



Urban Research Institute

## Albania Development Policy Operation 2: "Water Sector Implementation of Policy Note and Action Plan"

### Context

The Urban Research Institute is contracted by the MPWTT to carry out the completion of the objectives as set forth in the Terms of Reference that stand on the bases of the contract.

### The Goal

Review and improve on the existing standard Performance Agreement Model between a given utility, and the owners of the shares of the same utility. In doing so, the consultant will suggest, working closely with the other consultant to devise rules and regulations to institutionalize the implementation of Business Plans and Performance Agreements. The document will serve as a guide and shall:

- Define the main directions of development of the utility aiming to achieve the targets set forth in the PNAP in the shortest possible time; Define utility development goals and resources;
- Define the role of Local Governments, and the Utility, to reach these goals, and the need for other resources including domestic and foreign investments;
- Define a specific schedule for the reduction of operating subsidies from Central Government to the utility by not less than ten percent (10%) per year, with the intent of phasing out Central Government operating subsidies altogether during the next four coming years;
- Commit the LGU's and the Utility to reducing operating deficits by a corresponding amount, without significant sacrifices in service quality;



- Commit the LGU's to retaining the Service Area of the Utility for at least two years in order to avoid unnecessary fragmentation;

### Activities

- URI assisted the five utilities, selected to develop a business plan in the development and completion of their respective Performance Agreements. The Consultant shall prepare draft performance agreements for each of the five pilot utility companies and assist stakeholders to adopt and endorse it according to the roles and responsibilities that each one of the parties is obliged to play within its implementation.
- Review the current competitive grant mechanism and system of allocation of capital investment in the water sector and assist and design a Model for the Performance-Based Investment Transfer Scheme (PITS) that would help consolidate the flows of capital investments.

### MAIN FACTS

#### PARTNERS:

- ✓ World Bank/MPWTT

#### DURATION:

2008

#### BENEFICIARIES:

- ✓ Local Government

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### About URI

Since 1999 the Urban Research Institute (URI) has been delivering big results for development projects and programmers carried out throughout Albania. Our core business focuses on community development, local government strengthening, environmental protection, decentralization, and public services. We conduct studies, lobby the government, train local government units, increase public access to information, and connect development partners. URI has worked with donors such as USAID, Swiss Cooperation, the Netherlands Embassy, UNDP, World Bank, EU, SIDA, Open Society/Soros Foundation, etc.

- Annual Budget Law and in the respective Government Guidelines for the implementation of the Annual Budget Law will be introduced. The Consultant will also prepare the methodology standard documents for the preparation of new projects to be financed under the PITS. The Consultant is responsible for proposing a formula for the PITS allocation, which will have a component of performance, and a component of non-performance, to consider:
  - The performance based part of the allocation criteria should assess performance of utilities, against pre-defined targets in the Performance Agreement.
  - The non-performance based part of the criteria should be based on need (in the sense of focusing investment in places with the lowest level of coverage, the fewest hours of service, the lowest water quality and/or severe poverty exist;
  - A scheme for allocation of subsidies shall be proposed, taking into account both, i.e., the non performance based need for subsidies and the remaining gap for covering operation and maintenance cost according to the plan for reducing subsidies.
- Assist the five utilities that are selected to develop a business plan, in the preparation of application documents for new projects to be financed under the PITS that are consistent and supported by the documented and approved business plans.

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