



Joining Forces for Better Services?
When, Why, and How Water and Sanitation Utilities Can Benefit from Working Together



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CONTEXT DESIGN PURPOSE



- Economic efficiency
- Performance improvement
- Technical capacity enhancement
- Environmental benefits
- Solidarity

STAGES OF AGGREGATION

DECIDING 1-3 YEARS

- Understand the policy purpose you seek to achieve, and the context in which it takes place
- Decide whether aggregation is the right policy option to achieve your purpose
- Identify other complementary policy actions that will be necessary

DESIGNING 1-5 YEARS

- Engage with stakeholders to build ownership and defuse conflict
- Define the appropriate scope and scale to achieve the purpose intended
- Select a governance model that will ensure success
- Discuss and reach agreement on the governance of the future aggregated provider
- Agree on the process that will most likely lead to success

IMPLEMENTING 1-10 YEARS

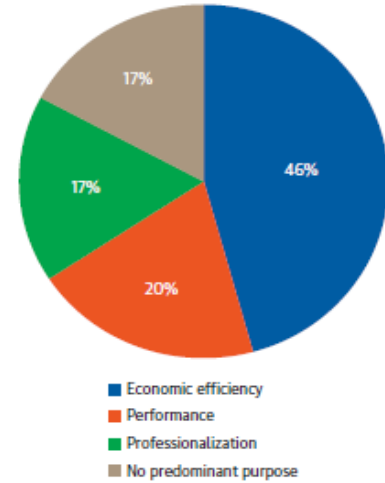
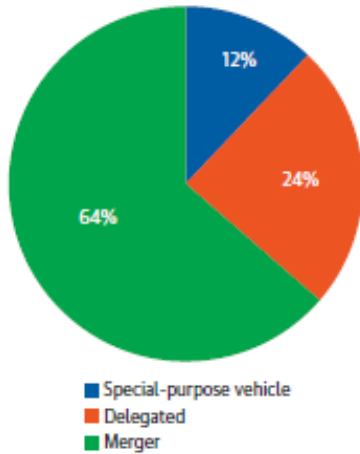
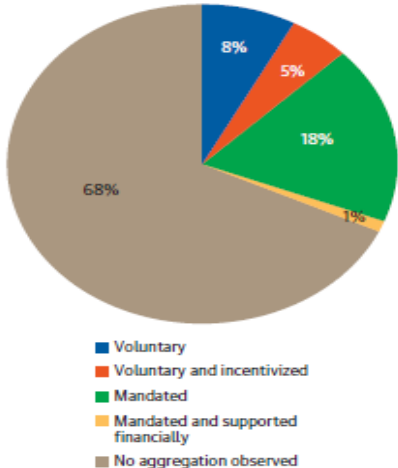
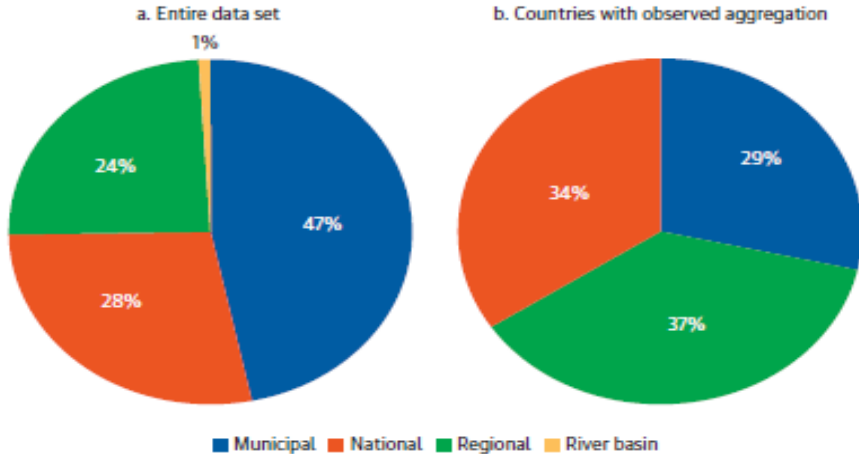
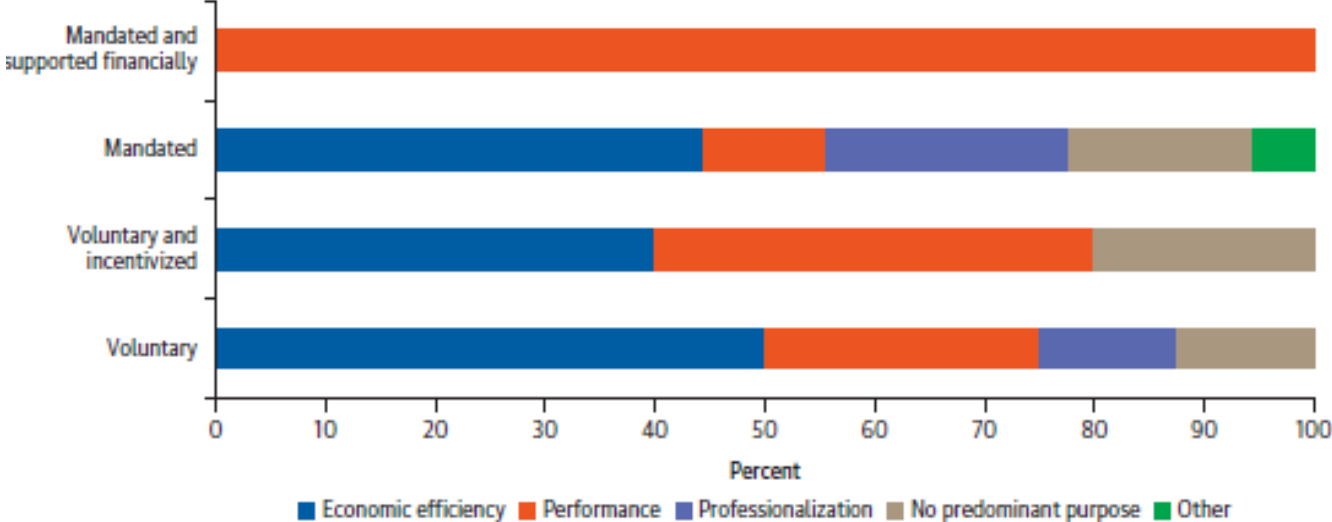
- Establish the appropriate legal framework for aggregation
- Involve stakeholders throughout the process
- Define the necessary incentives to align interests at various levels
- Provide the necessary technical & financial support to aggregating entities
- Manage the risks linked to the aggregation process

SUSTAINING 5-15 YEARS

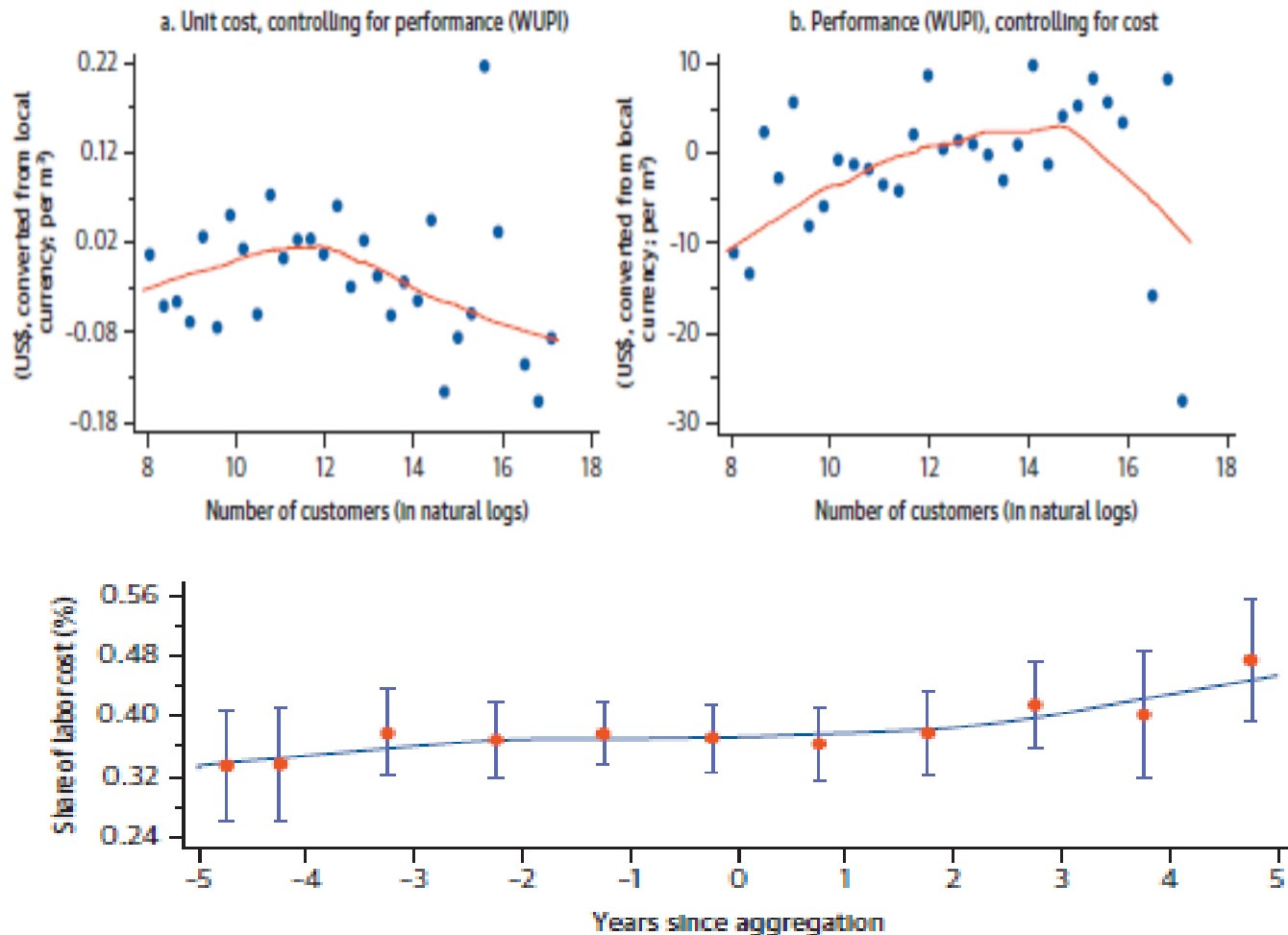
- Document the process and publicize success to all stakeholders
- Learn from challenges and adjust accordingly
- Deal with longer-term harmonization issues

1. Aggregation is a policy option, not a panacea for all sector challenges.
2. Aggregations come in many different shapes and forms, depending on the local circumstances.
3. The design of a successful aggregation will depend on the intended purpose of the aggregation, as well as on the overall context in which it takes place.
4. In the developing world, aggregation is primarily a means to deliver better services rather than to lower costs.
5. Aggregation is a gradual, long-term process that requires strong stakeholder commitment.
6. Finally, aggregations are most successful when accompanied by a broader sector reform addressing governance, financing, and regulatory issues at the sector level.

INTERNATIONAL OVERVIEW



BIGGER IS GENERALLY BETTER

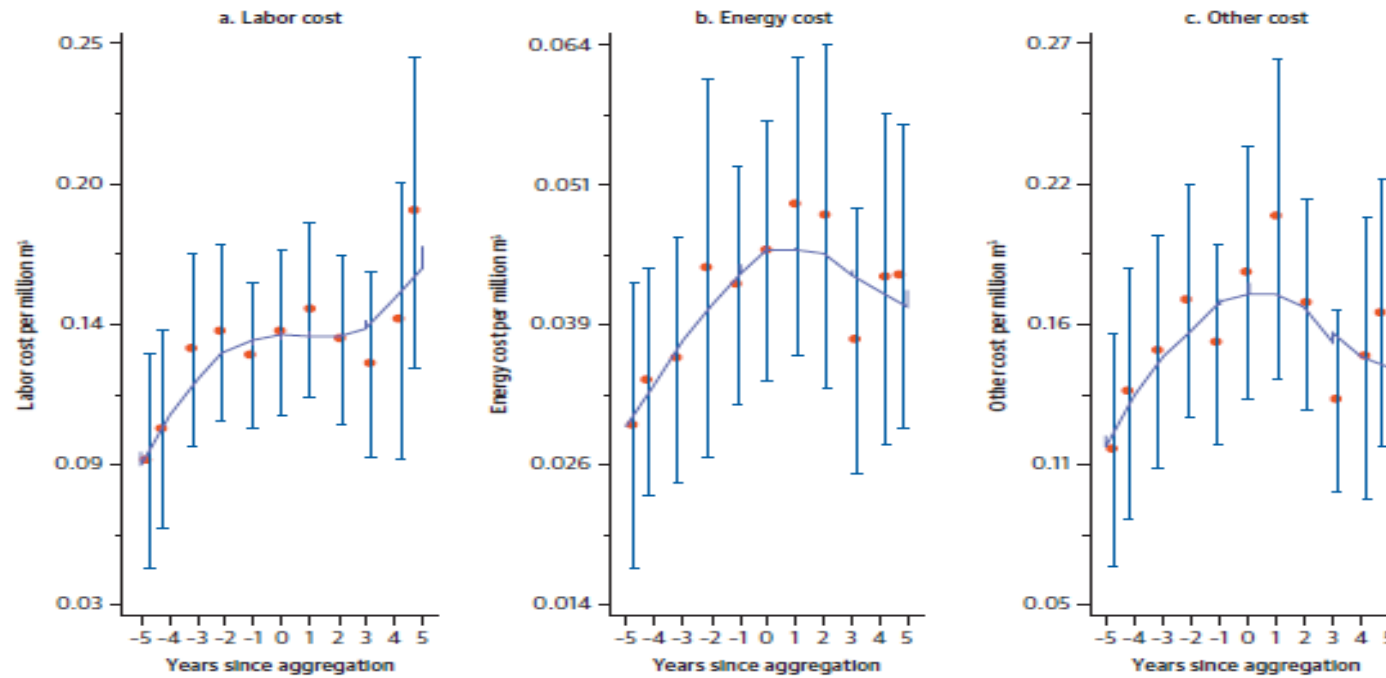


Utilities serving several towns do not see a straightforward decrease in unit costs when their size increases.

Most aggregations involve larger, urban utility companies taking over smaller, more rural towns, and therefore tend to add few customers and decrease density.

Utilities going through aggregation do not see decreases in the cost of labor, a key expenditure and expected area of economies of scale.

CONCLUSIONS FROM INTERNATIONAL PRACTICES



Note: The cost components have been deflated using the World Development Indicators consumer price indices and then converted to U.S. dollars. Negative values indicate years before the aggregation.

Limited, less complex aggregations, and aggregations of utilities that are already serving multiple towns, are more likely to achieve cost savings.

Aggregations that involve small or weak utilities tend to improve their overall performance, but costs do not decrease as economies of scale are reinvested into maintaining the improved services.

Having a stable champion throughout the aggregation often improves the likelihood of success.

Building ownership and aligning the interests of stakeholders at all levels is essential.

Results take time; gradual improvement strategies with a consequent focus on results are particularly successful.

Harmonization of administrative practices may level performance down and costs up.

Defining principles but allowing flexibility in implementation ensures local ownership.

WORLD BANK PROGRAM FOR RESULT

The Program Development Objectives are: i) to **improve operational and financial performance of water and sanitation (WSS) utilities** and ii) **increase access to safely managed water services** in Albania

RA 1: Strengthened National Sector Framework (US\$ 10 Mill.)

DLI 1: Improved sector financing instruments and incentives for improved performance adopted
DLR: Adoption of 4 new guidelines for: i) COVID-19 grants and performance; ii) Investment grants; iii) Incentives for Restructuring /regionalization; iv) New connections

RA 2: Improved Operational and Financial Performance of WSS Utilities (US\$ 45 Mill.)

DLI 2: Improved allocation of public expenditure to the WSS sector. DLR: Allocation of operational subsidies grants, incentives and investment grants by AKUM to eligible Water Utilities/ Municipalities as per new guidelines

DLI 3: Improved financial viability of WSS sector. DLR: 10 % Improved National aggregated score for direct operating cost coverage ratio (91%)

DLI 4: Improved continuity of water supply. DLR: 35 urban areas with minimum 18 hrs. of water supply.

RA 3: Closing the gap towards universal Water Supply Services. (US\$ 20 Mill.)

DLI 5: New functional connections providing safe and reliable water services. DLR: 3,000 new connection vulnerable households. 40,000 people provided with access to improved water sources (of which female 20,000; of which rural 32,000 and 8,000 urban)

THANK YOU



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