



Management Response

End-of-Project Evaluation of the Municipal Infrastructure Programme (MIP) III/IV in Albania

By WSP and EkoCentric

Januar 2026

1) Background

The State Secretariat for Economic Affairs has retained services of WSP and EkoCentric for the External Review Mission of the Municipal Infrastructure Programme (MIP) III/VI, implemented by KfW. The assignment had a contract duration period of 5 months, including the field trip undertaken in April 2025 covering the visit of all six water utilities benefiting from the project.

The MIP III/IV Project in Albania was implemented from 2014 to 2023. The objective of the MIP III/IV was to contribute to improved, sustainable access to safe drinking water at socially acceptable and cost-covering tariffs, and to ecological and adequate sanitation through sewerage disposal, whilst strengthening utility performance.

The MIP III/IV included infrastructure investments in six municipalities. Investments under the MIP III/IV amounted to a total of EUR 40 million, financed by two loans and one grant from KfW and complemented by a EUR 12 million grant from SECO.

The primary purpose of the evaluation was the identification of lessons learned and the development of recommendations to inform the design of future water sector programs, with a particular focus on the effectiveness and suitability of performance-based approaches. The secondary purpose of the evaluation was accountability through the provision of an external assessment of the quality, efficiency, and sustainability of achieved results, with a particular focus on utility performance.

A verification of the realised infrastructure investments (i.e. construction works, equipment installation) was not part of the scope of the evaluation.

2) Appreciation of the Report: Structure, Methodology & Process

The evaluation team did an excellent job in terms of managing the evaluation process and reporting. The evaluation process was comprehensive including briefings with SECO and the Swiss Embassy in Albania, site visits with interviews, focus group discussions and discussion of the final report with SECO and the Swiss Embassy.

SECO is fully satisfied with the evaluation report. The analysis is concise and well-focused, with assessments clearly derived from and substantiated by relevant data and information. The evaluation findings are conclusive, and the recommendations are practical and useful.

3) Key Findings and Lessons learnt

Overall the **MIP III/IV was rated as satisfactory** by the Evaluation team. The evaluation highlighted both significant achievements and critical limitations across infrastructure delivery and institutional reform. While the programme delivered strong physical results, it fell short of achieving transformative, systemic change, particularly in institutional strengthening and long-term sustainability. WEIN and KfW fully concurs with the assessment of the criteria.

The main findings according to DAC criteria are:

Relevance: Rating 2 (Satisfactory)

The programme addressed acute infrastructure needs in all municipalities. The programme's alignment with national water sector policies and its response to local priorities were consistently validated across sites. In contributing to improved access to safe and reliable water services, the programme supported the achievement of SDG 6 – Clean Water and Sanitation by expanding supply hours, enhancing network efficiency, and promoting metering. However, the programme also revealed areas for improvement in planning communication and expectation management.

Effectiveness: Rating 2 (Satisfactory)

Infrastructure outcomes were largely achieved, with most municipalities securing continuous 24/7 water supply. Approximately 310,000 people benefited from improved water and sewerage services across six municipalities. With an average investment of around €400 per beneficiary household, the programme demonstrates a reasonable cost-benefit ratio compared to regional benchmarks and contributed to gradual alignment with EU environmental and service standards.

The programme also strengthened utility governance and service delivery frameworks, though it fell short of achieving fully transformative change. Reform uptake varied across municipalities, and limited institutional anchoring and follow-up mechanisms constrained the consolidation of results.

Efficiency: Rating 2 (Satisfactory)

Most investments were delivered efficiently and within budget. The use of variation orders allowed adaptive responses to field conditions without excessive delay or cost. Technical assistance was well appreciated where consultants were active on-site but limited where follow-up was weak.

Sustainability: Rating 3 (Unsatisfactory)

The sustainability of programme outcomes varies significantly across the six municipalities and remains a key concern. Financial sustainability is weak in most utilities due to persistent non-revenue water and low billing ratios, despite some improvements in cost recovery. Technical and operational sustainability is constrained by the limited use of key systems and tools. Institutionally, the transition to regionalised utilities disrupted continuity, as the new operators lacked the knowledge, capacity, and staff developed under the programme, while limited engagement from AKUK weakened strategic oversight. Environmental sustainability is also at risk due to insufficient monitoring and maintenance of safeguards. Overall, the absence of post-construction support and follow-up mechanisms has hindered the consolidation of reforms, increasing the risk of regression where local ownership and institutional anchoring remain limited.

Impact: Rating 2 (Satisfactory)

The programme generated tangible improvements in service continuity, water quality, and billing fairness, which positively influenced the quality of life in all targeted municipalities. In cities like Berat and Gjirokastra – both important touristic and UNESCO heritage sites – the transition to 24/7 water supply presents a potential for significant improvement of local economic development.

Lessons learnt:

1. Enhance strategic capacity building through needs analysis.

Capacity building for future projects should be guided by a structured needs analysis. Such an assessment would help identify specific gaps in knowledge and skills, inform the design of tailored capacity-building activities, and provide a baseline for tracking progress and evaluating the effectiveness of these efforts over time. For future programmes, capacity building inputs should be guided by a structured need analysis separately for each utility involved.

2. Performance-based approaches can work – if sustained. *Conditioning investments on institutional milestones helped align short-term goals with long-term results. However, lack of post-construction enforcement mechanisms diminished impact. Future programmes must link continued support to sustained compliance with agreed conditions.*

3. Institutional support must be tailored, not uniform. *A one-size-fits-all approach overlooked the different capacities and maturity levels of the utilities. Customised support based on baseline capacity assessments would yield more resilient outcomes.*

4. Integrity management must be embedded, not parallel. *When separated from operational reforms, integrity management risks becoming symbolic. It should be integrated with internal audit, compliance, and staff accountability structures.*

5. AKUK's institutional role needs reinforcement. *As the sector coordinator and regulator, AKUK must be empowered—both technically and politically—to monitor, support, and enforce performance standards in utilities, especially during post-project transitions.*

6. Sustainability depends on institutional memory. *High staff turnover, regionalisation, and lack of continuity mechanisms diluted project impacts. Knowledge retention systems and formal transition plans must be embedded in future programme design.*



4) Recommendations

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING
Recommendation 1 Consolidate Infrastructure Gains: Future programmes should include structured post-construction operation and maintenance (O&M) planning and provide utilities with targeted capacity support. Performance-based mechanisms should be extended beyond construction, integrating operational benchmarks and incentives to reinforce long-term utility commitment.	Fully agree	Partially agree	Not agree	Follow up if recommendations are improving results of WPIP and include it for future utility projects.	
	<u>Response</u> The recommendation is accepted. Sustaining infrastructure performance beyond construction is essential for long-term service delivery.				
	<u>Measures</u> KfW has already integrated structured post-construction O&M planning and targeted capacity support for utilities to the successor project WPIP.			KfW, SECO	ongoing
Recommendation 2 Tailor Institutional Support: Institutional support should be based on utility-specific capacity assessments and include tailored technical assistance. Training-of-trainers models, retention strategies, and periodic follow-up support will be necessary to reinforce institutional gains over time.	Fully agree	Partially agree	Not agree	Follow up on results of WPIP and include it for future utility projects.	
	<u>Response</u> The recommendation is accepted. Differentiated institutional support is necessary to reflect varying utility capacities and conditions.				
	<u>Measures</u> The WPIP is based on utility-specific capacity assessments and provides tailored technical			KfW, SECO	ongoing

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	assistance and periodic follow-up support to strengthen institutional sustainability.				
Recommendation 3 Rethinking Integrity Management: Integrity support must be redefined to target real governance risks—such as fraud, corruption, and nepotism—and integrated into utility structures through internal audit or compliance functions. AKUK should play a lead role in facilitating this integration and providing national-level oversight and support.	Fully agree	Partially agree	Not agree	Follow up if recommendations are improving results of WPIP and include it for future utility projects.	
	<u>Response</u> The recommendation is accepted. Integrity management requires a more practical and integrated approach to achieve tangible governance improvements.				
	<u>Measures</u> For WPIP, KfW has already integrated integrity support into ongoing capacity building activities and existing utility compliance functions.			KfW, SECO	ongoing
Recommendation 4 Strengthen Staff Motivation and Ownership: Incentives for staff engagement should be built into utility performance frameworks. Co-designing tools with utility staff and facilitating peer-learning exchanges between utilities can foster long-term use and better institutionalisation.	Fully agree	Partially agree	Not agree	Include the recommendation for future utility projects.	
	<u>Response</u> The recommendation is accepted. Staff motivation and ownership are critical for the effective uptake and sustainability of reforms.				
	<u>Measures</u> Future programmes will incorporate staff engagement incentives into performance frameworks and support peer-learning exchanges to strengthen ownership and institutionalization.			KfW, SECO	ongoing
Recommendation 5 Enhance Monitoring and Learning: Annual self-assessments, facilitated learning platforms (led by	Fully agree	Partially agree	Not agree		
	<u>Response</u>				

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING
<p>AKUK), and a defined monitoring framework should be introduced to promote accountability, enable peer exchange, and ensure that institutional progress is measured and maintained.</p>	<p>The recommendation is accepted. Strengthening monitoring and learning mechanisms is essential to sustain reforms and institutional progress.</p>			<p>Include the recommendation for future utility projects.</p>	
	<p><u>Measures</u> Future programmes will consider this recommendation.</p>			<p>KfW, SECO</p>	<p>ongoing</p>
<p>Recommendation 6 Improve Non-Revenue Water Management: Utilities must be supported to fully operationalise SCADA and DMA systems. Utility-specific NRW strategies with an action plan should be developed and implemented, tackling both technical and commercial losses. Performance-based incentives should be tied to independently verified reductions in NRW.</p>	<p>Fully agree</p>	<p>Partially agree</p>	<p>Not agree</p>	<p>Follow up if recommendations are improving results of WPIP and include it for future utility projects.</p>	
	<p><u>Response</u> The recommendation is accepted. Effective NRW management is essential for financial and operational sustainability of utilities.</p>				
	<p><u>Measures</u> KfW has considered a utility-specific NRW strategy for the utilities of the successor project WPIP.</p>			<p>KfW, SECO</p>	<p>ongoing</p>
<p>Recommendation 7 Reinforce AKUK’s Role in Post-Project Oversight and Regional Utility Governance: AKUK’s mandate should be reinforced to enable it to provide active support and monitoring after project completion. This includes establishing a formal mechanism through which AKUK can assist regional utilities in managing</p>	<p>Fully agree</p>	<p>Partially agree</p>	<p>Not agree</p>	<p>Include the recommendation for future utility projects.</p>	
	<p><u>Response</u> The recommendation is accepted. Strengthening AKUK’s role is critical for ensuring accountability, continuity, and effective regional utility governance.</p>				

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING
<p>inherited assets, meeting performance targets, and fulfilling institutional obligations. In parallel, AKUK should take the lead in promoting a national agenda for learning, knowledge sharing, and capacity building among regional utilities.</p>	<p><u>Measures</u> Future programmes will consider to reinforce AKUK’s mandate to provide active post-project support.</p>			KfW, SECO	ongoing
<p>Recommendation 8 Strengthen Financial Planning and Debt Repayment Capacity: Utilities should regularly update multi-year financial plans under AKUK oversight, building on existing tools. A clear distinction should be made between short-term tariff adjustments and long-term tariff strategies, with ERRU (regulator) providing guidance. Finally, KfW and ERRU should jointly verify whether utilities are on track with their loan repayment obligations based on initial financial forecasts.</p>	Fully agree	Partially agree	Not agree	<p>Include the recommendation for future utility projects.</p>	
	<p><u>Response</u> The recommendation is accepted. Strong financial planning and debt management are essential for utility sustainability and creditworthiness.</p>				
	<p><u>Measures</u> The ongoing WPIP is further strengthening the corporate development of the utilities.</p>			KfW, SECO	ongoing
<p>Recommendation 9 Integrate climate resilience and energy efficiency in Programme Design for future programmes: Future programmes should treat climate resilience and energy efficiency as cross-cutting priorities, integrating them at every stage of the project cycle. Infrastructure should be designed to withstand climate risks like flooding and</p>	Fully agree	Partially agree	Not agree	<p>Include the recommendation for future utility projects.</p>	
	<p><u>Response</u> The recommendation is accepted. Integrating climate resilience and energy efficiency is vital to ensure long-term sustainability and reduce environmental and operational risks.</p>				

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<p>drought, and energy-efficient technologies should be prioritized in equipment selection.</p> <p>Additionally, utilities should receive targeted support to conduct energy audits and develop localised climate adaptation plans. This proactive approach will help reduce energy costs, lower environmental impact, and enhance the long-term reliability and sustainability of water services.</p>	<p><u>Measures</u></p> <p>Also, future utility projects will put a strong focus on climate resilience and energy efficiency.</p>	SECO	ongoing

Place, Date

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