

NATIONAL STRATEGY OF
WATER SUPPLY
AND SEWERAGE
2011-2017

DoCM No.643, dated 14.9.2011
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Decision

No.643, dated 14.9.2011

ON APPROVAL

OF THE NATIONAL STRATEGY OF WATER SUPPLY AND SEWERAGE

Pursuant the Article 100 of the Constitution upon the proposal of the Minister of Public Works, and Transports, the Council of Ministers

has DECIDED:

1. The approval of the “National Strategy of Water Supply and Sewerage”, as per the text attached to this decision
2. The Ministry of Public Works and Transports in collaboration with institutions set out in its priority actions are charged for the monitoring and implementation of this Decision.
3. The Decision of Council of Ministers no 706, dated 16.10.2003 “On approval of the National Strategy of Water Supply and Sanitation”, is repealed.

This decision becomes effective after the publication in the “Official Journal”.

THE PRIME MINISTER

Sali Berisha

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Message of Mr. Sokol Oldashi Ministry of Public Works and Transport



The Government of Albania has put the days of emergency responses to the situations in the water supply and sewerage sector of the country in its history, and is now on the path of serious new investments and performance improvements in the delivery of this essential service to its citizens. The responsibility for this service is now more fairly shared between central and local government, with the decentralization of government and the transfer of ownership of water supply and sewerage utilities to local government.

This Water Supply and Sewerage Services Strategy (2011-2017) is the first time that Albania has put forth a strategy that has been developed in compliance with the methodology being applied across Albania's various sectors and consistence with the guideline for EU integration. I encourage you to read this Strategy, which was intentionally prepared to contain fewer words and more specific, quantified performance indicators tied to a timeframe of achievement.

I want to personally thank the Work Group for their dedication to this important effort in developing a Strategy, which is comprehensive in its content, yet simple to be fully understood and appreciated as the direction that Albania is moving to increase access to quality water supply and sewerage services for its citizens, across the entire country.

I also want to thank the Stakeholder Group that performed a valuable service in considering and commenting on the draft Strategy that was developed by the Work Group. This Stakeholder Group was inter-ministerial in nature, and also included local government and utility associations, governmental institutions, and donors operating in the water sector.

Lastly, we all thank The World Bank for their financial support in providing the Work Group with the highest quality of technical expert support in conducting the Strategy development process, as well as the Austrian Development Cooperation for their financial support to publish this Strategy in a quality manner for broad distribution.

*Minister of Public Works and Transport
Sokol Oldashi*

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Introduction

This Sector Strategy for Water Supply and Sewerage Services in the Republic of Albania, for the period 2011-2017, has been prepared with the purpose of presenting Albania's Vision, Mission Objectives and Actions Plans in a clear, specific, quantified and time bound manner, with stated institutional responsibilities. The intent in taking this somewhat different approach to a Sector Strategy was to ensure that there would be no confusion or misunderstanding of direction and purpose.

Albania, as a co-sponsor of the United Nations resolution making the "Access to Safe Drinking Water and Sanitation as a Human Right", is committed to demonstrate, through words and actions, that a small, developing country can respond to a global issue, and do its part to ensure equality for all of its citizens when it comes to human rights in terms of drinking water and sanitation.

Albania recognizes the unique role of safe drinking water and sanitation in supporting quality of life and economic development in low and middle income countries. Albania also understands the natural, monopolistic character of delivering this essential public service, and the need for equity and fairness for all participants in the sector. Albania also subscribes to the practical reality that water must be treated in such way that it is valued as a product, produced at a cost, and consumed at a price.

Albania has moved tirelessly and steadily toward the decentralization of government, and with that, the transfer of ownership and responsibility for water supply and sewerage services to local government. This Strategy document fully supports the decentralization process, while still acknowledging and supporting the full intent of the United Nations resolution. In this regard, the Government of Albania will strengthen its central government institutions to guide and direct priority investments in the sector; oversee the performance of the sector; facilitate optimization strategies to increase efficiency in the sector; and regulate the pricing and quality of service in the sector, for the good of all of its citizens and their natural right as human beings.

The Albanian government looks to the country's water supply and sewerage utilities; the dedicated professionals and skilled staff, who operate and maintain them; and the supervisory councils who oversee these utilities on behalf of the local government owners, to lead the way forward, in allowing Albania to keep its promise to its citizens in the delivery of these essential services.

The Albanian government recognizes that it is the guardian of a natural resource that is second to none in the world. Realizing this fact, this Strategy aims to do its part to protect and administer those natural resources not only for today, but for all of the generations of Albanians to come. This Strategy, therefore, is a major step in that direction, and its fulfillment will go a long way with to meeting Albania's promise to the future of a safe drinking water and sanitation for all.

CHAPTER 1

CURRENT CONDITIONS IN THE SECTOR

This chapter of the Strategy has been prepared as a brief summary on the current conditions regarding the water supply and sewerage services sector in Albania, as a point of departure in the development of the Vision, Mission Objectives and Priority Actions, and Action Plans that are detailed in the following chapters. This chapter is not intended to be exhaustive in terms of its content, since all of the information presented can be found, in greater detail, in supporting reports and officially available documents. The chapter has been structured and prepared to provide the reader with a factual basis for the Sector Strategy that the Republic of Albania has decided to implement in bringing about measureable performance improvements in the Sector.

1.1 Population: Statistics, Migration and Poverty

The purpose of the Strategy is to improve the provision of water supply and sewerage services to the citizens of Albania, and to support the economic development of the country, based on the performance of an essential infrastructure service. To begin to move toward fulfilling that purpose, it is essential that the Strategy define some basic data and information having to do with the population, its changing patterns, and the economic condition of the population.

1.1.1 Geography and Population

28,748 square kilometers. It shares a 172 km border with Montenegro to the northwest, a 115 km border with Kosovo to the northeast, a 151 km border with Macedonia to the east, and a 282 km border with Greece to the south and southeast. It also has western coastline on the Adriatic and Ionian Seas of 487 km. The climate across Albania is continental in nature and characterized by cold winters and hot summers. Albania has ample water resources, equivalent to 8,600 cubic meters per capita per year.

There is no recent official census regarding the total resident population within the territory of Albania. To be able to establish the “total population”, both urban and rural, in support of the Strategy development process, various sources of information are considered.

According to the Ministry of Interior, the total population registered in Albania, based on the data provided by the National Register of Civil Status, is 4,200,000 people. However this total number of population registered includes Albanian citizens who have emigrated, and who live permanently or mostly outside Albania. The

number of individuals that can be considered to be in this category is estimated to be approximately 700,000 people.

According to the Institute of Statistics (INSTAT), Albania's official resident population, registered in the 2001 Population and Housing Census, was 3,069,275. In 2010 the population of Albania was estimated by INSTAT to be 3,195,417 and the density was about 111 people per square kilometer.

The Republic of Albania has been managing a Performance Monitoring and Benchmarking Program for its water supply and sewerage sector since 2005, and has completed five annual data cycles as of 31 December 2010. The Program includes all fifty-eight (58), corporatized water supply and/or sewerage utilities across the country. The Benchmarking and Monitoring Unit reports a total population living within the jurisdictional urban area of water supply and sewerage companies to be 2,185,685 people, and in the jurisdictional rural area of water supply and sewerage companies of 1,047,979 people. This data source would suggest a total population of 3,233,664 people. However, the water supply and sewerage companies, which report to the Benchmarking and Monitoring Unit, do not represent all of the physical territory of Albania. There are several communes and villages which are not under the jurisdiction of any water supply and/or sewerage company within the benchmarking database, and which operate and maintain their own water supply and/or sewerage systems..

In light of the fact that the Strategy of Water Supply and Sewerage of Albania will be monitored and updated every year, and taking into consideration that at the beginning of April 2011, the INSTAT will start the implementation of a major project for the Official Population and Housing Census (REPOB-AL 2011), which intends to provide an accurate population database, the Strategy will consider the total population for the base year 2010 to be approximately 3,400,000 inhabitants.

Based on information and trend analysis provided by INSTAT, the population projection across Albania was forecasted to increase slowly, at the rate of 0.4% per year for the period 2001-2021.

1.1.2 Population Migration and Affect on Strategy

The issue of population in Albania is important to the considerations of a Strategy for the water supply and sewerage services sector. Unlike more developed countries, with relatively static populations, experiencing predictable natural growth rates, combined with an historical pattern of movement of their populations to more urbanized areas, Albania has had much greater movements, which combine emigration to other countries with more than normal internal migrations from rural to urban and rural areas within the country.

1.1.2.1 Overview of Migration in Albania

Population migration in Albania has been an ongoing phenomenon since the early 1990's and, even though levels of migration have fluctuated over the past two decades, the overall pattern shows a growing trend over time. The political and democratic changes in the country in the early 1990s resulted in a number of economic and social changes. A substantial number of Albanians moved within the country from underdeveloped areas to more developed areas, or moved outside the country in search of better economic opportunities and a higher standard of living.

Studies have shown that up to 2005, at least one in five adults had moved and resettled within the country, and at least one in three households had a member who had left the country (World Bank, 2007). Recent studies have shown that most mi-

grants in Albania move alone as individuals and not as complete households. Between 1990 and 2004, only 5 percent of the migrating households moved together as a unit within or outside Albania (World Bank, 2007).

The difficult living conditions and slower economic growth in the mountainous regions of the country have forced many individuals and entire households to move to more developed areas within Albania for better living conditions. According to the 2002 Living Standards Measurement Study (INSTAT, UNDP, World Bank, 2009), almost half (45 percent) of the population in these mountainous regions were below poverty level in 2002.

The highest percentage of migrants within or outside the country is from the Coastal and Central regions (42 percent and 41 percent, respectively). According to INSTAT, in 2008, the total population of these two regions represents the largest share of the population in Albania as a whole (33 percent and 42 percent, respectively). Looking at migration within Albania, 44.6 percent of internal migrants are from the Coastal region, 38.1 percent from Central region, 11.8 percent from the mountainous region and only 5.5 percent from Urban Tirana.

Migration has impacted household structure. Overall, 3 percent of all migrants have left behind a wife or husband in their household of origin. The patterns are similar for internal and international migration.

1.1.2.2 Trends in Migration

Prior to the regime change in the early 1990s, the internal population movements were very restricted in Albania, and the national borders were closed, with virtually no movement outside of the country. With the collapse of the old regime and the opening of the borders, there was a massive exodus of the Albanian people, mainly males, who asked for asylum in many foreign embassies and were later taken to the respective countries. Many immigrated via sea or land to neighboring countries such as Italy and Greece.

From 2001-2005 there was a steady increase in both international and internal migration in both sexes. During the period 2005-2007, the pattern continued for males, with the percentage of international migrants continuing to be higher than for internal migrants. For the same period (2005-2009), both international and internal migration for females stabilized, with the percentages of females emigrating and migrating internally being roughly the same. By the end of 2008, approximately one million people, or about 25% of Albanian citizens, and over 35% of the Albanian workforce were estimated to be living abroad.

1.1.3 Poverty in Albania

Although it is widely agreed that poverty is a state of being with many more dimensions than strictly the income dimension, it is difficult to measure the non-income aspects of poverty. Therefore, the most widely used measurement of poverty is income-poverty. Income poverty is defined as the lack of sufficient income to meet minimum consumption needs. This minimum level of income is usually called the “poverty line”.

Absolute poverty lines are anchored in some absolute standard of what households should be able to count on in order to meet their basic needs. The absolute poverty line in Albania is set at 4,891 Albanian Lek per person per month (about 48 USD). Based on this measure, one-quarter of the Albanian popula-

tion, or close to 780,000 individuals, fall below the poverty line. Extreme poverty amounted to about 150,000 persons, or less than 5 percent of the population, who were unable to meet even the basic food requirements.

The majority of the poor live in rural areas. The poverty measures are significantly higher in rural areas than in urban areas. The statistics show that the incidence of poverty is almost 3 times higher in rural areas compared to Tirana, and twice as high compared to other urban areas. The lowest poverty is found in Tirana, where the poverty gap is only 1.6% compared to 2.6% in other cities and 5.3% in rural areas. Also, the severity of poverty is twice as high in rural areas as in cities, and almost 4 times higher than in Tirana.

Albania has enjoyed strong economic performance during the period 2005-2009, growing at an average of above 7 percent annually for most of the period. Inflation remained at levels of 4 percent or less; exports and imports grew steadily; and both the current account and the domestically financed deficit improved significantly. Several structural reforms have also been carried out in the last five years, and have involved banking, land reform, and privatization. Based on this economic performance and structural reforms, Albania has achieved an average monthly household income of 38,141 Albanian Lek per household (about 381 USD) or an average monthly individual income of 10,884 Albanian Lek (about 108 USD). Almost all small and medium State owned enterprises have been privatized, and significant progress has been made in the privatization of strategic sectors, like telecommunications. Despite the impressive performance of the economy, poverty in Albania has remained high, and per capita income is one of the lowest among transition economies.

The only means-tested anti-poverty program in Albania is the “Ndihma Ekonomike” program. It aims to provide support to rural households with very small landholdings and urban households with no other income source. The program was established in 1993 in reaction to persistent unemployment and rising social chaos following the breakdown of the communist regime. The largest receivers of social assistance from this program were rural households (16.5% compared to 8.5% urban) and households in the mountainous regions, followed by the central region, coastal region, and lastly Tirana. The benefit level per recipient family was about 2,113 Lek/month (about 21USD).

Poverty in Albania has marked spatial and regional dimensions, with rural areas in the mountainous region being consistently poorer than the rest of the country, according to all definitions of poverty.

Albania’s first national development strategy, which explicitly addressed poverty, was the National Strategy for Social and Economic Development (NSSD). It has since been followed by the National Strategy for Development and Integration (NSDI) 2007-2013. The NSDI also emphasizes policy interventions to improve education, healthcare, and infrastructure, while calling for stronger public accountability and increased public participation in decision making to empower the poor.

1.1.4 Population, Migration and Poverty Considerations for the Planning Period

In approaching the development of the Strategy for the Sector, the Government has taken into consideration the following issues relative to the population, migration and poverty that need to be addressed within the planning period:

- Base all water demand and service coverage needs on an aggregate resi-

dent population in the Republic of Albania of 3,400,000 persons, with an annual growth rate of 0.4%.

- Further internal migration will continue during the planning period with this migrating population largely settling in rural areas surrounding current urban areas. These rural areas are largely unserved, at the present time, with formal water supply and sewerage systems, and will require significant investments to make these essential services available.
- A targeted program is needed to provide social subsidies to individuals and households that are below the poverty line, as defined by the State, so that utilities can operate on a commercial basis without a significant use of cross-subsidies between categories of customers within their service areas.

1.2. Water Resources

Fresh water sources constitute a major resource for Albania. The available average quantity of fresh water is estimated at 8,700 cubic meters per capita per year, which is one of the highest in Europe. Fresh water sources in the country exist as natural springs, rivers, lakes, and groundwater aquifers. The water supply for drinking purposes comes mainly from natural springs and underground water sources, except for the Tirana metropolitan area, which gets a portion of its supply from a surface water source in the mountains that has been dammed to create a surface supply reservoir, and therefore must be treated.

The water resources in Albania are distributed, hydrographically, across six (6) watershed basins, which all flow in a westerly or northwesterly direction across the country and have as their major river systems, from north to south, the following: Drini-Buna Rivers, Mati River, Ishem and Erzeni Rivers, Shkumbini River, Semani River, and the Vjosa River. It is worth noting that these river systems not only drain the land mass of Albania, but also drain large parts of the inhabited areas of Macedonia, Kosova, and Montenegro.

1.2.1 General Issues

The quality of the surface water for about 80% of the lengths of the rivers is classified as being satisfactory (first class category) waters in compliance with the standards of UNECE for Europe. This is understandable in light of the fact that there is very limited industrial activity along most of these rivers to cause pollution.

The water quality monitoring results during the period 2006-2009 show a negative trend in water quality in some rivers that are being highly impacted by domestic and commercial wastewater discharges. The levels of organic pollution have increased considerably in the Ishem River watershed (Lana, Tirana and Ishmi Rivers), while the nitrogen and phosphorous indicators comply with the norms for being satisfactory. The Gjanica River, which is a tributary to the Semani River, and flows through the City of Fier, is showing signs of increased pollution and is becoming a concern.

Law No.8093 "On Water Resources", dated March 21, 2006 is the main law regulating water resource management issues in Albania. The main authorities established under this law are the National Water Council (NWC), the Technical Secretariat of the NWC, and the River Basin Councils. The NWC is headed by the Prime Minister, and it is charged with determining policy and taking major water resource decisions. Besides the Prime Minister, this Council includes the major line ministries of

Environment, Forestry and Water Administration; Economy, Trade and Energy; Public Works and Transport; Agriculture, Food and Consumer Protection; Health; Interior; as well as the six major prefectures of the respective river basins.

Consistent with the law “On Water Resources” and to comply with the European Water Directive, a new Directorate, the General Directorate on Water Administration, has recently been established within the Ministry of Environment, Forestry and Water Management, which will be the key statutory body for the management of water resources. The Ministry of Environment proposed this re-organization of the National Water Council Technical Secretariat as a central structure responsible for development and enforcement of national policies on water management, sector-level, national and inter-border coordination.

This new Directorate will play the role of the Technical Secretariat through two departments, namely the Water Policy Department and the Technical Department, which will supervise the work of the six River Basin Agencies.

Since 2002, at the local level, six (6) River Basin Councils (RBC’s) were established to manage water resources in the relevant basins. These RBC’s are responsible for preparing the water resources plan for the basin, and in documenting the inventory of water resources, in terms of quantity and quality. The RBC’s issue authorizations for the extraction and use of natural waters, as well as for the discharge of wastewaters into the natural environment. The RBC’s are composed of officials from central and local government, with one third representing the business community. Each RBC is chaired by the Prefect of the Region, where the RBC is located.

Under the law, River Basin Agencies (RBA) are also intended to be established as an executive agency of the RBC’s. Presently the RBA’s are ineffective, since they suffer from a lack of budget allocation, office space, staff, and basic office equipment. As a result of this situation, the drilling of wells for drinking water is largely “out of control” across Albania. This uncontrolled practice could have a serious, negative impact on groundwater quantity and quality in the future.

From a river basin planning and management standpoint, Albania has only drafted a formal Management Plan for the Mati River Basin.

The monitoring of the water quality for surface water sources is under the responsibility of the Institute of Water, Energy and Environment (IWEE) and for groundwater it is under the responsibility of the National Geological Service.

The Environment and Forestry Agency monitors the impact of wastewater discharges into the surface waters (rivers and coastal areas), while the Institute for Public Health, through their regional structures, monitors the hygiene and other conditions related with water quality.

1.2.2. Priority Issues to Address in the Planning Period

- Complete the drafting and approval of the new water resources law to replace Law No.8093 “On Water Resources”, dated March 21, 2006, so as to strengthen the role of the National Water Council, the River Basin Councils, and the River Basin Agencies, and achieve convergence with the Water Directives of the EU on river basin planning and management.
- Strengthen and build capacity in the Technical Secretariat function, the River Basin Councils, and the River Basin Agencies to fully perform their mandated responsibilities.

- Prepare River Basin Management Plans for all six river basins consistent with the Directives of the EU.
- Enforce the directive of the Council of Ministers regarding sanitary protection zones around the well heads at groundwater well fields.

1.3 Performance of the Water Supply and Sewerage Utilities

The water supply and sewerage sector in Albania has had the benefit of an institutionalized performance monitoring and benchmarking program (M&B Unit), which is established in the General Director of Water Supply and Sewerage, under the Ministry of Public Works and Transport. This program has been fully operational for the last five-years. The M&B Unit currently monitors 58 water supply and sewerage utilities, of which nine (9) utilities service only urban areas, six (6) service only rural areas, and forty-three (43) service a combination of urban and rural areas.

The following performance indicators have been selected from the extensive number of indicators calculated by the M&B Unit, to provide an overview of the performance of utilities in the sector, and as a basis for the targeted priority objectives that will be address in the Strategy.

1.3.1 Water Supply Service Coverage

Water supply service coverage represents the role of water supply utilities to serve the population within their defined service area, to the greatest extent physically and cost-effectively possible. Analyses performed by the M&B Unit show that the estimated population served by the water supply utilities in 2010 was 2.65 million people, which represents 80.3% of the total population in the jurisdictional areas of all water utilities in Albania (3.31 million people). Based on the reported data, water supply service coverage is 90.7% in urban areas and 57.0% in rural areas.

There is a need for the M&B Unit to develop a means for collecting data from water systems that operate outside the service areas of the 58 water utilities, as well as sewerage systems that operate within the service areas of the utilities, but have not been merged with the water operation of the utilities, all as a part of the data reporting program.

1.3.2 Sewerage Service Coverage

Similar to water supply service coverage, the sewerage service coverage is referred to as service coverage to the population within the defined service area of the utilities providing this service. The M&B Unit reports that 1.65 million people were connected to a sewage system in 2010, which represents 64.6% service coverage overall. Detailed by type of service area, the sewer coverage is 83.0% in urban areas and 10.9% in rural areas.

The figure of 83.0% coverage in urban areas is considered as being under-estimated, according to the M&B Unit, due to the fact that there are urban areas where sewerage service is being provided by local governments as a communal service, but local governments, currently, are not part of the data reporting to the M&B Unit. In total, only 30 of the 58 water utilities that report data to the M&B Unit provided sewerage service as of 2010.

There is a need for the M&B Unit to develop a means for collecting data from local governments that operate sewerage systems within the service areas of the 30 water utilities in the data reporting program that do not provide a sewerage service.

1.3.3 Water Supply Demand

Water production and water sales are the indicators that best define the needs for production to fulfill the total demand of the population for water supply. For the year 2010, the M&B Unit reported water production, on average, to be 301 liters/capita/day (292 million cubic meters per year) and water sales, on average, to be 110 liters/capita/day (107.5 million cubic meters per year). The relationship between these two values provides a way to assess the extent of “non-revenue water” on a demand basis, representing the quantity of water that is “produced but not billed” for each equivalent person that is supplied.

The above figures report that the non-revenue water (volume not billed) for year 2010 was 63.2%. However, it should not be assumed that 63.2% of the water is really water loss. It is well known in Albania that most systems have a significant number of “illegal” or “unregistered” connections to their transmission and distribution systems, which means that a portion of the 63.2% is in fact being used and providing a necessary service. Similarly, the level of consumer metering is still very low, as a percent of the number of connected customers (44.6 % metered connections and 46.3 % metered water sales), which says that there is no clear information, on a national basis, to arrive at true demand.

The average annual capacity of the established water supply sources in Albania for 2010 was estimated around 654 million cubic meters per year, while the total water demand, being estimated with a norm of 150 liters/capita/day (the demand norm that is applied in Albania) and an allowance of 20% for technical water losses, was estimated to be 197 million cubic meters per year for the served population, and 240 million cubic meters per year for the total population in the service areas. This indicates that the developed sources, in the aggregate, are nearly three times the total expected demand for the entire population, served and unserved, in the defined service areas of the utilities. This is not meant to suggest that all areas of the country have an ample supply. There are specific areas that would probably still need investments in water production to meet specific local conditions of demand. What these figures say is that the issue in Albania is not producing more water but managing the demand for the water produced.

1.3.4 Continuity of Water Supply Service

Continuity of water supply service is related to the ability of a water utility to maintain the distribution network under a defined service pressure in order to deliver water to its customers on a continuous, uninterrupted basis. The M&B Unit reported an average of 11.1 hours/day continuity of water supply service for the sector in the year 2010. Although this indicator has improved over time, water utilities still tend to over-produce water to try to meet the needs of the served population and hours of daily supply and pressure. Currently, only two of the water utilities in Albania (Korce and Librazhd) can provide 24-hours of pressurized water supply service, across their entire systems, all day, throughout the year. In the other systems, the population compensates for this lack of “continuity of service” by purchasing and installing booster pumps and water storage tanks that fill up when the distribution system is under pressure. The main factors that cause this low continuity of water supply are the loss of water from un-metered over-consumption from flat rate billing, illegal connections, and technical losses in the networks.

1.3.5 Safety of Water Supply

The safety of water supplies is affected by the protection of sources, which are largely wells and natural springs in Albania, and the chlorination of supply entering the distribution systems. Albanian has laws and regulations addressing natural spring protection, and well head/well field protection. The result of these regulations is that no water source contamination has occurred at the sources. Having made this statement, there is a need for central Government, water utilities, and local governments to be more aggressive in routinely monitoring and enforcing the existing laws having to do with the protection of areas around well supply sources. Ultimately, the authority to act on violators is with the local governments in light of their authority issue building permits.

Despite the safety measures applied at the sources, all water utilities in Albania apply continuous chlorination treatment to eliminate contamination from microorganisms that could find their way into the distribution network. The safety of the water supply is monitored by the State Sanitary Secretariat, under the Ministry of Public Health. The State Sanitary Secretariat tests for residual chlorine at various points of use, as well as for fecal coliform bacteria. The M&B Unit reported compliance figures of 96.9% for residual chlorine and 98.8% for fecal coliform for the year 2010. The M&B Unit currently relies on the reported data issued by the State Sanitary Secretariat and receives those reports directly.

1.3.6 Sewage Treatment

Presently, Albania has two operating conventional, mechanical sewage treatment plants located in Kavaja and Pogradec; and one conventional, mechanical in Korca, and three, combination mechanical/constructed wetland treatment plants located in Durres, Sarande, Lezhe, that are planned to be operating by the end of 2011. Lastly, there is a conventional, mechanical sewage treatment plant in Vlora that is ready for operation, but lacks a major transmission main to deliver sewage to the treatment plant; therefore an actual start-up date is not certain.

These sewage treatment plants will be owned, operated and maintained by the water supply and sewerage companies in the respective service areas. It is clear that an extensive effort in training and capacity building of qualified staff will be needed to be able to successfully take on this new operating responsibility.

One parameter of measurement for sewerage service coverage is the number of connections or the volume of sewage that is directed to a treatment plant, expressed as numerical values or as a percentage of the total sewage generated. Through the 2010 data year, the M&B Unit did not collect data to provide for this measure of service coverage. It was reported that these additional data requirements and performance indicator ratios have been defined in the Program of the M&B Unit, such that the performance measures will be available for the 2012 data year.

1.3.7 Considerations Relative to Utility Performance Issues during the Planning Period

In approaching the development of the Strategy for the Sector, the Government has taken into consideration the following issues relative to the current utility performance that needs to be addressed within the planning period:

- Drinking water service coverage must continue to be increased, as a percentage of the population in the service areas of the utilities. This is particularly true in the rural and informal settlement areas.

- Sewerage service coverage must be increased, particularly in the more urbanized and densely populated areas where sewage in the natural environment presents the potential for public health problems.
- Water demand management must be a priority, across Albania, to reduce costs as a result of excess production, which results in non-revenue water; to increase the volume of water that is being sold based on metered consumption; to achieve 24-hour continuity of water supply service; and to contribute to financially sustainable management of the utilities.
- Advanced technology chlorination systems need to be installed in all drinking water supply systems in Albania.
- The percent of sewage being generated and discharged to a formal sewer system that goes to a proper sewage treatment plant must be increased, and monitored as a performance measure and increased as a percentage.

1.4 Regulatory, Institutional, and Financial Aspects of the Sector

Aside from the technical and operational aspects of a water supply and sewerage utility, there are a large variety of regulatory, institutional and financial aspects that are equally important to successful performance of the utility, particularly when the operating environment is intended to be financially self-sustainable, on a commercial basis.

1.4.1 Summary of Current Water Sector Legal Framework

The current legal framework is intended to improve the performance of the water sector by ensuring the legal and regulatory bases of the sector. At the current time, 90% of the corporatized water utilities have been transferred to local government units (LGU). The Ministry of Public Works and Transport, and the General Directorate of the Water Supply and Sewerage have exercised a supporting role in the process of sector decentralization and are obliged to prepare adequate standards, which will help LGU's in exercising their functions.

The basic norm for addressing the applicable law relative to the state public companies is Article 213 of Law No.9901, dated 14.4.2008, on Entrepreneurs and Commercial Companies. The corporate form of water companies in Albania is referred as "joint stock companies" and they are regulated under Law 9901. According to the water utilities "draft statute" approved by DCM No. 678, dated 3.10.2007, the legal activity of a water supply and sewerage joint stock company is defined as to ensure and sell the service of potable water supply and sanitation, production and/or purchase of water to meet customer demand and maintenance of both water supply and sanitation services.

The Supervisory Council represents a governing body of a water supply and sewerage joint stock company according to the Statute. It is limited to six (6) members elected by the Ordinary Assembly of Shareholders. The duration of the term of duty for the members of the Supervisory Council is three (3) years. The Supervisory Council reports to the Assembly of Shareholders on its obligation to supervise the compliance of the company's activities with regard to the legal acts in force and the applicable accounting standards and principles.

On the basis of the Law No. 8102, dated 28.03.1996 "On the Regulatory Framework in the Water and Sanitation Sector", as amended with Law No. 9352, dated

3.03.2005 and Law No. 9915, dated 12.05.2008, the Water Regulatory Authority (WRA) is the independent body that has the exclusive right to set tariffs and license operators in the water sector.

1.4.2 Decentralization of Services and Transfer of Ownership to Local Government

Law No. 8265, date 31.07.2000 “On the Organization and Functioning of Local Government” establishes that the LGU’s have the authority and the responsibility for the provision of water supply and sanitation services in their respective service areas.

Water utility shares and assets were transferred to the LGU’s. The ownership of water utility assets should be registered against company shares, which are owned by the LGU’s.

The Water Regulatory Authority, as an independent function, reporting to the Parliament, has the competences in the sector regarding the determination of tariff methodologies for the services of water supply and sewerage, issuing of licenses, subsidy policies, and standards of service in conformity with the financial resources and cost of service, quality of water and environmental impact of the services.

1.4.3 Financial Aspects of the Sector

These companies, which exist for the provision of water supply and sewerage services, are public commercial companies of a unique nature. Their status and activity are regulated by legally established Albanian legislation basing on Law No.9901, dated 14.4.2008, and this legislation is supplemented by specific legal acts for the water supply and sewerage sector.

Water utilities function under a two tier system. The management of the company deals with the day-to-day management and implementation of policy and programs. The Supervisory Council represents the governing body of a water supply and sewerage joint stock Company according to the Statute, and the general function of the Supervisory Council is to supervise the executive function of the company and to guarantee the protection of the interests of the shareholders.

The Supervisory Council oversees the utility and verifies performance in order to ensure compliance with governing document, accountability and compliance with laws and regulations, and maintaining a proper fiscal oversight.

The Supervisory Council reports to the Assembly of Shareholders on its obligation to supervise the compliance of the company’s activities with regard to the legal acts in force and the applicable accounting standards and principles.

The major portion of the water utilities are not able to cover operating costs due to a combination of low tariffs, low bill collection rates, high levels of non-revenue water, and overall service inefficiencies. For the Year 2010, the average operating cost per cubic meter of water sold was 42.9 leke, while the average price per cubic meter of water sold was 38.2 lek, or an effective operating loss of 4.7 leke per cubic meter of water sold.

Average total cost coverage, based on revenues (amount billed) is at the level of 66.6%, while based on actual current collections, the total cost coverage is 56.1%.

Considering the total cost structure of the water utilities for 2010, 29.4% is represented by energy costs, 30.6% by personnel costs and social security contributions, 20.6% on depreciation costs, and 19.4% as other costs like chemicals, maintenance and repairs, etc. High personnel costs are impacted by the staff per 1,000 connections indicator, which is at the level of 5.5 employees per 1,000 connections.

Water utilities obtain subsidies based on Decision No. 6569, of 27.06.2006, jointly issued by the Ministry of Public Works and Transport, and the Ministry of Finance, “On the Criteria and Procedures for the Usage of State Subsidies for Water Supply Utilities”. These subsidies are issued on an annual basis to cover energy and social security contribution costs. The government policy has been to reduce the amount of subsidies over the last four years. On the basis of the sector decentralization reform, subsidies are planned to be terminated in the near future.

Central Government has the primary role of channeling donor funds and Treasury funds for capital improvements, based on its assessment of the needs expressed by local governments and the general conditions of service for the public. It also provides sovereign guarantees on loans from international financial institutions to individual water utilities, and currently provides operating subsidies to local governments to fund their local water supply and sewerage utilities.

1.4.4 Cost Accounting and Tariff Setting

The issue of asset management and sustainability is linked to the issue of full cost accounting. A considerable absence of asset documentation regarding the systems of water supply and sanitation exist in the sector.

An asset management program should provide the information needed to move to a full cost accounting program, as well as provide the information needed to integrate capacity expansion planning with infrastructure replacement. The asset registers of the water utilities are not routinely updated, to include annual asset inventory and certification at the National Registry of Immoveable Property.

Keeping tariffs artificially low for all customers currently results in a vicious circle of underfunded service providers, insufficient investment, and deteriorating infrastructure and services that further reduce the benefits that users receive from the utilities, and therefore reduce their willingness to pay. Low tariffs prevent extensions of networks to poorer communities, forcing them to find alternative means of supply, which might include illegal connections or shallow well supplies that might have very low quality water.

1.4.5 Revenue Collection, Trends and Enforcement Options

The current average water price levels do not cover all costs, and the collection level still remains to be not satisfactory. The overall revenue collection level for 2010 was 84.2%, although it has experienced improvement in comparison with the previous years. Household customers, which represent the largest category of customers of the sector, have the lowest revenue collection rate in comparison with all other categories. The household collection rate is 70% and the private entities collection rate is 83%.

Although Law No. 8975, dated 21.11.2002, has determined the water invoice to be an “executive title”, a lack of enforcement toward non-paying customers, and a widespread occurrence of illegal connections, has led to a difficult financial situation for the water utilities.

The utilities, which have been able to improve their revenue collection rates, are characterized as utilities that have implemented computer-based billing and accounting systems, established debtor follow-up procedures, conduct public education campaigns, and have improved customer service activities.

1.4.6 Current Authority of the Regulator

The Water Regulatory Authority (WRA), under the National Water Regulatory Commission, functions within the legal framework and in conformity with Law No. 8102, dated 28.03.1996 “On the Regulatory Framework in the Water and Sanitation Sector”, as amended with Law No. 9352, dated 3.03.2005 and Law No. 9915, dated 12.05.2008. The activity of the Commission is based on the principles of independence, professionalism, transparency and legality, to guarantee and protect public interests and to assure the right equilibrium between consumer’s interests, Government, public, investors and participants in the water and sanitation sector.

The current authority of the Commission, through the WRA, covers the competency to license, approve prices and tariffs, set standards of investment programs and sale of assets, report on the status of the sector to the Council of Ministers, apply monetary and administrative sanctions on commercial entities acting in the water supply service sector, even when the systems of water supply and sewerage have been transferred to the local governments.

The WRA is the only authority in the Republic of Albania that issues licenses for all natural or juridical persons that act within the sector of water supply and sewerage services. Although required by law, not all water companies are licensed, and no communal water supply systems are licensed.

The WRA provides for a range of methodologies for determining cost coverage tariffs for the licensed operators in the water sector.

1.4.7 Consideration Relative to Regulatory, Institutional and Financial Issues during the Planning Period

In approaching the development of the Strategy for the Sector, the Government has taken into consideration the following issues relative to the current regulatory, institutional and financial conditions that need to be addressed within the planning period:

- Continued strengthening of the Water Regulator Authority is needed to ensure that its staff is prepared to professionally and thoroughly exercise the authorities and duties defined in the enabling legislation.
- Expand the implementation activities of the Water Regulatory Authority in terms of its authority to issue licenses for the provision of water supply and sewerage services to the public, such that all public and private entities engaged in the provision of these services is licensed.
- Tariff review and setting process should always be oriented toward the goal of full cost recovery from the revenues of the utility, to include debt repayment, interest payment on debt, and funding of reserves to offset depreciation of all assets.
- Strengthen the newly created General Directorate of Water Administration such that it can fulfill the duties of the Technical Secretariat of the National Water Council, as well as fully implement the functioning of the regional Water Basin Agencies, such that they are capable of fulfilling their functions in the enabling legislation to protect the access and extraction of water from the natural environment. It should do this by using its permitting authority and by consistently applying a charge for such extractions, on a volume basis, such that the activities of the Water Basin Agencies become financially self-sustaining.

- Implement the decision of the Government to move in the direction of the aggregation of water utilities into few, larger service providers, applying the concept of voluntary decision making at the local government level, but with incentives from Central Government to encourage aggregation as a means of realizing the economies of scale, and increased efficiency and productivity of staff, which are characteristic in the water supply and sewerage sector.
- Support the drafting of legislation, for passage by the Albanian Parliament that will ensure complete convergence of Albanian law with the relevant Water Directives of the European Union, and with the concept of “user pays” for water supply and sewerage services.

1.5 Private Sector Participation in Water Supply and Sewerage Sector

Private Sector Participation involves a contract between a public-sector authority and a private-sector operator, in which the private operator provides a public service, by means of a contract, and assumes a range of financial, commercial, technical and operational risks in providing that service, based on the terms in the contract. Private Sector Participation is often promoted as a cure for providing efficient and financially sustainable public services in normally public sector activities, such as water, energy, transport, health, education, etc. For over two decades now, it has been a widely held belief that private sector participation is one of the best solutions to bringing about improvements in the delivery of public services in terms of investments, efficiency, service delivery, accountability, etc.

The movement toward private sector participation in the water supply and sewerage sector is quite young in developing countries, like Albania. The Government of Albania, which is determined to improve water supply and sewerage services in the country and reduce the financial burden on the Central Government of supporting the water sector, has embarked on comprehensive water sector reforms. Private sector participation is a key element of these reforms. It is well understood that private sector participation brings a more commercial approach to infrastructure provision and reduces political intervention. The Central Government supports the concept of private sector participation in the water supply and sewerage services sector, since it keeps a competitive option available in a natural monopoly sector.

The Central Government is also aware of the risks that can be present when private sector participation is attempted too early in a specific situation, and when the ability to assign risk, and the capability to supervise performance and compliance with contract terms and conditions does not exist.

1.5.1 Regulatory Framework toward Involving Private Sector Participation

Albania’s legal framework with respect to Private Sector Participation is adequate by international standards. Foreign investments are fully protected under the law.

- Law No. 7973, “On Concessions and Participation of the Private Sector in Public Services and Infrastructure”, dated July 26, 1995 created the legal framework for the participation of the private sector in the delivery of public services.
- Law No. 8306, “On Privatization Strategy of the Special Important Sectors”, dated March 14, 1998, stipulates the strategy for privatization of sectors de-

clared to be of special importance (which includes the water sector).

- Law “On Concessions”, No. 9663 Dated December 18, 2006. The purpose of this law is to create the necessary framework for promoting and facilitating the implementation of privately financed concessions with the objective of enhancing the transparency, fairness, efficiency, and long-term sustainability in the development of infrastructure and public service projects. This law establishes specific procedures for the award of Concession Projects. This law is implemented for granting of concessions by contractual authorities (ministry or local government) for the economic activities in several strategic sectors including production, distribution and treatment of water, collection, transmission and treatment of wastewater, irrigation, drainage, dams etc.

1.5.2 Private Sector Participation Past Experience in Albania

There have already been some experiences of introducing private sector participation in the water sector in Albania. Three private sector participation contracts were implemented with the assistance of international donors. These contracts were:

a) Elbasan Concession

The first example of a private sector participation contract in the water sector in Albania was the concession contract awarded to Berlinwasser International (BWI) in 2002 for what was then the State-owned Water Supply and Sewerage Enterprise serving the City of Elbasan. The contract was the result of a negotiated procurement of an unsolicited bid. This project was funded by Kreditanstalt für Wiederaufbau (KfW). The Elbasan concession resulted in a mixed experience, which never went past the 5th year of a 30 year concession contract. There are varying explanations as to the difficulties that challenged the concessionaire to the point of suffering significant financial losses. To avoid further losses, the concessionaire sold the project company, “ELBER” to the Ministry of Economy, Trade and Energy. Despite the financial failure experienced by the project company, ELBER, it did make some improvements in the operation of the utility in terms of increased hours of supply, increased bill collection rate, and reduced electricity consumption.

b) “Four Cities” Management Contract

This management contract covered the four water utilities under one contract (Durrës, Fier, Lezhe and Saranda). It was implemented with funding support from The World Bank. The World Bank advised the Albanian government to use a performance-based management contract as the most appropriate form of attracting a private operator for the improvement of the services and performance of the four water companies..

The “Four Cities” management contract, which ended in August 2008, is considered to have been relatively successful. Performance indicators for each of the four water utilities under the management contract showed improvements in the quality of service, as well as in their operational and financial performance, in comparison with the pre-existing situation under the public operator. However, the contract did not lead to the expected service levels and financial sustainability was expected in any of the utilities. Also, it did not meet the expectations of the local governments.

c) Kavaja Management Contract

In June 2003, a private operator was awarded a management contract for the

water supply and Sewerage Company serving the City of Kavaja and surrounding communes. This contract was funded by KfW and had a duration of three years, with the possibility of a one year extension. The objective for this management contract was to improve the management and operation, without providing additional financing for capital investments. Therefore, the amount of the loan provided by KfW was limited to the management fee and incentive payments, and did not include any funds to finance capital investments. The management contract in Kavaja resulted in improvements in the operations of the water utility. However, it did not meet the targets specified in the contract.

1.5.3 Consideration Relative to Private Sector Participation During the Planning Period

There are a number of ways in which the Central Government can support private sector participation implementation to maximize its benefits. The support that the Central Government can provide is:

- Support for high quality transaction documentation and processes. Private sector participation contracts and transactions are complex. Experienced private sector participation advisors understand how private sector participation contracts work and they know what mistakes were done in the past. Retaining experienced advisors to prepare the contract and implement the transaction will minimize chances of problems later during the contract.
- Accessing financing. The Central Government can assist the municipalities to discuss their needs with donors and provide appropriate channeling for capital funds.
- Tariff subsidy for low income groups. Most of the municipalities will not have sufficient funds to provide appropriate levels of subsidies. Therefore, they will require subsidy funds from the Central Government
- Helping neighboring municipalities to achieve synergies through regionalization. Most of the municipalities in Albania are small and they would benefit from cooperation. The Central Government can provide advice in which areas this would be useful, like creating a regional company with a shared water source, provide technical assistance, and act as a facilitator in the process
- Provide regulatory and contract management support to local government. Again, due to contract complexity, the local governments might lack technical capacity to monitor contract performance, and it might not be economical for them to develop this capacity. Therefore, the Central Government should consider providing some form of centralized assistance that would serve all of the local governments at lower cost rather than for each local government doing these themselves.

CHAPTER 2

VISION, MISSION OBJECTIVES AND PRIORITY ACTIONS

This Water Supply and Sewerage Services Sector Strategy is unique in that it has been prepared with extensive input and direction from an inter-ministerial Advisory Group, and has enjoyed the benefit of having had reasonable quality data for the sector, as provided by the Performance Monitoring and Benchmarking Unit, which had operated effectively under the General Directorate of Water Supply and Sewerage, for over five years. This combination of broad-based stakeholder input, and data to support decisions on priorities and action plans, sets this particular Strategy apart from others that have been developed in the past.

2.1 Vision Statement

The Vision Statement that was developed for this Sector Strategy for the period 2011-2017 reflects where Albania is today in ramping up the overall investments in the water supply and sewerage sector, such that at the end of this planning period, there will be a marked difference in both the level and quality of services in the sector, as perceived by the end user. The Vision Statement for this Sector Strategy is as follows:

VISION STATEMENT

Develop proper policies and commit sufficient resources to improve the provision of water supply and sewerage services, and to consistently move toward compliance with EU standards and the Millennium Development Goal of environmental sustainability.

As stated in the Introduction to this Strategy, the Government of Albania honors its commitment, as a co-sponsor of the United Nations resolution making the “Access to Safe Drinking Water and Sanitation as a Human Right” to ensure equality for all of its citizens when it comes to human rights in terms of drinking water and sanitation.

The Government of Albania is realistic in its aspirations as to when it can ultimately meet EU standards for the sector, and therefore acknowledges, by this statement that it will not be achievable within this seven year planning period. However, the Government of Albania still sees such compliance with EU stand-

ards as the goal, and will direct all of the resources, committed this sector, toward working to achieve that goal.

2.2 Mission Objectives

The Mission Objectives for this Sector Strategy serves to focus the Governments initiatives on five key Mission Objectives that need to be addressed, both in policy and in action, to bring about the desired improvement of water supply and sewerage services. The Mission Objectives for this Section Strategy are as follows:

MISSION OBJECTIVES

- Expand and improve the quality of water supply and sewerage services.
- Orientimi i shërbimeve të ujit drejt parimeve të kontrollit dhe rikuperimit të plotë të kostove.
- Improve governance and regulation in the sector.
- Invest in enhancing the capacities of the sector work force.
- Move toward convergence of Albanian law with EU Water Directives.

2.3 Actions under Mission Objectives

The Mission Objectives presented above can be further defined by a number of Actions that will need to be implemented for each of the Objectives to be achieved. These Actions are presented below as they relate to their specific Mission Objective.

2.3.1 Expand and improve the quality of water supply and sewerage services

- Increase access of both urban and rural populations to safe, reliable drinking water.
- Increase the connection of both urban and rural populations to sewage collection networks.
- Increase the hours of water supply service for both urban and rural populations.
- Increase the percent of the population connected to a sewage collection network directed to a treatment plant.
- Develop and routinely maintain a national needs survey that will prioritize projects for investment.

2.3.2 Orient the water utilities toward principles of cost control and full cost recovery.

- Orient utilities toward full cost recovery of operations and maintenance costs, debt

service, and capital repair and replacement expenditures.

- Target investments on reducing non-revenue water and energy consumption.
- Initiate a program to require all licensed water utilities to have a fully documented asset management system.
- Require all licensed water utilities to develop and annually update a five-year business plan.
- Develop and implement a targeted subsidy program for poor households.

2.3.3 Improve governance and regulation in the sector.

- Continue to strengthen the role and function of the Water Regulatory Authority.
- Expand the licensing activities of the Water Regulatory Authority to achieve licensing of all water supply and sewerage systems.
- Develop and disseminate a Model Service Delivery Agreement, to be negotiated between a water supply and sewerage utility, and a local unit of government.
- Strengthen the new Director General of Water Administration in its Technical Secretariat role under the National Water Council and its oversight of the River Basin Agencies.

2.3.4 Invest in enhancing the capacities of the sector work force.

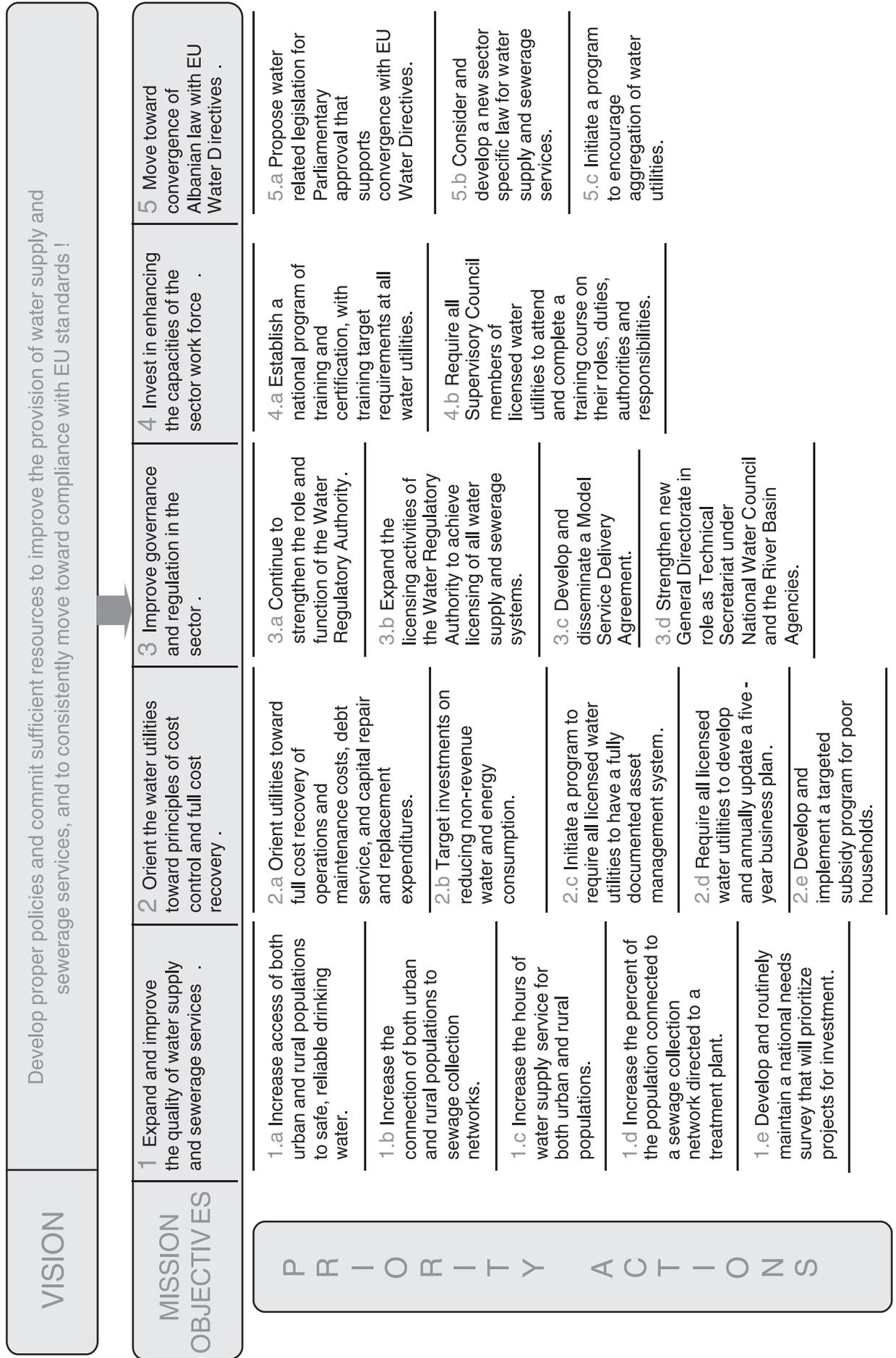
- Establish a national program of training and certification, with training target requirements at all water utilities.
- Require all Supervisory Council members of licensed water utilities to attend and complete a training course on their roles, duties, authorities and responsibilities.

2.3.5 Move toward convergence of Albanian Law with the EU Water Directives.

- Propose water related legislation for Parliamentary approval that supports convergence with EU Water Directives.
- Consider and develop a new sector specific law for water supply and sewerage services.
- Initiate a program to encourage aggregation of water utilities.

The Vision Statement, Mission Objectives, and the Priority Actions under each of the stated Mission Objectives are presented graphically as Figure 2-1. These Priority Actions will be further defined in Subsection 2.4 of this Chapter of the Strategy as specific, measureable and time bound Strategic Goals.

Figure 2-1 VISION – MISSION OBJECTIVES – PRIORITY ACTION CHART



2.4 Strategic Goals in Support of the Priority Actions for the Sector

It was the intent of the Government of Albania to prepare a Water Supply and Sewerage Services Sector Strategy that was brief in its language; specific in its Strategic Goals; measureable and time bound in its actions; and accountable in terms of institutional responsibility.

The approach taken to meet that stated intent was to build on each of the five Mission Objectives, through each of the stated Priority Actions, by converting the Priority Actions into measureable Strategic Goals with performance indicators that can be largely monitored under the well established Performance Monitoring and Benchmarking Program, in the General Directorate of Water Supply and Sewerage, under the Ministry of Public Works and Transport.

These Strategic Goals are specific, measurable and time bound, and they have been determined, by the Strategy Work Group, to be achievable in the timeframes considered.

Table 2-1 presents the Strategic Goals and the forecasted performance indicators for each of the Priority Actions, along with performance indicator values for each year of the seven year planning period of the Strategy.

Table 2-1 is based on a spreadsheet workbook that supports the Strategy; has been structured to parallel the Mission Objectives; and reflects the Priority Actions as a measureable Performance Indicator. In each case, a Base Year-2010 value for the Performance Indicator, when it exists, has been stated. The Base Year values were obtained from the M&B Unit data base. With the Base Year as a starting point, the Work Group, which was responsible for the development of the Sector Strategy, determined an achievable value for the Performance Indicator for the final year of the planning period, 2011-2017, and also determined interim values for each of the seven years of the planning period.

Table 2-1
Strategic Goals and Performance Indicators

Pr.Obj. Ind.	Policy Objectives	Ind. Fact 2010	Plan for Year-End						
			2011	2012	2013	2014	2015	2016	2017
1	Expand and improve the quality of water supply and sewerage services.								
1.a.1	Water Coverage for the urban area.	90.7%	91%	92%	93%	94%	95%	96%	98%
1.a.2	Water Coverage for the rural area.	57.0%	60%	64%	70%	76%	79%	82%	85%
1.b.1	Sewerage Coverage for the urban area.	83.0%	83%	84%	85%	85%	86%	87%	87%
1.b.2	Sewerage Coverage for the rural area.	10.9%	11%	13%	15%	20%	25%	35%	45%
1.c.1	Continuity of Service for Water Supply	11 .1	12	13	14	15	16	18	20
1.d.1	Sewer Treatment Coverage from treatment plants.	4.0%	7%	15%	20%	25%	30%	35%	40%
1.e.1	Develop and routinely maintain a national needs survey that will prioritize projects for investment					100%	100%	100%	100%

Pr. Obj. Ind.	Policy Objectives	Ind. Fact 2010	Plan for Year-End						
			2011	2012	2013	2014	2015	2016	2017
2	Orient the water utilities toward principles of cost control and full cost recovery.								
2.a.1	Direct Operational Costs (DOC) Coverage with Revenue.	93.4%	95%	95%	100%	100%	100%	100%	100%
2.a.2	Direct Operational Costs (DOC) Coverage with Collections.	78.6%	80%	85%	90%	100%	100%	100%	100%
2.a.3	Total Operational Costs (TOC) Coverage with Revenues.	66.6%	68%	70%	72%	74%	76%	78%	80%
2.a.4	Total Operational Costs (TOC) Coverage with Collections.	56.1%	58.5%	61.6%	64.8%	68.1%	71.4%	74.9%	78.4%
2.a.5	Coverage of capital reserve funds (repair/ replacement and new capital) with revenues.	0%	0%	0%	10%	20%	30%	40%	50%
2.a.6	Overall Collection Rate.	84.2%	86%	88%	90%	92%	94%	96%	98%
2.b.1	Reduction of Non Revenue Water.	63.2%	60%	57%	54%	51%	48%	45%	40%
2.b.2	Metering Level for water consumption expressed in number of connections.	44.6%	48%	52%	60%	65%	72%	80%	85%
2.b.3	Metering Level for water production expressed in number of meters.	16.0%	30%	60%	90%	100%	100%	100%	100%
2.b.4	Metering Level for water distribution expressed in number of meters.	12.0%	13%	30%	60%	90%	100%	100%	100%
2.c.1	Initiate a program to require all licensed water utilities to have a fully documented asset management system.				100%	100%	100%	100%	100%
2.d.1	Require all licensed water utilities to develop and annually update a five-year business plan.				100%	100%	100%	100%	100%
2.e.1	Develop and implement a targeted subsidy program for poor households.				100%	100%	100%	100%	100%

Table 2-1 (continued)
Strategic Goals and Performance Indicators

Pr.Obj. Ind.	Policy Objectives	Ind. Fact 2010	Plan for Year-End						
			2011	2012	2013	2014	2015	2016	2017
3	Improve governance and regulation in the sector.								
3.a.1	Continue to strengthen the role and function of the water regulatory entity.		50%	75%	100%	100%	100%	100%	100%
3.b.1	Expand the licensing activities of the water regulatory entity to achieve dlicensing of all water systems .se			50%	100%	100%	100%	100%	100%
3.c.1	Develop and disseminate a Model Service Delivery Agreement		50%	100%	100%	100%	100%	100%	100%
3.d.1	Strengthen new General Directorate in role of Technical Secretariat of National Water Council and the River Basin Agencies.			50%	75%	100%	100%	100%	100%
4	Invest in enhancing the capacities of the sector work force.								
4.a.1	Hours of staff training per year (hours/year/person).		1	4	8	16	24	32	40
4.a.2	Number of Trained and Certified Managerial Staff for their working positions.		0	0	25	75	150	150	150
4.b.1	Require all Supervisory Council members of licensed water utilities to attend and complete a training course on their roles, duties, authorities and responsibilities.			100%	100%	100%	100%	100%	100%
5	Move toward convergence of Albanian law with EU Water Directives.								
5.a.1	Propose water related legislation for Parliamentary approval that supports convergence with EU Water Directives.			50%	100%	100%	100%	100%	100%
5.b.1	Consider and develop a new sector specific law for water supply and sewerage services.		50%	100%	100%	100%	100%	100%	100%
5.c.1	Regional Water Supply and Wastewater Utilities.	57	57	50	45	40	35	30	26

Note: 0.4% - Annual percentage of population increase (INSTAT)

CHAPTER 3.

POLICIES AND ACTION PLANS

This chapter of the Sector Strategy addresses specific Sector Policy Issues that will have an impact on each of the Mission Objectives, and the Governments position relative to these Policy Issues. The chapter then presents Summary Action Plans that will need to be developed into more Detailed Implementation Plans, by the Responsible Institution of Government, to bring about the desired improvements in the sector that will achieve the quantified Performance Indicators presented and discussed in Chapter 2.

Policy Statement No. 1: Jurisdiction of Tariff Policies

Tariff policies shall apply to all licensed water supply and wastewater service providers, without exception, in order to effectively regulate both urban and rural services.

Policy Statement No. 2: Tariff Differentiation and Structures

Tariffs are allowed to vary from one licensed service provider to another, to reflect different costs of service. The service provider can select between a broad range of tariff structures, although the preference should gradually be toward uniform tariffs that are transparent, equitable, and easily understood by consumers. Seasonal tariffs may be considered for the coastal and tourist regions where summer peak demand increases water scarcity. A tariff structure consisting of both fixed and volume based rates may be considered to ensure that the service provider has a predictable cash flow during all times of the year..

Policy Statement No. 3: Cross-subsidies between Customer Categories

In accordance with the principle of equitable treatment of customers, as well as long-term efficiency considerations, the pricing trend should be to apply same, individual unit charges for water supply and wastewater services for all customer categories. This must be introduced gradually over a period of 7 years.

Policy Statement No. 4: Cost Recovery for Service Providers

The principle of full cost recovery, in accordance with the EU Water Directives, shall apply for the providers of water supply and sewerage services. The achievement of full cost recovery shall be gradual, in accordance with the information on affordability to pay of customers in all the service areas of the country, and shall be applied whenever and wherever it is possible. It is the task of the Water Regulatory Authority to routinely make an assessment of the practicality of full cost recovery

from tariffs, and report its assessment and recommendations in its Annual Report. The interim targets, for purposes of the planning period, are as follows, and are as determined on a collection efficiency basis:

1. Achieve, within a three year period, the recovery of the following cost items through tariff charges and collections:
 - a. Operation and Maintenance (O&M) costs of the water supply and wastewater systems.
2. Achieve, within a seven year period, the recovery of the additional, following cost items through tariff charges and collections:
 - a. Depreciation costs as it relates to the replacement value of existing assets at 50%.
 - b. Debt service
 - c. Taxes, duties

Policy Statement No. 5: Introduction of Targeted Subsidies

Basic water supply and sewerage services shall be provided to all the citizens of the Republic of Albania, where it is economically feasible or for the protection of public health. Poor households that cannot pay for the applicable cost of services must have access to basic services through the application of an adequate subsidy mechanism.

Currently, a portion of that subsidy is the result of cross-subsidies in the tariff structure, and another portion is direct operating subsidies provided to the service provider from the Central Government to local governments. During the planning period, the Government of Albania will work to develop and implement a targeted subsidy program that will provide the subsidy to needy, qualifying households, so as to move away from subsidizing loss operations of service providers.

The Government of Albania recognizes that this change in approach to subsidies will require defining suitable eligibility criteria, creating and updating a database of eligible households, and establishing a well-developed mechanism for subsidy distribution which is free from favoritism, abuse and corruption.

Policy Statement No 6: Asset Inventory and Valuation of Water Supply and Sewerage Systems

An asset inventory and valuation of all urban and rural licensed water supply and sewerage systems, including those of a single LGU or a multiple LGU system, will be directed to be conducted within a defined period of time, based on criteria to be defined by the Water Regulatory Authority, and filed with the National Registry of Immovable Property. This inventory shall be kept current with the National Registry on an annual basis.

Policy Statement No 7: Consider and Draft a Special Water Supply and Sewerage Services Law

The Government has taken a decision to encourage the aggregation of service areas in the provision of water supply and sewerage services for the purpose of bring more economy of scale to the sector. In light of this, consideration will be given toward the development of a unique water supply and sewerage services law that would define the statutes and ownership of regional bulk water companies and regional wastewater treatment companies, the principles for asset inventory and valuation, the separation of titles of ownership from the right of usage, the rights

and obligations of each stakeholder, public and private sector mixed ownership, structures of aggregated bulk and retail services, and the entry and exit conditions of participants.

Policy Statement No. 8: Licensing of Water Supply and Sewerage Service Providers

All water supply and sewerage service providers serving the public through formal, piped systems, shall be required to obtain a license from the Water Regulatory Authority, as shall be required by the Water Regulatory Authority

Policy Statement No 9: Authorization to Replace a Failing Operator

The mandate of the Water Regulatory Authority shall be strengthened to give it the right to intervene (step-in-right), when operators fail to meet standards, by allowing for the replacement of the failing operator by another (public or private) operator. The alternative operator shall be paid from the revenues of the users, supplemented by contributions from the local governments receiving the services, if user charges are insufficient. This ultimate sanction is necessary to allow for immediate action on the part of Government, where other forms of penalties would likely be ignored or ineffective. The Water Regulatory Authority will develop and publish the procedures to be followed when such an action is to be undertaken.

SUMMARY ACTION PLANS

Mission Objective 1: Expand and improve the quality of water supply and sewerage services.

Priority Action 1.a: Increase access of both urban and rural populations to safe, reliable drinking water.

Strategic Goal: Water Supply Coverage – Urban: 98 %
Rural: 85 %

Actions:

- Using the masters plans to be developed under the KfW funding, quantify forecasted coverage increases to be achieved based on current programming of funds to water utilities.
- Determine shortfall, if any, to reach targeted coverage goals under the Strategy.
- Quantify additional funding needed, if any, by utility to reach targeted coverage goals.
- Direct funding to projects that will contribute to increases in water supply coverage.

Estimated Capital Needs: Urban: 69.2 million Euro
Rural: 76.4 million Euro

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 1.b: Increase the connection of both urban and rural populations to sewage collection networks.

Strategic Goal: Sewerage Coverage – Urban: 87 %
Rural: 45 %

Actions:

- Quantify forecasted coverage increases to be achieved based on current programming of funds to water utilities for sewerage extensions.
- Determine shortfall, if any, to reach targeted coverage goals under the Strategy.
- Quantify additional funding needed, if any, by utility, to reach targeted coverage goals.
- Direct funding to projects that will contribute to increases in connections to sewerage collection systems.

Estimated Capital Needs: Urban: 49.8 million Euro
Rural: 37.4 million Euro

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 1.c: Increase the hours of water supply service for urban and rural populations.

Strategic Goal: Continuity of Service – 20 hrs

Actions:

- The increase in hours of service (Continuity of Service) is a direct function of water demand management, which will result from progressing toward fully metered customer connects and a removal of roof tanks or on-site reservoirs.

Estimated Capital Needs: No capital directly related to this action.

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 1.d: Increase the percent of the population connected to a sewage collection network directed to a treatment plant

Strategic Goal: Sewerage Coverage – Percent of Sewered Population: 40 %

Actions:

- Calculate the Population Equivalent (PE) of all treatment plants currently in stages of study, design and construction, and forecast their start-up dates.
- Factor in (PE's) of all existing treatment plants.
- Determine expected treatment capacity (PE's), in operation, by 2017.
- Determine whether expected treatment capacity (PE's) will satisfy goal
- Determine status of sewage transmission mains construction and the connected populations that they will serve.
- Determine need for additional transmission mains/pump stations.
- Program capital investments to address the additional need, if any.

Estimated Capital Needs: 185.8 million Euro

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 1.e: Develop and routinely maintain a bi-annual national needs survey that will prioritize projects for investment.

Strategic Goal: Submit survey to Government by the end of March of every even year, with the first survey report due in March of 2014.

Actions:

- Develop a survey methodology to be completed by each licensed water utility that will serve to quantify system capital needs based on system elements and national standards.
- Supplement the physical needs aspects of the survey with social-economic data that lends itself to a scoring system.
- Prepare a report to the Government, every two years, on sector needs for investments to comply with national standards.

Estimated Capital Needs: Initial technical assistance capital needed to design and set-up the survey and data collection system, estimated at 0.5 million Euro.

Responsible Institution: General Directorate of Water Supply and Sewerage

Mission Objective 2: Orient the water utilities toward principals of cost control and full cost recovery.

Priority Action 2.a: Orient utilities toward full cost recovery of operations and maintenance costs, debt service, and capital repair and replacement expenditures.

Strategic Goals: Achieve 100% cost coverage on direct costs from revenues
 Achieve 100% cost coverage on direct costs from collections
 Achieve 80% cost coverage on total costs from revenues
 Achieve 78% cost coverage on total costs from collections
 Achieve 50% cost coverage on reserves (capital repair and replace)
 Achieve bill collection rate of 98% on current billings

Actions:

- Central government will move to eliminate payments to local governments, which are intended to offset operating losses at the water utility.
- Water utility regulator will take a longer view to the utilities performance improvement plans when considering rate adjustments.

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Water Utility Regulatory Commission

Priority Action 2.b: Target investments on reducing non-revenue water and energy conservation.

Strategic Goal: Reduce non-revenue water to 40% of water sent into system
 Achieve 85% consumer metering.
 Achieve 100% zone metering.
 Achieve 100% production metering.

Actions:

- Develop a detailed metering needs assessment for all licensed water utilities.
- Develop a metering program and channel funds to support the strategic goals.
- Consider bulk purchases of standard household meters and tender as installation only.

Estimated Capital Cost: Consumer meters: 28.9 million Euro
 Production meters: 0.5 million Euro
 Zone Meters: 0.3 million Euro

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 2.c: Initiate a program to require all licensed water utilities to have a fully documented asset management system.

Strategic Goal: All licensed water utilities have operating assessment management system by the end of 2013.

Actions:

- Arrange for training course delivery on the development of an asset management program and system.
- Arrange for the provision of technical assistance to licensed water utilities with limited staff resources to set up an asset management program and system.

Estimated Capital Cost: Initial technical assistance capital needed to design and set-up asset management programs and systems, estimated at 1.0 million Euro.

Responsible Institution: Work Group of: Water Utility Regulatory Commission (Lead) and the General Directorate of Water Supply and Sewerage

Priority Action 2.d: Require all licensed water utilities to develop and annually update a five-year business plan.

Strategic Goal: All licensed water utilities will have a five-year business plan, annually updated, by the end of 2012.

Actions:

- Water Utility Regulatory to require an updated, five-year business plan when making an application for a tariff adjustment after the end of 2012.
- General Directorate of Water Supply and Sewerage to arrange for periodic training course delivery on business planning based on the standard business planning model adopted by the Inter-Ministerial Working Group

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Water Utility Regulatory Commission

Priority Action 2.e: Develop and implement a targeted subsidy program for the poor.

Strategic Goal: Have a targeted subsidy program operational by the end of 2012.

Actions:

- Review current situation and assistance to poor households for other purposes.
- Develop and report on options that ensure fairness and minimize administrative expense by end of 2011.
- Develop program and prepare for approval by the Council of Ministers by end of June 2012.
- Program fully operational by the end of 2012.

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Joint Work Group of: Ministry of Interior (Lead); General Directorate of Water Supply and Sewerage; Ministry of Finance; and Water Utility Regulatory Commission

Mission Objective 3: Improve governance and regulation of the sector.

Priority Action 3.a: Continue to strengthen the role and function of the water regulatory entity.

Strategic Goal: Regulator is fully exercising its role and responsibilities under the authorizing legislation by the end of 2012.

Actions:

- Develop procedures for licensing communal water supply and sewerage systems.
- Develop and have approved authority to exercise “step-in-rights” for systems in serious non-compliance.

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Water Regulatory Authority

Priority Action 3.b: Expand the licensing activities of the water regulatory entity to achieve licensing of all water systems.

Strategic Goal: Have all formal, piped, water supply systems licensed by the end 2012.

Actions:

- Determine if there is a need for more than one category of license and develop guidelines for licensing of difference categories.
- Working in collaboration with Regional (Quark) authorities, conduct informational sessions to alert all communes of the obligation to license systems not operated by a water company (Sha.)

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Water Regulatory Authority

Priority Action 3.c: Develop and disseminate a Model Service Delivery Agreement.

Strategic Goal: Have a Model Service Delivery Agreement available for water utilities and local governments to use by the end of 2012.

Actions:

- Establish a broad based work group involving the Association of Municipalities, the Association of Communes, the Water Supply and Sewerage Association, and the Ministry of Interior.
- Engage a consultant to assist in developing draft Service Delivery Agreements for review by the Working Group.
- Provide direct assistance to several pilot local governments and water utilities in the final negotiation of a form service delivery agreement using the Model Agreement.

Estimated Capital Cost: Technical assistance capital needed to provide expert advice on Model Service Delivery Agreement and pilot negotiations Euro 500,000.

Responsible Institution: Water Regulatory Authority

Priority Action 3.d: Strengthen the Technical Secretariat of the National Water Council and the River Basin Agencies.

Strategic Goal: General Directorate of Water Administration is fully staffed and exercising its mandate to both serve as the Technical Secretariat of the National Water Council and the River Basin Agencies are fully staffed and performing all of their mandated functions by the end of 2013.

Actions:

- Staff the Technical Secretariat function with sufficiently qualified staff.
- Staff the River Basin Agencies with sufficiently qualified staff.
- Provide technical assistance capacity building to both the Technical Secretariat and the River Basin Agencies.
- Implement the licensing of all water extraction points as mandated by law.
- Implement the user fee authority (lek per cubic meter) for all water extracted from the natural environment for consumption or use in economic production.
- Have all funds from extraction credited to an account to make the Technical Secretariat and the River Basin Agencies financially self-sustaining like the Water Regulatory Authority.

Estimated Capital Cost: Technical assistance capital needed to provide sustained assistance and capacity building, estimated at 2.0 million Euro.

Responsible Institution: Ministry of Environment, Forestry and Water Administration

Mission Objective 4: Invest in enhancing the capacities of the sector work force.

Priority Action 4.a: Establish a national program of training and certification, with training target requirements at all water utilities.

Strategic Goal: Number of senior management staff formally trained and certified to perform in their assigned positions shall be 150 by 2017.

Average number of training hours per year per staff member shall be 40 hours by 2017

Actions:

- General Directorate to develop a national training program for water utility staff with specific courses to be made available through a variety of training institutions and methods.
- General Directorate to define staff positions that are categorized as senior management and will develop specific training courses for these to certify them to work in their assigned positions.

Estimated Capital Cost: Initial technical assistance capital needed to design and set-up the training and certification program, estimated at 3.0 million Euro.

Responsible Institution: General Directorate of Water Supply and Sewerage

Priority Action 4.b: Require all water utility Supervisory Council members to attend and complete a training course on their roles, duties, authorities and responsibilities.

Strategic Goal: All Supervisory Council members have completed the training course by the end of 2011.

Actions:

- Alert all Supervisory Council members of the requirement to take the training course as a prerequisite to being paid for being a member of the Council.
- Coordinate with the Water Supply and Sewerage Association of Albania on the training schedule and participants that complete the course.

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Water Utility Regulatory Commission

Mission Objective 5: Move toward convergence Albanian law with the EU Water Directives.

Priority Action 5.a: Propose water related legislation for Parliamentary approval that supports convergence with EU Water Directives.

Strategic Goal: Achieve convergence of Albanian law with EU Water Directives and the Principle of Full Cost Recovery by the end of 2013

Actions:

- **Water Framework Directive (2000/60/EC) of 23 October 2000** on water resources management that provides a single system of water management by river basin as a natural geographical and hydrological unit, contrasting with administrative and political boundaries. The Directive fixes the river basin management plan as the prime instrument to help prevent deterioration of water resources.
- **Drinking Water Directive (98/83/EC) of 3 November 1998**, a complex of norms intended to protect human health by defining health and purity requirements.
- **Urban Waste Water Treatment Directive (91/271/EEC) of 21 May 1991** that aims to protect the environment from adverse effects due to discharge of urban wastewaters.
- **Principles of Full Cost Recovery under COM(2000)477** that state that water pricing policies should provide adequate incentives for users to use water resources efficiently and contribute to the recovery of the costs of water services including those relating to the environment and resources.

Estimated Capital Cost: No capital directly related to this action.

Responsible Institution: Joint Work Group of: Ministry of Environment, Forestry and Water Administration (Lead); General Directorate of Water Supply and Sewerage; the; and the Water Utility Regulatory Commission

Priority Action 5.b: Consider and develop a new sector specific law for water supply and sewerage services.

Strategic Goal: Have the new law in full authority by the end of June 2013.

Actions:

- Consider short-comings of current application of commercial company's law for corporate forms current and under future regionalization.
- Consider possible benefits of having a public corporation law to replace use of commercial company's law.
- Clarify single and joint ownership issues regarding assets, under a regional service structure

Estimated Capital Cost: Technical assistance capital needed to develop the draft law, estimated at 0.5 million Euro.

Responsible Institution: Joint Work Group of: General Directorate of Water Supply and Sewerage (Lead); Ministry of the Interior; Ministry of Finance: and the Water Utility Regulatory Commission

Priority Action 5.c: Initiate a program to encourage aggregation of water utilities.

Strategic Goal: Reduce the number of water companies (Sha) to 26.

Actions:

- Implement the action plan from the "Feasibility Study of Regional Utilities in the Water and Wastewater Sector of Albania, which was adopted by the Government (voluntary with incentives).
- Provide "start-up" capital for Sha's willing to aggregate, which would be in the form of a detailed master plan and feasibility studies, geographic information system, accounting and billing systems, vehicles, etc.

Estimated Capital Cost: 14 million Euro (7 aggregations of 2 million Euro each)

Responsible Institution: General Director of Policy for Water Supply, Sewerage and Solid Waste



CHAPTER 4

RESOURCE IMPLICATIONS

This chapter of the Sector Strategy presents the distribution of resources as they relate to the Policies, Mission Objectives, and Priority Actions that have been previously discussed, so as to arrive at the impact that these decisions will have on future funding needs. These funding needs could be sourced directly from the National Treasury, Donor support as grants or credits, and any other anticipated capital and major technical assistance funding.

It is clear that the Sector Strategy does not represent a commitment for allocating public expenditures in the same way as the annual or medium-term budget. The role of the Sector Strategy, in terms of its quantification of a forecasted capital investment/expenditure level, is to serve as a reference document guiding future Government spending plans. However, the Sector Strategy does serve to express priorities in an unambiguous way. In this way, the potential fiscal implications of the stated policies and priority actions have been compared to the likely broad resource framework.

4.1 Capital Needs to Support Strategic Objectives and Priority Issues

Once the Performance Indicators were defined, the base year stated, and the achievable value of the Performance Indicator determined for the target year of 2017, it was possible to determine whether there would be a capital need to achieve the targeted values. In each case where capital was needed, a measurable basis for quantifying that capital was established.

Table 4-1 considers, for each Priority Action that has a capital investment impact, a rationale for converting the targeted value into a capital cost, for example: increased water supply coverage in urban areas. In this example, it would be the number of new connections needed to achieve the targeted performance indicator in each year, multiplied by an estimated unit capital cost for adding one new connection.

Table 4-1
Unit Capital Costs Used to Develop Capital Needs

Cost	Per Connection (Euro)	Per Person (Euro)
Water Network	1,500	300
Sewerage Network	1,750	350
Treatment Plant	1,000	200
Household Meters	100	20
Production Meters	1,524	-
Zone Meters	1,000	-

Norms used in calculations :The annual norm of population increase (INSTAT) 0.4% , 1 water supply and sewerage connection is made up of 5 persons, 1 bulk water supply meter for 1,500 connections

The effect of the unit capital costs presented in Table 4-1 is to provide a rational basis to be able to present a total need for capital investments, by year, for the Sector Strategy planning period, all as shown in Table 4-2. The number of line items in Table 4-2 is fewer than in Table 4-1, since all priority issues do not require capital investments for implementation.

It is recognized that a National Water Supply and Sewerage Master Plan for all of Albania is planned to be prepared and should be completed before the end of 2012. This Master Plan, and the capital program that it is intended to define for the water supply and sewerage services sector will provide a more accurate basis for capital investment needs. Once this Master Plan is completed, the Sector Strategy will be updated to reflect the approved capital investment program developed under that Master Planning process.

Table 4-2
Capital Needs to Support Strategic Objectives

Pr. Obj. Ind.	Policy Objectives	Description	Capital Investments by Years (Euro)							Capital Investments Total (Euro)	
			2011	2012	2013	2014	2015	2016	2017		
1	Expand and improve the quality of water supply and sewerage services.										
1.a.1	Water Coverage for the urban area.	No. of Household Water Connections (Urban).	4,557,644	9,427,405	9,492,790	9,558,548	9,624,680	9,691,187	16,816,507	69,168,761	
1.a.2	Water Coverage for the rural area.	No. of Household Water Connections (Rural).	8,142,244	10,738,273	15,908,389	16,033,062	8,467,369	8,532,003	8,597,019	76,418,360	
1.b.1	Sewerage Coverage for the urban area.	No. of Household Sewerage Connections (Urban).	2,556,041	10,326,897	10,399,247	2,649,169	10,513,899	10,587,371	2,744,171	49,776,796	
1.b.2	Sewerage Coverage for the rural area.	No. of Household Sewerage Connections (Rural).	152,041	2,175,249	2,192,464	5,428,286	5,471,455	10,922,055	11,009,000	37,350,550	
1.d.1	Sewer Treatment Coverage from treatment plants.	No. of Household Sewerage Connections connected to a treatment plant.	15,148,231	40,483,197	25,617,526	25,821,256	26,026,206	26,232,382	26,439,792	185,768,591	
2	Orient the water utilities toward principles of cost control and full cost recovery.										
2.b.2	Metering Level for water consumption expressed in number of connections.	Average No. of Metered Household Connections.	2,142,212	2,775,079	5,275,602	3,855,862	4,833,495	5,599,911	4,393,348	28,875,508	
2.b.3	Metering Level for water production expressed in number of meters.	No. Production Meters	76,103	163,078	163,078	54,359	-	-	-	456,618	
2.b.4	Metering Level for water distribution expressed in number of meters.	No. Zone Meters	3,361	57,143	100,840	100,840	33,613	-	-	295,798	
	TOTAL		32,777,877	76,146,321	69,149,936	63,501,382	64,970,718	71,564,910	69,999,837	448,110,981	

4.2 Additional Capital Needs for Deferred Investment in Asset Management

Table 4-2, by definition, only captures capital investments that would normally be defined as “new capital investments”, and not “capital renewal, repair and replacement”. The reality in Albania is that significant portions of the capital investments, which have been made to date, and continue to be made, are actually for capital renewal, or repair and replacement, due to long deferred investment in asset management, and not always for the addition of new capacity or extension of new services.

To try to recognize and reflect these types of investments, as a part of the overall need in the water supply and sewerage services sector, Table 4-3 has been prepared to estimate these particular types of capital investments/needs that will require capital expenditures during the entire planning period.

The challenge needing to be addressed in attempting to estimate the cost of the long-term deferred asset management that has occurred in the water supply and sewerage systems of Albania was the lack of any credible asset valuation system in the country. The Performance Monitoring and Benchmarking system, which does collect the available fixed asset data for both water supply and sewerage reflects very low values (Water: Euro 84,397,298 and Sewerage: Euro 18,816,075) which provided no help in addressing the issue.

The approach taken to arrive at useable values was to effectively value the replacement cost of both systems, using the served population and a unit capital cost per capita. Since the current systems, except for two, have no sewage treatment assets, the per capita value for sewerage was reduced to reflect “network only”. To these two values, a percentage was applied to reflect a value for “immediate replacement”, with the “immediate” period being 10 years. The result is an estimated annual capital investment for renewal, repair and replacement of Euro 42,052,000.

Table 4-3
Capital Needs for Deferred Asset Management Investment

Item	Unit	Value
Current Population with Water Supply Service	# of people	2,594,926
Current Population with Sewerage Service	# of people	1,495,789
Unit Capital Cost/Capita- Water Supply Service	Euro/capita	300
Unit Capital Cost/Capita-Sewerage Service (network only)	Euro/capita	250
Current Replacement Value-Water Supply Service	Euro ('000)	778,478
Current Replacement Value-Sewerage Service	Euro ('000)	373,947
Percent of Water Supply Service Needing Immediate Replacement	%	30%
Percent of Sewerage Service Needing Immediate Replacement	%	50%
Value of Immediate Replacement-Water Supply Service	Euro ('000)	233,543
Value of Immediate Replacement-Sewerage Service	Euro ('000)	186,974
Total Value of Immediate Replacement	Euro ('000)	420,517
Replacement Period	Years	10
Annual Investment Capital for Renewal, Repair and Replacement	Euro ('000)/Yr	42,052

4.3 Capital Needs for Technical Assistance

Albania does not have sufficient capacity in its institutions, in terms of human resources, to undertake some of the action plans that are non-capital in nature. In these instances, there will be the need for capital expenditures in the form of technical assistance and relatively soft deliverables. These particular expenditures are described in several of the Action Plans, and are summarized below in Table 4-4 by line item and forecasted over the planning period.

Table 4-4
Capital Needs for Technical Assistance (Euro)

No.	Technical Assistance	2011	2012	2013	2014	2015	2016	2017	Total
1.e.	Bi-annual Needs Assessment Survey		500,000						500,000
2.c.	Set-up Asset Management Systems			1,000,000					1,000,000
3.c.	Develop and Disseminate Model Service Delivery Agreement		250,000	250,000					500,000
3.d.	Strengthen General Directorate as Technical Secretariat and River Basins Agencies		1,000,000	1,000,000					2,000,000
4.a.	Training and Certification Program			1,000,000	1,000,000	1,000,000			3,000,000
5.b.	Draft Sector Services Law			500,000					500,000
5.c.	Aggregation Process Initial Incentives		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	4,000,000	14,000,000
	Total		3,750,000	5,750,000	3,000,000	3,000,000	2,000,000	4,000,000	21,500,000

4.4 Total Investment Capital Needs for the Planning Period

The total investment capital needs for the planning period, taking into consideration the “new” capital investments to achieve the stated Strategic Objectives; the capital needed for “renewal, repair and replacement” investments; and the capital investments in the form of technical assistance, is presented in Table 4-6.

At this point in the Sector Strategy development, it is important to compare the estimated Total Investment Capital Needs with the Mid-Term Capital Expenditure Budget of the Government to assess the investment “gap” and to consider how this gap might be overcome.

Table 4-5 presents this comparison for the Mid-Term Capital Expenditure Budget years of 2011-2013.

Table 4-5

Comparison of Mid-Term Capital Expenditure Budget vs Sector Strategy Capital Needs Estimate(Euro)

Budget/Estimate	2011	2012	2013
Mid-Term Capital Expenditure Budget	60,000,000	66,000,000	79,700,000
Sector Strategy Capital Needs Estimate	74,829,877	121,948,321	116,951,936

As is clearly represented in Table 4-5, the current Capital Expenditure Budget falls significantly short of the Sector Strategy Capital Needs Estimate. The Capital Needs Estimate can be adjusted downward by defining different (meaning lower) performance indicator targets for the Strategic Planning Period. It is interesting to note that the large percentage of the “shortfall” is the value calculated for “capital renewal, repair and replacement” or stated differently, the deferred capital maintenance from the past.

Table 4-6
Total Capital Investment Needed for Planning Period (Euro)

	2011	2012	2013	2014	2015	2016	2017	Total
Technical Assistance								
New Capital Investment	32,777,877	76,146,321	69,149,936	63,501,382	64,970,718	71,564,910	69,999,837	448,110,981
Capital Repair and Replacement Investment	42,052,000	42,052,000	42,052,000	42,052,000	42,052,000	42,052,000	42,052,000	294,364,000
Technical Assistance Capital	-	3,750,000	5,750,000	3,000,000	3,000,000	2,000,000	4,000,000	21,500,000
Total	74,829,877	121,948,321	116,951,936	108,553,382	110,022,718	115,616,910	116,051,837	763,974,981

CHAPTER 5.

ACCOUNTABILITY, MONITORING AND EVALUATION

This chapter of the Sector Strategy describes how the Government has provided for the accountability, monitoring and evaluation of the Strategy throughout its implementation. It is the intent of the Government that there be singular and direct accountability for each Priority Action Plan described under each of the five Mission Objectives.

5.1 Accountability

As presented under Chapter 4, each Priority Action Plan states a Responsible Institution for that specific Priority Action Plan. Even when there is the need for a Joint Work Group to undertake the stated Priority Action Plan, one of the members of that Joint Work Group has been defined to be the Lead Responsible Institution.

The Responsible Institution is required to develop a more Detailed Implementation Plan for each of its assigned Priority Action Plans, which will describe how it intends to exercise its authority and responsible to achieve the targeted performance indicators that support each of the stated Strategic Goals. These Detailed Implementation Plans will be in place within two months after the approval of the Sector Strategy by the Council of Ministers.

5.2 Monitoring

The responsibility for monitoring of the progress in implementing the Sector Strategy is assigned to the General Directorate of Policy for Water Supply, Sewerage and Solid Waste, under the Ministry of Public Works and Transport. Much of the monitoring will be facilitated by the routine work of the Monitoring and Benchmarking Unit of the General Directorate of Water Supply and Sewerage. However, in number of situations where the Responsible Institution is outside the Ministry of Public Works and Transport, the General Directorate of Policy for Water Supply, Sewerage and Solid Waste will need to work with the respective Responsible Institution to arrive at a practical way for this monitoring to take place.

The General Directorate of Policy for Water Supply, Sewerage and Solid Waste will prepare a summary semi-annual and annual monitoring report for all of the Priority Action Plans and Strategic Goals defined, based on written reports from the Responsible Institution.

5.3 Evaluation

The General Directorate of Policy for Water Supply, Sewerage and Solid Waste will facilitate an evaluation session(s) of the Work Group, following the issuance of the semi-annual and annual monitoring reports, to discuss the progress being made under the Sector Strategy, and to identify areas where changes are needed in the Action Plans and targeted Strategic Goals.

The General Directorate of Policy for Water Supply, Sewerage and Solid Waste will prepare a final evaluation for the preceding year following the decisions of the Work Group.

ANNEXES

1. NATIONAL LEGAL FRAMEWORK

2. PRIORITY OBJECTIVES AND INDICATORS

ANNEX 1- NATIONAL LEGAL FRAMEWORK

- The Law no. 7697 dated 07.04. 1993 “On administrative contraventions“, as amended.
- The Law no. 7850, dated 29.7.1994 “The Civil Code of the Republic of Albania”, including amendments;
- The Law no. 7895, dated 27.01.1995 “The Criminal Code of the Republic of Albania” (including updates as of May 2003);
- The Law no 7926 dated 20.04.1995 “On transformation of governmental enterprises into commercial companies“.
- The Law no.8099 dated 20.03.1996 “On several changes made on the Law no. 7926, dated 20.04.1995”.
- The Law no 8093, dated 21.03.1996 “On the water reserves”, as amended
- The Law no 8102, dated 28.03.1996 “On the water supply and waste water treatment regulatory structures”;
- The Law no. 8103, dated 28.03.1996 “On privatization of water supply sector and wastewater treatment enterprises”
- The Law no. dated 01.09.1997 “On several changes made on the Law no. 7926, dated 20.04.1995”.
- The Law no 8306 dated 14.03.1998 “On privatization strategy of sectors with special importance”
- The Law no 8652, dated 31.7.2000 “On the local government organization and functioning”;
- The Law no 8744, dated 22.02.2001, “On the state water supply and sewage immovable property transfer to the local government units”;
- The Law no.8885, dated 22.04.2002 “On several changes made on the law no 7926, dated 20.04.1995”.
- The Law no 8934, dated 05.09.2002 “On the environmental protection”;
- The Law no 8990, dated 23.01.2003 “On the Environmental Impact assessment”;
- The Law no 9115, dated 24.07.2003 “On the waste water environmental treatment”;
- The law no 9286, dated 30.02.2004 “On the potable water and waste water bills as executive titles”;
- The Law no 8102, dated 28.03.1996 “On the water supply and waste water treatment regulatory structures”;
- The Law no. 9803, dated 13.02.2007 “On the remission of the delayed water consumption bills, which are unpayed from the familiar and unfamiliar consumers and which are owed to the water supply and sewerage enterprises with governmental capital “
- The Law no 9901, dated 14.04.2008 “On Companies ”;
- The Law no 10112, dated 9.04.2009 “On condominium”;
- DoCM 145, dated 26.02.1998 “On the potable water national standards,

based on the potable water sanitation rules, designing, establishment and supervision of water supply systems”;

- DoCM no 479, dated 29.07.1998 “On liberalization of drinking water tariffs”
- DoCM no 550, dated 07.11.2002 “On approval of the document of policies” Decentralization of water supply and sewerage services” and measures for its implementation”.
- DoCM no 177, dated 31.03.2005 “On the allowed norms of discharges of liquids and zoning criteria for the receiving water environments
- DoCM no 289, dated 15.04.2005 “On Setting the requests and procedures of approval of permits, authorizations and concessions on the water use”;
- DoCM no 96, dated 22.02.2007, “On the administration of water supply to household and non-household users” ;
- DoCM no. 660, dated 12.09.2007 “On the transfer of shares of water supply and sewage utilities to the local government unit”;
- DoCM no 677, dated 3.10.2007 “On some supplements to the DoCM no 642, dated 11.10.2005, on the state companies supervisory councils;
- DoCM no 678, dated 3.10.2007 “On some supplements to the DoCM no 271, dated 09.05.1998 on the approval of the sample status of joint stock companies”;
- DoCM no 23, dated 09.01.2008 “On the approval of fees of water use”;
- The Decision no 958, dated 06.05.2009 “On the approval of categories of licenses and procedures of application for licenses of physical and legal persons carrying out activities in the waste supply and waste water removal systems”.
- DoCM no. 1304, dated 11.12.2009 “On the approval of the regulatory model for the water supply and sewerage of the service area, sh.a”
- DoCM no. 643, dated 14.9.2011 “On the approval of the National Strategy of Water Supply and Sewerage Services”
- DoCM no. 338, dated 16.05.2012 “On a change made in the decision of Council of Ministers no. 660, dated 12.09.2007 “On the transfer of shares from the water supply and sewerage enterprises to the local government.”
- “The sanitation regulation on the potable water quality, designing, establishment, utilization and supervision of the potable water supply systems”, Ministry of Environment, Tirana 1998;
- Regulation of the Ministry of Public Works, Transports and Telecommunication, Decision no 42, dated 16.01.2008 “On the criteria and procedures of delivery of professional implementation license, classification and disciplining of legal entities exercising construction activities”;
- Instruction no 3, dated 28.07.2004 “On the potable water administration
- The Instruction of the Ministry of Economy, Trade and Energy, no 965, dated 11.12.2007 “On the implementation of the DoCM “On the transfer of water supply and sewage joint stock utilities to the local government units”.
- The Albanian standard of potable water STASH 3904:1997, second publication, dated 1.03.1998
- KTZ 26-81, “On the technical implementation conditions on establishment of water supply and sewage systems” (the Albanian Standards).
- Recommendations on water quality from the World Health Organization. Guidelines for drinking-water quality, November 1992;

ANNEX 2. . PRIORITY OBJECTIVES AND INDICATORS

National Water Supply and Sewerage Services Sector Strategy, 2011 - 2017										
Priority Objectives and Indicators										
Pr.Obj.-Ind.	Policy Objectives	Indicator (fact) in Year 2009	Indicator (fact) in Year 2010	Plan for Year-End 2011	Planifikimi per vitin e fundit 2012	Plan for Year-End 2013	Plan for Year-End 2014	Plan for Year-End 2015	Plan for Year-End 2016	Plan for Year-End 2017
1	<i>Description of the Objective:</i>									
	Expand and improve the quality of water supply and sewerage services.									
	<i>Indicator:</i>									
1.a.1	Water Coverage for the urban area.	89.8%	90.7%	91%	92%	93%	94%	95%	96%	98%
	<i>Indicator:</i>									
1.a.2	Water Coverage for the rural area.	57.0%	57.0%	60%	64%	70%	76%	79%	82%	85%
	<i>Indicator:</i>									
1.b.1	Sewerage Coverage for the urban area.	81.7%	83.0%	83%	84%	85%	85%	86%	87%	87%
	<i>Indicator:</i>									
1.b.2	Sewerage Coverage for the rural area.	10.9%	10.9%	11%	13%	15%	20%	25%	35%	45%
	<i>Indicator:</i>									
1.c.1	Continuity of Service for Water Supply	10.8 (ore/dite)	11.1 (ore/dite)	12 (ore/dite)	13 (ore/dite)	14 (ore/dite)	15 (ore/dite)	16 (ore/dite)	18 (ore/dite)	20 (ore/dite)
	<i>Indicator:</i>									
1.d.1	Sewer Treatment Coverage from treatment plants.	1.0%	4.0%	7%	15%	20%	25%	30%	35%	40%
	<i>Indicator:</i>									
1.e.1	Develop and routinely maintain a national needs survey that will prioritize projects for investment						100%	100%	100%	100%

ANNEX 2- PRIORITY OBJECTIVES AND INDICATORS

National Water Supply and Sewerage Services Sector Strategy, 2011 - 2017										
Priority Objectives and Indicators										
Pr. Obj. Ind.	Policy Objectives	Indicator (fact) in Year 2009	Indicator (fact) in Year 2010	Plan for Year-End 2011	Planifikimi per vitin e fundit 2012	Plan for Year-End 2013	Plan for Year-End 2014	Plan for Year-End 2015	Plan for Year-End 2016	Plan for Year-End 2017
2	<i>Description of the Objective:</i> Orient the water utilities toward principles of cost control and full cost recovery.									
	<i>Indicator:</i> Direct Operational Costs (DOC) Coverage with Revenue.	84.3%	93.4%	95%	95%	100%	100%	100%	100%	100%
2.a.1										
	<i>Indicator:</i> Direct Operational Costs (DOC) Coverage with Collections.	63.1%	78.6%	80%	85%	90%	100%	100%	100%	100%
2.a.2										
	<i>Indicator:</i> Total Operational Costs (TOC) Coverage with Revenues.	62.2%	66.6%	68%	70%	72%	74%	76%	78%	80%
2.a.3										
	<i>Indicator:</i> Total Operational Costs (TOC) Coverage with Collections.	46.5%	56.1%	58.5%	61.6%	64.8%	68.1%	71.4%	74.9%	78.4%
2.a.4										
	<i>Indicator:</i> Coverage of capital reserve funds (repair/ replacement and new capital) with revenues.	0%	0%	0%	0%	10%	20%	30%	40%	50%
2.a.5										
	<i>Indicator:</i> Overall Collection Rate.	74.8%	84.2%	86%	88%	90%	92%	94%	96%	98%
2.a.6										

2.b.1	<i>Indicator:</i> Reduction of Non Revenue Water.	70.0%	63.2%	60%	57%	54%	51%	48%	45%	40%
2.b.2	<i>Indicator:</i> Metering Level for water consumption expressed in number of connections.	44.1%	44.6%	48%	52%	60%	65%	72%	80%	85%
2.b.3	<i>Indicator:</i> Metering Level for water production expressed in number of meters.	15.7%	16.0%	30%	60%	90%	100%	100%	100%	100%
2.b.4	<i>Indicator:</i> Metering Level for water distribution expressed in number of meters.	11.9%	12.0%	13%	30%	60%	90%	100%	100%	100%
2.c.1	<i>Indicator:</i> Initiate a program to require all licensed water utilities to have a fully documented asset management system.					100%	100%	100%	100%	100%
2.d.1	<i>Indicator:</i> Require all licensed water utilities to develop and annually update a five-year business plan.					100%	100%	100%	100%	100%
2.e.1	<i>Indicator:</i> Develop and implement a targeted subsidy program for poor households.					100%	100%	100%	100%	100%

ANNEX 2- PRIORITY OBJECTIVES AND INDICATORS

National Water Supply and Sewerage Services Sector Strategy, 2011 - 2017										
Priority Objectives and Indicators										
Pr.Obj.-Ind.	Policy Objectives	Indicator (fact) in Year 2009	Indicator (fact) in Year 2010	Plan for Year-End 2011	Planifikimi per vitin e fundit 2012	Plan for Year-End 2013	Plan for Year-End 2014	Plan for Year-End 2015	Plan for Year-End 2016	Plan for Year-End 2017
3	<i>Description of the Objective:</i>									
	Improve governance and regulation in the sector.									
	<i>Indicator:</i>									
3.a.1	Continue to strengthen the role and function of the water regulatory entity.			50%	75%	100%	100%	100%	100%	100%
	<i>Indicator:</i>									
3.b.1	Expand the licensing activities of the water regulatory entity to achieve licensing of all water systems.				50%	100%	100%	100%	100%	100%
	<i>Indicator:</i>									
3.c.1	Develop and disseminate a Model Service Delivery Agreement			50%	100%	100%	100%	100%	100%	100%
	<i>Indicator:</i>									
3.d.1	Strengthen the Technical Secretariat of the National Water Council and the River Basin Agencies.				50%	75%	100%	100%	100%	100%

<i>Description of the Objective:</i>		16 Hours/ Year	24 Hours/ Year	32 Hours/ Year	40 Hours/ Year
4	Invest in enhancing the capacities of the sector work force.				
<i>Indicator:</i>					
4.a.1	Hours of staff training per year (hours/year/person).				
<i>Indicator:</i>					
4.a.2	Number of Trained and Certified Managerial Staff for their working positions.	0	25	150	150
<i>Indicator:</i>					
4.b.1	Require all Supervisory Council members of licensed water utilities to attend and complete a training course on their roles, duties, authorities and responsibilities.	100%	100%	100%	100%
<i>Description of the Objective:</i>					
5	Move toward convergence of Albanian law with EU Water Directives.				
<i>Indicator:</i>					
5.a.1	Propose water related legislation for Parliamentary approval that supports convergence with EU Water Directives.		50%	100%	100%
<i>Indicator:</i>					
5.b.1	Consider and develop a new sector specific law for water supply and sewerage services.	50%	100%	100%	100%
<i>Indicator:</i>					
5.c.1	Regional Water Supply and Wastewater Utilities.	57	57	45	26

0.4% Annual percentage of population increase (INSTAT)

