluating the water and sanitation services in an integrated way through several assessment elements organized in 8 areas, providing a rating in each element.</p>
	<p>GIZ Water Impact Guidebook</p> <p>A book oriented to utility managers and their boards, to support capacity development. The guidebook has four module (1) enabling environment - governance and regulation (2) organisational development (3) human behaviour and (4) a set of utility good practices.</p> <p>Available from uwci@giz.de</p>
Rapid results programme	
Case studies	
Utility turnaround case studies	
Review	Engelsman, G. and Leushuis, M. 2016. Review of success stories in urban water utility reform. Rebel Group. Final Report to the State Secretariat for Economic Affairs (SECO), Switzerland, and
Review	Heymans, C., Eberhard, R., Ehrhardt, D. and Riley, S. 2016. Providing Water to Poor People in African Cities Effectively: Lessons from Utility reforms. World Bank
Programme learning	
Case reports	

Annex 2: Utility strategy – minimum requirements

As part of a successful completion of the Early Engagement Phase, a utility’s strategy must meet the following minimum requirements.

Topic	Minimum requirement	Status/Comment
Alignment	The strategy needs to be aligned to the strategic priorities identified and agreed in the Compact.	
Ambition	The goals should be ambitious but also realistic. The goals, when achieved, should mark a significant forward step towards financial sustainability, including the ability to take on loan finance, and contributions to SDG6 and 13.	This is necessarily a subjective criterion. The ultimate assessment of this will be made by the relevant governing structure of the UWCI.
Definition of success	The strategy should clearly define what a successful graduation from the UWCI looks like for the utility in terms of its transition to sustainable financing.	This should be agreed with UWCI prior to the finalisation of the strategy.
SMART goals	The goals in the strategy must be Specific, Measurable, Achievable, Relevant, and Timebound.	
Minimum financial goal #1	An OCCR of at least 1.2 (or an improvement of at least 0.2 if starting with an OCCR or 1 or more), <i>(Preferably a more ambitious target).</i>	
Minimum financial goal #2	An investment grade domestic currency rating (typically defined as BBB or equivalent)	As rated by an independent credit rating agency.
Minimum financial goal #3	A financing proposal for loan financing is submitted to a domestic or international financier. <i>(Preferably, additional financing making a meaningful contribution to the utility’s financing needs, appropriate to context, has been secured from a local or international lender.)</i>	
Indicator reporting	A commitment in the strategy to report annually and in a public way on a minimum	

	set of performance indicators, including those set out in Annex 8.	
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Annex 3: Utility business plan – minimum requirements

The business plan must include at least the following:

- **Targets.** Detailed business improvement targets with a shorter (1 to 3 year) time horizon that are aligned to the strategy and that address key utility performance areas (technical, financial, commercial, corporate). These targets must be SMART: specific, measurable, achievable, relevant and time-bound.
- **Actions.** Key activities and actions to be undertaken (typically arrangements by business area), with who is responsible for these actions, and how they will be funded, to achieve the targets.
- A **monitoring protocol** to measure and evaluate progress on key activities and indicators against the business plan targets.
- **Change management:** An explicit approach to change management, and identification of any specialist support required.

The targets, actions and monitoring protocol must address the following elements:

- **People:** The business plan must include a specific time-bound plan with actions to fill critical skills gaps, paying particular attention to the management team and professional leads in critical areas of the business.
- **Systems and processes:** Specific time-bound plan and actions related to upgrading critical utility systems and operating procedures and processes.
- **Money:** Specific time-bound plan and actions related to financial management, budgets and financial performance.
 - The plan will include detailed three-year revenue, cost and cash flow projections (underpinned by a financial model), and associated targets to meet these projections, with a focus on cash flow.

In addition, in an annex or associated document, the business plan must include:

Investments (operational): A list of investment opportunities, with brief descriptions and indicative estimates, that could be actioned by the utility itself in the short and medium term that are of an 'operational nature', with a focus on cash flow improvements and improving cost recovery, and likely to qualify for operational finance). These will be firmed up in Phase 1.

Investments (infrastructure): A list of investment opportunities, with brief descriptions and indicative estimates, that could be actioned by the utility itself in the short and medium term that represent small- to medium-sized 'no-regret' infrastructure investments and that may qualify for loan finance from the UWCI's Loan and Guarantee Facility. These will be firmed up in Phase 1.


Pre-feasibility and feasibility studies: An indicative list of pre-feasibility and feasibility studies likely to be needed. These will be firmed up during Phases 1 and 2.

Annex 4: Climate risk assessment – minimum requirements

The climate risk assessment undertaken during the Early Engagement Phase (or a recent climate risk assessment, if already undertaken) must include the following minimum content:

Note: The terminology in *italics* is defined below the table.

<p>Climate risk (Based on past <i>climate events and impact</i>)</p>	<p>A demonstrated understanding of utility <i>climate risks</i> based on past <i>climate events</i> and their <i>impact</i> on the utility.</p> <p><i>Climate risks</i> are likely to be primarily related to drought and flood events, but could include other <i>climate hazards</i> such as earthquakes, wind, lightning, and temperature.</p> <p>The major <i>impacts</i> on the utility are anticipated to include:</p> <ul style="list-style-type: none"> - Overall availability of water due to major disruptive events affecting the whole system (e.g. empty dams) - Damage to infrastructure and related functionality (with extensive or localized service impacts and cost of repair implications) - Service impacts (availability, reliability and quality of water supply, environment and health impacts related to wastewater). - Financial impacts (costs of repair, impact on utility revenues and finances) <p>This understanding should be descriptive and be supported by a register of actual hazardous events with a description of the event, its impact and, where practical, a quantification of impact.</p>
<p>Future <i>climate change</i></p>	<p>A summary of the best available understanding of scenarios and probabilities related to anticipated <i>climate change</i>, particularly in relation to how these will affect the frequency, duration and intensity of climatic events. These should be limited to those relevant to the utility, guided by past climate events and an understanding of utility <i>vulnerability</i> to climate <i>hazards</i>.</p> <p>The description should indicate the sources of this information and offer a view on the degree of robustness and reliability associated with the climate change scenarios.</p>
<p>Hazardous events (future)</p>	<p>A list of possible future hazardous events, with a brief description of the nature of the event, its anticipated impact, and the probability (likelihood) of it occurring. The focus should be on events that are anticipated to have a moderate, major or severe/catastrophic impact.</p>

<p>Risk matrix</p>	<p>A mapping of these hazardous events onto a 5 x 5 risk matrix that identifies likelihood and severity of <i>impact</i> for hazardous climate events.</p> <p>An example is given below:</p>  <p>5 x 5 risk assessment matrix</p> <table border="1" data-bbox="454 392 1228 750"> <thead> <tr> <th colspan="2" rowspan="2"></th> <th colspan="5">SEVERITY</th> </tr> <tr> <th>Insignificant</th> <th>Minor</th> <th>Moderate</th> <th>Major</th> <th>Catastrophic</th> </tr> </thead> <tbody> <tr> <th rowspan="5">LIKELIHOOD</th> <th>Very unlikely</th> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <th>Unlikely</th> <td>2</td> <td>4</td> <td>6</td> <td>8</td> <td>10</td> </tr> <tr> <th>Likely</th> <td>3</td> <td>6</td> <td>9</td> <td>12</td> <td>15</td> </tr> <tr> <th>Very likely</th> <td>4</td> <td>8</td> <td>12</td> <td>16</td> <td>20</td> </tr> <tr> <th>Almost certain</th> <td>5</td> <td>10</td> <td>15</td> <td>20</td> <td>25</td> </tr> </tbody> </table> <table border="1" data-bbox="638 784 1053 940"> <thead> <tr> <th>RISK SCORE (likelihood x severity)</th> <th>RISK LEVEL</th> </tr> </thead> <tbody> <tr> <td>≤5</td> <td>Low</td> </tr> <tr> <td>6-14</td> <td>Medium</td> </tr> <tr> <td>≥15</td> <td>High</td> </tr> </tbody> </table>			SEVERITY					Insignificant	Minor	Moderate	Major	Catastrophic	LIKELIHOOD	Very unlikely	1	2	3	4	5	Unlikely	2	4	6	8	10	Likely	3	6	9	12	15	Very likely	4	8	12	16	20	Almost certain	5	10	15	20	25	RISK SCORE (likelihood x severity)	RISK LEVEL	≤5	Low	6-14	Medium	≥15	High
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<p>Stakeholder mapping</p>	<p>A mapping of stakeholders, with a focus on two stakeholder groups:</p> <ul style="list-style-type: none"> - Stakeholders with both a high interest in and ability to influence actions by the utility to mitigate climate risks. - Stakeholders most affected by utility actions (or inaction) to mitigate climate risks but with little direct influence (that is, utility customers and potential customers). 																																																			
<p>Informant engagements</p>	<p>Engagement with a suitable cross-section of stakeholders (see stakeholder mapping), to review the risk matrix, and to propose actions to be undertaken by the utility to better understand and mitigate the impact of these hazardous events.</p> <p>(Engagements could be organized individually and/or in groups.)</p>																																																			
<p>Policy and legal influence on utility climate mitigation actions.</p>	<p>Demonstrate an understanding of the effect that existing national policies, legislation, regulations and standards have on the proposed actions by the utility to mitigate climate risks.</p> <p>This discussion should focus only on those policies, laws and regulations that impose notable mandatory requirements, or in other ways either significantly inhibit or support the activities of a utility in mitigating climate risk. The discussion must include a reference to the National Adaptation Plan and the Nationally Determined Contribution where these exist.</p>																																																			

<p>Implications for business plan</p>	<p>Identify and set out priority actions to be considered by utility management for inclusion in the utility’s business plan. These could include:</p> <ul style="list-style-type: none"> - Studies to improve the understanding of climate risks. - A more comprehensive climate risk assessment. - No regret investments (and other actions) to mitigate climate risks. - Options analysis and related pre-feasibility and feasibility studies on interventions to mitigate climate risks, leading to the development of an investment plan that builds climate resilience. - Development of a financing strategy to support investments in climate resilience. - Advocacy (for example, for necessary and appropriate changes to policies, regulations and standards).
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Definitions:

Terminology used in the climate risk assessment should be consistent with the following:

Risk: The potential for consequences [= impacts] where something of value is at stake and where the outcome is uncertain, recognizing the diversity of values. Risk is often represented as probability of occurrence of hazardous events or trends multiplied by the impacts if these events or trends occur. Risk results from the interaction of vulnerability, exposure, and hazard.

Hazard: The potential occurrence of a natural or human-induced physical event or trend or physical impact that may cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems, and environmental resources. In the [IPCC] report, **the term hazard usually refers to climate-related physical events** or trends or their physical impacts.

Impacts: Effects on natural and human systems. The term ‘impacts’ is used primarily to refer to the effects on natural and human systems of extreme weather and climate events and of climate change. Impacts generally refer to effects on lives, livelihoods, health, ecosystems, economies, societies, cultures, services, and infrastructure due to the interaction of climate changes or hazardous climate events occurring within a specific time period and the vulnerability of an exposed society or system. Impacts are also referred to as consequences and outcomes. The impacts of climate change on geophysical systems, including floods, droughts, and sea level rise, are a subset of impacts called physical impacts.

Climate Change: A change in the state of the climate that can be identified (e.g., by using statistical tests) by changes in the mean and/or the variability of its properties, and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcings such as modulations of the solar cycles, volcanic

eruptions, and persistent anthropogenic changes in the composition of the atmosphere or in land use.

Climate Adaptation: The process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects.

Climate Resilience: The capacity of social, economic, and environmental systems to cope with a hazardous event or trend or disturbance, responding or reorganizing in ways that maintain their essential function, identity, and structure, while also maintaining the capacity for adaptation, learning, and transformation.

Exposure: The presence of people, livelihoods, species or ecosystems, environmental functions, services, and resources, infrastructure, or economic, social, or cultural assets in places and settings that could be adversely affected.

Vulnerability: The propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.

Sensitivity: Factors that directly affect the consequences of a hazard. Sensitivity may include physical attributes of a system (e.g. building material of houses, type of soil on agriculture fields), social, economic and cultural attributes (e.g. age structure, income structure).

Coping capacity: The ability of people, institutions, organizations, and systems, using available skills, values, beliefs, resources, and opportunities, to address, manage, and overcome adverse conditions in the short to medium term (e.g. early warning systems in place).

Adaptive capacity: The ability of systems, institutions, humans and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences (e.g. knowledge of alternative farming methods).

KfW climate risk questions.

1. Climate signals and climate risks
 - a. What climate change signals are relevant to the water utility?
 - b. What climate-related risks are relevant for the utility?
2. Climate adaptation
 - a. How do climate risks affect the utility and its customers?
 - b. How can the utility mitigate and adapt to these risks and impacts?
 - c. What is planned and how much will it cost?
3. Climate mitigation
 - a. What is the utilities contribution to greenhouse gas emissions? (tCO₂e)
 - b. What is the potential to reduce greenhouse gas emissions?
 - c. What is planned and how much will it cost?
4. How do the proposed plans contribute to the national intended contributions (NDC) (adaptation and mitigation).

Annex 5: Creditworthiness assessment minimum content

The following factors need to be assessed as part of an initial creditworthiness assessment:

		Spheres of control and influence
A	Reporting and information (qualitative)	
1	Annual financial statements (availability and quality, including comprehensive and meaningful explanations)	Management
2	Financial forecasts (availability, quality, confidence)	
3	Investment planning (availability and quality)	
4	Management reporting (availability and quality)	
B	Financial performance (quantitative)	
1	Sources and reliability of revenue	Contextual
2	Subsidies for operating and capital costs - disclosure, reliability and sustainability	Owner
3	The availability of an operating cash surplus to fund capital investment - Operating Cost Coverage Ratio (OCCR)	Management
4	Cash availability and cash flow (liquidity)	
5	Management of customer debt (collection efficiency and accounts receivable)	
6	Financial sustainability - balance sheet structure (level of debt) and ability to repay debt (debt service coverage ratio)	Regulator-Board-Management
C	Governance	
	Organization and leadership	Board-Management
	Strategy, functional management and board stability,	
	Environmental and health safeguards	
	Other governance issues	
D	Regulatory risks	
1	Competition and market structure	Regulator
2	Tariffs and tariff setting process, revenue predictability	
E	Position within peer group (benchmarking)	Management

F	External factors	
1	Political risks	Government-Owner
2	Macro-economic risks - Inflation, interest, financial markets ... - National and sub-sovereign debt ...	Government
3	Climate risks and impact on water resources availability	External
4	Other input factor risks : energy; human resources	External

Annex 6: Rapid Results Programme – minimum requirements

There is a saying, attributed to Einstein, that doing the same thing and expecting different results is a definition of insanity. The rapid results programme is not about a utility doing the same thing and achieving a few more results because a few additional resources have been made available to the utility.

Rather, the rapid results programme is intended to demonstrate the possibility that much more can be achieved than is often believed through careful attention to how things are done, and through deliberate use of active learning methodologies to improve processes through a rapid learning cycle. This is likely to involve a change in mindset about what is achievable and will also involve a change in the way things are done, thus achieving substantially better results with existing resources.

The Rapid Results Programme should demonstrate to utility management and staff the power of employing a well-managed and deliberate action learning methodology in the context of a clearly defined short-term performance improvement goal. The learning from this should inform a wider and more ambitious change management and performance improvement program across the utility.

The Rapid Results Programme must meet the following minimum requirements:

1. Be aligned to the strategic goals of the utility;
2. Involve staff from more than one department or section within the utility;
3. Employ some form of action learning methodology, for example, plan-act-observe-reflect;
4. Be achievable with available resources (including the available support from UWCI);
5. Be able to show measurable results or achievements within a short period of time (for example, 100 days).

Annex 7: Technical Assistance Specification – minimum requirements

1. Be **aligned** with the utility’s business plan and support its implementation;
2. Identify critical gaps or weaknesses in **capability** and specify how these will be filled through recruitment, training and knowledge transfer (including capability necessary for planning, feasibility studies, design, financing and implementation of investments);
3. Identify critical weaknesses in **systems, standard operating procedures and business practices** and specify how these will be improved;
4. Allow for flexibility in implementation to fulfil the criteria of ‘fit-for-purpose’ and ‘just-in-time’ based on the needs, timing and absorptive capacity of the utility; and,
5. Be based on an assessment of the utility domains set out in Figure 8.
6. Include a particular **focus on financial performance** and related actions to access operational finance, and to achieve creditworthiness and to access loan finance.

Figure 7: Areas of assessment

Commercial management	<ul style="list-style-type: none"> ■ Customer relationship management ■ Customer service ■ Metering ■ Billing ■ Collections
Technical operations	<ul style="list-style-type: none"> ■ Expansion and rehabilitation plans ■ Asset management ■ Technical operations processes ■ Water treatment and quality ■ Distribution and nonrevenue water ■ Wastewater and fecal sludge management
Financial management	<ul style="list-style-type: none"> ■ Strategy and management ■ Planning and budgeting ■ Accounting and financial reporting ■ Control and transparency ■ Financial modelling and forecasting
Human resource management	<ul style="list-style-type: none"> ■ Human resources management ■ Attraction and recruitment ■ Training and development ■ Performance management ■ Compensation, benefits, and retention ■ Culture and values ■ Diversity
Organization and strategy	<ul style="list-style-type: none"> ■ Business strategy ■ Monitoring and reporting ■ Efficiency and continuity ■ Strategic capabilities ■ Utility governance

Source: Lombana Cordoba, Camilo; Saltiel, Gustavo; Perez Penalosa, Federico. 2022. *Utility of the Future: Taking Water and Sanitation Utilities Beyond the Next Level 2.0* World Bank Group.

Annex 8: Minimum reporting requirements

Project manager at utility level

Quarterly reporting on progress per deliverable, together with a narrative, as follows.

Milestone	Target date	% complete	Brief narrative
1. Compact			Achievements (past quarter): Planned (next quarter): Challenges/risks: Mitigation of risks:
2. Strategy			(as above)
3. Business Plan			
3a Climate risk assessment			
3b Credit assessment/rating			
4. Rapid results initiative			
5. TA specification			

Learning to inform programme design: Narrative of any reflections from experience to inform programme design.

Utility CEO

Annual reporting by utility on the following indicators, in terms of the utility's annual reporting cycle.

Note: Creation of baseline reporting for measuring progress during full phases of the UWCI. Significant movement on these indicators not expected during the early engagement phase.

KPI	Unit	Definition
SECTION 1: MANDATORY INDICATORS		
Overall UWCI Programme level indicators (mandatory)		
*** to be agreed		
Finance indicators (mandatory). Based on compact and business plan targets		
*** to be agreed		
Utility performance indicators [mandatory]		
*** to be agreed		
SECTION 2: OPTIONAL INDICATORS (based on compact and utility targets)		

KPI	Unit	Definition
Access indicators – Water		
*** to be agreed		
Quality of service – water		
*** to be agreed		
Access – Sanitation		
*** to be agreed		
Other indicators		
*** to be agreed		