

# Urban Water Catalyst Initiative

## Call for Applications 2023

### Information Document for Applicants



Federal Ministry  
for Economic Cooperation  
and Development

Implemented by

**KFW**

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## List of Acronyms

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
KfW	Kreditanstalt für Wiederaufbau (KfW) - German Development Bank
OCCR	Operating cost coverage ratio
UWCI	Urban Water Catalyst Initiative
VEI	Vitens Evides International
WOP	Water Operator Partnership
WWX	WaterWorX.

## **Donor Acknowledgement**

The Urban Water Catalyst Initiative is a partnership initiated by the Federal Ministry for Economic Cooperation and Development (BMZ), Germany and supported by the Ministry of Foreign Affairs, the Netherlands.

## **Disclaimer**

This is a pilot programme and the first Call for Applications made by the UWCI. The purpose of the piloting programme is to test and validate the approach. The implementing agencies reserve the right to make changes to the assessment methodology and other elements of the offering of UWCI during implementation. The implementing agencies do not accept any liability for errors in this document or for any costs that may be incurred by utilities as a result of any changes made.

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Mail to [uwci@giz.de](mailto:uwci@giz.de)

For Further information

<https://www.urbanwaterci.org/>



# 1. Introduction

Inspired by examples of successful turnarounds in the performance of urban water and sanitation utilities around the world, the global Urban Water Catalyst Initiative (UWCI) will assist committed utility leaders in eligible low- and middle-income countries to improve the performance of their utilities and enable their utilities to become financially sustainable. The UWCI will do this by offering these reform-minded urban water and sanitation utilities a unique performance-based support package that combines both technical assistance and finance.

In brief, the UWCI will assist a committed utility leadership team to achieve their strategic goals through building a strong financial foundation and increasing access to finance for investment in operational improvements and infrastructure investment.

A participating utility that progresses successfully through all phases of the programme will be offered:

- **Technical Assistance** to support technical, corporate and financial performance improvement, provided in a just-in-time and flexible way;
- **Operational finance** up to a value of 10% of operating revenue to support small investments leading to improvements in cash flow;
- **Direct loans** to support a portion of investments in infrastructure according to the utility's investment plan;
- **Guarantees to support domestic commercial bank lending** to the utility; and,
- **Peer learning** that is facilitated between participating utilities.

The terms and conditions of the infrastructure finance that will be offered as a loan or through a guarantee will be specific to each country and utility. The intention of the UWCI is to provide a competitive offering through a scaled, global approach.

With this support, a participating utility should be able to make the transition to creditworthiness and secure a financing package that meets a substantial portion of its investment needs over the next five to ten years. As a result of higher and sustained levels of investment, participating utilities, and the initiative as a whole, will make a significant contribution to SDG 6 (access and quality of service) and SDG 13 (climate resilience).

The Initiative was officially launched at the UN Water Conference in March 2023 and registered as a cornerstone commitment towards the Water Action Agenda, aiming at a sustainable transformation towards a water-secure and climate-resilient future. UWCI is supported by the Governments of Germany and the Netherlands, and the European Union.

This document provides information on the Urban Water Catalyst Initiative as well as the requirements and specific information on the application process under the first Call for Applications 2023 of UWCI.

This document assists applicants in preparing and submitting applications.

### Call for Applications 2023

The Urban Water Catalyst Initiative plans to launch a series of competitive calls that will enable public urban water and sanitation utilities to apply for support and funding. The Call for Applications 2023 is the first call.

**Entry into the programme will depend on the strength of the application submitted to UWCI. A key element in the evaluation of the application will be the commitment and capability of the utility management to improve utility performance, together with evidence that the necessary political support for this endeavor can be mobilised.**

Selected utilities will enter into the UWCI's programme and make progress through progressive stages of support including an early engagement phase, business improvement supported by technical assistance, operational investments and access to loans for infrastructure investment.

The Call for Applications 2023 is implemented as part of the Piloting Programme<sup>1</sup> of the UWCI, preparing the start of operations of the initiative's long-term main implementation vehicle, the UWCI Facility, to be established in 2024.

The Call process will be managed by the three implementation partners of the initiative, the German Development Bank (KfW), the German International Development Agency (GIZ) and WaterWorX through VEI.<sup>2</sup>

The main features of this Call for Applications are the following:

- The Call is limited to pre-selected public urban water and sanitation utilities from eligible countries and includes selected utilities from ongoing programmes of the German Utility Platform and the Netherlands' funded Water Operator Partnership (WOP) Program WaterWorX. This first Call is therefore a closed call that is only available to those utilities that have been invited to submit applications.
- Up to 7 utilities will be selected in this Call for Applications.
- **Submission of applications will be via a dedicated application website. Access to the online portal will be provided to the utility on 30 October.** All data and information submitted as part of the application will be accessible only to the utility and assessors of the UWCI and are protected.
- **The deadline for submission is 16 December 2023. Utilities will be informed about the selection (acceptance of the application) by the end February 2024.**

<sup>1</sup> The purpose of the Piloting Programme is to test and refine the support offered by the UWCI with a view to maximizing its effectiveness. Learning during this phase will inform future Calls. Because this is a pilot, there will also be an opportunity to adapt processes and offerings as appropriate.

<sup>2</sup> VEI is a full subsidiary of Vitens N.V. and Evides N.V. and implements their international Corporate Social Responsibility policy on behalf of seven Dutch drinking water partners. VEI manages the WaterWorx programme on behalf of ten Dutch water companies including World Waternet.

- Selection will be competitive, based on an evaluation of the submitted applications. (See Section 5.) Only selected utilities will enter the UWCI programme and receive tailored technical and financial support. Utilities with a compelling application, which cannot be accepted for the programme in the first round, will be invited to a second Call for Applications in 2024.
- Applications must be made in English.<sup>3</sup> A Spanish and French translation of this information document will be made available.
- Utilities can request guidance and support on the preparation of Applications by writing to [uwci@giz.de](mailto:uwci@giz.de). (See section 4.5 for the kind of support that will be offered.)

The Initiative is committed to a simple, fair and clear application and selection process. Based on experiences under this first Call for Applications, the process and selection criteria will be reviewed and refined for future Calls.

UWCI is a global initiative and strives to be geographically distributed across various regions, including Latin America, Northern Africa, Sub-Saharan Africa and Asia.

More details on the UWCI are published on the website of the Urban Water Catalyst Initiative at [www.urbanwaterci.org](http://www.urbanwaterci.org).

We look forward to receiving your application.

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<sup>3</sup> Annual reports and financial statements can be provided in their original form. An English summary of key tables in the financial statements will be required.

## 2. About the Urban Water Catalyst Initiative

### 2.1 What does the initiative aim to achieve?

The vision of the Urban Water Catalyst Initiative (UWCI) is to accelerate access to safe and climate-resilient water and sanitation services in urban areas for all through well-performing, financially viable and resilient urban water and sanitation utilities.

A utility that is starved of resources cannot meet its service objectives. These utilities are typically almost entirely dependent on grants for investment in infrastructure and these grants are frequently insufficient to meet the investment needs. Therefore, the mission of the UWCI is to accelerate improvements in the performance and climate resilience of urban water and sanitation utilities by mobilizing additional finance through enhanced cost recovery and creditworthiness.

Water and sanitation services are essential for life, and their underlying infrastructure is critical for the economy and a prosperous society. However, the global gap in access to water and sanitation services is massive: over 2 billion people worldwide do not have access to safely managed drinking water and 3.6 billion people do not have access to safely managed sanitation services.

Well-functioning utilities are vital in providing reliable services to growing urban populations. Yet the available funds and finance for necessary investment and maintenance of infrastructure is often not sufficient. A key purpose of the UWCI is to enable higher levels of investment by utilities through supporting improvements in their technical, commercial and financial performance. A key goal is to support a utility to become creditworthy.

The UWCI offers a unique combination of technical assistance, operational finance and infrastructure finance to assist utility leaders committed to these goals to make the transition to financial sustainability.

## 2.2 How will it succeed?

The Urban Water Catalyst Initiative defines a **“utility turnaround”** as a process of transformational change through which the technical, corporate and financial performance of the utility is substantively improved. The goal of a utility turnaround is to create a well-performing and financially sustainable utility that is creditworthy and able to access commercial finance.

Experiences from around the world clearly show that utilities are able to perform well where there is a combination of effective management and a suitably supportive enabling environment. Where these conditions are in place, utilities are able to improve efficiencies and generate sufficient revenues to support both the operations and maintenance of their infrastructure, as well as contribute to infrastructure investment. This means that, together with appropriate levels of government investment, utilities are able to both sustain existing infrastructure as well as invest in expansion. The evidence shows that these well-performing utilities are in a much stronger position to meet their service goals and become resilience.

The benefits of a turnaround in the performance of a utility can be very significant. Examples have shown that it is possible to improve operating cost coverage by 20% or more over a period of three years while keeping tariffs constant, enabling utilities to access loan financing directly. Data from operators around the world show that water sales and revenue collection rates also can be improved by up to 50 percent through targeted operational and infrastructure improvements.

These experiences show that better service outcomes depend on both the technical and commercial operations of a utility. The management of people and finances, within an appropriate organizational set up and strategy, drives improvement. The quality and effectiveness of management are dependent, in turn, on governance. All of this takes place within the regulatory framework that sets out the mandate of the utility and regulates key processes such as board appointments and the setting of tariffs. With this in mind, UWCI explicitly embraces a “whole-of-utility” approach to the turnaround in utility performance.

UWCI will work with the leadership of the utility to secure the necessary conditions



for success early in the process and to bring about improvements in utility performance in all important dimensions – technical, commercial, corporate and financial. This lays the basis for improving service outcomes.

The transformational theory of change underlying the approach of the UWCI is inspired by various sources, including a review of outcomes of support to water sector reforms in Africa and a review of success stories in urban water utility reform undertaken by SECO. Further, the theory of change builds on the Utility Turnaround Framework and Utility of the Future Programme developed by the World Bank and the experiences of the WaterWorx Programme. Further information on case studies of successful utility turnarounds is available at [www.urbanwaterci.org](http://www.urbanwaterci.org).

## 2.3 How will it work?

The UWCI will partner with a utility over a number of years to bring about the desired improvements in a phased approach. The level of technical and financial support provided in each phase increases. Support in the Early Engagement Phase is 'light touch'. More substantial technical assistance support is offered during the further phases, first together with operational finance, and later together with infrastructure finance.

Utilities will make progress through the phases of support as milestones are met, as shown in [Figure 1](#) and described below.

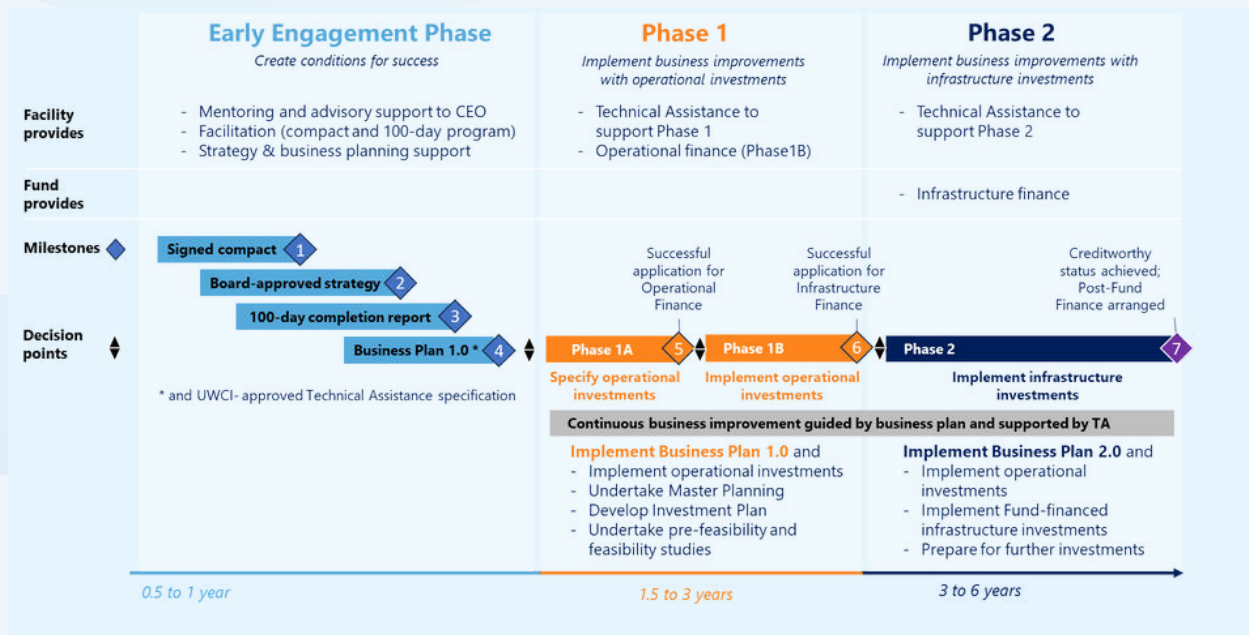


Figure 1. Phases of Technical and Financial Support by UWCI (full size in Annexure 4)

## Early Engagement Phase

The purpose of the Early Engagement Phase is to allow time for the establishment of relationships and the development of trust between the utility and the UWCI, and to create the conditions that will support a successful outcome.

The Early Engagement phase starts once a **framework contract** has been signed between the Facility<sup>4</sup> and the utility. This concise agreement will set out the process, general obligations, initial financial commitment for the Early Engagement Phase, indicative financial allocations subject to confirmation for further phases, dispute resolution and exit provisions.

The Utility CEO will choose a **senior advisor (also called “trusted advisor” or “mentor”)** from a pool in consultation with the UWCI to advise the CEO and management team on and support the process during the Early Engagement Phase. The pool of senior advisors will be carefully selected for suitability and have the necessary experience to fulfil this important role.

A key milestone in the Early Engagement Phase is the crafting and signing of a

<sup>4</sup> Once the Facility is established, contracts will be signed between utilities and the Facility.



**Compact** that will allow the utility to manage and finance itself in a professional way, while ensuring that it is accountable for meeting the utility's shareholder's goals and targets for service expansion, service quality and resilience.

Two baseline assessments will be undertaken (if needed) – a 'light-touch' **creditworthiness assessment and a climate vulnerability assessment**.

During the Early Engagement Phase the utility management and senior advisor will **review the utility's strategy and business plan** to ensure they are fit-for-purpose. The utility's strategy needs to have clear time-bound goals that address three areas: (1) technical, corporate and financial performance of the utility, including creditworthiness, (2) access to water and sanitation and service quality, and (3) climate resilience, in alignment with the overall goals of the UWCI.

Quick wins will be identified and implemented during a '**100-days programme**' with the purpose of achieving a positive atmosphere around the programme and creating momentum for change.

Technical assistance (TA) needs will be assessed, and a **TA programme designed**.

During this phase, the UWCI will provide and offer support as follows: trusted advisor and mentor, baseline assessments, strategy and business planning support (development/review), design of technical assistance and facilitation of a quick win programme with associated interventions.

The decision as to whether to proceed or not will be made at the end of the Early Engagement Phase which is expected to be completed within 6 to 12 months.

The UWCI will base this decision on the successful completion of the following milestones:

- Signing of a compact agreement with commitments that will support a pathway to performance improvements and achievement of creditworthiness;

- Board approved strategy and business plan with time-bound goals aligned to the overall goals of the UWCI – improved utility performance, a realistic transition to creditworthiness and improvements in access/quality and resilience;
- A 100-day completion report demonstrating some momentum for change; and,
- A technical assistance specification.

The decision will be based on documented evidence of the above together with inputs and interviews with the utility CEO and trusted advisor.

On successful completion of the Early Engagement Phase, the UWCI will confirm the TA specification and an allocation of funds for technical assistance for an indicative period of five to six years (for Phases 1 and 2), to be released in tranches on completion of defined milestones.

### **Phase 1: Business improvement together with operational investments**

The support available during Phase 1 will comprise the following:

- The services of a trusted advisor (part-time)
- Coaching for the top management team
- Technical assistance to support business improvement
- Operational finance to be used for small investments and to support improvements in utility cash flow (on successful application to the UWCI).

The UWCI will contract a trusted advisor<sup>5</sup> in consultation with the utility CEO who will 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 oversee 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 technical assistance warrants this.

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<sup>5</sup> This can be the same senior advisor as in the Early Engagement Phase or a different person.

The activities during Phase 1 will include the following:

- Implementation of the business plan, with technical assistance support.
- Implementation of operational investments on successful application for operational finance. (The second tranche of TA funds will be made available on completion of a successful application for operational finance.)
- Master planning: A master plan for water services delivery with a 25 – 30 year outlook will be prepared/updated, including a water resources evaluation and a long term investment plan. This master plan will define the infrastructure project portfolio for which loans could potentially be attracted through the Fund or post UWCI initiatives, showing how the SDG 6 goals will be met and respond to the climate vulnerability and water resilience risk assessment.
- Prefeasibility studies: Based on the master plan, prefeasibility studies will be done for specific investment packages and presented to UWCI and other financiers.
- Feasibility studies: At least one of the prefeasibility studies will be followed-up by a feasibility study leading to a proposal for an investment loan to the Fund or a local commercial bank.
- At the end of Phase 1 (or the end of year 3<sup>6</sup>, whichever comes first), the programme progress will be evaluated by an independent evaluator contracted by the Facility. Based on the conclusions and recommendations, the utility will be advised on improving and updating the Business plan (Business Plan “2.0”), and appropriate changes to the TA specification will be made.

## **Phase 2: Business improvement and expansion with infrastructure investments**

A successful application for infrastructure finance marks the entry into Phase 2 of the programme. In this Phase, the activities of Phase 1 will continue with the additional activity of investments in infrastructure from direct loans or guarantees made available from or through the UWCI.

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<sup>6</sup> From the date of signing the framework agreement.

Support during Phase 2 includes:

- An ongoing advisory service (part-time);
- Technical assistance to support a transition to creditworthiness; and,
- Investment finance in the form of direct loans and/or guarantees for borrowing from domestic banks or capital markets.

A utility can access infrastructure finance from the Fund once it has:

- Successfully implemented operational finance investments (completion report approved by the UWCI);
- Received a favorable recommendation from the mid-term independent evaluation;
- Updated and improved the Business Plan;
- Updated the technical assistance specification based on the above; and,
- Met the conditions for infrastructure finance.

Key goals in Phase 2 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 covering the utilities realistic infrastructure investment needs over a period of five to ten years.

Both the 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, based on the technical assistance specification and to support the process of getting a larger financing package for infrastructure investments arranged (beyond that provided by the Fund itself). Infrastructure finance or guarantees from the Fund will be released in terms of the agreement with the UWCI and possibly other financiers, in particular local banks.

The indicative timeframe for this 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 Fund.

## 2.4 Graduation from the UWCI

A utility will successfully graduate from the UWCI once it has received a favorable evaluation by an independent evaluator, including the following:

- Substantively met or moved towards the goals as defined in its Strategy and Business Plan;
- Implemented the investments using the finance or guarantees provided by the Fund;
- 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; and,
- Reached a financing agreement with financiers (the utility shareholder, development finance institutions and local commercial banks) for a substantial portion of its realistic ten-year investment needs (beyond that provided by the Fund itself).

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

- Material breach of the Compact agreement; 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 Facility with a request for corrective actions to be undertaken); or
- Force majeure – unforeseen circumstances that may lead to programme termination by UWCI management and / or the utility.

## 2.5 Monitoring and evaluation

UWCI strives for a lean monitoring and evaluation (M&E) system that focuses on the achievement of milestones and measuring results. Data for monitoring and evaluating activities funded by UWCI should be, as far as is practical, generated through the existing management information systems of participating water and sanitation utilities.

Independent evaluations will be undertaken at two key points in the process, at the end of Phases 1 and 2. An independent creditworthiness assessment will also be undertaken towards the end of Phase 2.

Monitoring and evaluation results and findings results will be used for informing decisions in relation to graduation of a utility from one phase to the next and for reporting by the Initiative to the public and its donors.

Reporting obligations and other matters related to access to data and information will be included in the framework contract between the initiative and the utility.

Utilities receiving technical and/or financial support from UWCI shall provide data, information and access for the initiative's M&E system and processes according to the following schedule:

- Key performance indicators and milestones for measuring progress will be defined in the Compact as part of the Early Engagement Phase. These may cover operational process measures as well as performance indicators.
- At the end of Phase 1, utilities will support a mid-term evaluation that will review progress and the results achieved, challenges encountered and how these have been tackled.
- At the end of Phase 02 utilities will support a final evaluation that will assess the overall achievements against the indicators, milestones and targets defined in the compact.



Additional information might be requested from the partner utilities in cases where the UWCI needs the information for its own reporting obligations towards donors, the public parties or other third parties.

The results framework of the UWCI aims for improvements in the following areas:

- Operating cost coverage ratio and other financial indicators;
- Operational, technical and corporate performance indicators and related processes;
- Access and quality of drinking water and sanitation services;
- The resilience of water and sanitation systems;
- Mitigation of greenhouse gas emissions by the utility; and,
- Gender equality and social inclusion.

## 3. Call for Application

The following sections include important information on the Call Process, the application to be submitted and the criteria that will be applied by UWCI when evaluating applications and making funding decisions.

### 3.1 Overview of the process

The Call for Applications consists of the following steps:

1. Initiation of a Call for applications;
2. Submission of applications by utilities;
3. Assessment and validation of applications;
4. Decision on final selection; and,
5. Conclusion of a framework contract between participating utilities and the initiative.

## 3.2 Country eligibility

The UWCI has assessed a number of countries for suitability and eligibility for participation in the UWCI. Five broad areas were assessed:

1. The political and economic context and associated risks.
2. The utility market, that is, the potential size of the market (number and size distribution of utilities that could be eligible to participate in the UWCI).
3. The prospects for utilities in that country to transition to creditworthiness within a reasonable timeframe, taking into account country policies, the regulatory environment (including for example how tariffs are set and regulated) and the maturity of local capital markets.
4. The water sector financing eco-system and the extent to which the UWCI could complement existing financing arrangements.
5. Development partner funding priorities.
6. A list of eligible countries is provided at [urbanwaterci.org](http://urbanwaterci.org). The list of eligible countries may be expanded over time depending on interest, uptake and available funding.

## 3.3 Utility eligibility and selection criteria

### Formal eligibility criteria

A utility must be incorporated in an eligible country and meet the following formal criteria to participate in the UWCI:

1. Be a corporatized entity with management autonomy, overseen by a board of directors or suitable supervisory governance structure. The UWCI support cannot be provided directly to partner government institutions like ministries or municipal departments operating water and sanitation systems.
2. Be publicly owned and managed. Utilities that are majority privately owned are not eligible to participate in the UWCI. Utilities whose management or operations of the service is delegated to the private sector are not eligible to participate in the UWCI.



1. Be a corporatized entity with management autonomy, overseen by a board of directors or suitable supervisory governance structure. The UWCI support cannot be provided directly to partner government institutions like ministries or municipal departments operating water and sanitation systems.
2. Be publicly owned and managed. Utilities that are majority privately owned are not eligible to participate in the UWCI. Utilities whose management or operations of the service is delegated to the private sector are not eligible to participate in the UWCI.
3. Have a legal mandate to invest in, operate and maintain water and/or wastewater infrastructure. A key goal of the UWCI is to increase the capability of a utility to invest in infrastructure.
4. Not be legally precluded from taking on loan finance. A key goal of the UWCI is to assist a utility to increase the level of sustainable investment through establishing the utility's capability to access loan finance.
5. Have a mandate to serve low-income households in its area of supply.
6. Investment made by the utility should contribute to SDG 6.

Multi-sector utilities which manage other services in addition to water and/or sanitation services are eligible to submit applications but the finances of the water and/or sanitation service must be ring-fenced with separate financial statements produced.

### **Key selection parameter: reform-mindedness**

Entry into the programme will depend on the strength of the application submitted to UWCI. A key element in the evaluation of the application will be the 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. The definition of reform-mindedness and how this will be evaluated is set out in the section explaining the evaluation process ([Section 5](#)).

### **Other selection preferences**

In addition to the formal eligibility criteria, and the primary selection parameter of reform-mindedness, the UWCI will also apply the following preference filters:

- **Investment needs:** Utilities should have investment needs that both improve access and service quality (SDG 6) as well as build water resilience (SDG 13) to align the overall objectives of the UWCI.
- **Financial performance:** Utilities should have a reasonable prospect of achieving creditworthiness within a five-year period, that is, utilities should not be too financially weak nor should they already be creditworthy.
- **Size:** The UWCI offering is best suited to medium-sized utilities that are neither 'too large' nor 'too small'.
- **Regional and country diversity:** The UWCI is a global initiative. For the purposes of maximising learning and to achieve a diversified portfolio of partner utilities, the Call of Applications will seek to get participation from utilities across diverse regional and country contexts.

More specific guidelines are given in the [Section 5](#).

## 4. The Application

### 4.1 Paying attention to what is important

Successful entry into the UWCI support programme will depend on the strength of your application. The strength of your application is not defined by the current level of performance of your utility but rather the level of commitment that the leadership team at the utility have to improve the level of performance, and the prospects of getting the support you need to achieve this. The purpose of the UWCI is to assist you in this process.

The Applicant needs to demonstrate motivation, capability and commitment to implement performance improvements and achieve the goals jointly identified with the Initiative in order to achieve operational cost recovery and creditworthiness of the utility.

In addition, the application needs to indicate clearly that the necessary support can be obtained from the Board of the Utility, the owners (shareholders) of the utility and other important political stakeholders or oversight authorities to make progress on a path to financial sustainability.

## 4.2 Overview

The application is divided into the following sections:

1. Contact information
2. Eligibility
3. Motivation to participate
4. Performance Data
5. Financial Data
6. Other supporting documents
7. Signed declaration

After confirming eligibility, the most important sections are the motivation to participate and the supporting documents.

A complete submission, together with the required supporting documents, will allow for a consistent and comprehensive presentation of the utility's motivation to participate in the programme. **Incomplete applications will not be assessed.**

## 4.3 Guidance to complete application

### General

The application will be completed electronically.

The application must be made in English.

Please make sure that any supporting documents prepared for the application meet the following criteria:

- a minimum font size of 11;
- a plain and easy to read font such as arial, montserrat, century gothic;
- searchable pdf format.

Please respect maximum page lengths, which are all inclusive of tables, annexures etc.

Annual Financial Statements and Annual Reports will be accepted in their original published format. An English summary of key tables in the Annual Financial Statements will be required.

### General information

The following information will be requested:

1. Name of Utility and related details.
2. Scope of services of the utility.
3. Population in service area and a map of the service area.
4. Name of CEO and related details.
5. Primary contact person name, designation and contact details.
6. Names and contact details of three people able to provide a reference for the CEO.

7. Names and contact details of key persons, their position, organization and contact details from development and financing agencies, and water operator partnerships (if any), with whom the utility has engaged over the last two or three years. The nature of the engagement should be stated, as per the template provided.

## Eligibility

The utility will be requested to provide confirmation, with evidence, that the utility meets the formal eligibility criteria set out in [Section 3.3](#):

1. The legal form of the utility, the year the utility was established (in its current legal form) and the founding or governing legislation and statutes;
2. The ownership of the utility (public/private) and management arrangements (public/private);
3. A legal mandate to undertake infrastructure investments;
4. A legal mandate to take on loan finance; and,
5. A legal mandate to service the low-income / underserved population groups or areas in its service area;

Evidence can be provided by means of examples (precedent) and/or with reference to specific legal provisions.

## Motivation to participate

**This is the most important section of the application.** The motivation is made up of three components:

- A motivation letter (required)
- A supporting report (required)
- A video with a spoken motivation by the CEO (optional)

## Motivation letter

The CEO should prepare the motivation letter in his/her own words and in his/her mother tongue.

The letter should respond to the following questions:

- Why are you applying to the UWCI?
- What do you hope to achieve as a leader? (What is your vision?)
- What do you hope to achieve as a leader? (What is your vision?)
- Why do you believe you will be successful in achieving your goals?
- Why should the UWCI have confidence in the utility leadership to achieve these goals?

The letter may not be longer than 3 pages.

An English translation must be submitted together with the original.

### Supporting report

The purpose of the supporting report is to **provide evidence** in support of the letter of motivation.

The supporting report should include:

- examples of how you, as CEO, have led change at the utility or elsewhere;
- a reflection on the strengths and weaknesses of your management team;
- a description of efforts made over the last three years to improve utility performance, together with results, with examples of specific initiatives – what was done, why it was done and with what results?
- A summary table of key technical, corporate and financial parameters and performance indicators for at least the last five years, selected by yourself, based on what you consider to be most important. Not more than 20 indicators maybe chosen. (These indicators may overlap with those requested in the following section.)
- The nature and size of the utility's investment needs over the next ten years.

The supporting report must not be longer than 10 pages (including tables, figures and any annexures). An English translation must be submitted together with the original.

### Motivational video (optional)

You may submit a video of the CEO speaking and providing a motivation for participating in the UWCI. The video should answer the same questions as for the motivation letter.

The video should be in a standard video format, for example MPEG or MOV.

The video may not exceed 5 minutes.

An English translation must be provided if the video is not in English.

### Utility financial data

**Please note that the current level of financial performance of the utility is not used as a primary criteria for selection.**

### Audited financial statements and annual reports

Audited financial statement and annual reports for the last three financial years (most recent available) need to be provided as follows:

- Originals in the language of the utility, pdf format.
- The Income Statement, Balance Sheet and Cash Flow need to be provided in an English translation, in pdf.
- Summary financial statement data in the excel template provided.

### Accessibility to the public

If annual reports and annual financial statements are available on a website that can be accessed by the public, the urls will be requested.

## Utility performance and corporate data

**Please note that the current level of performance of the utility is not used as a primary criteria for selection.**

Specific performance data will be requested for a five-year period (up to the most recent available) to be input into an excel template. Information requested will include:

- The operating cost coverage ratio, together with an explanation of how this has been calculated. (required)
- non-revenue water %
- collection efficiency
- quality of service indicators relevant to the utility context and as measured by the utility. Guidance is offered in the template
- water and sanitation access data to the extent measured and practical (proportion of population in service area with a defined minimum service level.) Guidance is offered in the template.
- volume of water sold
- volume of wastewater treated (if applicable)
- number of water connections
- number of sewer connections (if applicable)
- utility staff
- energy usage

The entries should include definitions and details of how the indicators are calculated, and reference sources of information for the indicator, e.g. regulatory report, annual report, financial statements etc.



## Management team information

The utility must provide the names of all persons who have held senior management positions in the utility during the last five years, whether permanent, acting or no longer employed, as follows and as per the templates provided.

The names of the **CEO** of the utility during the last five years, stating period of employment and capacity (permanent or acting, retired/resigned).

The names of the senior executive or manager responsible for finance (**Chief Financial Officer**) during the last five years, stating periods of employment in that position and capacity (permanent, acting, retired/resigned).

The names of the senior executive or manager responsible for **corporate services and human resources** during the last five years, stating periods of employment in that position and capacity (permanent, acting, retired/resigned). If these positions are separated, provide details for both positions.

The names of the senior executive or manager responsible for **technical matters (operations and capital programme)** during the last five years, stating periods of employment in that position and capacity (permanent, acting, retired/resigned). If these positions are separated, provide details for both positions.

## Other supporting documents

The supporting documents requested are an important part of the application.

1. A **letter of support from the chair of the utility Board**, that includes a commitment to sound governance processes, and to the principle of managerial autonomy with accountability. See Annexure 3.
2. A **letter of support from the utility owner** (shareholder representative), including a commitment to utility revenue sufficiency and creditworthiness, and to the principle of board and management team stability. See Annexure 3.

3. A **letter of support from the sector economic** regulator (or government, if there is no economic regulator), including support for the principles of revenue sufficiency and creditworthiness. (**not obligatory, but highly recommended**) See Annexure 3.
4. **Curriculum Vitae of the CEO** (maximum 3 pages). The Curriculum Vitae needs to show current and prior experience (positions held, length of tenure), and should **highlight achievements as a result of the leadership position occupied**.

#### A signed declaration

A signed declaration on the letterhead of the utility must be submitted as set out in Annexure 2.

## 4.4 Submission of applications

Applications on the website must:

- Be completed in English;
- Be comprehensive, including all of the required information and documents;
- Be submitted electronically on the web platform provided; Details will be shared on October 30th. Data and information submitted via the web platform will be handled confidentially and only be accessible to the utility and the evaluation committee, and,
- Be submitted before midnight Central European Time on the 16 December 2023.

#### Acknowledgement of receipt

UWCI will acknowledge and confirm:

- receipt of application (noting the date and of time of the submission);

- the completeness of the application; and,
- the eligibility of the utility for consideration.

### Ineligibility

Utilities that fail to meet the eligibility criteria as defined in Section 3.3, or the submission criteria defined above, will be notified. Utilities with compelling applications, which could nevertheless not be accepted, will be invited to re-submit their applications in future Calls.

## 4.5 Further support for preparation of submissions

Further support for the preparation of submissions is available in two forms:

- **As clarifications to questions.** The questions and clarifications will be made available to all applicants on the application website.
- **As guidance and support for the development of the content of the application.**

Utilities invited to the Call for Applications can request external support in developing their application and clarifying questions in relation to the application. The support can cover guidance and assistance in relation to the drafting of the different documents required for a complete application.

The support will be provided through staff members of the UWCI implementing organizations or local experts and be offered in the following languages: English, French, Spanish, Dutch, and German. **It should be noted, however, that the motivation letter (maximum 3 pages) and a supporting report (maximum ten pages) must be prepared by the utility itself.**

The provision of any support in preparing the application will not automatically lead to a positive decision on the application. All applicants will receive the same level of information on what is required in the applications.

## 5. The Assessment of Applications

### Assessment Process

Depending on the number and strength of applications, up to 7 utilities will be selected.

The assessment process will involve the following steps:

1. Desktop evaluation
2. Validation
3. Selection decision.

It is anticipated that the assessment and funding decision will take approximately 8 weeks.

### Desktop evaluation

A detailed desktop-based evaluation will be performed by an application evaluation committee nominated by the implementing organizations and including an independent external assessor.

### Confirmation of application timeliness and completeness (conforming applications)

This is described in Section 4.4 (submission of applications).

## Confirmation of eligible utilities

Utility eligibility will be checked against the criteria set out in Section 3.3 and set out below:

Characteristic	Requirement	Specification	Eligible?
<b>Legal structure &amp; ownership</b>	Corporatized entity under public ownership	Ownership and management of the service must be public (not private) but functionally independent of government (not a government department), with a board of directors and management control over its own revenue and expenditure.	Yes / No
<b>Service mandate</b>	Inclusive, pro-poor	The utility must have a pro-poor mandate that includes providing services to informal areas and slums where poor people live (if relevant in country context)	Yes / No
<b>Investment mandate</b>	Able to invest	Utility must have a mandate to undertake investments in water and/or wastewater infrastructure	Yes / No
<b>Not excluded from taking on loan finance</b>	Able to borrow	Utility must not be legally prevented from taking on loan finance.	Yes / No

Utilities must meet all 4 criteria.

## Evaluation of reform mindedness

Beyond the requirements set out above (conforming applications; eligible utilities), the primary evaluation criterion is reform-mindedness. Applications will be evaluated against the characteristics of “reform mindedness” as defined in the table below. For each characteristic a rating will be done on a scale of 1 (“weak”) to 4 (“outstanding”).

Characteristic	Specification (and evidence)	Assessment Weighting
<b>Leadership and vision of the CEO</b>	<p>Evidence of what the CEO has achieved in this and previous positions. (CV and references)</p> <p>Evidence of vision and strategic direction. (Letter of motivation, supporting report, references)</p>	20%
<b>Effective Utility Management</b>	<p>Evidence of stability and effectiveness of management team and evidence of utility performance improvement.</p> <p>(Management team turnover data; utility performance data; references)</p>	20%
<b>Support of Board of Directors</b>	Evidence of support of Board of Directors for ambition of CEO and management. (letter of support, references)	20%
<b>Support of Shareholder</b>	Evidence of support of Shareholder for ambition of CEO and management. (letter of support, references)	20%
<b>A realistic pathway to creditworthiness</b>	Overall assessment of all aspects of the application.	20%

**Note:** Management autonomy is considered by the UWCI to be an important pre-condition for success. Management autonomy is defined as the ability of the CEO and utility management to execute the overall strategy of the utility and implement the business plan, within an appropriate accountability and sound governance framework, and without interference. Management should have control over key decisions such as recruitment of staff and procurement of goods and services. The UWCI will engage with the CEO, utility management and key stakeholders to assess this during the Early Engagement phase with a view to securing and protecting an appropriate level of management autonomy.

Applications that meet all of the conformity and eligibility requirements will be **ranked** according to the points achieved on the evaluation of reform-mindedness.

## Assessment against UWCI preferences

The ranked list will be further assessed against the UWCI preference categories.

**Please note that these preference ranges are indicative and are to be tested in specific country contexts. Preselected Utilities operating out of these ranges may be accepted in the pilot phase.**

	Preference	Guidelines	Assessment
Preference for medium-sized utilities (“not too big and not too small”)			
Investment need (10-year time horizon)	Significant impact and sufficient economies of scale	> € 50 million	In range
			Out of range
Operating revenue	Sufficient operating revenue to support a reasonably sized infrastructure loan; but not too large.	> € 5 million < € 100 million (indicative)	In range
			Out of range
Population in service area	Significant impact (not too small), but not too large and complex either	100 000 to 3 million	In range
	Note: depending on country context and compliance with other criteria deviations in utility size can be accepted		Out of range
Nature of investment need preference (contributes to both SDG 6 and 13)			
Service backlog / service quality / water security challenges	There is a significant benefit to poor people in achieving a utility turnaround; or service quality needs enhancing (water quality, reliability, security of supply)		significant SDG 6 investment needs
			Low impact of investments on SDG6
Climate & resilience impacts	Investments will build water resilience and respond to climate imperatives (mitigation and adaptation), particularly in contexts with high vulnerability (scarcity, droughts, flooding)		significant climate vulnerability
			Low impact of investments on climate resilience
Financial performance preference (“not too weak and not too strong”)			
Operating cost coverage ratio	This is a realistic prospect of achieving a positive cash flow after operating expenses within one to two years	> 0.8 < 1.6	In range
			Out of range



## Validation

The **validation step** has the objective to confirm the information provided in writing and the first evaluation result. The validation can lead to an adjustment in the final evaluation result and points achieved.

In particular, the validation will confirm the qualitative assessment of the reform-mindedness criteria by directly engaging with the CEO and by contacting the CEO and utility references. The validation will be done **on-site or through a virtual interview** by staff members of the implementing organizations of the UWCI or their partners.

## Decision

The UWCI preparation committee, composed of representatives of all implementing organisations (KfW, GIZ, WWX/ VEI) will make the final decision based on the final ranking and assessment. The implementing organizations and partners will be informed about the decision and next steps to set-up the framework agreement between the utility and UWCI will be proposed.

## Legal Compliance

The submission of an application does not lead to a legal entitlement to receive any funding. Any possible funding within the framework of UWCI will be granted following and in accordance with an appropriate legal and commercial review, in particular with regard to the public-benefit purpose of the technical and financial support provided and the non-violation of EU state-aid law. The legal compliance may also require the inclusion of corresponding provisions into the contracts governing the use of any funding for technical assistance or investments.



## Annexure 1: Frequently Asked Questions (FAQ)

This FAQs will be posted on-line and be updated during the course of the application phase.

### **What are the key objectives of the UWCI?**

The key objectives of the UWCI are three-fold:

1. An accelerated improvement in the technical, financial and corporate performance indicators of the utility with a view to achieving creditworthiness in a reasonable period.
2. Accelerated contribution to SDG 6 goals (access, reliability, security and quality of service).
3. Building climate resilience and contributing to mitigation (SDG 13).

### Application

#### **If I apply, will the utility be admitted into the programme?**

No, the application is competitive, and is dependent on the quality and strength of your application. Not all utilities that apply will be admitted to the programme.

#### **When will I hear about my application?**

You will be notified of the outcome of your application by beginning of March 2024.

#### **Is help available?**

Yes. A weekly Teams Meeting will take place every Thursday at two different time slots where questions can be discussed. If further, ad hoc help is needed, please write to [uwci@giz.de](mailto:uwci@giz.de) for assistance.

### Role of the Trusted Advisor

#### **Do I have a choice of advisor?**

Yes, you will be offered a choice from an available pool of senior advisors.

### Operational finance

#### **What is the purpose of operational finance?**

To assist a participating utility to move towards a more sustainable financial path and ultimately to achieve creditworthiness.

**Who decides how the operational finance money is spent?**

The utility decides how it wants to invest the money, but this must be set out in a business case, and the investments made must be consistent with the business case.

**Who implements the operational finance investments?**

The utility does.

**What other conditions apply to the operational finance?**

The money is a matching grant. The utility will need to contribute a proportion of the grant that is made available. The required proportion will depend on the utility's finances, and this will be determined in the Early Engagement Phase.

**What monitoring will be involved for the operational finance?**

The investment activities and related expenditures need to be transparent to your Technical Assistance partner who may request to view records and visit premises and project sites to assess progress.

**Are there any other benefits after receiving operational finance?**

Yes, utilities who are successful in their application for operational finance, and substantively achieve the goals set out in their business plan, may be eligible for further more substantial loan funding for investments in infrastructure, partly in local currency and at concessionary rates. This is dependent on the establishment of the Urban Water Catalyst Fund and on meeting any associated conditions. Lending will be based on utility cash flows and investments will be at the discretion of the utility.

**Making progress and key decision and evaluation moments**

**How will progress be evaluated?**

Progress through the phases of the programme will be evaluated by the UWCI based on the achievement of the defined milestones. There are three key decision moments in the programme. The first is at the end of the Early Engagement Phase. Here, the UWCI will make a decision to proceed or not based on the achievement of

the defined milestones together with interviews with the CEO and the Trusted Advisor. The second key decision is a mid-term evaluation at the end of Phase 1 (or 3 years from the signing of the framework agreement), whichever comes earliest). This is an independent evaluation, and the decision to proceed to Phase 2 will depend on the outcome of this evaluation. The final decision point is at the end of Phase 2 and includes an independent evaluation as well as an external creditworthiness assessment. Positive assessments will result in a successful graduation from the programme.

**Are we, as beneficiary utility, allowed to opt out of the programme after the Early Engagement Phase or during the TA programme?**

Yes, it is possible to discontinue after the Early Engagement Phase or after Phase 1 if utility management deems this necessary.

You will find the MS Word-templates for utilisation and customisation provided in our E-Mail.

## Annexure 2: Signed Declaration

The following signed declaration must be provided on a utility letterhead in pdf format.

### Application to participate in the pilot phase of the Urban Water Catalyst Initiative

#### Declaration

I, \_\_\_\_\_ name of CEO/MD \_\_\_\_\_, hereby apply to participate in the Urban Water Catalyst Initiative (UWCI) on behalf of \_\_\_\_\_ full utility name and abbreviation \_\_\_\_\_.

I am committed to improving the technical, corporate and financial performance of \_\_\_\_\_ abbreviated utility name \_\_\_\_\_, to achieving creditworthiness, to becoming sustainably financed, and to contribute towards SDG goals 6 and 13 by improving access and service quality, and building climate resilience.

I am committed to working constructively and in partnership with the UWCI towards these goals.

I am committed to the principles of transparency, accountability and participation.

I have the support of my Board and shareholder in making this application.

I stand by this declaration.

\_\_\_\_\_  
**Signed**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Place**

You will find the MS Word-templates for utilisation and customisation provided in our E-Mail.

## Annexure 3: Letters of Support

### A letter of support from the chair of the utility Board

This letter should include a commitment to sound governance processes, and to the principle of managerial autonomy with accountability.

Letters with “personality” are strongly encouraged.

### Sample letter

#### *Utility letterhead*

Urban Water Catalyst Initiative

*date*

Dear \*\*\* name required

The CEO/Managing Director of utility name has brought to my attention the Urban Water Catalyst Initiative (UWCI) and explained to me the objectives of the initiative and how it will benefit utility name.

I support the objectives of the UWCI and the application by utility name to the UWCI. I appreciate the fact that success will depend on creating/ensuring an enabling environment that supports the performance of the management team. I commit to working with the CEO/Managing Director and the utility name Board of Directors to create/protect these conditions. In particular, I support and endorse the principle of management autonomy with accountability, and to promoting the stability of the management team.

Sincerely

\_\_\_\_\_  
(signed)

*Name*

*Chairperson*

*Board of Directors*

*Utility name*

**You will find the MS Word-templates for utilisation and customisation provided in our E-Mail.**

### A letter of support from the chair of the utility Board

This letter should be on the official letterhead of shareholder and include a commitment to utility revenue sufficiency and creditworthiness, and to the principle of board and management team stability.

Letters with “personality” are strongly encouraged.

### Sample letter

Urban Water Catalyst Initiative

*date*

Dear \*\*\* name required

The Chairman of the Board of utility name has brought to my attention the Urban Water Catalyst Initiative (UWCI) and explained to me the objectives of the initiative and how it will benefit utility name.

As a representative of the shareholder of utility name, I confirm that the shareholder supports the objectives of the UWCI and the application by utility name to the UWCI.

The shareholder supports the goals of financial sustainability and the achievement of creditworthiness and appreciates that this will require an enabling environment that supports cost recovery as well as improvements in the technical, financial and corporate domains of performance.

As shareholder representative, I commit to working with the Charmain of the board and the CEO/Managing Direct to create/protect the necessary conditions for these improvements to be achieved. In particular, commit to promoting the principle of revenue sufficiency and the stability of both the Board of Directors and the management team.

We also understand that the UWCI trajectory may imply future loan investments to improve and extend the utility’s water infrastructure. We confirm our interest and commitment to these investments and our role in approving these (without any definite commitments yet).

Sincerely

\_\_\_\_\_*(signed)*

*Name*

*Shareholder representative,*

*position*

*institution*

You will find the MS Word-templates for utilisation and customisation provided in our E-Mail.

### Optional: A letter of support from the sector economic regulator / government)

This letter should include support the principles of revenue sufficiency and creditworthiness.

Letters with “personality” are strongly encouraged.

#### Sample letter

Urban Water Catalyst Initiative

date

Dear \*\*\* name required

The Managing Director of utility name has brought to my attention the Urban Water Catalyst Initiative (UWCI) and explained to me the objectives of the initiative and how it will benefit utility name.

As a representative of the economic regulator of utility name, I confirm that the regulator supports the objectives of the UWCI and the application by utility name to the UWCI.

The regulator supports the goals of financial sustainability and the achievement of creditworthiness and appreciates that tariff setting policies, processes and practices are a significant factor in the achievement of revenue sufficiency.

As a representative of the economic regulator, I commit to work with the CEO/Managing Director to find a practical pathway towards revenue sufficiency and creditworthiness for utility name.

Sincerely

\_\_\_\_\_  
(signed)

Name

Head

Economic regulator for water services (name of institution)



# Annexure 4: Figure 1. Phases of Technical and Financial Support by UWCI

