*Annex 12 to the Final Report – Detailed analysis underpinning the recommendations*

Recommendations are formulated after analysing the conclusions on implementation and lessons learnt (see Section 4.1 of the Final report). These are proposed in three areas:

* General recommendations;
* Recommendations for the start-up of the reforms in the water system;
* Recommendations for future projects.

This approach follows from the specific experience gained during the organization of the Water Reform project, which can help in recommending issues related to the mechanics of the project itself, but also to the context of the water sector. In addition, the recommended steps for the start-up of the proposed reform in the system are outlined.

**General Recommendations**

* When assessing several subjects possessing similar features (e.g., 20 pilot PUCs), the approach shall be top-down at first, and then bottom-up, otherwise the criteria applied may not be fair for all the involved parties and one runs the risk to make biased assessment. In order to organise the process of assessment properly:
  + Organise the work in hubs with one expert responsible for each hub,
  + Come-up with standardised questionnaires/checklists for data collection,
  + Promptly verify the data collected via careful checks, inter-NKE meetings and internal benchmarking,
  + Outline patterns of performance/underperformance and set proper bordering line,
  + Organise meetings (e.g., working groups) at early stage to achieve involvement and transfer of information between the parties,
  + Having all of the above done, then start the individual assessment.

It is recommendable to organise meetings within each hub to mitigate the initial resistance and foster the process of sharing information.

* When dealing with complex issues among diverse stakeholders, organise split discussion forums (e.g., working groups at central and local level). Various stakeholders may have different views and interests and reaching agreement can be very hard, particularly in the beginning of the process.
* Use Working Group meetings as arenas for sharing two-directional information with stakeholders, not only presenting project’s outputs. It is useful to leave room for the other participants to add-up or contribute to the project developments, otherwise they may feel fed-up of the pressure to grant their agreements only. By letting them participate into the process and not only endorse the ready-made decisions, they will feel more confidently “on the driver’s seat” and will contribute to the process more efficiently.
* Preferably use the local language in presentations to gain better beneficiaries’ ownership of the achievements. This adds value to the process of perception and learning in several ways: the threat that the foreign experience is blindly transferred is reduced; the presence of local presenters demonstrates that the new idea is better applicable, and also – communication is much easier in this case.
* When dealing with complex tasks, split the activities/outputs into parts and initiate step-by-step discussions with the stakeholders. This provides proper opportunity to initiate continuous ad hoc communication with the involved parties and split the due discussion into discrete particles. Apart form this, the stakeholders will have the feeling that they are cooperating with the project experts, not only granting approvals.
* Be fair in disseminating adequate information to raise the public awareness for the project achievements. Public should be involved, and this can be done in using all the possible channels – visibility events, publications, websites, media, conferences, etc. Important also is to attract participants other than in the initially nominated list, For instance, PUCs other than the 20 pilot ones were invited in trainings, workshops and conferences and this was helpful for the project to receive proper feedback from outsiders and also helpful for these stakeholders to feel better aware of the reform.
* Always refer to Project’s ToR and Project’s Technical Proposal. This recommendation does need to be analysed and justified. It is mentioned more as are reminder – both documents provide the list for mandatory activities and actions and the project managers should always match the project results with the project objectives set.

**Recommendations for the start-up of the reforms in the system**

These recommendations follow mostly from the integral package for the set-up of the Regulator provided in the project outputs, but also from the other project developments, particularly the measures for the reorganization of the sector.

* Adopt the Law on Price Regulation on the Water Utility Services
* Establish the Regulator (the Agency on Water Utility Services Regulation)
  + Allocate financing from the State Budget for the first year of operations
  + Establish premises (minimum 280 m2)
  + Appoint Members of the Board (5 members)
  + Recruit initial staff (18 employees)
  + Organise public procurement for equipment and supplies
  + Organise trainings and simulate procedures of work
  + Adopt the Methodology for tariff setting
  + Prepare, adopt, and publish the needed Rulebooks and Guidelines
  + Set targets and benchmarks for the KPIs
  + Raise public awareness for introduction of the system
  + Circulate request for the separate water operators to apply for a new tariff
* Adopt the needed amendments to other Laws
* Prompt the PUCs for adopting measures for reorganisation. A guideline or instruction is needed to initiate particularly the implementation of two of the proposed no-regret measures: adjustments of the organisational structures and introduction of cost-centres accounting.

**Recommendations for future projects**

These recommendations summarize the measures for reorganization, proposed by the Project, which are considered to require technical assistance.

* Assistance for establishment of the Regulator  
  Ad hoc technical assistance will facilitate the first steps of the existing Regulatory Agency, particularly in preparation of the needed procedures, formats, rulebooks and guidelines, as well as policy for KPIs. Similar project was run by AERS. Potential donors can also be EIB (European Investment Bank) or EBRD (European Bank for Reconstruction and Development).
* Business planning for water PUCs  
  With the establishment of the Regulator, for those not included in the list of the 20 pilot PUCs – prepare business plans in line with the adopted template, assist in preparation of the tariff application, capacity building. This might be considered a follow up of the current project, aiming and enhancing the scope of the involved stakeholders. Such a project will increase the technical capacity of the PUC and also facilitate the work of the Regulator.
* Assistance for improvements in asset management  
  A specialised technical assistance is highly recommended to, among all:
  + Propose rules/guidelines for asset evaluation,
  + Review and update the asset registry to tailor it for the water providers,
  + Prepare templates for Service Level Agreement between PUCs and LSGs,
  + Propose accounting principles for the assets "in use" by the PUCs,
  + Propose ToR for appropriate asset management software for water sector.

This is a potential project of key importance as the asset management in the country needs to be considerably improved. This will open the opportunity for the PUCs to better identify the assets in operation, to better use the asset-related costs (depreciation, etc.) in the tariff setting, and better plan investments, on the other hand, the LSGs can use the new contractual based relations with the PUCs to set proper service standards. Last, but not the least: the proposed Tariff Methodology sets provisions for a transitional period of tariff setting, which is predominantly related to the improvements in the asset management.

* Preparation of FOPIPs (Financial and Operational Performance Improvement Plans)  
  Recommended particularly for PUCs that went separated and/or regionalised. Organising FOPIPs is a standard procedure for utilities that are going through changes. The specific experience of EBRD show that water operators with organised FOPIP improve their operations significantly.
* Various feasibility studies  
  Focusing on rehabilitation of the worst performing networks, needed to efficiently assess funding sources. The feasibility studies will identify the needed interventions and quantify the cost of investments, in this way donors/credit institutions can be assessed easier.
* Integral wastewater / stormwater management plan  
  To outline the need for separation of the stormwater drainage from the wastewater collection system and streamline the investments in this area. Many PUCs have excessive problems in heavy rainfall as the combined wastewater collections system fails to fork properly. An integral approach to proper solutions is needed.