

WATER REGULATORY AUTHORITY OF ALBANIA

Report on the Performance of the Water Supply and Sewerage Companies

2012



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Vision

A financially self – sustainable water and sewerage sector that provides high quality yet affordable services to all consumers in Albania.

Mission

To ensure for all Albanians that water and sewerage service providers deliver the highest achievable quality at a fair price and in a financially sustainable manner.

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Abbreviations

WRA	Water Regulatory Authority
WSS	Water Supply & Sewerage
NRC	National Regulatory Commission
KPI	Key Performance Indicators
USAID	United States Agency for International Development
UNDP	United Nations Development Program
IWA	International Water Association
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
KWWRO	Kosovo Water and Wastewater Regulatory Office
O&M	Operation and Maintenance Costs
GDWSS	General Directorate of Water Supply and Sewerage
MBU	Monitoring and Benchmarking Unit
WHO	World Health Organization
EU	European Union
IPH	Institute of Public Health
RDPH	Regional Directorate of Public Health
WTP	Wastewater Treatment Plant

Foreword

The Performance Report is a means of increasing the sector transparency and promoting competition amongst water supply & sewerage companies. I am convinced of this regulatory importance, WRA is publishing this report for the second year in a row. This report is the result of a serious and professional work of highlighting the most important sector issues. Through performance analysis in this report, WRA wishes to urge companies, providing water supply and sewerage service, to improve their work in the consumer interests.

Apart from the performance indicators analysis, selected by WRA, for the WSS sector, the report makes a detailed analysis of these indicators for every company. Thus, the companies will not only recognize how they have performed compared to the last year, but they also have the opportunity to compare themselves to other similar companies. All interested parties, companies, their owners, supervisory councils and consumers would get informed on the sector performance in general and on every company in particular. Diversity of companies in size and service performance provides the opportunity for selection of most positive examples to serve as models.

The analysis of indicators showed that companies have continued their efforts to increase the financial sustainability. Just as the previous year, operation and maintenance cost coverage continues to have a positive trend, covering the entire cost with income. The small increase in water supply hours and the small percentage of water meters installation remain a priority for WRA, still under the level of objectives of companies in this direction.



The level of water loss or “non revenue water” remains a problematic indicator. The average sector performance is worse compared to a year ago. We believe that WSS companies do not pay proper attention to this important issue. WRA requires from all companies not only to assess “losses” by making a detailed analysis of all affecting factors but to take all the necessary measures to reduce losses. Sewerage service coverage remains in the same level with that of 2011. The investments made by several companies in setting up wastewater treatment plants, with financial support by the central government and donors during this year will give its effects in 2013.

This year, the performance report database has been taken again by the Benchmarking and Monitoring Unit. WRA in collaboration with MBU has improved the data quality by means of common inspections, aiming at increasing the responsibility of companies in reporting the data. This issue, however, shall remain a challenge for the future years. It is a pleasure for me that on behalf of the National Regulatory Commission to express my appreciation and gratitude for WRA employees, who have worked intensively to draft this report. Our sincere thanks go to GIZ councilors, for their collaboration and devotion towards us.

Finally, I would like to congratulate the top performers and those with the best performance leading three groups for 2012.

Avni Dervishi
Chair of Water Regulatory Authority





Introduction

Water Regulatory Authority is an independent public institution, established in accordance with Law no. 8102, 28.03.1996 “On the regulatory framework of water supply and disposal of waste water”, as amended. It is legally mandated to report to the Assembly of Albania and Council of Ministers on the status of the sector and submit its recommendation regarding measures to be undertaken for improvement of this sector.

The 2012 Performance Report presents the results of a comprehensive performance assessment for 57 water supply and sewerage utilities on the basis of a set of 10 Key Performance Indicators, selected by the National Regulatory Commission in 2010. Taking into account the need for financial sustainability in this sector, the selected KPI focus on the assessment of management and financial capacities, as well as on those directions of performance of WSS utilities, the effect of which are directly felt by consumers.

The report initially analyses the performance from each of the utilities and then it compares amongst them. Thus, the report highlights utilities with best performance and those with weaker performance. The performance report enables the WSS utilities to assess their own performance against the performance the other companies operating in similar environments. Thus, they can recognize their own strengths and weaknesses and learn from the most efficient and effective operational and management practices.

The monitoring of WSS sector and publication of the performance report aims at providing the opportunity to all interested actors, including the consumers themselves, to see the progress made and assess the utilities’ performance in provision of services. In this way, the performance report turns into an important means urging companies to enhance the quality of services.

The results of this performance analysis will also be used by WRA in the tariff adjustment process, because tariff adjustments are now dependent upon meeting the performance objectives set by WRA. Publication of this report is the continuation of the process of monitoring the performance of this sector from the regulator. WRA wishes to urge all actors like: utilities, their owners, supervisory councils, clients and the media as well as the political decision makers to engage in a constructive dialogue on the challenges the sector faces, both at present and in the future.

The report analyzes the waters supply and sewerage utilities only; however, some other utilities that are currently not licensed also provide the service. WRA is working to orient its activity towards integration of these companies into the regulatory regime.

Setting targets to provide efficient services and the performance improvement requires accurate data. Apart from one indicator, the performance analysis presented by this report is based on data declared by utilities themselves, collected and processed by the monitoring and benchmarking unit at the General Directorate of Water Supply and Sewerages. During 2012 based on the work experience with WSS utilities, the institution noticed delays, inaccuracies and failure of reporting by some utilities. WRA in collaboration with MBU worked to complete and make them accurate. This experience brings to the attention of WRA the need to intensify work for collection, verification and precision of data submitted by the companies, exercising where necessary its legal competences.

The Performance Report is structured in 6 parts where:

The first part gives the main activities of the regulatory authority in 2012 by giving a brief overview of activities and achievements.

The second part presents the general performance of the sector following the policies of water supply and sewerage sector implemented by WRA and the central government.

The third part, which is the core of the report, presents the performance analysis of the utilities, for each of ten KPI taken under consideration.

Part four shows the ranking of utilities based on the achieved results with the best performance.

The fifth part of the report treats a topic, which appears this year, and related to WRA regulation to achieve a better quality service for consumers. This topic is different in one report from another.

The report ends with a summary of main conclusions in its sixth part. Finally, there is a summary of annexes with detailed data on WSS utilities and tariffs they apply.



1

Water Regulatory Authority and its activities during 2012



Focus of work of the Water Regulatory Authority (WRA) in 2012 is closely related to its main functions, which are: licensing and setting of tariffs for providers operating in the water supply and sewerage sector (WSS). Special attention was paid to implementation of the new methodology of tariff setting for 2 pilot companies (Pogradec and Fier) and for all other applications, up to finalization of process with approval of tariffs from the National Regulatory Commission (NRC).

WRA is also focused on consumer protection and increase of transparency in the sector. Therefore, all service providers have paid special importance to monitoring of implementation of the model customary service contract. WRA has been active in this direction requiring all big providers that applied for adjustment of tariffs to have organized preliminarily the hearing session with their clients as an obligation deriving from the tariff-setting methodology.

During 2012 WRA was also focused on the process of monitoring the sector and WSS companies. Publication of the Performance Report by the Authority has raised the comparative monitoring and assessment of companies operating in this sector to another level. This report has influenced the performance of WSS companies, increasing transparency and promoting performance for each of them by following the "Best Practices" (Best practices promoted in this report).

Licensing

By the end of 2012, WRA reported 50 licensed water supply and sewerage companies against 57 active companies in this sector altogether. This is a positive indicator, taking into account that in 1998 when WRA started licensing as a legal requirement in the WSS sector, only half of the above were licensed companies.

There should be stressed that, in spite of the serious work by the Authority in this regard, local government units in small urban centers do not apply for licensing of this service provided by these companies to their communities as a necessity and legal requirement.

In 2012, 28 water supply and sewerage companies have applied for a license. After submission of all documents required, only 17 companies were granted a license and 11 companies are in the process of licensing. For the first time during this year, the water supply and sewerage company of Himara applied and was granted a license. In addition, renewal of licenses due to changes in the technical or legal management has been realized for 2 WSS companies; and renewal of licenses has been carried out for 14 other companies as a result of expiration of their term.

During the licensing application process or renewal of license in 2012, known problems were encountered by companies operating in the WSS sector like: (i) change of legal management in a very short time (several times a year), (ii) difficulties in finding a qualified technical director, (iii) lack of funds for normal functioning of companies, (iv) difficulties in payment of licensing fees to WRA.

Several cases were noticed where local government units carry out themselves the water supply and sewerage services and have not transferred this function to WSS companies dependent on the respective unit. In addition, there are cases where local government units do not provide the water supply and sewerage services anymore, but have transferred it to WSS companies, owned by several local government units, which carry out their activities not applying and not getting the approval by WRA.

Tariff Setting

In 2012, 10 applications were submitted to WRA for adjustment of tariffs of water supply and sewerage services. Companies that applied for adjustment of tariffs are: WSS utilities of Pogradec, Fier, Gjirokastër, Berat-Kuçovë, Lezhë, Lushnjë, Rrogozhinë, Durrës, and WS utilities of Përmet and Bulqizë.

Applications for tariff change have been submitted in accordance with the “Methodology of Tariff Setting”, approved by decision of NRC no.28 dated 28.09.2011, application of which started in 2012. Main objective of WRA in the process of approval of tariffs is finding the balance between protection of consumer interests and increase of financial stability of service providers, just as it is foreseen in its vision and mission.

WSS utilities of Pogradec and Fier were selected as pilot cases for the implementation of this methodology.

The process of tariff setting is based on:

- Assessment of “indispensable and reasonable” costs for providing efficient services, so that consumers shall pay only justified costs.

The current level and nature of cost coverage for companies that have applied for tariff adjustment is different, therefore the costs taken into consideration for tariff setting are also different. Based on the analysis, a correction of costs has been made in those components where the cost increase was not justified.

- Assessment of performance aiming at progressing in improving financial and technical performance, leading to bigger cost coverage.

WRA has set quantitative and qualitative objectives, which should be met during future periods by all companies that have applied for tariff adjustment during 2012. One of the operational objectives of WRA is following the fulfillment of these objectives by companies during 2013. These indicators shall be monitored carefully and shall be part of the analysis in the application process for tariff setting in the future.

Based on the tariff setting methodology (with two parts: “fixed tariff” and “adjustable tariff” with increasing blocks for consumers); only the WSS utility of Pogradec met this obligation. This company managed to observe the tariff structure in comparison to all other applicants, because this company has equipped all its consumers with meters and it also has a computerized billing system. Based on this structure, tariffs in the first block of consumption (up to 4.5 m³) are lower than in the second block of consumption (above 4.5 m³). This enables consumers with low income to save water so that they pay the lowest tariff.

The other companies, including the WSS utility of Fier (as a pilot case), could not meet the conditions to apply the tariff structure in more than one consumption block due to low level of equipping the consumers with meters, the precision of data related to consumption levels or the financial impossibility to install the computerized billing system and lack of professional capacities.

Based on the experience of these two pilot cases (Pogradec and Fier), it was decided that the other companies that applied for a new tariff in 2012, should apply the tariff structure with one consumption block in 2013. For the next application, the companies were required to complete the consumer register in order to precise the data, to computerize the billing system, take measures to equip all consumers with meters, and especially to complete installation of meters for non-household consumers as well as to organize hearing sessions with them.

Customer protection and increase of transparency

In 2012 WRA monitored carefully application of the model customary service contract for the protection of all customers of water supply and sewerage companies in Albania and ensuring that all are treated in compliance with the standards set by the Authority. The process of conclusion of model customary service contracts is successfully progressing. WRA congratulates for the work done in 2012 the companies: Elbasan Fshat, Gjirokastër, Libohovë, Peshkopi and Shkodër Fshat, which have completed the process of application of the model service contract with all consumers. However, there still work to be done until finalization of all process. There are 13 WSS companies, which have not yet started the contract application process like: WSS utilities of Kavaja, Malësia e Madhe, Peqin, Rogozhinë and Himarë.

The objectives set by WRA on the model service contract application for all public and private consumers up to the end of 2011 have not been reached yet. The rate of application of the model service contract in a country scale for 2012 is 17.8%, at a time that application by private customers is 29 % and by public customers is 68 %. In focus of the work of WRA remains the contract implementation in accordance with instructions issued by WRA for all customers of WSS companies in Albania.

The tariff setting methodology promoted transparency bringing as a novelty in the application process for tariff adjustment the division of consumption in blocks, which allows low consumption customers to benefit from the lowest tariffs for that block.

Another novelty of the tariff setting methodology was organization of public hearings. In 2012, pilot companies that applied for tariff adjustment organized for the first time public hearing sessions. In these meetings, companies had the opportunity to explain to their customers the reasons why they requested adjustment of tariffs and presented their projects and investments to be undertaken with the income gained.

¹ This term comes from English language and is used a lot today; this notion compares the progress of performance indicators of a company with another company. It is mainly used for measuring best practices or comparison identified in a certain sector of the industry in question / in our case - water.

Another important moment in increasing transparency is publication and presentation of the performance report; in a seminar organized by WRA with participation of all WSS sector companies, partner institutions and donors. This report is not only a legal obligation, but also a new initiative of monitoring and benchmarking of companies offering services of water supply and/or disposal and treatment of wastewater in Albania. Through publication of this report, WRA increased attempts to increase transparency in sector. This information is very valuable not only for companies, but at the same time it is also for consumers, who are in focus of WRA work. The report is an annual publication, through which WRA aims at systematic monitoring of companies and publication of information for all public. Thus, WRA accomplishes its mission, orienting the sector towards consumers' demands. The official website of WRA (www.erru.al), which is updated continuously with the latest information, is an efficient means increasing the transparency of institution towards consumers and other actors interested in this sector. Based on law no.8102, dated 28.03.1996, as amended, the spirit of which is also reflected in the model service contract approved by NRC, WRA follows consumer demands, who have not found solutions after complaints to the provider offering the service.



2

Performance of the Water Supply and Sewerage Sector in 2012



This part of the report provides a general overview of the most important developments in the water supply and sewerage sector in 2012, the progress achieved taking into account the development of new policies reflected in the objectives of the National Water Supply and Sewerage Sector 2011-2017; sector's financing objectives and performance indicator objectives defined by WRA.

Key Developments

This year as well, there was progress in providing the water supply and disposal and treatment of wastewater services, according to legal requirements and standards. Currently, out of 57 companies, 50 of them have been granted licenses for their activities, and 44 of them apply tariffs approved by WRA. This situation is a result of a successful collaboration between WRA and service providers for regulation of water supply and disposal and treatment of wastewater services within the legal framework. WRA's goal is granting licenses and application of tariffs approved by it for all service providers, creating a stable and transparent regulatory environment in the sector.

Utilities offer water supply services to 80.8% of the population in their service areas. In 2012, number of customers benefitting this service has increased with 4.9% in comparison with 2011. Whereas, sewerage services continue to lag behind water supply services in many aspects. This service is not provided to all customers in the service area. In 2012, only 30 companies provided sewerage services out of 57 companies. Wastewater treatment has been carried out by four companies, which have their treatment facilities like: Kavaja -, Pogradeci -, Vlora - and late in 2012 -Korça. These facilities treat over 37,400 m³a days and provide services to around 235,000 inhabitants.

Improvement of this service still requires more efforts to increase the coverage scale in the country, keeping at the same time the level of sanitary measures and protection of environment. It has been noticed that several local government units offer water supply and sewerage services but they are not licensed by WRA. The Authority's goal for 2012 has been finding fast and easy legal ways to regulate this situation in an objective manner.

The sector is developing steadily. Most of the indicators have slightly increased or have the same levels as last year. Water and sewerage companies have made more efforts to improve the financial situation. Currently the income of WSS companies covers over 100% in average the operational and maintenance costs (O&M) for the sector. In 2012 both the incomes from the main WSS activities and the costs have increased. The sector income has increased approximately 8% compared to 2011 whereas O&M costs have increased with 6.7%.

The revenue growth has been affected by increase of billing volume and also adjustment of tariffs by WRA for 14 operators. The latter has led to increase of independence and financial stability of companies and improvement of service for customers.

For 2012, the indicator with the best-achieved level and the positive tendency is the collection rate. Coverage of costs and efficiency of collection have surpassed strategic goals and benchmarking levels for the best performance of WRA. However, there are still a lot of companies that are not able to finance even their main operational activities and are dependent upon financial support from donors and state subsidies. In 2012, the government has granted subsidies as well but compared to last year they are reduced. This is a signal that companies should work to ensure their own economic independence and realize their income to cope with expenses.

Level of loss of drinking water still remains high, because 2/3 of the water produced is lost. This indicator is far from the strategic goal, according to which the level of losses in 2012 should have been not more than 30%. However, the performance of this indicator has not been, positive one. Compared to one year ago, the calculated level of losses has increased. This is a result of: (i) increase of water consumption metering, (ii) lower billing due to realistic readings; (iii) same production as the year before. High levels of losses in the water supply systems are the main problems causing scheduled water supply and threaten the financial stability of many companies.

General Sector Performance

In 2012 key performance indicator results for the sector have been different., The water supply service and the sewerage service have remained in almost the same levels. Improvements of O&M and total cost coverage have led to improvement of sector's financial situation. This has led to surpassing of government's objectives and the objectives of benchmarking for the best performance by WRA in O&M cost coverage. Based on the deep analysis of performance indicators, it results that for some companies, mainly small ones, the revenue is not enough to even cover half of their costs. A possibility to surpass this situation from these companies would be to merge them with bigger² companies, increasing the managerial capacities.

The following table presents the trend of 10 performance indicators for the sector during 2012 in comparison to 2011. The level of these indicators is compared to objectives presented in the current sector strategy for 2012 and the challenging levels of benchmarking for good performance set by WRA.

Table 1. 2012 sector performance summary

Performance Indicators	2011	2012	Performance Trend	WRA Good Performance Benchmark	Sector Strategy Target 2012
Water Coverage	80.80%	80.8%	=	n/a	n/a
Sewerage Coverage	50.80%	51.0%	↗	75%	n/a
Drinking Water Quality	n/a	n/a	n/a	98%	n/a
Hours of Supply (hours/day)	10.9	10.8	↘	18	13
Total Cost Coverage ³	79.4%	82.7%	↗	80%	70%
O&M Cost Coverage ⁴	105.20%	106.3%	↗	100%	95%
Collection Efficiency	79.90%	90.9%	↗	82%	88%
Staff Efficiency (staff/1000 connections)	9.3	9.3	=	4/6/10	n/a
Non-revenue water	63.50%	67.1%	↘	30%	57%
Metering Ratio	50.60%	55.1%	↗	85%	52%

Source of Information: WRA

For 2012, the collection rate is the most positive indicator. Collection has surpassed the benchmarking goal of WRA and the sector strategy target. The collection rate has increased 11% in comparison to 2011. The performance is positive taking into account that in 2011 the collection rate dropped with 4.3% compared to 2010.

The staff efficiency is an indicator, which does not have any changes compared to one year ago, 9.3 staff per 1000 connections, almost twice higher than in the best companies in the region.

² One of the objectives of the national strategy 2007-2015 is the regionalization and review of the size of WSS companies. This target is still in open discussion with all interested actors, at a time that there is no clear position of what the solution would be to achieve this target.

³ Total cost coverage indicator for 2012, correcting the figures of 2011, takes into consideration the other revenues like: new connections, service tariffs, reconnections, etc.

⁴ This indicator as well has been recalculated taking into account the same other revenues just as it is said at the total cost coverage.

Technical performance results are not satisfactory. The non-revenue water level remains high and has increased in 2012 with 3.9% compared to 2011. The non-revenue water level for the sector in 2012 is 67.1%. This indicator has not yet reached the target in the sector strategy and is twice higher than the WRA benchmarking indicator. Therefore, reduction of non-revenue water levels remains one of the priority fields of work for WRA and companies.

Another indicator getting positive evaluation is the metering level. The level of this indicator in 2012 has increased by 5.5 % compared to one year ago reaching over 55% of the customer number. This level has surpassed the sector strategic target but not the benchmarking level of good performance defined by WRA. For WRA elimination of the flat rate billing practices that currently is in high levels and implementation of programs for the increase of installation of meters in the water supply grid (individual and central meters) should be the focus of the work of WSS companies as part of the strategy to reduce the non-revenue water levels.

The key indicators used to evaluate the quality of service to customers are: (i) continuity of service and (ii) quality of drinking water. National strategy objectives and good performance objectives from WRA require from the companies to offer water supply service respectively 12 and 18 hours per day. Based on these indicators the sector performance is not as it should be. In 2012 the average supply hours compared to one year ago have increased by 0.7 hours, and the average level has increased by 11.6 hours/days. Most of the customers are not supplied uninterruptedly with water. Lack of continuous water supply is also a result of interruptions due to technical causes and the aging of the distribution network, which affects water quality for public consumption.

The Institute of Public Health and the Public Health Regional Directorates perform the daily monitoring and control of data of water quality for public consumption. This control is realized mainly in urban areas of the country, but consumers also take care of the drinking water treatment. Consumer protection is in WRA's mandate even though it is not the directly responsible institution for water quality monitoring. Therefore the collaboration between PHI and PHRD is strengthened to better monitor the "clean" water supply of citizens.

Sewerage service coverage is the indicator of the impact of this service to the environment. The service level in urban areas is in accordance with the sector objectives whereas service coverage in rural areas is still in very low levels. The urgent need to improve the consumer protection and environment requires concrete measures to address this problem. One of the direct ways implemented by the Albanian Government is investment in construction of wastewater treatment plants. This measure is expected to improve situation in several cities. In 2012 two treatment facilities were constructed in Korça and Vlora. The increase of sewerage coverage area and treatment of wastewater will both affect the quality of service.



3

Performance Analysis of the Water Supply and Sewerage Companies



This part of the report gives an analysis of the individual performance of each of 57 water supply and sewerage companies. The aim of the analysis is identification of companies with the best performance and the companies with a weak performance in 2012, as well as changes from 2010, drawing the relevant conclusions based on these results.

Key Performance Indicators

The following list presents the key performance indicators (KPI) that National Regulatory Commission has presented for the monitoring and evaluation of performance presented in this part. These indicators reflect a big part of duties that companies should carry out to provide efficient and qualitative services.

Table 2. Overview of Key Performance Indicators

Key Performance Indicators	Explanation
1 – O&M Cost Coverage	Proportion of operation and maintenance costs (excluding depreciation and capital costs) covered by revenues.
2 – Total Cost Coverage	Proportion of total costs incurred in providing services that is covered by a utilities' own revenues.
3 – Collection Efficiency	Ratio of the amount billed to customers and the revenue actually collected.
4 – Staff Efficiency	Number of utility staff per 1000 connections.
5 – Non-revenue water	Proportion of water produced which not billed to customers.
6 – Metering Ratio	Proportion of metered connections (customers) as a percentage to the total number of connections (customers).
7 – Hours of Supply	Average availability of continuous water supply in hours per day.
8 – Drinking Water Quality	Proportion of water quality tests that are compliant with bacteriological (coliform) and residual chlorine standards.
9 – Sewerage Coverage	Part of the population in a utility's service area to whom sewage disposal but not necessarily treatment, services are offered.
10 – Regulator's Perception	A score to measure the extent to which a utility's activity are in accordance with the regulatory framework.

Selection of KPI prioritizes those indicators affecting directly the economic situation of companies as well as the current management capacities, because the improvement of services and achievement of long-term financial stability is achieved through them. The list of KPI also includes indicators, which measure performance areas that directly affect consumers. As indicators most interesting for consumers, we can mention service hours and drinking water quality.

Indicators like: (i) metering level or (ii) sewerage service coverage require capital investments to increase their level. However, many other indicators are directly dependent upon the work of companies as: collection rate, staff efficiency, non-revenue water and the cost coverage. The internal efforts of these companies should focus on these indicators, especially the work of their managers. WRA will analyze the performance of both types of KPI (those requiring investments and those dependent only upon management) and it will compare their level with sector's strategic goals.

First, the individual performance of each utility is analyzed and later on the comparison of companies is made to identify the best performers and best practices in the country. Regulator's perception is another indicator of our analysis, through which the collaboration of companies in the regulatory process is evaluated based on WRA's efforts to create a stable and transparent regulatory environment.

Performance analysis: utility groups

Water Supply and Sewerage utilities are divided into three groups in order to make a realistic analysis of their performance. Each group includes both water supply utilities (WS) and the water supply and sewerage utilities (WSS). WRA has decided for the utilities to be in groups according to their size (i.e. number of connections of drinking water supply rather than the size of service area) as a better way of distinguishing between big or small utilities.

Table 3. The grouping of utilities

	Utility Size (number of individual customer connections)	Number of utilities in group
Group 1	> 15,000 customer connections	10
Group 2	3,000 - 15,000 customer connections	21
Group 3	< 3,000 customer connections	26

Source of Information: WRA

Table 4. The 3 utility groups

Service	Utility	No. of Customer Connections (water)	Service	Utility	No. of Customer Connections (water)
GROUP 1			GROUP 3		
WSS	Tiranë	166,829	WS	Divjakë	2,789
WSS	Durrës	72,112	WSS	Peqin	2,758
WS	Vlorë	39,463	WS	Ura Vajgurore	2,703
WSS	Elber sh.p k ⁵	29,434	WS	Bulqizë	2,676
WSS	Fier	27,257	WS	Delvinë	2,595
WSS	Shkodër	26,880	WS	Bilisht	2,372
WSS	Berat-Kuçovë	24,915	WS	Shkodër Fshat	2,165
WSS	Kavajë	22,508	WSS	Fushë Krujë	2,149
WSS	Korçë	20,759	WS	Orikum	1,875
WS	Elbasan Fshat ⁶	17,143	WS	Malësi e Madhe	1,841
GROUP 2			WS	Tropojë	1,769
WSS	Sarandë	14,129	WS	Çorovodë	1,760
WSS	Pogradec	13,837	WSS	Ersekë	1,660
WSS	Lushnjë	10,541	WS	Poliçan	1,621
WSS	Gjirokastër	9,188	WSS	Selenicë	1,506
WSS	Lezhë	7,089	WSS	Mirditë	1,204
WS	Korçë Fshat	5,929	WSS	Pukë	1,107
WS	Lushnjë Fshat	5,843	WS	Has	1,078
WS	Kurbin	5,289	WS	Këlcyrë	1,002
WSS	Kukës	4,973	WS	Vau i Dejës	880
WS	Patos	4,779	WSS	Libohovë	783
WSS	Librazhd	4,681	WSS	Fushë Arrëz	540
WSS	Burrel	4,305	WSS	Pukë Fshat	524
WSS	Rrogozhinë	4,129	WS	Gjirokastër Fshat	500
WSS	Mallakastër	4,002	WSS	Rubik	498
WS	Gramsh	3,873	WSS	Krastë	394
WS	Novoselë	3,750			
WS	Tepelenë	3,680			
WSS	Krujë	3,554			
WS	Peshkopi	3,327			
WS	Përmet	3,236			
WSS	Himarë	3,000			

Source of Information: WRA

⁵ Albanian abbreviation for a commercial limited company (SHPK: Shoqëri me Përgjegjësi të Kufizuar).

⁶ 'Fshat' is the Albanian term for 'rural area' or 'village'. Where a utility serving an urban area of the same name already exist, 'fshat' is added to the name of the provider serving the surrounding rural area to distinguish the two.

Analysis of Performance: benchmarking

For purposes of this analysis, acceptable performance limits have been determined for each KPI. As it can be seen by the following chart, the yellow line on the performance analysis graphs shows the target level or the benchmark for good performance; anything below this limit marked by a red line is considered weak performance. The segment between the two lines of “acceptable” performance on one side shows the efforts by the companies and on the other hand the indispensability for further improvements. Table 5 shows minimal and maximal limits defined for each KPI.

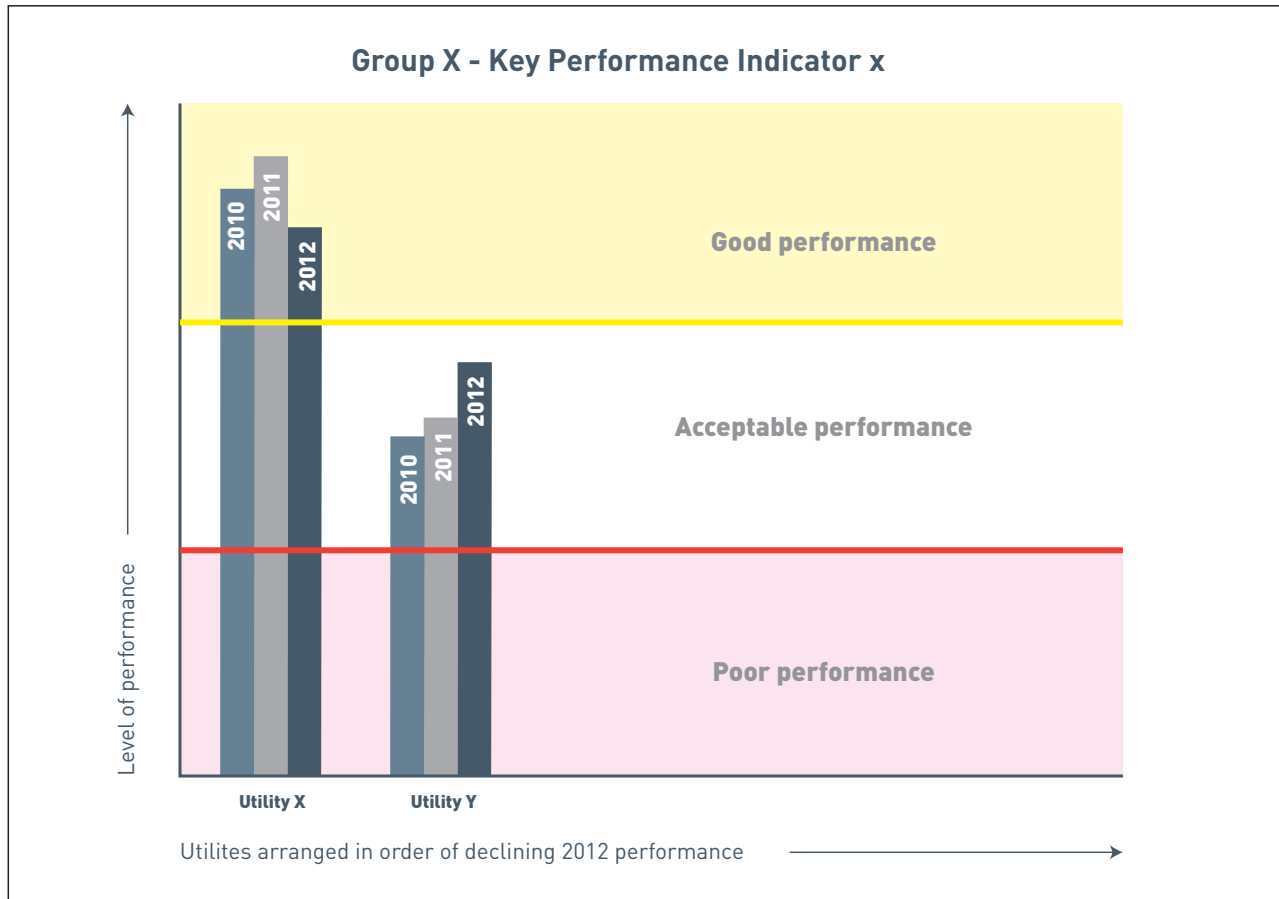


Figure 1. Example graph explaining the KPI analysis graphs

Table 5. Benchmarks for Key Performance Indicators

Key Performance Indicators		Benchmarks		
		Good	Acceptable	Weak
1 – O&M cost coverage		≥ 100%	80 - 100%	≤ 80%
2 – Total Cost Coverage		≥ 80%	50 - 80%	≤ 50%
3 – Collection Efficiency		≥ 82%	60 - 82%	≤ 60%
4 – Staff Efficiency (staff/1000 connections) ⁷	Grupi 1	≤ 4	4 - 6	≥ 6
	Grupi 2	≤ 6	6 - 10	≥ 10
	Grupi 3	≤ 10	10 - 15	≥ 15
5 – Non-revenue water		≤ 30%	30 - 50%	≥ 50%
6 – Metering Ratio		≥ 85%	n/a	<85
7 – Hours of Supply		≥ 18 hours/days	8 - 18 hours/days	≤ 8 hours/days
8 – Drinking Water Quality		≥ 98%	90 - 95%	≤ 90%
9 – Sewerage Coverage		≥ 75%	50 - 75%	≤ 50%
10 – Regulator's Perception		n/a	n/a	n/a

Ranking of Water Supply and Sewerage Companies

WRA has developed a scoring and ranking system to assess the overall performance of each of the utilities taking into consideration 9 out of 10 KPIs. Each indicator has been given specific weight and the scores awarded reflect the utility performance in relation to benchmarking levels, set by WRA. To compare between water supply and sewerage utilities, their ranking is based on a total amount collected in a detailed individual analysis for each KPI, according to the table presented and analyzed in the fourth part of the report where the ranking of utilities for 2012 is explained.

As shown by table 5, performance at or above the benchmarking level is awarded maximum points. For most indicators, where performance falls below the benchmarking, for good performance the utility is awarded with a part of the available points only. For indicators like staff efficiency, non-revenue water, collection rate and quality of drinking water, poor performance is seriously penalized by getting no scores. In this case; points are awarded if the current performance falls within the acceptable performance range.

⁷For the KPI Staff Efficiency, the target benchmarks are higher for smaller utilities, making allowance for the fact that larger utilities (which usually also serve more densely populated areas) find easier to keep staff number per 1000 connection to a minimum.

3.1 Operation and Maintenance Cost Coverage

The indicator “O&M Cost Coverage” shows up to what level the direct O&M costs (without depreciation) are covered with the revenues collected. This indicator serves to assess the utility’s financial situation highlighting the utility’s capacities to cover its basic costs from its own revenues and sources. The main components of O&M costs are staff costs, chemicals, energy and other costs. These costs should be reasonable and justifiable from the economic viewpoint. In 2012, this indicator was at 106.3% for the entire sector, indicating increase compared to a year ago (whose level was 105.2%). Full O&M costs coverage, presented by the yellow line in the following performance charts, is determined and good performance benchmarking by WRA.

Group 1 of utilities:

For 2012, Tiranë is still the first utility in Group 1, as the utility with the best performance, followed by Korçë, Elber, Shkodër and Berat-Kuçovë, which have achieved 100% O&M cost coverage, accomplishing the best performance benchmarking, defined by WRA. Fier has achieved the best improvement of this indicator with 27.7% compared to the previous year, being the utility with the biggest progress in 2012. In addition, progress has been made by Elbasan Fshat (20.7%) and Durrës (13.7%). Compared to 2010, considerable improvement in this indicator has been made by Elber shpk with 43.5%.

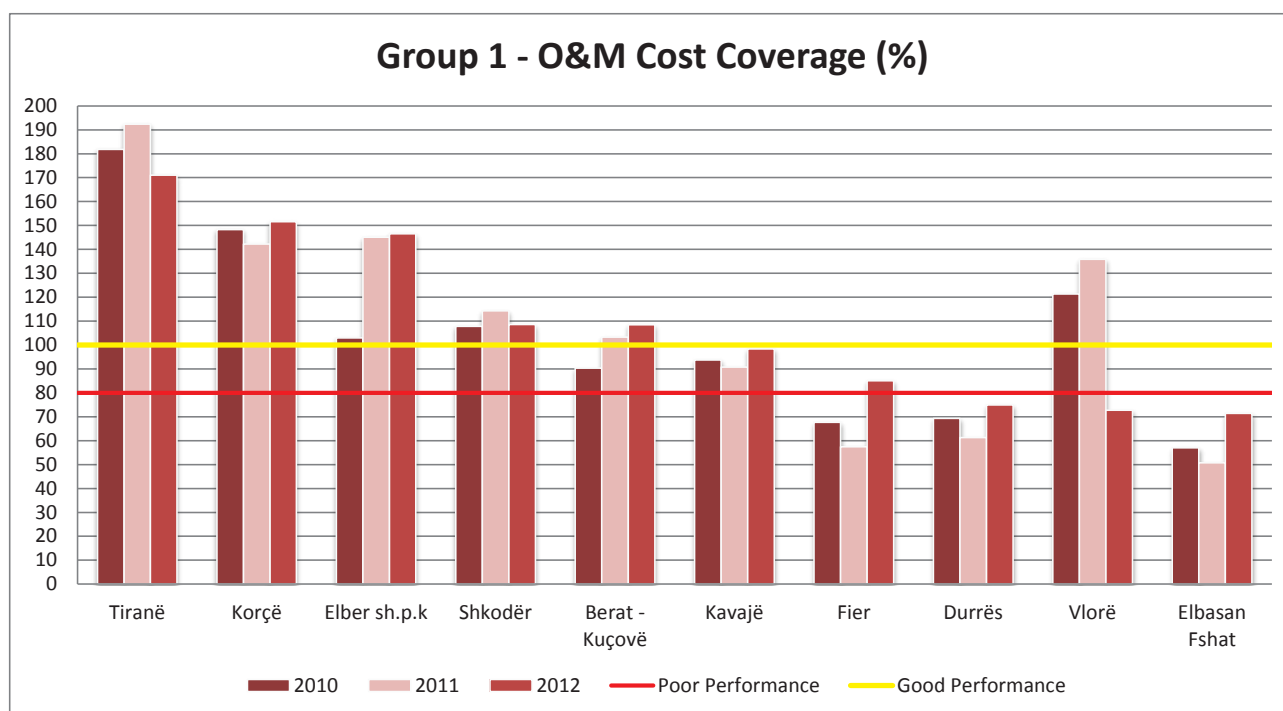


Figure 2. O&M Cost Coverage for group 1 in 2012

The poorest performing utility in the first group amongst all utilities for 2012 was Elbasan Fshat, where O&M cost coverage for 2012 was 71.4%. Also, Vlorë and Durrës continue to operate in the limits of poor performance below the red line. O&M cost coverage from the revenues for these two utilities are respectively 72.7% and 75%. Vlorë registers also the biggest reduction trend with (-63.2%) followed by Tiranë (-21.3%), and Shkodër with (-5.7%). Vlorë shows an increase of operational costs because upon taking over sewerage services, previously provided by Municipality, the utility is working to improve the system.

Group 2 of utilities:

In this group only 6 out of 19 utility companies have reached 100% coverage of O&M costs for 2012. These utilities are respectively: Gjirokaštër, Pogradec, Peshkopi, Librazhd, Gramsh and Krujë. The best level for these indicators was reached by Gjirokaštër with 132.5%. Patos continues to be the utility with the poorest performance for this year as well, where only the revenues cover 23.6% of the O&M costs. Nine other utilities are ranked under the level of poor performance for this indicator (80% shown by the red line): Tepelenë with 76.5%, Lushnjë Fshat with 76.4%, Kukës with 72%, Kurbin with 51%,

Rrogozhinë with 46.4%, Mallakastër with 45.5% and Korçë Fshat with 36.9%.

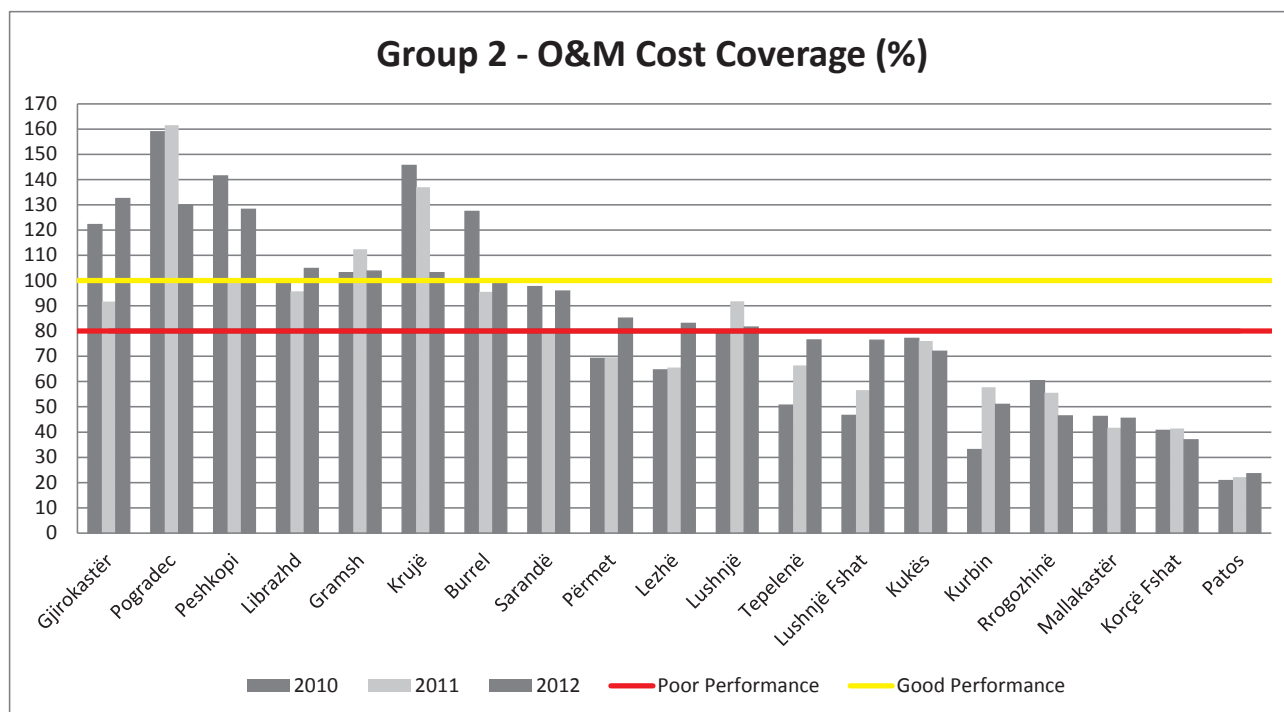


Figure 3. O&M Cost Coverage for group 2 in 2012

Not only Gjirokaštër is the first in the second group with the highest level achieved, but this utility also had the biggest progress in improvement of this indicator compared to a year ago. If the comparison is made with figures from 2010, the best improvement in O&M cost coverage has been made by Lushnjë Fshat with 29.7%, Tepelenë with 25.8%, Lezhë with 18.5% Kurbin with 17.9% and Përmet with 16%. These utilities have made constant efforts to improve their financial situation. The improvement of ratio between costs and revenues was influenced by keeping costs under control, and the increase of revenues as a result of improvement of level of billing and increase of tariffs.

From 2011 to 2012, the Krujë is the utility that had the biggest decrease in O&M cost coverage with (-33.8%). This utility also had a very negative performance in comparison to 2010 (-42.4%), followed by: Pogradec (-29.1%), Burrel (-27.9%), Rrogozhinë (-14%), and Peshkopi (-13.2%).

Group 3 of utilities:

In this group 2 out of 28 utilities have reached the benchmarking level for 2012 covering more than 100% of the O&M costs. Whereas 11 small utilities cannot cover even 50% of the O&M costs. Best performance for this indicator is achieved by Malësi e Madhe with 161.9%, and the utility with the poorest performance is Pukë Fshat, with only 23.7%.

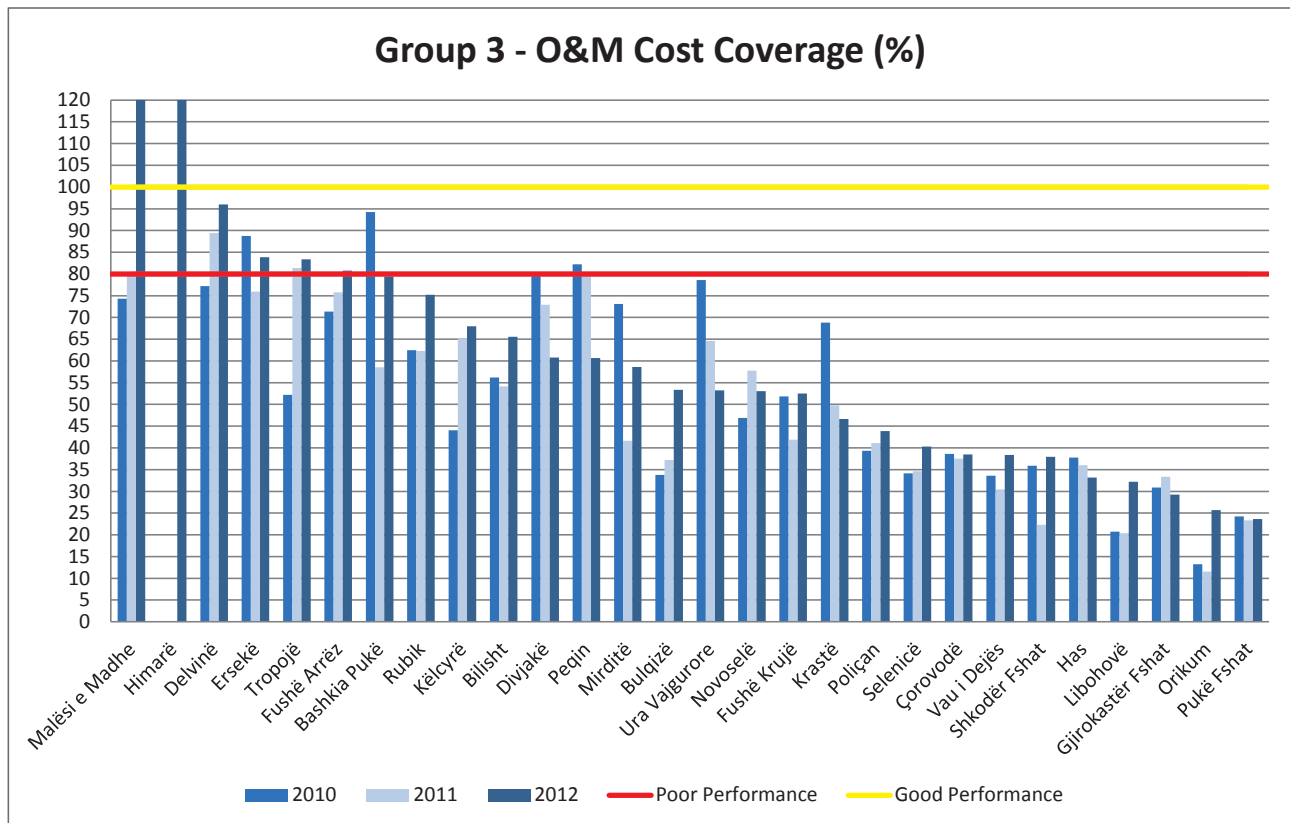


Figure 4. O&M Cost Coverage for group 3 in 2012

In 2012 compared to the previous year, this indicator has a positive progress for this group, because out of 28 utilities, for 21 of them this indicator has increased. Malësi e Madhe (81.6%), Pukë (20.9%), Mirditë (17%), Bulqizë (16.1%), Shkodër Fshat (15.7%) and Oriku (14.1%) have had the biggest increase for this indicator.

On the other hand, the following companies are worse in covering the O&M cost with their revenues compared to one year ago: Peqin (-19.4%), Divjakë (-12.1%) and Ura Vajgurore (-11.4%).

Conclusions

The performance of operational and maintenance costs for 2012 is positive. The coverage level has increased easily compared to 2011. By analyzing 57 utilities during 2012, 33 of them cover less than 80% of O&M costs with their revenues. For a part of utilities, level of coverage of O&M costs goes from 50 – 80%. The situation remains problematic and makes it difficult for the provision of service to continue. Even though these companies have generally increased the revenue level, it can be seen that many O&M cost elements have increased: cost of power, staff expenses etc. This explains the new debts for the power bill during 2011 and 2012. Thus, the periodic subvention for paying the debts created by utilities is not the solution to the problem. In addition, the utilities should improve administration by increasing billing and collection as a key measure to improve O&M cost coverage. Also, improvement of human resources management; reduction of excess staff could be translated into considerable financial resources.

WRA shall help the utilities to have a better balance between costs and revenues through adjustment of tariffs. During 2013 companies will be monitored in the fulfillment of performance goals related to new tariffs.

In application of the methodology of tariff setting, approval of increase of tariffs shall be conditioned on achievement of defined performance goals.

3.2 Total Cost Coverage

Coverage of total costs of the utility is the final indicator showing the financial status. Adding the depreciation and capital costs (interests and payment of loans) to O&M costs, a clear picture is created for the efficiency of utility. Coverage of these costs is decisive for a utility, which wants to expand the area of its activity and quality of its services. For 2012, by analyzing this indicator, it results that the sector has increased the total cost coverage with 3.3 percentage points compared to 2011 (it reached 82.7 from 79.4% that was a year ago). This level shows an even more positive development by comparing it to the strategy goal (70%) at a time that WRA objective was reached (80%).

Group 1 of utilities:

The analysis for this group ranks Tiranë utility with the highest level of total cost coverage. This utility has managed to collect the bed debts. The benchmarking level for good performance (80%) was exceeded by Elber shpk (104.3%), Shkodër (95.1%) and Korçë (87.1%). The utility with the poorest performance is Kavajë, which ranks the last one in the group for very poor financial performance, with only 39.4% total cost coverage.

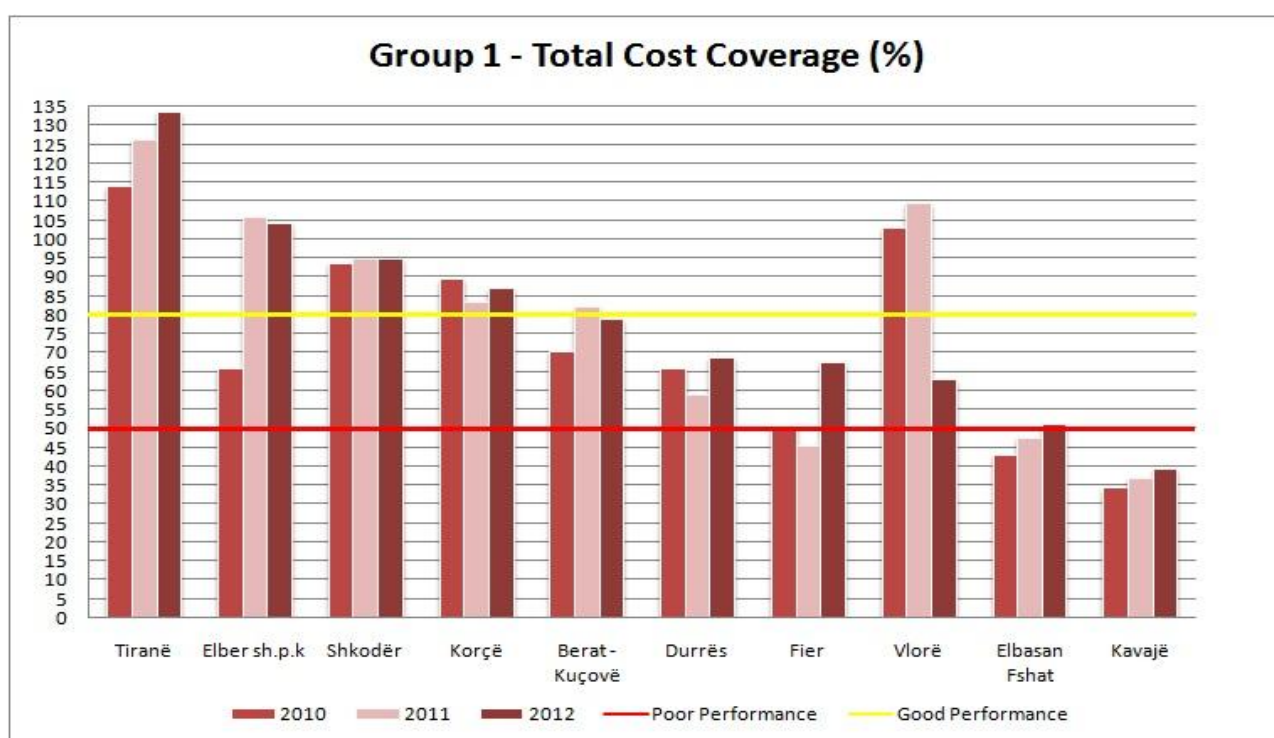


Figure 5. Total Cost Coverage for group 1 in 2012

Fier is the utility that shows the biggest increase of this indicator by 21.8% but also other companies have had positive performance in total cost coverage like Durrës by 9.8% and Tiranë with 7.4%. The Vlorë has had the most negative performance for this indicator, which has decreased compared to a year ago by 46.7%.

Compared to the 2010 level for this indicator, it results that Elber shpk has improved considerably during the last two years, where cost coverage has increased by 38.4% (an increase for both years). Vlorë continues to fall compared to 2010 when the cost coverage level for this utility was 103%. Today this utility is facing a considerable decrease of this indicator by more than 61%. This decrease is a result of increase of activity by adding the sewerage service, which was provided before by the Municipality of Vlora.

Group 2 of utilities:

Gjirokastrë utility is heading the second group with the highest level of total cost coverage for 2012 (122.1%). Other utilities like Pogradec (91.6%), Peshkopi (87.4%), Librazhd (86.8%) and Gramsh (82.3%) are ranked above the level of best benchmarking performance for total cost coverage. On the other hand Patos is ranked as last of the second group with 22.4% of total cost coverage. Five other utilities are listed, which could not cover even 50% of the total cost like: Kukës (49.3%), Kurbin (48.7%), Mallakastër (41.4%), Rrogozhinë (34.9%) and Korçë Fshat (32.7%).

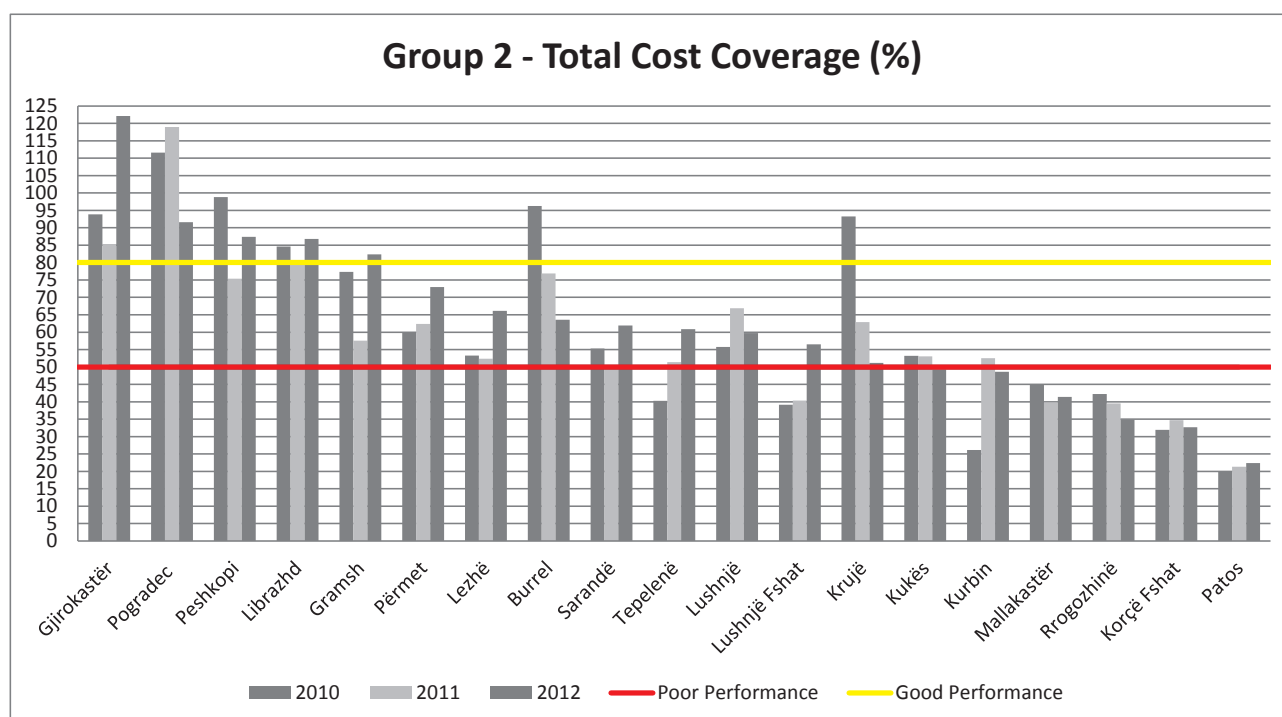


Figure 6. Total Cost Coverage for group 2 in 2012

During 2012 this indicator has worsened for 8 out of 20 utilities of the second group. Biggest decrease is suffered by Pogradec (-27.3%). The deterioration of situation for this company comes as a result of costs of liquidation of credits taken by the banks. Burrel (-13.3%) and Krujë (-11.8%) faced deterioration in this indicator as well.

If we compare the level for this indicator and its changes with 2010, we can see considerable improvement by companies: Gjirokastrë (28.2%), Kurbin (22.5%), Tepelenë (20.7%) and Lushnjë Fshat (17.3%). Whereas utilities with the worst deterioration for this indicator compared to 2010 are: Krujë (-42.1%) and Burrel (-32.6%).

Group 3 of utilities:

In this group, Malësi e Madhe results to be the utility with 100% of total cost coverage. By analyzing the reported data, this improvement is a result of higher tariffs than those applied in 2011 and at the same time unapproved by WRA. Also, Himarë and Delvinë are ranking amongst companies with a benchmarking level of 80% for good performance with respectively 115.9% and 89.3% total cost coverage. Only 7 out of 26 utilities in this group operate in the margin of acceptable performance with over 50% of total cost coverage. Pukë Fshat is, on the other end, covering only a small percentage of total costs (14.7%) with its revenues.

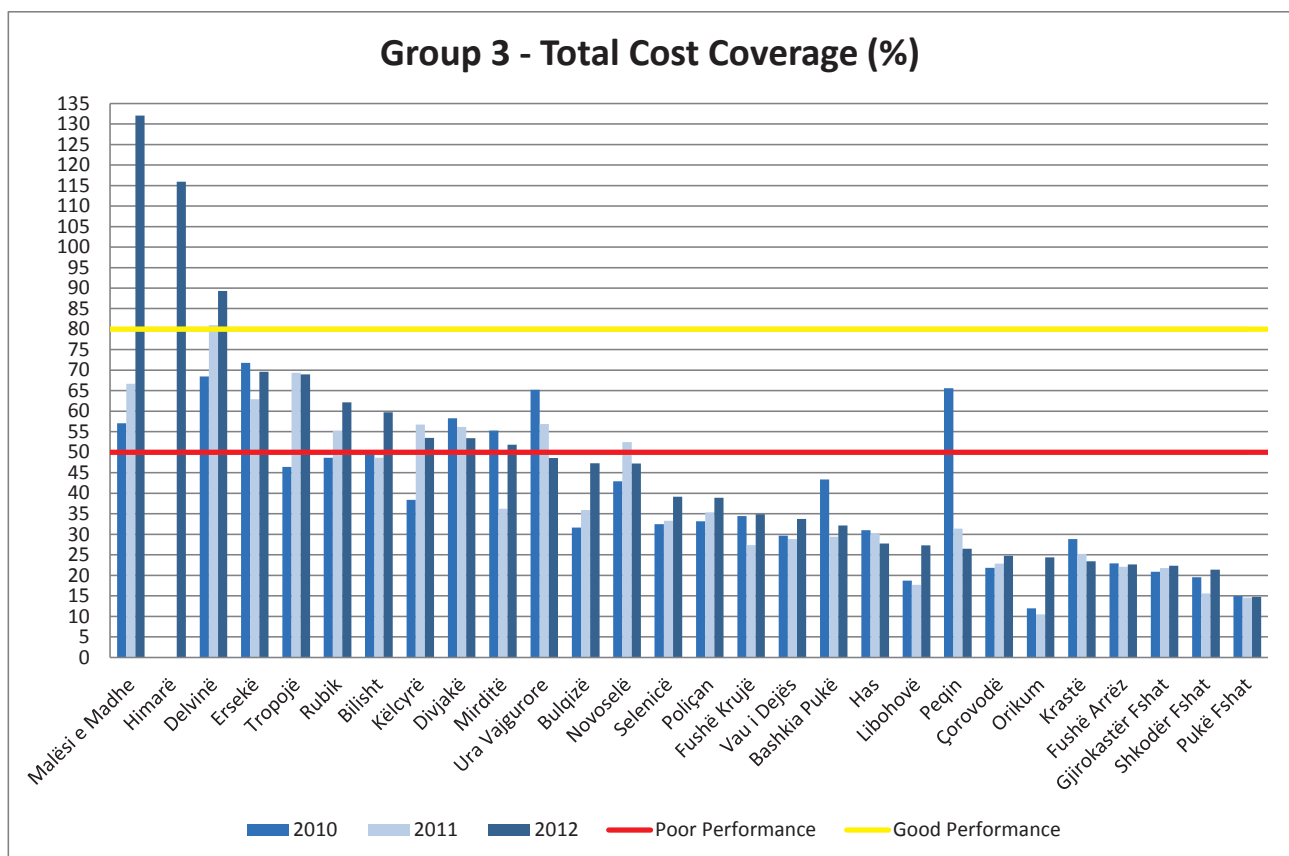


Figure 7. Total Cost Coverage for group 3 in 2012

The utilities that have had negative performance in 2012 are: Ura Vajgurore (-8.3%), Novoselë (-5.2%) and Peqin (-4.9%), which have registered the biggest decreases in the percentage of total cost coverage. There are 19 utilities that have managed to improve their situation, 5 of which considerably, with more than 10%: Malësi e Madhe (65.3%), Mirditë (15.7%), Delvinë (14.8%), Orikum (13.9%), Bulqizë (11.4%) and Bilisht (11.1%). The third group is made up of small utilities with difficult financial situations. Their difficult situation is a result of: (i) lack of investments (from central and local government units), (ii) being small they are not in focus of donors' attention, (iii) large service area and small customer number and (iv) bad management of human resources. Many of utilities in this group have never applied for adjustment of tariffs and another part of them operate with tariffs set many years ago. WRA shall continue its efforts to encourage these utilities to apply for tariff adjustment.

Conclusions

The analysis shows that this year the best results on total cost coverage have been attained by big water supply and sewerage companies whereas many small utilities continue to depend on external financial sources, with little or very little income to invest. In 2012 the average level of total cost coverage for the sector is 82.7% and is 3.3% higher than last year. This increase comes as a result of: (i) increase of other income from fixed tariffs, new connections, reconnections etc.; (ii) the investments made in the last years have reduced the depreciation costs. For 2012 this indicator marks the achievement of the WRA objective, which is 80%. Depreciation and capital costs take up approximately 26% of the total costs, at a time that a year ago this cost took up a little more: around 27% of them. This small deterioration of cost structure is a result of increase of maintenance expenses coming from investments made during the last years.

Regarding this indicator: Tiranë (133%) and Gjirokastër (122%) are the two utilities with the highest level of total cost coverage. Especially Gjirokastër is working to make a part of investment with its own funds, needed to improve the quality of service and the efficiency of company. Also, Pogradec, through its good management, has managed to cope with the loan costs. On the other hand, the utility has increased the revenues through identification and billing of customers inside the service area, which is associated with improvements in the quality of services (such as water supply is now done for 21 hours per day) and increasing the public awareness to pay for services received.

3.3 Collection Efficiency

Collection efficiency is the ratio between the amount billed for services to customers and the revenue actually collected. In essence, good performance related to collection rate is a managerial function. The average collection efficiency in the water supply and sewerage sector in 2012 is 90.9% compared to 79.9% that was a year ago. This rate has surpassed the strategic goal for the sector for 2012 (88%) and the benchmarking for good performance by 82% of WRA for 2012.

Group 1 of utilities:

In the first group, as it can also be seen from the chart, Tiranë is leading the list of companies, because it has managed to collect amounts billed in previous times that are now considered as “bed debtors”. Also Fier, Korçë and Elbasan Fshat are the companies with good performance for this indicator, respectively with 91.2%, 88.9% and 95.2% exceeding both objectives. Meanwhile the poorest performance for this indicator in 2012 is made by Shkodër (59.1%) where the collection efficiency has been well under the red line.

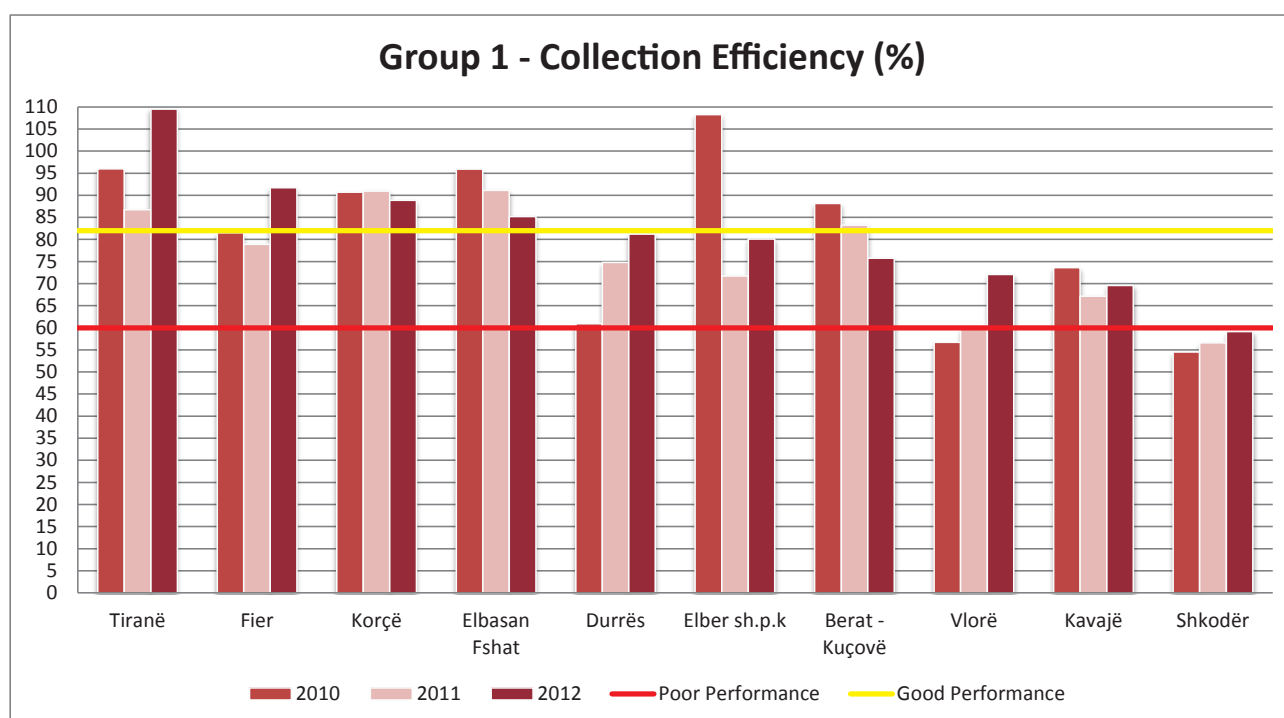


Figure 8. Collection Efficiency for group 1 in 2012

Seven out of ten utilities in this group have a positive tendency in their collection efficiency. Higher-level increase was marked by utilities: Tiranë by 22.8%, Fier by 12.8% and Vlorë by 12.3%. Utilities, which suffered decrease of this indicator, compared to the previous year are: Berat-Kuçovë (-7.5%), Elbasan Fshat (-5.9%), Korçë (-2.1%). The deterioration reasons of this indicator for these companies are mainly the local taxes in the billing of water supply and increase of tariffs in 2012.

During 2010-2012, Durrës has continually shown improvements of this indicator, as a result of the work done to improve the billing and collection system. This improvement has been achieved through publicity campaigns restrictive measures like: interruption of connections and court processes against debtors. In this way, the company has increased the collection efficiency by 20.3% from 2010 to 2012.

Group 2 of utilities:

Companies with good performance with over 82% of the collection rate are 10 out of 19 companies that made up the second group. Lushnjë registers the best performance where the collection rate is 94.4%. Only 2 companies in this group are positioned under the red line with poor collection performance: Lushnjë Fshat (57.9%) and Kurbin (40.11%).

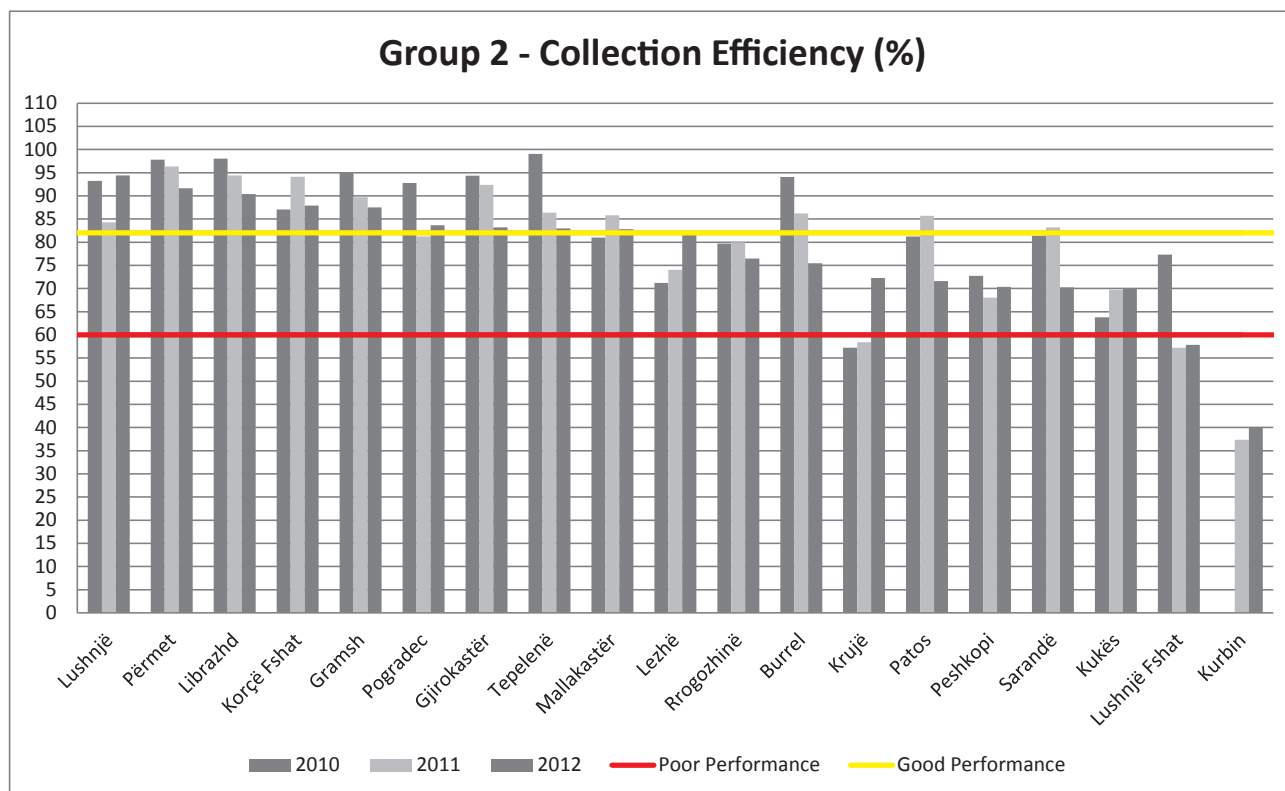


Figure 9. Collection Efficiency for group 2 in 2012

It can be seen that performance of this indicator for 2012 is negative: 11 utilities have suffered decrease in the collection rate. The most positive performance since 2010 and with performance in good levels is from Krujë, with an improvement of 15.0%. From 2010 to 2012, several utilities have made considerable regress in their collection efficiency. Kurbin has registered the biggest decrease of this indicator with (-20.7%), Lushnjë Fshat with (-19.5%), Burrel with (-18.6%), Tepelenë with (-16.0%).

Group 3 of utilities:

Only 8 utilities in the third group have a collection rate bigger than 82%, which is the best performance goal set by WRA. 11 utilities are within the acceptable levels, whereas 9 other utilities collect less than 60% of their revenues from billing. Thus, Divjakë is the utility with the best performance, with a collection efficiency of 108.5%. This result comes from the good work done for the collection of bed debts from previous periods. On the other hand, Tropojë continues to be the worst performer with a collection efficiency of 29.7%.

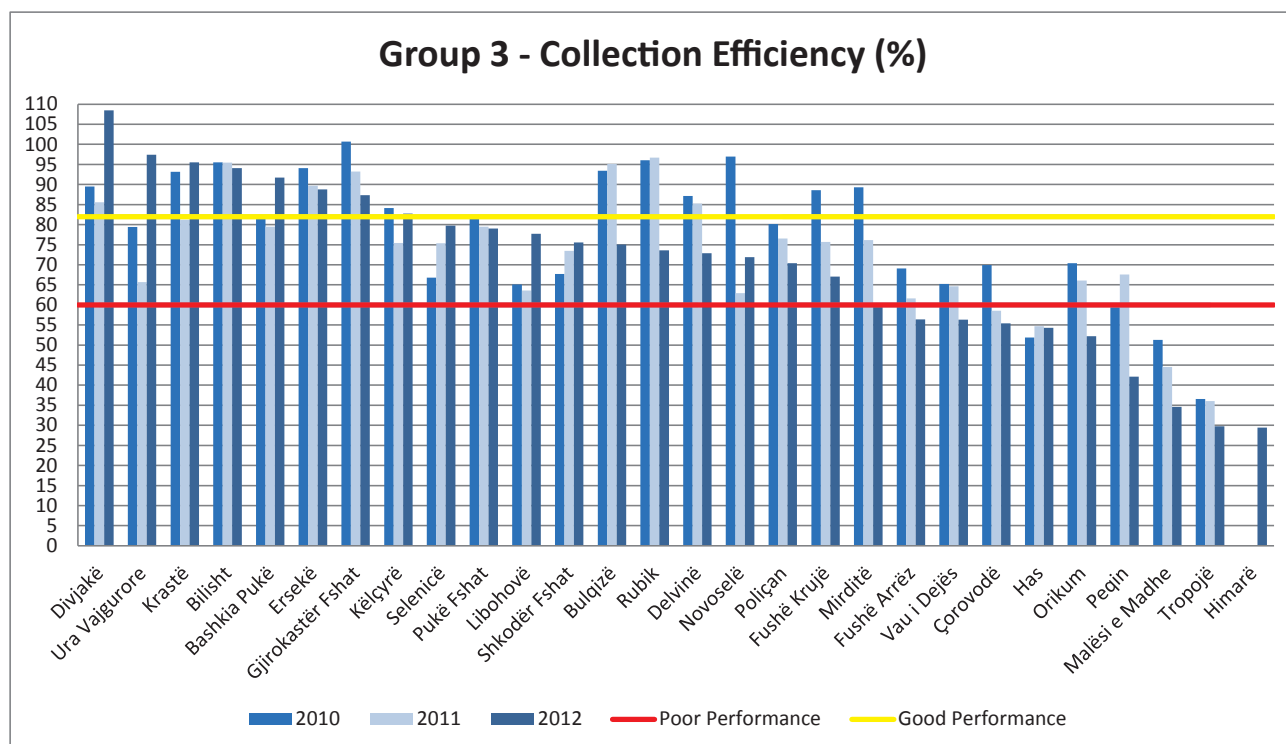


Figure 10. Collection Efficiency for group 3 in 2012

During 2010 -2011 this indicator has generally had a negative trend for all utilities of group 3. For most of utilities, 17 out of 28 of them, the collection efficiency has been lower than a year ago. The most negative trend was reported by Peqin, reducing the collection efficiency by 25.5%. Also, decrease of this indicator have had companies like Rubik (-23.1%), Bulqizë (-20.1%), Mirditë (-15.9%), Orikum (-13.9%) and Delvinë (-12.4%).

On the other hand some utilities have had great improvements where the collection efficiency has increased compared to a year ago; Ura Vajgurore by 31.7%, Divjakë by 22.9%, Krastë by 14.4% and Pukë by 12.3%.

If we look at the performance from 2010 to 2012, Divjakë and Ura Vajgurore have reported very good improvements in increasing the collection rate with respectively 19.0% and 18.0%.

Conclusions

It can be seen that the average collection efficiency in the sector has improved by 11 percent compared to a year ago. This shows that utilities have paid attention to collection of their revenues. Some of the reasons for the very good improvement are: (i) collection of old debts not collected in years by several utilities; (ii) increase of work to administer well the coverage areas through restrictive measures.

WRA has continually stressed that companies should use all forms possible to improve their collection efficiency: systematic billing of all customers within their jurisdictional area, creating facilities to carry out payments, opening customer care offices that easily accessible, providing contemporary ways of effecting payments, identification of problematic customers and also introduction of obligatory collection. A positive influence in improving this indicator is provision of qualitative services. The data show that companies offering qualitative services have a higher rate of collection. Consumers say that they don't hesitate to pay higher tariffs if they get a qualitative service. (Study "Citizen's Perception of the Quality of Water and Sewerage Service" (2011).

3.4 Staff Efficiency

One of the main objectives of WRA is offering high standards of service and for these utilities need to improve their operational management. Staff efficiency is the indicator that allows us to understand how human resources are managed to increase the general company efficiency. Since the personnel costs at the moment take a greater percentage of O&M costs of Water Supply and Sewerage utilities (31% of total costs in average), this indicator takes on special importance, and therefore it is included in the list of KPI that should be analyzed.

Group 1 of utilities:

The objective for this indicator by WRA for group 1 is 4 – 6 employees per 1000 connections. In 2012 it results that the average for this indicator for this group is almost 6 employees per 1000 connections, being within the objective of WRA. Only two companies have reached the best performance objective (less than 4), which are: Korçë and Tiranë with respectively 2.3 and 3.6 employees per 1000 connections. Meanwhile Elbasan Fshat continues to be the company with the poorest indicator with 12.8 employees per 1000 connections, almost 6 times higher that the best utility in this group.

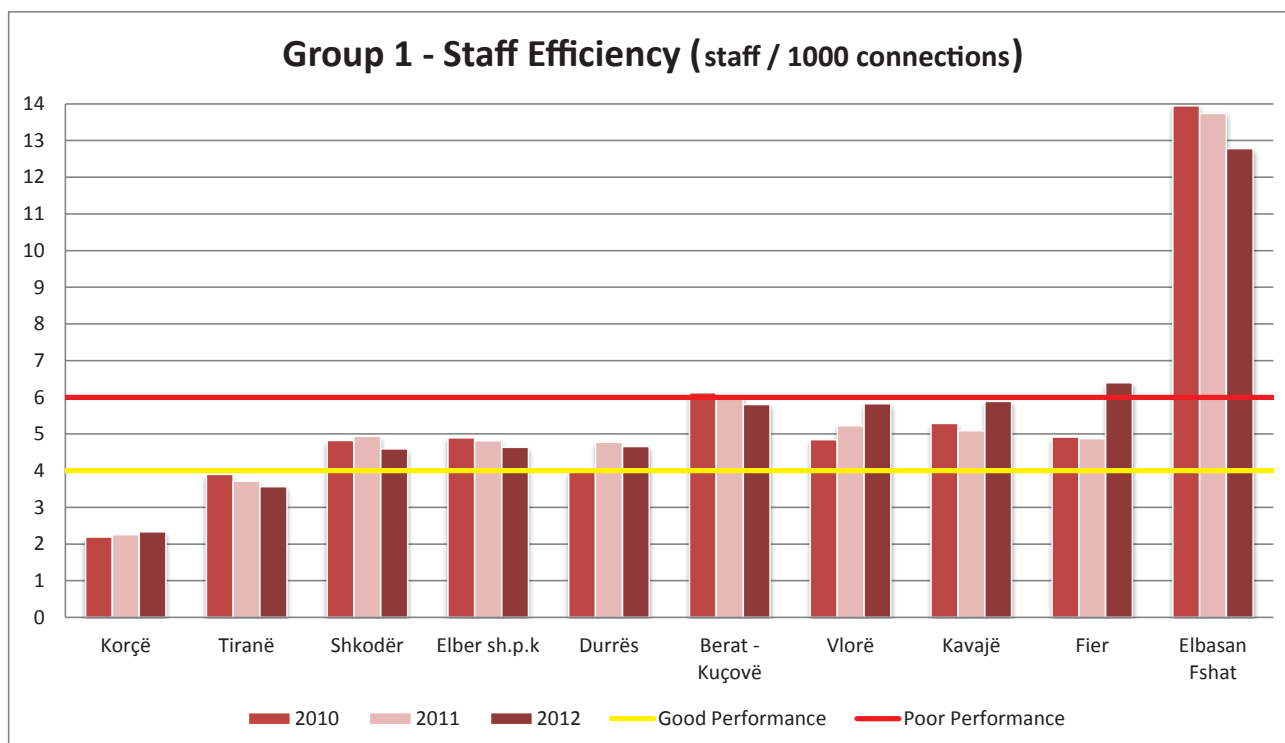


Figure 11. Staff Efficiency for group 1 in 2012

Staff efficiency for group 1 continues to be almost in the same levels from one year to another. In 2012 it presents small changes either positive or negative compared to 2011, at a time that this group has in average the same number of employees like that of 2009, with exception of Fier, where this indicator had the biggest increase with 1.5 employees per 1000 connections.

Group 2 of utilities:

The WRA objective for this indicator for group 2 is 6 -10 employees per 1000 connections. During 2012 it results that the average for this indicator for this group is almost 10.32 employees per 1000 connections falling out of the WRA objective. This has also remained in the same number of employees per 1000 connections just as in 2011 and 2010. Lushnjë Fshat has improved the register of consumers adding all current customers in the service area. Thus, the ratio employees per 1000 connections give a real level for this indicator. In the next report, we expect the analysis of indicators for this company to be even more realistic, and consequently the group average will make more sense.

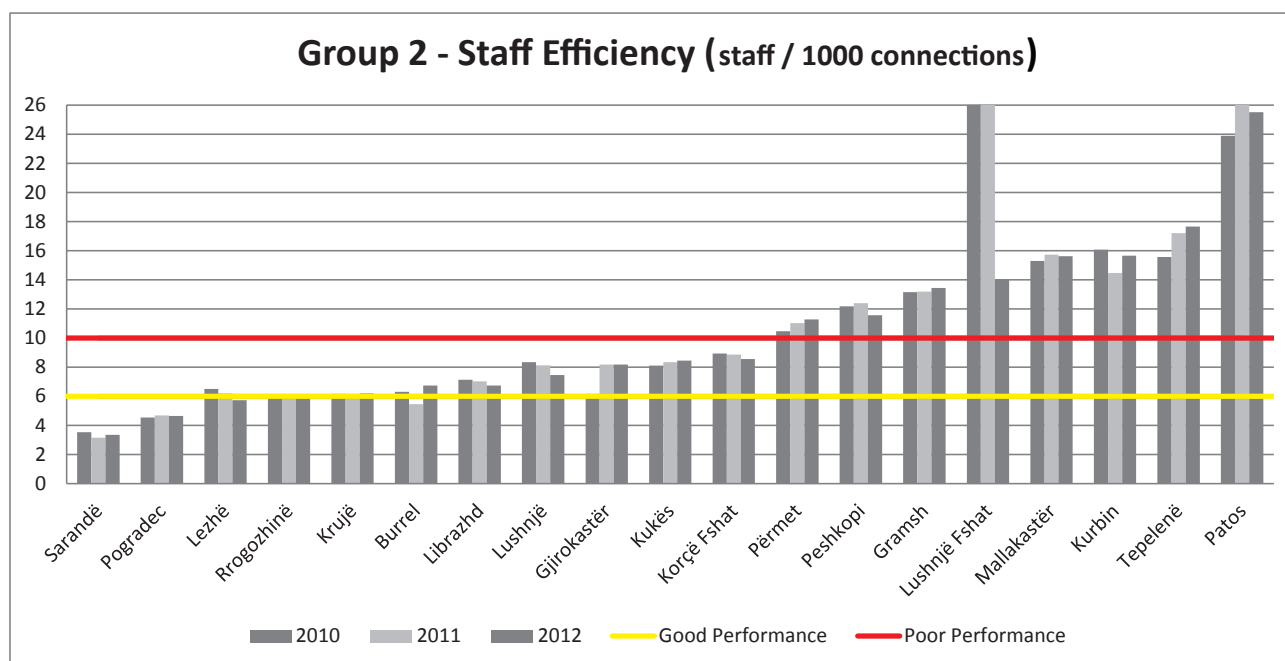


Figure 12. Staff Efficiency for group 2 in 2012

Sarandë is the utility with the best performance in group 2, which operates with 3.2 employees per 1000 connections, followed by Pogradec utility with 4.6 employees per 1000 connections, Lezhë and Rogozhinë. At the end of the list is Patos with the poorest performance in this group with 25.5 employees per 1000 connections. 7 out of 21 companies operate within the acceptable performance limits for group 2, which varies from 6 to 10 employees per 1000 connections.

The most negative performance was marked by Burrel and Kurbin where more employees have been employed per 1000 connections, respectively 1.3 and 1.2.

Group 3 of utilities:

The WRA objective for the third group is 10 – 15 employees per 1000 connections. In 2012 it results that the average for this indicator in this group is almost 16 employees per 1000 connections, being far from WRA objective. This group stands particularly out for the continuous improvement of this indicator from year to year. Even though improvements are small, they are important taking into account the weight of the personnel cost in the total cost. Thus, small changes of personnel give an impact to the improvement of financial situation of utilities, covering better the company costs. On the other hand, improvement of this indicator improves the company management.

Only 10 utilities in this group have less than 10 employees per 1000 connections and the best performer here is Libohovë and Ersekë with something more than 5 employees per 1000 connections. In this category we can list companies like Himarë, Selenicë, Delvinë, Fushë Krujë, Fushë Arrëz, Orikum and Pukë. Utilities with a problematic situation are Gjirokastrë Fshat, Shkodër Fshat and Pukë Fshat respectively with 43.1, 36.3 and 31.6 employees per 1000 connections, where the number of employees for these companies is 7-8 higher than the number of the best utility for this group.

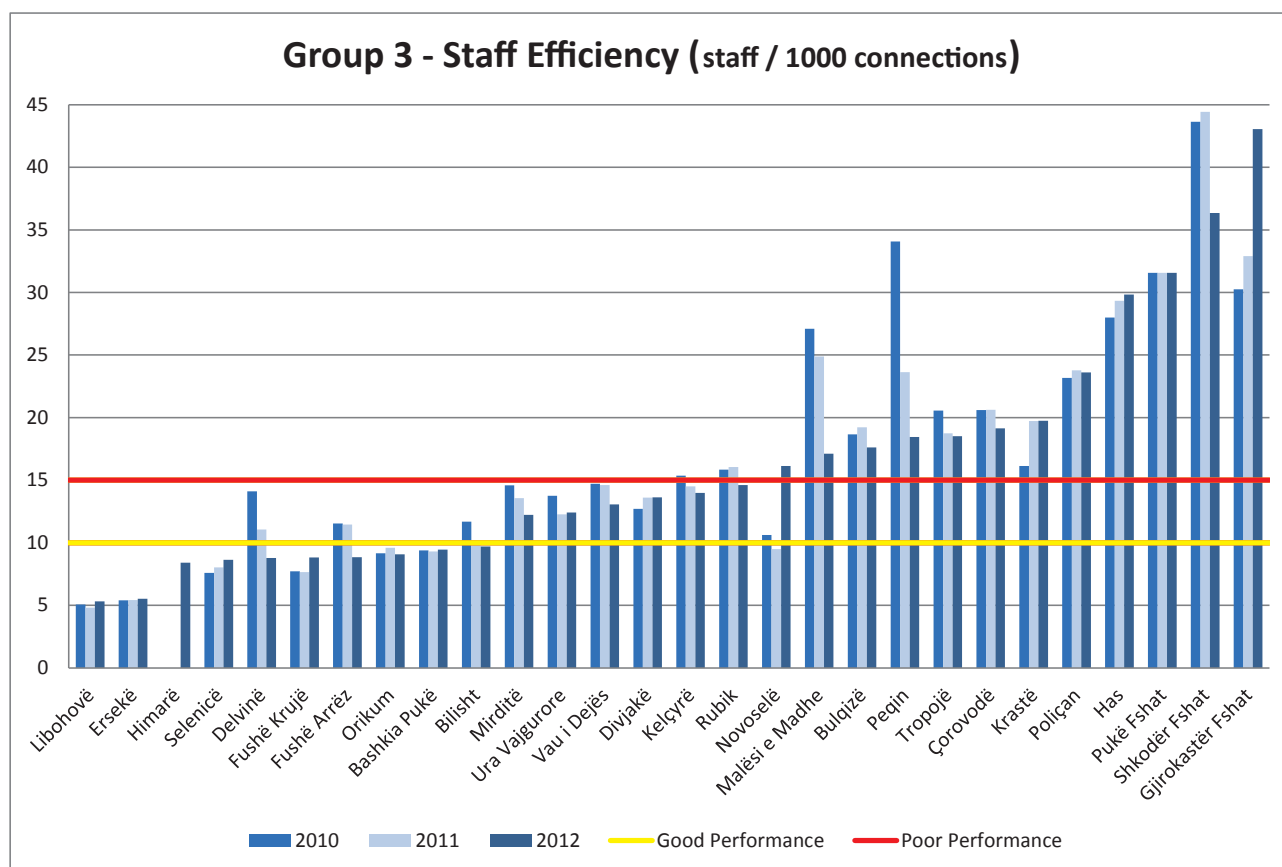


Figure 13. Staff Efficiency for group 3 in 2012

Just as in the case of Lushnjë Fshat in the second group, there are cases in this group where the indicator is not calculated well and these are utilities (that have the biggest number of staff per 1000 connections), which operate in rural areas. For WRA, better reporting related to the number of customers in the service area would eliminate the deformation of data and indicators.

Conclusions

By the analysis of three groups, it can be seen that only 16 out of 57 companies have reached their best performance objective set for their relevant groups, whereas the other part of utilities need to increase considerably their efforts to improve staff efficiency. Since the cost of work is one of the main elements with an important weight in O&M and total costs, improvement of staff efficiency would serve as an essential element in improving the operational efficiency, and consequently utilities would go towards reaching the sector strategic objective, which is the financial sustainability. Amongst main concerns for WRA are overemployment and low productivity levels of employees. To urge companies to increase their staff productivity, through the staff efficiency indicator, WRA shall set individual objectives for each of utilities as part of the process of adjustment of tariffs. Accomplishment of objectives related to this indicator shall be through optimization of the organizational structure, selection of motivated and dedicated qualified employees, determination of internal operational procedures, delegation of duties and responsibilities and increasing of customers.

The big utilities reach easily high levels of staff efficiency than smaller utilities or those who operate in wide rural areas. Lack of efficiency could constitute an argument for regionalization of service operators. However, the above analysis shows that even small systems can perform properly when they are managed well.

WRA supports the drafting and application of the program for training and certification and Supervisory Councils of utilities in framework of the sectorial strategy as an important step in increasing the management capacities. Certification shall be a continuous process to ensure individuals to keep the knowledge gained. For this reason, by means of a trilateral collaboration between WRA, GIZ and USAID, we have prepared a guiding manual and the training modules.

3.5 Non- Revenue Water

“Non revenue water” is that part of produced water, expressed in percentage that does not generate incomes. This definition includes both real water losses for technical reasons (g. leaking in the distribution system or tanks) and commercial losses, that refer to the quantity of water, which goes to the consumer but which does not generate income as a result of the illegal consumption and incorrectness in the production and consumption metering as well as mistakes in data management.

During 2012, total water production for 57 water supply companies in Albania was 279,912 m³, whereas the quantity of sold water was only 92,965 m³. These data show that the average non revenue water in the sector in 2012 is 67.1%. The level for this indicator continues to be higher than the benchmarking of poor performance (30 - 50%) set by WRA but also higher than the strategic objective for 2012 by 57%.

Group 1 of utilities:

As it can be seen by the chart, in group 1 only Korçë has the lowest level for this indicator 30.7%, being very close to the best performance level. In addition, Elbasan Fshat and Kavajë ranked within the accepted level for benchmarking for non revenue water respectively with 36.1% and 39.8%. The company with the poorest performance where non-revenue water has reached a dramatic level almost 85% is the utility of Berat Kuçovë. For 7 out of 10 utilities of this group, non revenue water is over benchmarking by 50%, which shows a very poor performance level and immediate need for improvements.

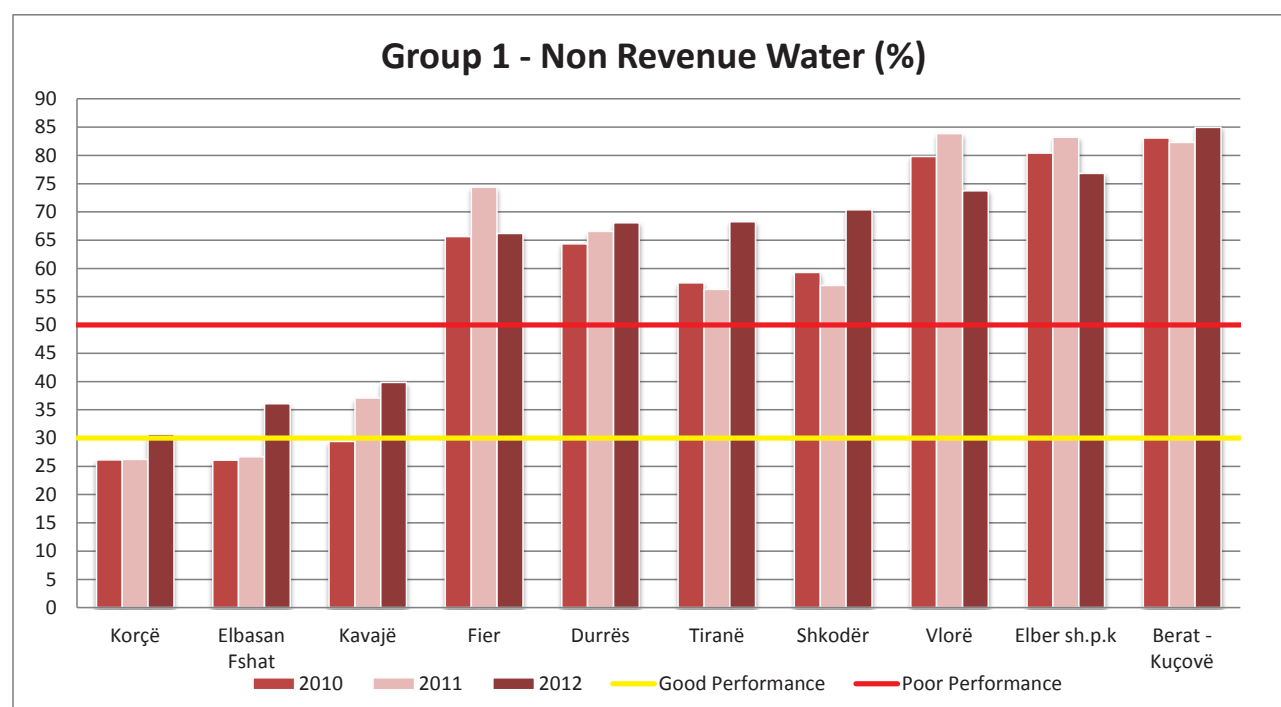


Figure 14. Non-revenue water for group 1 in 2012

If we compare the performance for this indicator for 2010 – 2012, the utilities Vlorë and Elber shpk have made progress reducing the non revenue water level respectively with -6.1 percentage points and -3.6 percentage points. On the other hand, the most negative performance during this period is seen by Shkodër (+11.1%), Tiranë (+10.8%) and Kavajë (+10.5%).

Group 2 of utilities:

In second group, most of the utilities have registered high levels of non-revenue water. Rrogozhinë (19.8%), Librazhd (23.1%) Kukës (24.6%) and Korçë Fshat (29.5%) are the best performers. These companies have managed to stay in the best performance area for the three last years, keeping the non revenue water level under 30%. Whereas, Sarandë has the highest level of non revenue water for 2012 with 76.2. Even though there were with some small improvements, 8 out of 19 utilities from this group have shown poor performance for 3 years in a row related to this indicator with a level above 50% of non revenue water.

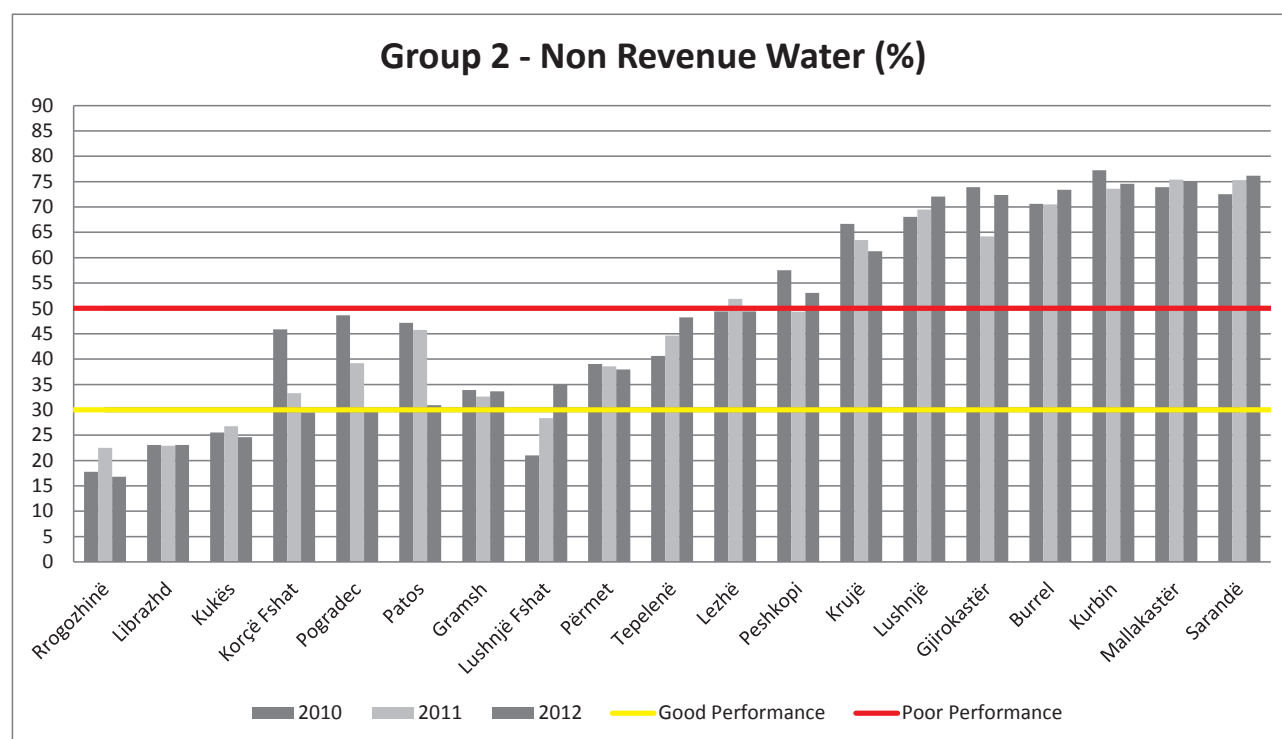


Figure 15. Non-revenue water for group 2 in 2012

Patos is the company with the best performance for this indicator where non revenue water is reduced to 14.8%. Also, positive performance for 2012 is also shown by Pogradec (-8.9%) and Rrogozhinë (-5.7%). Pogradec is ranked amongst the best performers improving this indicator for several years in a row. Compared to 2010 this utility has reduced non-revenue water with (-18.4%), followed by Korçë Fshat with (-16.4%) and Patos with (-16.2%).

However, there should be taken into account that low level of metering (particularly for companies with less than 5%) and flat rate billing increase the probability for mistakes. We can speak with more credibility related to the achievement of Pogradec because the metering level for this utility is high (91.7%), which means that non revenue water figures are based on realistic metering. Reduction of losses has come as a result of combination of investments for rehabilitation of water supply system, installations of meters in production and for individual customers, interruption of illegal connections and improvement of billing system. However, we cannot say the same for Patos or other companies where all the service is not metered at all.

Group 3 of utilities:

More than half of companies in group 3 lose over 50% of the produced water, reporting a poor performance for this indicator. 6 out of 28 utilities for this group are ranked above the good performance level of 30% of non revenue water. Based on the reported data by the utility, it results that Himarë registers the lowest level of produced and billed non-revenue water for 2012 with 2.9%. The utility affirms that the produced and billed water quantity is not metered so non revenue water is not evaluated or is not calculated accurately. The poorest performer not only for this group but also in general is Këlcyrë where the non revenue water level reaches 85.4%. This utility continues to have a high level of non revenue water for several years.

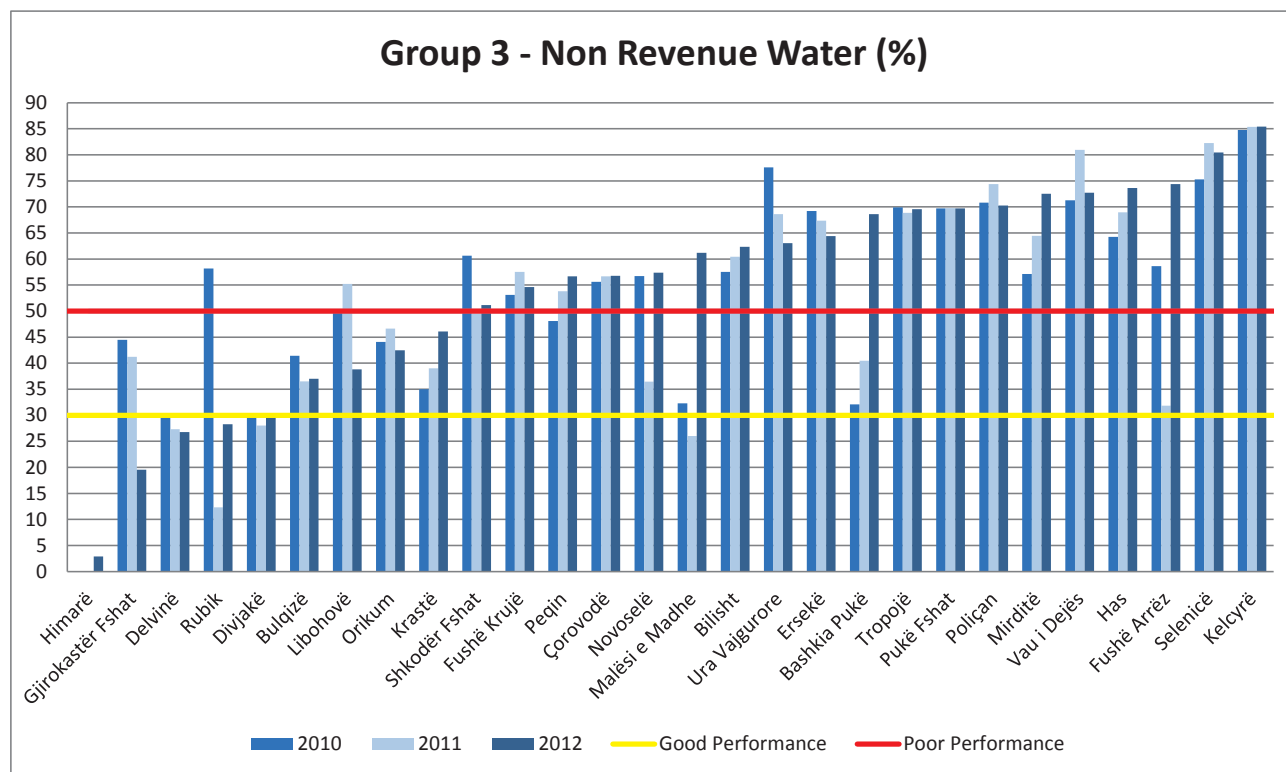


Figure 16. Non-revenue water for group 3 in 2012

In group 3, utilities that have had considerable increase in the non revenue water level are: Has (+42.5%), Malësi e Madhe (+35.2%), Pukë (+28.1%), Novosel (+20.9%) and Rubik (+15.9%). Compared to 2010, Malësi e Madhe is the utility that has had the biggest increase in non revenue water (+28.9%).

On the other hand, utilities that have managed to reduce considerably the non revenue water during 2012 are: Gjirokastrë Fshat (-21.7%), Libohovë (-16.4%), Vau i Dejës (-8.3%) and Ura Vajgurore (-5.6%).

Conclusions

The level of 67.1% of non revenue water for the entire sector only deteriorates the very problematic situation, which is classified as poor performance. By the analysis of non revenue water performance it can be seen that 33 utilities operate in conditions where over 50% of the produced water is not billed. Converted into cost, this figure sets the alarm for taking urgent action in reducing the commercial losses and unnecessary expenses caused by overproduction. Even though data credibility is not optimal, figures show that companies need to work and focus on improving this indicator as an important factor in reaching financial sustainability.

Based on the experience of best performing utilities, investment programs for wide replacement of old infrastructure is not the only point where reduction of non revenue water starts. For those utilities, which lack production metering, it is difficult to make the water balance with accurate figures and consequently non-revenue water level becomes an assessed indicator. Identification, interruption or legalization of illegal connections would constitute a first step in improvement of situation, but on the other hand it would also help in increasing the level of income. WRA has emphasized continually that reduction of losses should be a priority in the work of companies. The utilities should have clear action plans regarding concrete commitments for reduction of water losses.

WRA is conscious that reduction and control of non-revenue water is a complex process requiring time. By means of long-term circulating strategies and instruments, active participation and drafting of policies and strategies of investments and legislation and promotion of observation of technical standards, the regulator shall support utilities to address losses.

3.6 Metering Ratio

Percentage of metered connections against the total number of connections is the indicator that shows the level of metering. Performance of this indicator for the sector has generally been positive increasing the average level to 55.1% for 2012 from 50.6% that was a year ago. Based on the National Strategy of Water Supply and Sewerage 2011- 2017, the objective for this indicator for 2012, which is 52%, is exceeded, demonstrating the good work companies have done for improvement of this indicator. However, there is still work to be done in this direction because the objective for all utilities in the country set by WRA is 85%.

Group 1 of utilities:

Korçë continues to be the only utility in group 1 offering 100% metered service, thus being the best performer. Kavajë utility has managed to improve this indicator and operate on the level of benchmarking for good performance with 86% of connections with meters. The utility with the lowest level of metered service remains Shkodër with only 8%, in spite of a slight improvement of this indicator in 2012 compared to last year.

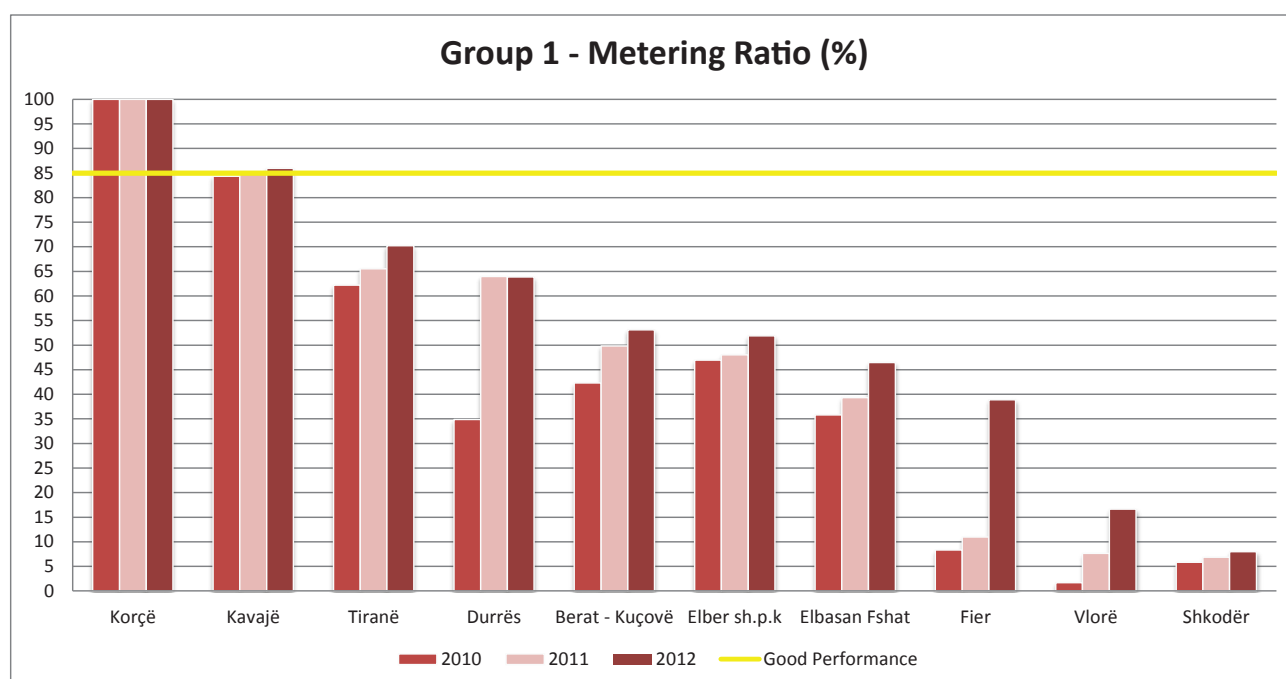


Figure 17. Metering Ratio for group 1 in 2012

All WSS utilities in this group (except Durrës) have had positive performance of this indicator, increasing the metering ratio, even though in several cases with very little performance. The most positive performance has been marked by Fier, which in 2012 has increased this indicator by 27.9%. This utility is in the final phase of digital meters installation. The work has progressed with satisfactory steps and in a very little time, this utility shall offer 100% metered service. In addition, utilities of Vlorë (9.0%) and Elbasan Fshat (7.1%) have made good progress. For Durrës the number of metered connections has remained almost the same with very little decrease compared to one year ago.

Group 2 of utilities:

Only 3 utilities in group 2 have exceeded the good performance level of 85% in 2012: Lushnjë Fshat (100%), Librazhd (96.3%) and Pogradec (91.7%). The data of Lushnjë Fshat do not have a comparative basis for the performance of this indicator with previous years and with other companies. In 2011 this utility transferred further sale of water to communes in its service area. Thus, this utility has metered only the part sold to communes not to the end consumers. Gjirokastrë, Kurbin and Patos have had very poor performance related to metered service, with less than 1%.

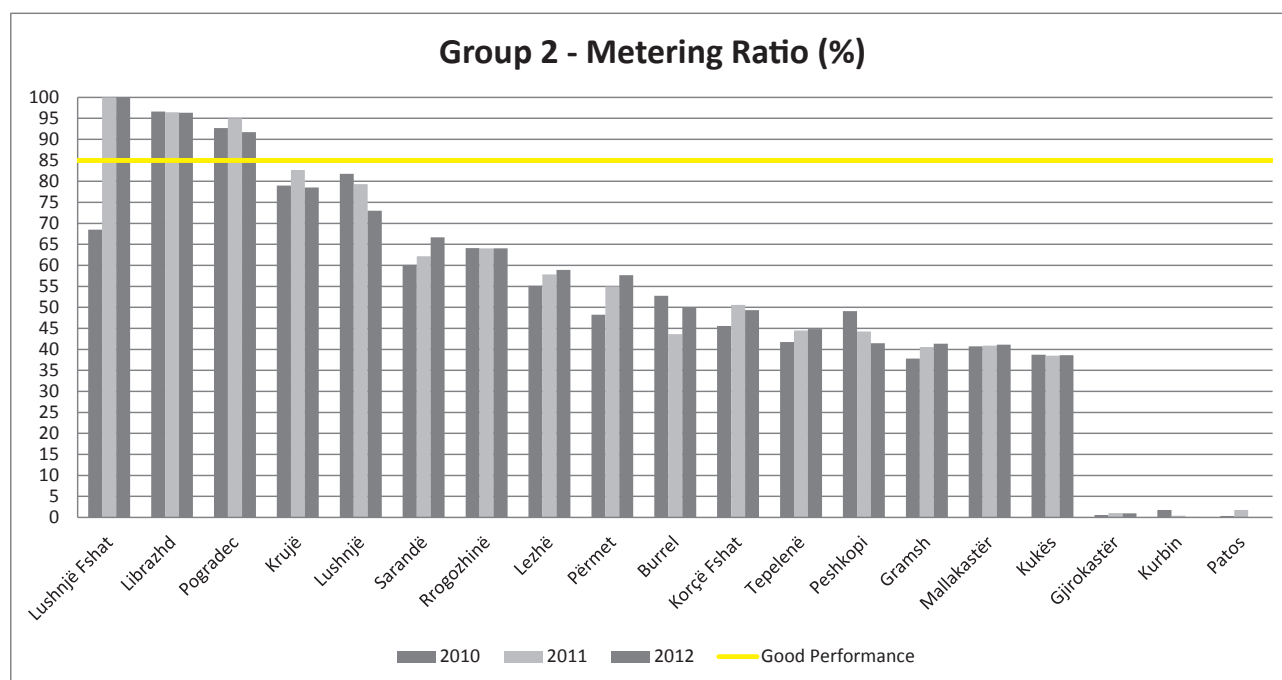


Figure 18. Metering Ratio for group 2 in 2012

Metering ratio is almost the same for most of the utilities in this group. Burrel and Sarandë have made little progress related to this indicator, increasing the metering ratio with respectively (+6.4%) and (+4.5%) compared to 2011. Whereas utilities like Lushnjë (-6.3%), Krujë (-4.2%) and Pogradec (-3.3%) have had decrease of this indicator.

Group 3 of utilities:

Group 3 has the lowest possible levels of metered service. Only Divjakë utility reports 100% metered service whereas 25 out of 28 of them have less than 50% of their connections with meters. In 2012 for 7 utilities (Gjirokaštër Fshat, Çorovodë, Malësi e Madhe, Libohovë, Orikum, Tropojë and Krastë), the metering level has been under 1%.

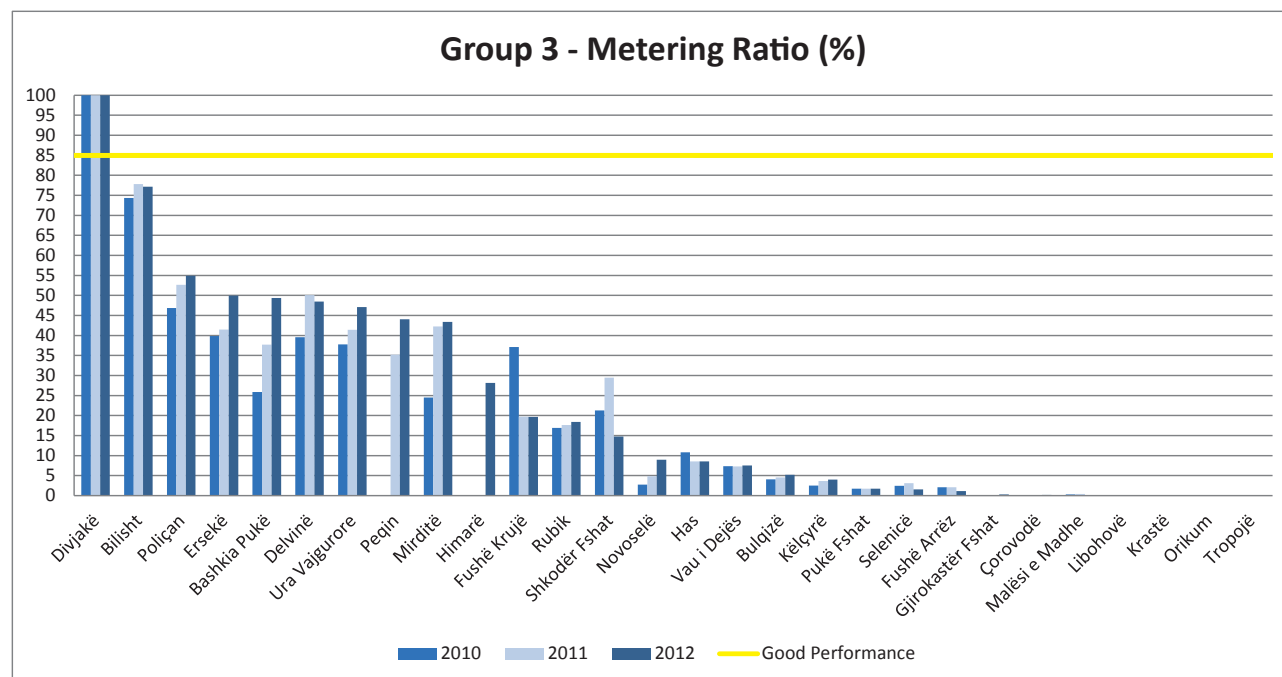


Figure 19. Metering Ratio for group 3 in 2012

The most positive tendency is seen at the utility of Pukë, which has reached the metering level of 11.6%. Also improvement of this indicator with more than 5% is seen at utilities like Peqin (+8.8%), Ersekë (+8.5%) and Ura Vajgurore (+5.7%). Compared to 2010, three utilities have reached a metering level of more than 10%: Pukë (+23.5%), Mirditë (+18.9%) and Ersekë (+10.1%), whereas for Fushë Krujë (-17.4%) and Shkodër Fshat (-6.5%), this indicator has a negative trend.

Conclusions

It can be seen that the first two groups (group 1 and group 2) have an average level, almost the same, of the metered water over 50%. Group 3 has an average level of metering with 23%, almost half of the first two groups. In the first two groups, there are utilities that meter the entire quantity sold to consumers, just as there are utilities in the second and third group that almost do not meter this service at all. Even though a part of the utilities operate above the good performance level regarding the metered service, to reach long term objectives determined by the government, there is still a lot of work to be done by many utilities. Mainly, there are the small utilities that have very low metering service levels.

In addition, replacement of flat rate tariffs based on the consumption assessed with real volumetric billing would lower the level of abuse of water that currently adds considerably the financial losses of utilities. Consumers are starting to understand the advantage of metered consumption because in this way they are able to assess and control their expenses.

In 2012 WRA has continually monitored the situation related to installation of meters. It was obligatory for operators (based on two Council of Ministers' decisions) until the end of 2010, to have finished the installments of meters for all non-household customers and the future objective is for household customers to be equipped with meters. This is not yet achieved because in the sector there are still 14,976 non-household customers out of 57,352, who are not equipped with meters. It is worth mentioning that 13 utilities (Delvinë, Divjakë, Fushë Krujë, Kavajë, Korçë, Korçë Fshat, Librazhd, Lushnjë Fshat, Përmet, Pogradec, Pukë, Rubik and Vau i Dejës) have finished the installation of meters for all private/business connections. In addition, WRA has taken action to reduce high service levels without meters, requiring installation of meters for all new connections.

3.7 Water Supply Hours

Consumers react faster towards water supply hours and water quality. When these two indicators reach the level of required standards, consumers do not require other supply sources. Every improvement in each of them is seen and welcomed by consumers. To assess this indicator, we have used the average of water supply hours in a day, which for 2012 is 10.8 hours/day, almost the same as a year ago. The objective of good performance set by WRA is 18 hours a day.

Group 1 of utilities:

Group 1 of the utilities offer an average of 14.2 hours of water per day, and have improved this service with 1 hour. The only utility offering 24-hours of water supply in group 1 is Korçë. Over the level of good performance, there are utilities like Shkodër and Fier, which offer respectively 21 and 19.3 hours a day. All utilities in this group offer water supply for more than 8.0 hours, except for Durrës that supplies for 6.2 hours a day, remaining under the level of poor performance.

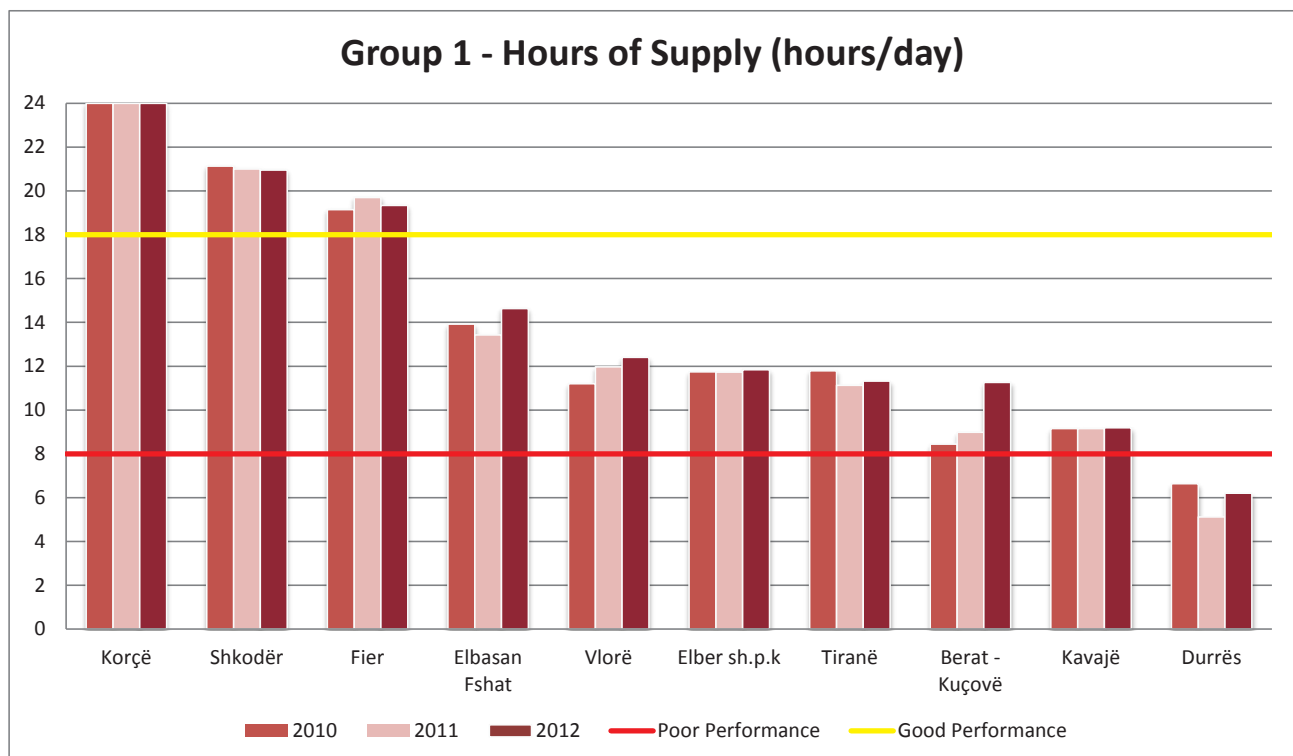


Figure 20. Hours of Supply for group 1 in 2012

Performance of this indicator has been positive during 2012 because 7 out of 10 utilities in group 1 have improved by increasing the service of water supply hours. Compared to 2010, Berat Kuçovë has registered the biggest improvement with 2.8 hours more in a day and Vlorë with 1.2 hours more in a day.

Group 2 of utilities:

Group 2 of the utilities offer an average of 11.3 hours of water supply per day, keeping the same level as a year ago. 5 out of 19 utilities have reached the good performance level regarding continuous supply: Librazhd, Pogradec, Lezhë, Gramsh and Tepelenë. Librazhd is the best performer with 24 hours of service offered in a day. Also, this utility marks the biggest increase of this indicator for 2012 with 6.2 hours more in a day. For 8 other utilities, the level for this indicator is under the limit of poor performance (8 hours/day): Lushnjë Fshat, Krujë, Lushnjë, Peshkopi, Kurbin, Sarandë, Patos, and Gjirokastrë. The worst performer in this group is Gjirokastrë, where consumers are supplied with only 2.8 hours per day.

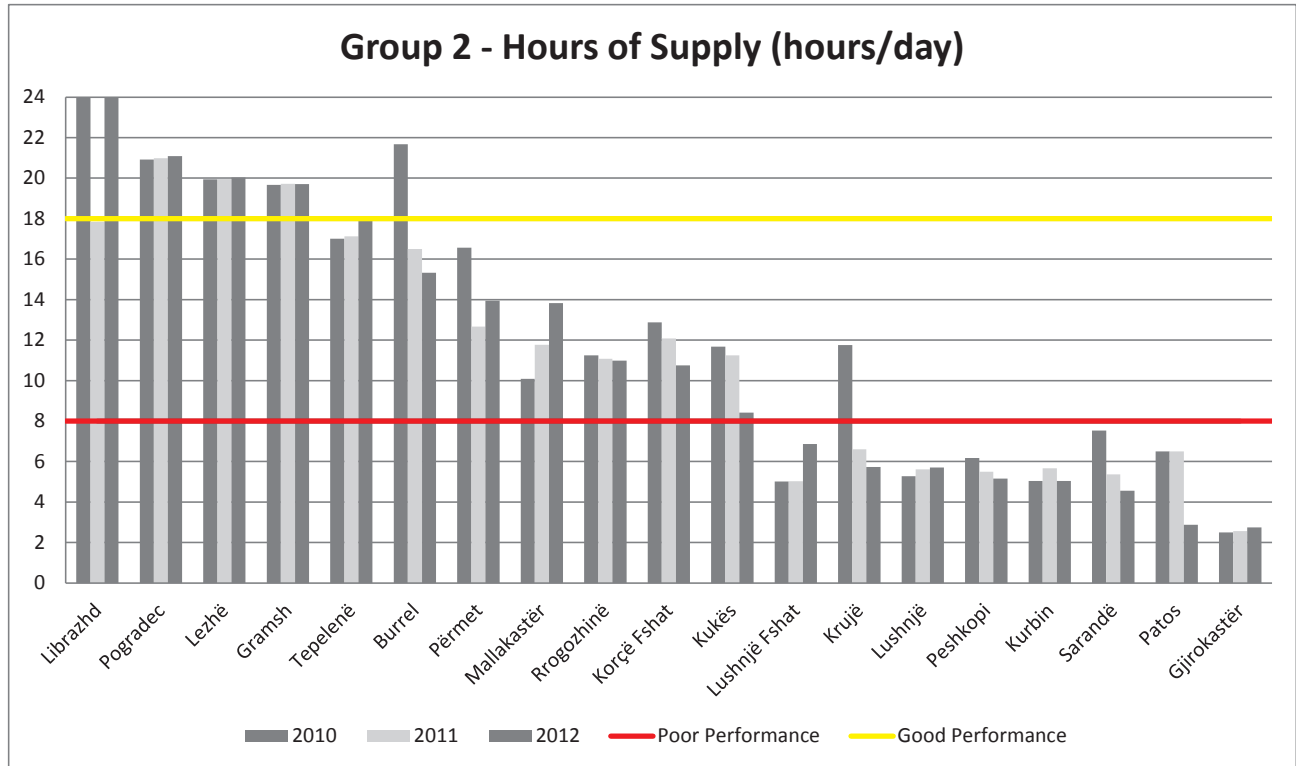


Figure 21. Hours of Supply for group 2 in 2012

Hours of supply are considerably decreased for the utilities of Patos (-3.6 hours/day), Kukës (-2.8 hours/day), Korçë Fshat (-1.3 hours/day) and Burrel (-1.2 hours/day). Whereas in the case of Mallakastër, Lushnjë Fshat and Përmet, this indicator has a positive performance increasing the number of supply hours respectively with 2.1 hours, 1.8 hours and 1.3 hours more than a year ago. Compared to 2010 the performance of water supply for second group of the utilities has been negative.

Group 3 of Utility Companies:

Group 3 of the utilities offer an average of 9.3 hours of supply per day, keeping the same level as last year. This group consists in companies offering the lowest level of supply hours per day in average. Rubik utility continues to be the best performer of this group with 21.8 hours a day just as the best performers for groups II and III. 15 utilities are in the levels of acceptable performance with supply hours of 8 and 18 hours per day. Even though there is little improvement regarding water supply hours Krastë is the company with the poorest performance, with only 4.2 hours per day.

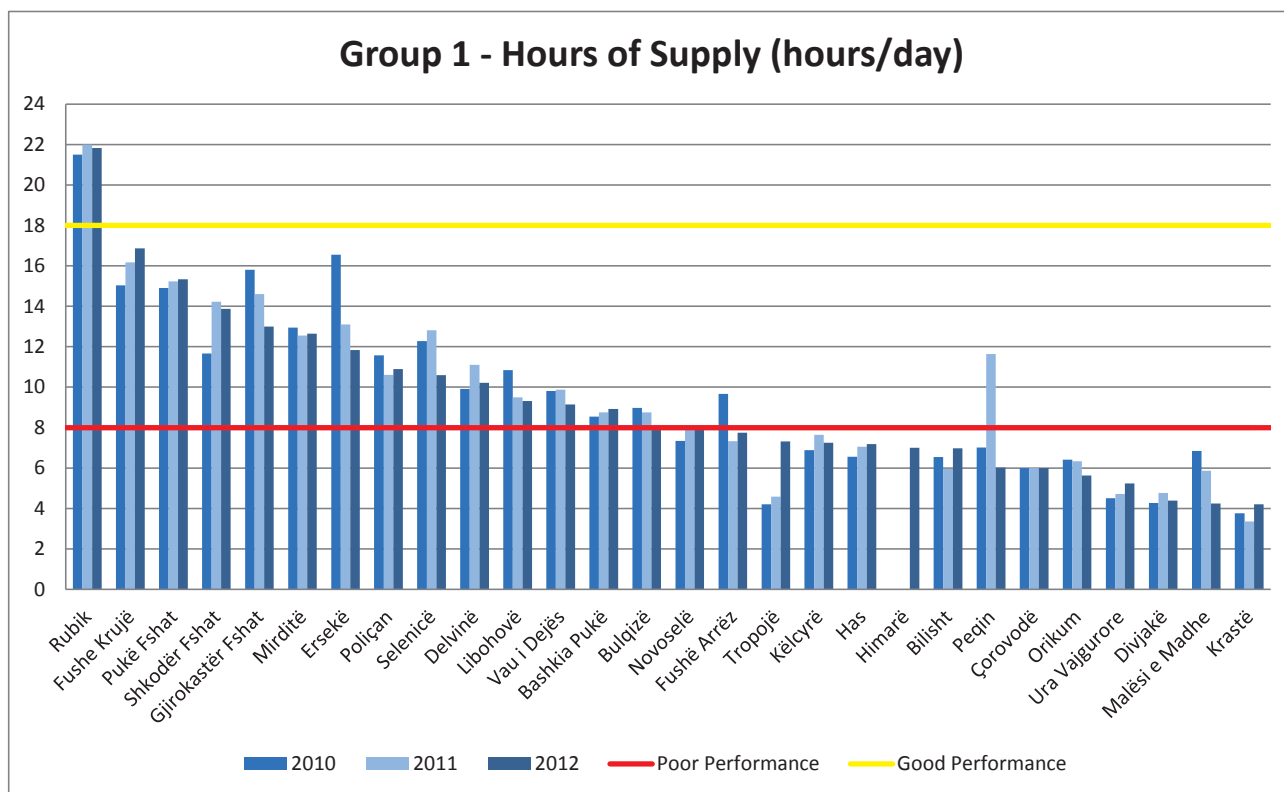


Figure 22. Hours of Supply for group 3 in 2012

Tropojë and Bilisht have reported the biggest increase in water supply hours respectively with (2.7 hours/day) and (1.0 hours/day). The contrary has happened with four other utilities, which have registered obvious deterioration related to this indicator, as the utility of Peqin (-5.6 hours/day), Selenicë (-2.2 hours/day), Malësi e Madhe (-1.6 hours/day) and Ersekë (-1.3 hours/day). For these utilities, the old supply system is deteriorated even more from lack of investments and weak management. Compared to 2010, Tropojë has increased the supply hours with 3.1 hours/day. Whereas, Ersekë has registered the biggest decrease of this indicator with -4.7 hours/day.

Conclusions

Gjate In 2012 Albanian consumers have been supplied in average with 10.8 hours per day. The level of this indicator has remained the same as the last year and continues to be under the level of the strategic objective for this year with 13 hours per day and under the level of benchmarking for good performance set by WRA with 18 hours per day. Consumers have been trying to resolve the problem of water supply by using alternative sources. The utilities, therefore, cannot assess the real demanded quantity for consumption. By the analysis of the three groups it can be seen that customers of several utilities have suffered reductions in supply hours during 2012. The lack of service would lead customers, mainly the big (private) customers, to find other forms of supply. Thus, the utility would face serious consequences as losing potential customers and reduction of income. WRA encourages the utilities in their efforts to increase sustainability regarding provision of service. The experience of best performing companies in all three groups shows that reaching acceptable levels in supply hours does not depend only on investments but it can also be achieved even if managed with professionalism.

Improvement of service for consumers is a priority of WRA. Both indicators currently set for the assessment of quality of service to customers, water supply hours and the quality of drinking water are indicators related to adjustment of tariffs. WRA has set objectives on performance of utilities for these indicators and later on it monitors the performance on these objectives.

WRA shall require from companies to include these objectives in their business plans to find ways and possibilities for further improvements.

3.8 Drinking Water Quality

The indicator of drinking water quality analyzes: (i) tests of coliform and (ii) residual chlorine, two data that measure the standard of drinking water quality. These drinking water analyses are standards of the World Health Organization and Directives of the European Union, which are applied by the Institute of Public Health. WRA receives data related to these indicators of drinking water from the reports of companies and from IPH.

The Institute of Public Health, through Regional Directorate of Public Health with its branches in 51 municipalities and communes, is responsible for controlling the drinking water quality in this sector. The directorates get water samples in different places of the company's service area and make the tests for different parameters set by them. If the drinking water quality is not within acceptable levels, RDPH monitors the company until the situation is resolved and takes action that the consumers are immediately informed about the situation. The Institute of Public Health is the main responsible institution to collection the data from these directorates.

To carry out the analysis of this indicator, WRA is focused on two main parameters, which make possible to have a protected consumer and at the same time "qualitative drinking water" according to standards set by the state. Any incompatibility with bacteriological standards constitutes a danger to public health and reduces the consumers' trust.

The absence of coliform bacteria reconfirms the general microbiological security of drinking water for the public whereas the relevant levels of residual chlorine show that water remains suitably protected during distribution and depositing. To make this assessment, WRA has decided that high and low levels of acceptable and poor performance are respectively 95% and 90%.

The performance analysis presented below is based on data reported to the Monitoring and Benchmarking Unit. These data are verified with data from other sources. The information that WRA gets from IPH through “Drinking Water Bulletin” shows that some of the utilities have many polluted spots, even repeated from month to month.

Group 1 of utilities:

The data from 2012 for this group show that this indicator is almost in the same levels as in 2011. Utilities of Elber shpk, Korçë, Shkodër have reached a norm of 100% of residual chlorine and coliform bacteria.

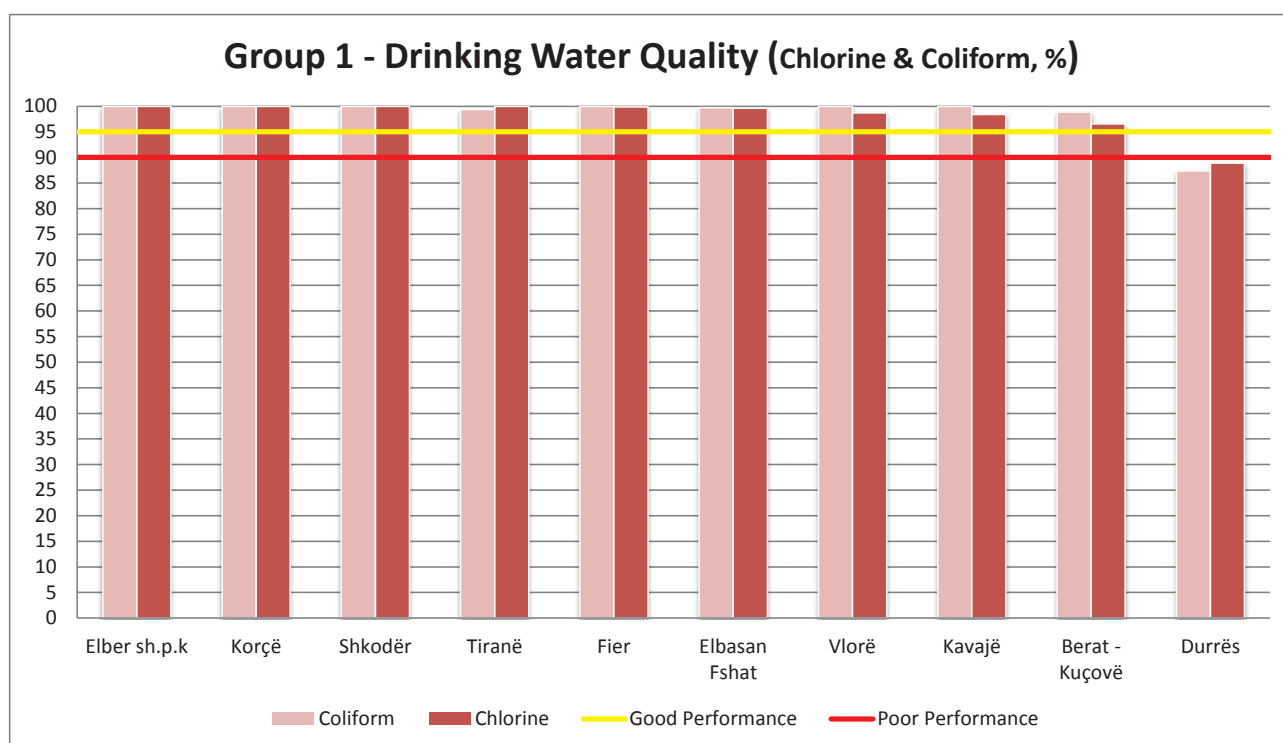


Figure 23. Drinking Water Quality for group 1 in 2012

The utility of Vlorë, with its work in the last two years has considerably improved its performance by reaching the allowed standard for residual chlorine and coliform, enabling its classification in the group of companies with satisfactory performance.

The utility with the poorest performance continues to be Durrës, with reduced residual chlorine and coliform standards, without making efforts to improve the situation.

⁸ The utilities which register repeated polluted spots are: Tiranë, Peshkopi, Malësi e Madhe, Lezhë dhe Has

Group 2 of utilities:

There are 19 utilities in this group, 12 of which offer for customers “qualitative drinking water”, that should be congratulated for the work done and for the sustainable performance.

Mallakastër, Rogozhinë and Korçë Fshat have reported data only on the residual chlorine.

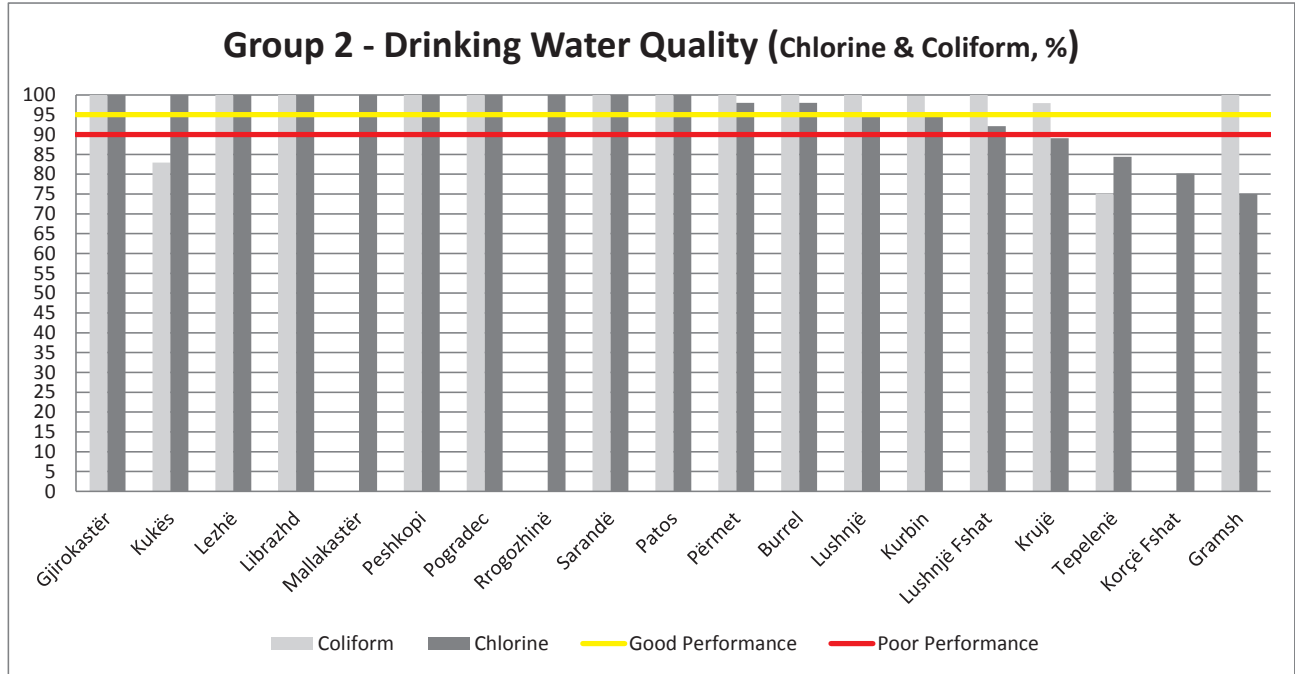


Figure 24. Drinking Water Quality for group 2 in 2012

The data on the drinking water for Kurbin show a considerable increase for both parameters but also a lack of sustainability for this utility during the last 3 years, especially regarding the security standard for coliform bacteria. Tepelenë has faced decrease in the security standard for chlorine and coliform, Kukës is sustainable regarding residual chlorine but coliform bacteria continues to be in unacceptable limits in spite of all efforts made, whereas Lushnjë Fshat has decreased its security standard for residual chlorine.

The poor performance and instability for several utilities are a concrete problem for WRA.

Group 3 of utilities:

In this group, out of 28 utilities, 18 of them continue to provide “qualitative drinking water” according to Albanian standards. It is worth mentioning that we have an increase of poor performance utilities compared to 2011. Some of them do not report at all and the rest report only on coliform bacteria. Based on the analysis for this third group, it appears that the company Malësi e Madhe did not report any data for this year, and this is because it was impossible for the Regional Directorate of Public Health to perform the tests.

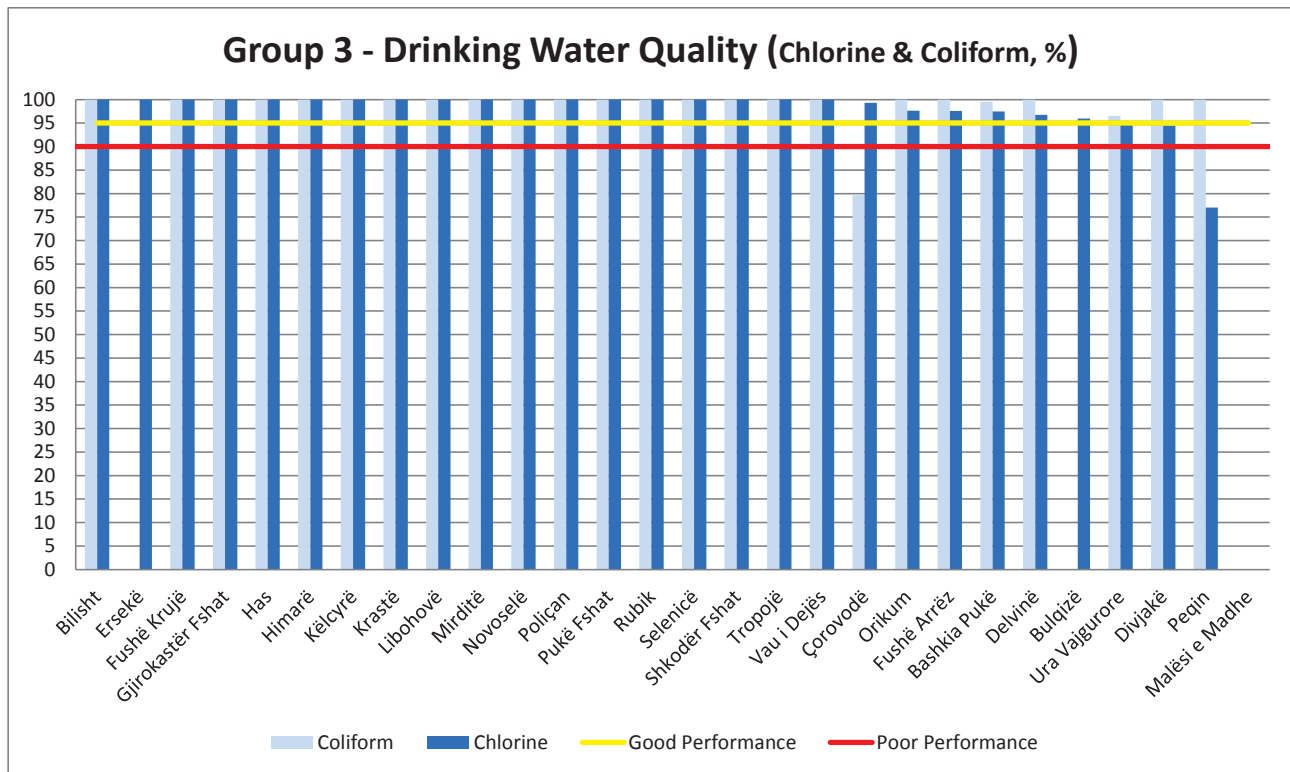


Figure 25. Drinking Water Quality for group 3 in 2012

The chart above shows that Çorovodë has faced significant decrease in coliform bacteria. The utility of Malësi e Madhe continues not to report but based on the information received by the Institute of Public Health, it is seen that this company has failed to achieve the standards. Gjirokastër Fshat has not reported any data for this indicator this year, whereas Ersekë and Bulqizë have not reported any data on coliform. A real problematic situation is with Peqin, which shows significant decrease on residual chlorine, dropping below the permitted standards.

Conclusions

By the analysis performed for 3 groups of the utilities, most of them provide customers with qualitatively clean water, according to Albanian standards. The utilities of the second and third group are more problematic. The information received by the companies themselves and the information received by the Institute of Public Health show that consumers are not always safe and protected in using the water.

The levels of the self-declared security standards do not reflect the real situation for this indicator. This is best certified by using the water purchased and from the consumers of companies that are 100% secure with the standard of residual chlorine and coliform bacteria. Many utilities do not perform chlorination of water in the needed quantity and during the entire month.

WRA takes care that licensed companies have priorities in implementation of proper procedures so that consumers are kept informed regarding quality of water supply and the risk of pollution. It is also necessary that sampling procedures and testing of drinking water quality are compliant with the best practices, i.e. in regular intervals in each of the treatment plants, reservoirs and a casual selection from the consumer water taps. In this framework, WRA collaborates with IPH and DPH in the Ministry of Health to be always coherent with the situation and continually asks for more monitoring to be done in rural and urban areas.

It can be clearly seen that many utilities are making lots of efforts to improve water quality standards in the supply point. Some of the factors influencing the water quality and irregularities in water supply are: (i) water supply with periodic interruptions, (ii) changes in water pressure, (iii) damages of network for making illegal connections, (iv) the usage of water tanks, and (v) pumps installed by customers to compensate the low pressure from the network.

In 2012, WRA intensified its collaboration with IPH and the Ministry of Health namely to improve the quality of exchanged information.

3.9 Sewerage Coverage

In the water supply and sewerage sector, there are only 30 utilities providing both services: (i) water supply and (ii) sewage disposal. Water supply coverage always was a priority by the utilities leaving behind the sewerage sector.

The sewerage coverage indicator is calculated with the ratio of population, to whom the wastewater sewerage service is offered (but not necessarily its treatment) and the general population, who lives in the area of jurisdiction. The demographic movements have brought as a result instability of this indicator for WSS utilities. The good performance objective set by WRA is 75%. The average for all companies in 2012 is 51%, a level almost the same with the level of the previous year.

Group 1 of utilities:

The chart below shows that Elber shpk has significantly increased this indicator managing to cover on Elbasan city 100% with its sewerage service. The utility of Korçë continues to have the same indicator for the last 3 years.

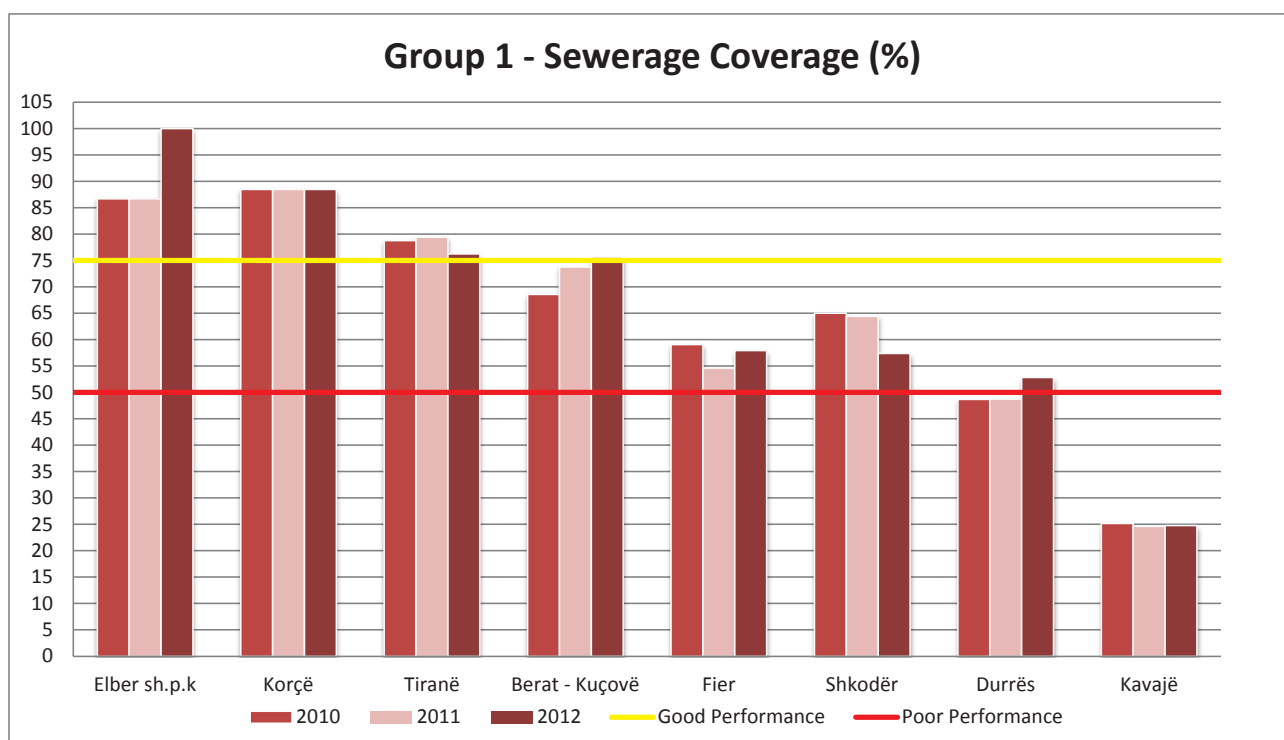


Figure 26. Sewerage Coverage for group 1 in 2012

This indicator for Tiranë and Shkodër has faced decrease as a result of increase in the number of customers. Efforts to increase this indicator have been made by WSS utilities of Fier, Durrës and Berat Kuçovë. The utility of Kavaja represents again the lowest level of sewerage coverage.

Group 2 of utilities:

In group 2, there are 19 utilities and only 11 of them provide sewerage services; only Pogradec has a wastewater treatment plant. The following utilities in this group have managed to stay above the yellow line for benchmarking of good performance: Krujë 93.8 %, Lezhë 90.7 %, Pogradec 75.40 % and Librazhd 84.23 %, whereas Sarandë is very close to reaching the benchmarking for good performance with an indicator 74.98%; Kukës is in the same parameters for the last 3 years.

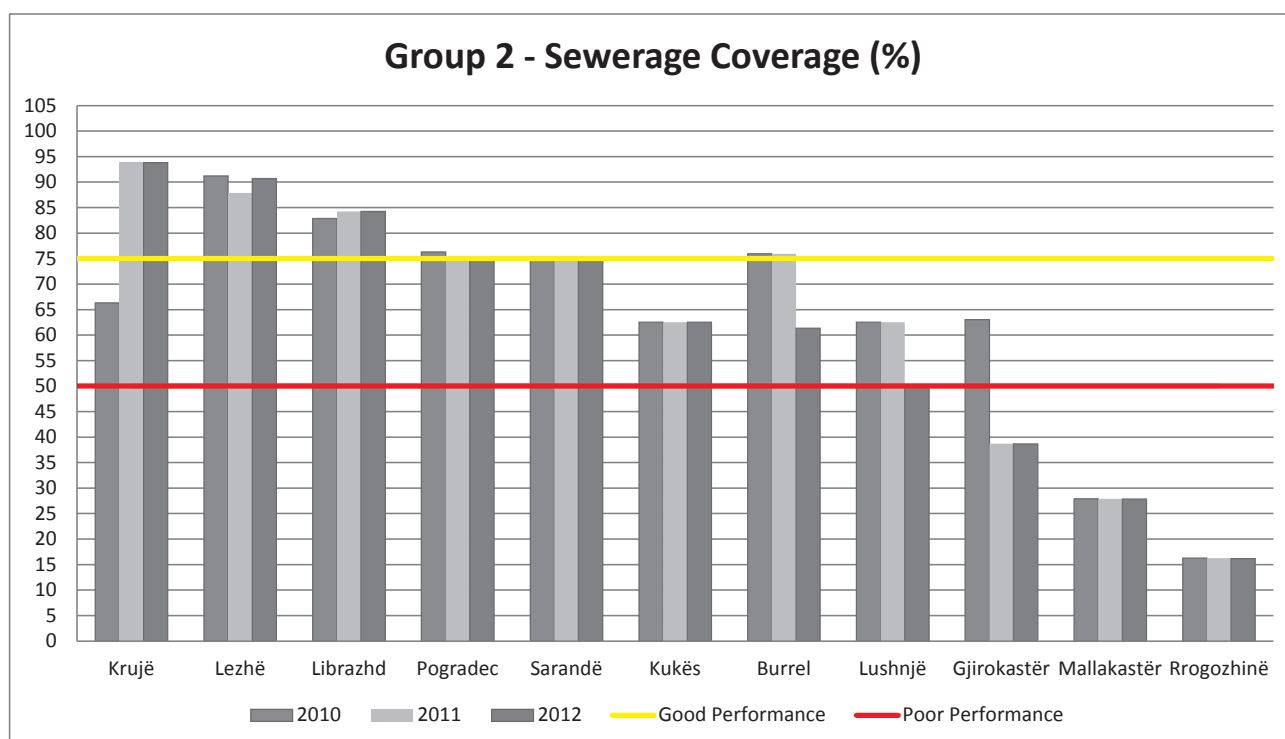


Figure 27. Sewerage Coverage for group 2 in 2012

The chart shows that Burrel has faced a decrease of 14.58 % compared to 2011, but it still remains in acceptable parameters regarding the level of benchmarking for good performance. Increase of population number in the jurisdictional area for Lushnjë has caused this utility to face a decrease of 12.27 % getting close to the limit set by benchmarking for poor performance.

The level of sewerage coverage for Rrogozhinë, Gjirokastër and Mallakastër rank these utilities as the poorest performance ones in this group.

Group 3 of utilities:

In group 3, only Ersekë is the only who offers the sewerage service in 100% of the service area. The utility of Delvinë should be appreciated, because it has expanded its service area with 51.83% crossing the minimum limit. Krastë and Mirditë continue to have the same level of % for sewerage coverage.

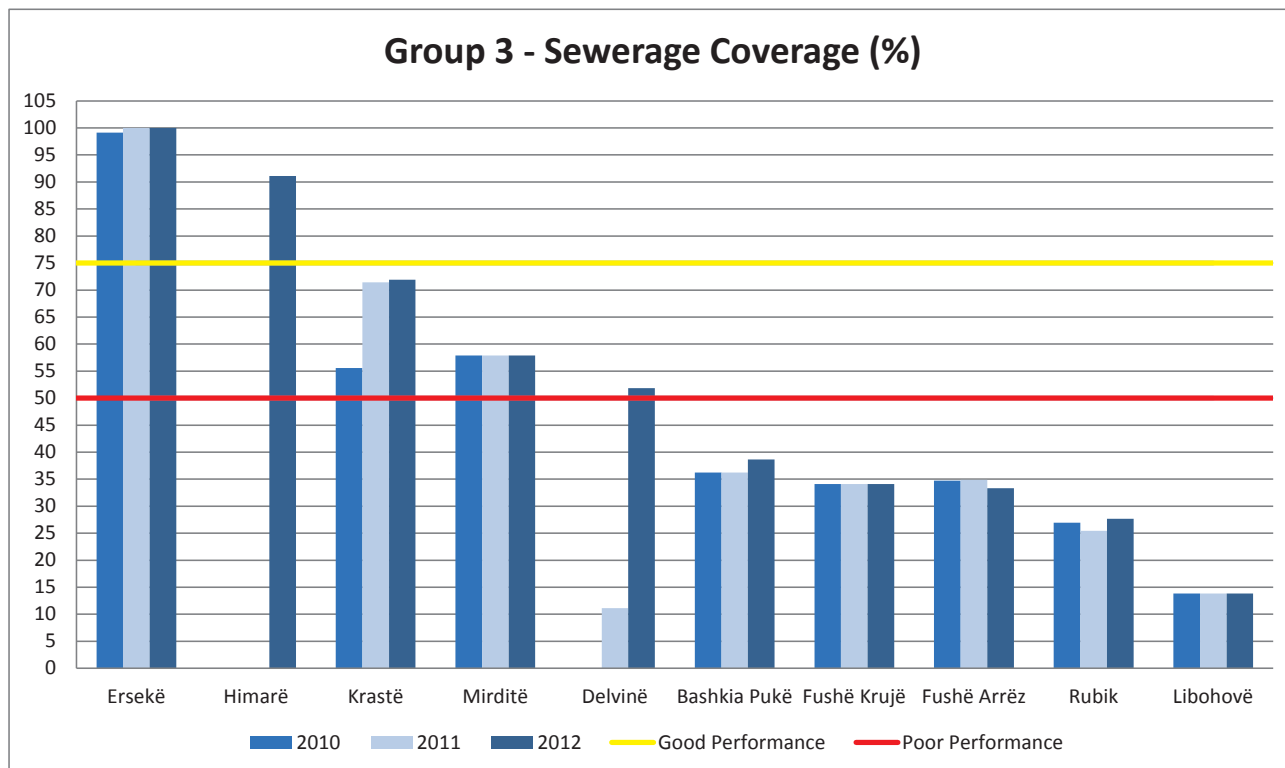


Figure 28. Sewerage Coverage for group 3 in 2012

In this group, 6 utilities continue to remain under the red line with their poor performance. Pukë Fshat has the lowest level indicator offering service only to 2.1 % of the population.

WRA is worried about the situation of this utilities and their failure to commit themselves to come out of this situation.

Conclusions

The above analysis for the 3 groups shows that very few utilities have tried to change the situation, at a time that most of them are in the same levels as the previous year. For 2012 it is worth mentioning that Korçë has raised its service level, using the waste water treatment plant and raising to 4 the number of them in Albania. Increase of number of treatment plants will improve the environment protection and consumer health.

In addition, the work of construction of new treatment plants facilities is finished for areas of Lezhë-Shëngjin and Sarandë, at a time that work goes on for construction of some other treatment plants. Wastewater treatment is an expensive service. As the sector regulator, WRA is aware of the additional costs and expansion of network (that many companies are carrying out), especially when it comes to investments by donors or the state budget. Although it is reasonable that a part of costs are covered by tariffs, total cost coverage could cause concern at consumers regarding the affordability of these costs. As a consequence, suitable subvention mechanisms should be found to make possible protection of consumers in need and at the same time stable functioning of these systems.

As member of the National Sewerage Working Group and the relevant group of implementation of the national strategy on drafting a subvention oriented mechanism for consumers in need, WRA shall offer its advise and shall contribute to the development and implementation of appropriate strategies and mechanisms in the future.

3.10 Regulator's Perception

In order to create a stable and transparent regulatory environment and to function effectively, WRA needs good collaboration with WSS utilities. They should meet the requirements defined by governing laws and regulations, and they should be active participants in the regulatory process. To evaluate the relations between WRA and water supply and sewerage utilities, we have used the indicator "Regulator's Perception". This indicator takes into consideration four main aspects. General result is 100 points for every utility, which has made continuous efforts to reach this result during 2012. Each of these aspects is evaluated with 25 points in maximum:

- **Licensing:** whether or not a utility holds a valid license by the WRA;
- **Tariff approved by WRA:** whether or not a utility operates with a WRA-approved tariff;
- **Regulatory payments:** whether a utility has paid the regulatory fees, which are due to the WRA, on time and in full (a maximum of 25 points; with a share of the points awarded if payments are not received in full);
- **Communication with WRA:** whether a utility responds in a satisfactory way to the various WRA information requests and notices (a maximum of 25 point for all timely and complete replies);

Table 6 below lists the points awarded to the 57 utilities for each of these aspects, ranking them in the respective groups according to the total score awarded for this indicator.

Table 6. Regulator's perception: performance scores achieved, by group

Utility		Licensing	WRA approved tariff	Regulatory fees	Communication with WRA	TOTAL SCORE
Group 1	WSS Korçë	25	25	25	14	89
	WSS Elber sh.p.k	25	25	25	14	89
	WSS Tiranë	25	25	16	22	88
	WSS Shkodër	25	25	17	16	83
	WSS Berat-Kuçovë	25	25	7	20	77
	WSS Durrës	25	25	4	19	73
	WSS Fier	25	25	12	6	68
	WS Vlorë	25	25	3	10	63
	WS Elbasan Fshat	25	25	-	8	58
	WSS Kavajë	25	25	-	8	58
Group 2	WSS Lezhë	25	25	25	20	95
	WSS Gjirokastër	25	25	25	17	92
	WS Përmet	25	25	25	14	89
	WSS Librazhd	25	25	20	17	87
	WSS Pogradec	25	25	11	25	86
	WSS Lushnjë	25	25	9	20	79
	WSS Sarandë	25	25	10	14	74
	WSS Rrogozhinë	25	25	-	14	64
	WS Peshkopi	25	25	-	14	62

Utility		Licensing	WRA approved tariff	Regulatory fees	Communication with WRA	TOTAL SCORE	
Group 2	WS	Tepelenë	25	25	-	11	61
	WSS	Kukës	25	25	-	10	60
	WSS	Krujë	25	25	-	10	60
	WSS	Burrel	25	25	-	8	58
	WS	Gramsh	25	25	-	8	58
	WS	Kurbin	25	25	-	6	56
	WS	Lushnjë Fshat	25	25	-	4	54
	WS	Patos	25	-	-	6	31
	WS	Korçë Fshat	25	-	-	4	29
	WSS	Mallakastër	-	-	-	10	10
Group 3	WS	Orikum	25	25	25	3	78
	WS	Bilisht	25	25	17	8	75
	WS	Delvinë	25	25	15	8	73
	WSS	Ersekë	25	25	-	17	67
	WSS	Pukë	25	25	-	14	64
	WS	Poliçan	25	25	-	11	61
	WS	Selenicë	25	25	-	11	61
	WSS	Rubik	25	25	-	10	60
	WS	Gjirokastrë Fshat	25	25	-	8	58
	WSS	Krastë	25	25	-	8	58
	WS	Ura Vajgurore	25	25	-	8	58
	WS	Shkodër Fshat	25	25	-	8	58
	WS	Tropojë	25	25	-	8	58
	WS	Çorovodë	25	25	-	6	56
	WSS	Mirditë	25	25	-	6	56
	WS	Novoselë	25	25	-	3	53
	WSS	Peqin	25	25	-	3	53
	WS	Bulqizë	25	-	-	14	39
	WS	Malësi e Madhe	25	-	-	11	36
	WS	Vau i Dejës	25	-	-	11	36
	WS	Has	25	-	-	8	33
	WSS	Fushë Krujë	-	25	-	8	33
	WSS	Himarë	25	-	-	3	28
	WS	Divjakë	-	-	-	10	10
	WS	Këlcyrë	-	-	-	8	8
WSS	Libohovë	-	-	-	8	8	
WSS	Fushë Arrëz	-	-	-	6	6	
WSS	Pukë Fshat	-	-	-	6	6	

Licensing

License is a key element for a company to perform its activity in the water supply and sewerage sector. For this reason, WRA is constantly urging companies to offer licensed services. During 2012 number of licensed utilities was 50 from 29 that was several years ago.

In 2012, 28 utilities applied, of which 17 of them have been granted licenses and 11 others are being considered. For the first time during this year, Himarë and Vau i Dejës has applied and were granted their licenses. Two of the utilities have applied for license renewal due to changes of technical or legal managers whereas 14 other utilities due to expiration of terms. Work will continue because there are other companies like Mallakastër, Divjakë, Fushë Krujë, Këlcyrë, Libohovë, Fushë Arrëz and Pukë Fshat, which still operate without a license. WRA is aware that there are objective reasons not permitting some utilities to meet the main licensing requirements, as mentioned in Part 1, and for this reason, we are trying to find the proper solutions.

Tariffs approved by WRA

Most of water supply and sewerage companies (44 out of 57) operate with tariffs approved by WRA. In 2012, 10 utilities applied for approval of new tariffs: Bulqizë applied for the first time and tariffs entered into force in January 2013. However, there are still 12 other utilities operating with tariffs not approved by WRA: Korçë Fshat, Patos, Mallakastër, Himarë, Has, Vau i Dejës, Malësia e Madhe, Libohovë, Divjakë, Fushë Arrëz, Këlcyrë, and Pukë Fshat. WRA has made continuous efforts with all companies to urge and train them to operate according to predetermined rules, but in cases when it can't, it plans to exercise the competences provided for by law.

Regulatory Fees

Upon approval of tariffs by WRA, WSS companies have the obligation to make a payment to the regulator every year according to law. In 2012, many utilities have not paid regularly this obligation to WRA. Only 6 utilities have completely paid this obligation: Elber shpk, Korçë, Gjirokastër, Lezhë, Përmet, and Orikum. 12 other utilities have made partial payments not fulfilling completely their financial obligation towards the regulator. Here are included the utilities, whose unpaid portion is low, but the obligation is considerable, referring to the size of company. On the other hand, the number of other utilities, who have not paid their obligation this year, has increased. Some of these companies have made their payments to WRA for years. They are: Berat-Kuçovë, Durrës, Fier, Vlorë, Kavajë, Gramsh, Sarandë, Burrel, Krujë, Tepelenë, and Lushnjë Fshat.

Communication with WRA

In application of law, the utilities are obliged to provide the necessary information for an efficient functioning of WRA. WRA is interested to establish very good relations with companies being in constant contact with them for different issues, like for example submission of data, consultations and notification on effecting payments. Communication with WRA was evaluated based on cooperation with utilities related to 9 requests for information and participation to the activities organized by the WRA. It is worth mentioning that there is very good collaboration with Pogradec in implementing the tariff-setting methodology, where this utility was the pilot case. As shown by the result points, none of the companies expressed maximum collaboration. Whereas utilities like: Korçë Fshat, Lushnjë Fshat, Himarë, and Novoselë have not shown interest towards regulator's requests.

Communication with WRA shall continue to be an important basic aspect for assessment of relations between the utilities and the WRA.

Conclusions

The water supply and sewerage sector is increasingly exercising its activity based on the regulatory framework. Through its policies of collaboration and consultation in further development of its regulatory instruments, WRA has made possible that utilities are made aware and appreciate its role in the regulation of this sector. The results show that most utilities are active participants in this process, but there are still other ones, mainly small ones, which for reasons of not meeting formal demands, don't have good assessment of the regulator's perception indicator. These companies can improve the performance for this indicator by increasing the communication and collaboration with WRA.

WRA appreciates correctness and efforts made by utilities to have a good collaboration, in particular the utilities of Lezhë and Gjirokastër, which are the best examples in this direction. The other companies should follow these examples.

U	U	Corovodë	42.11
U	U	Këlcyrë	41.87
U	U	Novoselë	41.72
U	U	Vlorë	40.73
U	U	Ura V...	35.00

4

Performance Ranking of the Water Supply and Sewerage Companies in 2012



This part reflects the performance of water supply and sewerage companies according to their general progress. All utilities are ranked based on the total scores awarded by assessment of KPIs.

By means of this assessment method, WRA has made possible identification of companies with the best and poorest performance. On the other hand, through annual ranking and publication of results, the WRA aims at urging companies to improve performance. Publication of these indicators through these annual reports increases public information regarding developments in the sector of water supply and sewerage.

The WRA has made efforts so that the assessment of performance of utilities can be realistic and for this an important role is played by quality of reported data. The WRA is working and shall continue to work to increase credibility of data, clarifying and correcting discrepancies. The work started in 2012 implementing a common visits schedule with clearly defined programs. Especially in the companies, where there were problems the work shall continue. For the future period, the control programs for data reported by utility take a special place in the work schedule of the WRA, and especially the data connected with KPI, implementation of legal framework and consumer service.

Ranking companies' overall performance

Utilities are ranked according to total points calculated based on the assessment of nine out of ten Key Performance Indicators, where each of them has a specific weight that shows the relative importance of indicators.

Table 7 below presents the scoring system. The maximum points to be awarded are 100 points. Every KPI is evaluated with a maximal result of 5 to 20 points, depending on the specific weight given and it has its maximum and minimum performance limits. A best performance in the benchmarking level is evaluated with maximum points. Generally, if performance is under this objective, in order to encourage and evaluate step by step the improvements, the evaluation is done only for a percentage of points available. For some indicators like – staff efficiency, non-revenue water, collection rate and drinking water quality – the performance in or under the acceptable level of benchmarking is evaluated with zero points. The general result is reached easily just by adding up all 9 results for all Key Performance Indicators.

Table 7. Utility ranking system: Key Performance Indicators, benchmarks, weights and scores

KPI	Performance Benchmark		Weight	Points
	Full Points	0 points	Total 100%	Maximum Points
1 – O&M Cost Coverage	≥ 100%	0%	15%	15
2 – Total Cost Coverage	KPI is not included in the award of points			
3 – Collection Efficiency	≥ 80%	≤ 60%	20%	20
4 – Staff Efficiency (staff/1000 connections)	Group 1	≤ 4	≥ 6	5%
	Group 2	≤ 6	≥ 10	
	Group 3	≤ 10	≥ 15	
5 – Non Revenue Water	≤ 30%	≥ 50%	15%	15
6 – Metering Ratio	≥ 85%	0%	15%	15
7 – Hours of Supply	≥ 18 hour/day	0	10%	10
8 – Drinking Water Quality	≥ 98%	≤ 90%	10%	10
9 – Sewerage Coverage	≥ 75%	0%	5%	5
10 – Regulator's Perception	25 pikë	0 pikë	5%	5

Results of the 2012 utility ranking

For all 57 companies the general performance results are calculated based on points and positions in ranking for each utility. These results are reflected in the "Utility league table" for 2012 (table 8).

Table 8. Utility league table

Ranking	Type of service	Utility	Ranking scores	Ranking	Type of service	Utility	Ranking scores
1	WSS	Pogradec	99.08	29	WSS	Durrës	55.79
2	WSS	Korçë	98.94	30	WS	Tepelenë	53.76
3	WSS	Librazhd	98.42	31	WS	Ura Vajgurore	52.01
4	WSS	Tiranë	78.08	32	WSS	Libohovë	50.83
5	WSS	Lezhë	78.06	33	WS	Lushnjë Fshat	50.58
6	WS	Delvinë	76.67	34	WSS	Krastë	49.96
7	WS	Përmet	74.16	35	WSS	Mallakastër	49.11
8	WS	Gramsh	72.49	36	WSS	Selenicë	48.18
9	WSS	Elber sh.p k	71.84	37	WSS	Shkodër	47.89
10	WS	Divjakë	71.21	38	WS	Peshkopi	47.68
11	WS	Elbasan Fshat	70.42	39	WS	Kelcyrë	46.36
12	WSS	Rrogozhinë	68.59	40	WSS	Fushë Krujë	46.07
13	WSS	Burrel	67.39	41	WS	Vlorë	45.31
14	WSS	Rubik	67.16	42	WS	Polican	44.82
15	WSS	Fier	66.91	43	WSS	Mirditë	43.16
16	WSS	Lushnjë	66.84	44	WS	Shkodër Fshat	43.06
17	WSS	Ersekë	66.29	45	WS	Bulqizë	42.45
18	WS	Bilisht	66.08	46	WS	Patos	41.55
19	WSS	Kavajë	66.07	47	WSS	Pukë Fshat	40.08
20	WSS	Pukë	66.04	48	WS	Novoselë	37.41
21	WSS	Berat - Kuçovë	63.42	49	WSS	Fushë Arrëz	33.84
22	WSS	Sarandë	61.69	50	WS	Orikum	31.28
23	WSS	Krujë	60.89	51	WS	Tropojë	29.47
24	WSS	Kukës	60.48	52	WSS	Peqin	27.90
25	WSS	Himarë	60.25	53	WS	Vau i Dejës	25.90
26	WS	Gjirokastër Fshat	59.58	54	WS	Has	22.14
27	WS	Korçë Fshat	58.48	55	WS	Kurbin	21.24
28	WSS	Gjirokastër	56.15	56	WS	Malësi e Madhe	19.18
				57	WS	Çorovodë	16.94

The top performers

The top performers for each group in 2012 are presented in table 9, the results of whom shall be awarded with a prize by WRA. In spite of the result, the prize can be taken only by utilities, which operate in compliance with regulatory framework; thus having a valid license and tariffs approved by WRA.

Table 9. Top performers in the utility ranking 2012

Rank	Group 1		Group 2		Group 3	
	Utility	Ranking scores	Utility	Ranking Scores	Utility	Ranking scores
1	Korçë	98.94	Pogradec	99.08	Delvinë	76.67
2	Tiranë	78.08	Librazhd	98.42	Divjakë	71.21
3	Elber sh.p k	71.84	Lezhë	78.06	Rubik	67.16

The utility of Korçë continues to be the best performer in the first group with a considerable difference of scores from second and third place utilities, respectively the utilities of Tiranë and Elber shpk. In group 2, Pogradec is ranking first, followed by a small difference by Librazhd in the second place and Lezhë in the third place. Group 3 is led by Delvinë followed by Divjakë in the second place and Rubik in the third place.

Performance over time – the top improvers

Ranking of companies based on the points collected reflects their current achievements and serves for identification of companies with the best performance according to relevant groups. There are, however, companies, even though not ranked in the first places that have made significant efforts to improve their services and management. The good progress of their work has brought more scores awarded compared to a year ago.

Based on the indicator “best performance companies”, WRA has evaluated the utilities which have progressed in their performance, taking into account the fact that the ranking system cannot compensate the inequality between companies, which also comes as a result of external factors and the organization or status of their water supply and sewerage system. Table 10 below presents “top improvers in utility ranking 2012” in each of the three groups.

Table 10. Top improvers in utility ranking 2012

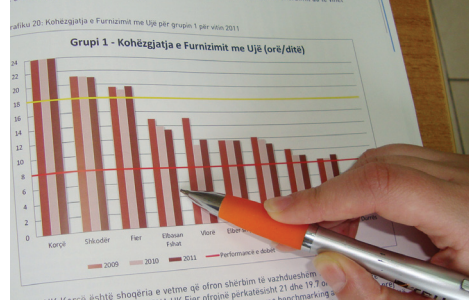
Utility		Rank in Group	Ranking Score 2011	Ranking Score 2012	Change in Ranking Score
Group 1	Vlorë	10	34.55	45.31	+ 10.76
Group 2	Lezhë	3	68.10	78.06	+ 9.95
Group 3	Ura Vajgurore	9	34.20	52.01	+ 17.81

The utility of Vlorë, ranked in the 10th place in the first group, has 10.76 more points in the performance of 2012 than in 2011. In group 2, Lezhë, apart from being in the third place, it is also the best performance utility with 9.95 scores more than the previous year. Ura Vajgurore has managed to increase its performance in 2012 with 17.81 points more compared to a year ago.

Congratulations and Outlook

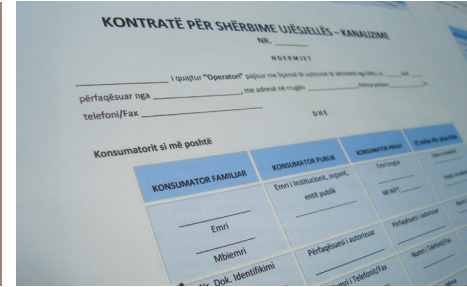
WRA has awarded maximum points to all companies with the best progress and performance in 2012 and congratulates them for the work done in providing good services to consumers in their service area.

For these companies it is important to continue work to progress on the results achieved. Other companies should accept that they have to deal with the challenge of improvement of service for customers. The experience from the best performers shows that a good management brings a very good service.



5

Special Topic for 2012: The viewpoint of WRA for a better quality service



WRA has placed consumer protection in focus of its work, aiming the efficiency and improvement of services directly affecting consumers.

Evaluation of customers related to the service offered by the company is directly related to two aspects: price and quality. Differently from other services, in case of water supply and sewerage services, consumers have few or no other option to choose, if they are not satisfied with the service provided. Although they can be supplied uninterruptedly with water and with a satisfactory price, several indicators on water quality, as microbiological safety, are almost impossible to evaluate by the ordinary customer. Therefore it is a duty of the regulator to protect consumers' interests related to quality, affordability, efficiency and credibility of services.

During the last two years, WRA has made continuous efforts to fulfill this duty as one of its main legal duties. Studies initiated by WRA during this period related to customer care in water supply and sewerage companies and customers' perception for these services have helped create clearer ideas regarding customer-company relations and to determine further steps for their regulation. The performance report of 2011 treats in more detail these studies.

The study "customer care service" identified many drawbacks related to orientation of companies towards issues with customers. Based on these findings, WRA is drafting a guide on customer care service in order to improve the customer services and to establish good relations with the public. The results of the study "Perception of customers about water supply and sewerage companies" showed that the regulatory process takes into consideration the most problematic issues related customers. The monitoring of performance and setting of objectives by WRA for companies is in accordance with customers' priorities.

Another aspect in improvement of relations company-customer is the implementation of the model service contract, as an obligatory contract defining clearly the rights and obligations of the parties. All customers up to the end of 2013 should have entered into this contract. WRA is monitoring continuously realization of the drafted action plan for each company.

Evaluation of performance of WSS companies for 2012 confirms that service providers still have to do much work to reach acceptable qualities and more work to reach the good quality of the service offered. In the part "Special Topic of the Report, WRA has chosen the quality aspects of service performance and its regulation with the aim of stimulating a discussion on what can be done and what should be done by all actors to achieve the goal: a high quality and affordable service for all customers.

Regulation of service quality in the water supply and sewerage sector in Albania

By means of reviewing the methodology of tariffs for 2011, WRA presented a direct connection between performance of services and regulation of tariffs. Achievement of company objectives is now a part of the approval of tariffs, and they are continually monitored. Amongst key performance indicators used to evaluate the company performance, two of them are directly related with the quality of service from the customers' viewpoint: quality of drinking water and supply hours. Both indicators have to do with the technical performance, in other words "final service" offered and the manner in which it is achieved. The supply hours and quality of drinking water have been selected amongst a wide range of alternatives because improvement of these indicators still remains a priority.

The customer service performance, in other words quality of interaction between services and their customers, is another aspect of quality of service. Currently, companies are not evaluated with such an indicator, therefore WRA encourages good relations between customers and service providers through obligatory hearing sessions as part of the process of approval of tariffs and provisions in the model service agreement drafted by WRA.

Even though WRA is responsible for regulation of tariffs and quality of service, there are several aspects of regulation of quality of service that are common with other institutions. While quality of drinking water is a key performance indicator, affecting the performance analysis of WRA and ranking of companies, standards of drinking water are currently set by Public Health Institute. Thus, the monitoring responsibility is divided amongst different authorities, e.g. inspection and application of drinking water quality is under the responsibility of the Public Health Regional Directorates in subordination of the National Public Health Institute in the Ministry of Health. As it is mentioned in the Performance Report 2011, inaccuracies on the drinking water quality data were also highlighted in the evaluation of performance and WRA has offered to Institute of Public Health to have a joint monitoring of the situation and encouragement of improvement measures.

In addition, Supervisory Councils are responsible for regulation of service quality. They should have an agreement with the company on management and performance of services. Based on the WRA information, there exist very few such valid agreements. From WRA's viewpoint, the influence of local government as owners and the supervisory councils in improvement of service until now has been very limited. WRA strongly encourages all supervisory councils to take their responsibilities for monitoring and make it part of this agreement. To do this, they should use the WRA's expertise in setting objectives on their performance of services.

Quality of water supply and sewerage and financial sources

In the analysis of this year, WRA emphasizes that quality of service leaves much to be desired for many companies, which have difficulties in their daily activity and find it impossible to make the necessary investments for improvement of quality of service. Finding financial sources becomes, therefore, a decisive issue. Even though it's clear that increase of tariffs is necessary, a coordination of adjustment of tariffs with other financial sources as grants, credits or subventions is gradually needed. Especially, to protect consumers with low income, this remains a concern for WRA.

Aiming at self-financing of the sector, the consumer should accept a higher cost for better quality of services. This points out the issue of affordability and the fact the different consumers appreciate differently the quality of service.

WRA, through publication of information in its official webpage, aims at involving customers in the process of regulation of service, so that it is transparent and fair.



6

Conclusions and outlook

The performance assessment results of the sector's current situation and its trend allow us to have a clear picture of highlighting the problems related to the sector's development as well as the main directions of working towards their solution.

In the viewpoint of WRA, the sector is increasing its performance within the regulatory framework, aiming at performing the goals approved in the water supply and sewerage national strategy 2011-2017.

In spite of all attempts to reach the needed quality of service standards for consumers in many aspects, much more work is needed to be done.

In addition, the report results will help WRA in defining the main directions of regulations to be able to fulfill its mission and vision of having a financially-sustainable water supply and sewerage sector, which provides all customers with high quality and yet reasonably affordable services. Further improvement is needed in several main directions.

Increasing financial sustainability and general management

Although many attempts have been made by utilities to increase financial sustainability, a considerable part of them are not yet able to improve this indicator without the assistance of operational subsidies and investments by the state budget or the donors. Improvement of management and financial indicators takes on special importance, not considering increase of tariffs and investments as the only factor for service improvement. Increase of financial sustainability is also related to improvements depending on the work of utilities. Reduction of non-effective costs, provision of reasonably affordable services and increase of income are the main directions where management plays an important role. An efficient operation requires: (i) efficient staff management, selection of qualified staff and its continuous training, better work organization in order to reduce the unnecessary overstaffing, (ii) drafting of plans and programs related to energy efficiency and asset management. These directions are related to expenses that take up specific weight in the total cost.

Better management of billing and revenue collection systems is also another direction to improve financial indicators. Billing of all customers in the service area and especially revenue collection directly affect the increase of financial sustainability of utilities.

Business plans are another important instrument towards the improvement of company management. The WRA supports all those utilities that have drafted their business plans and the other ones that are working in this direction. In addition, the authority urges all other utilities to work in order to have their own business plans. The WRA is working to draft guidelines for this purpose.

Reduction of Non-revenue water

The most serious problem in the sector is the high level of non-revenue water, which is directly related to the financial stability of water supply and sewerage companies. The high level of losses affects negatively the financial situation of the utility because it increases costs, since more water is produced than is needed. In addition, no potential income sources are identified by illegal users that are not billed for the water they use. For many utilities, high levels of this indicator are related to the technical conditions of water supply systems, and also to their poor management. Thus, identification, interruption or legalization would constitute the first step towards improvement of situation. The utilities should have a clear action plans regarding concrete commitments for reduction of water losses.

Meter installation, both for production and the individual customers, enables the utilities on drafting of water balances, identification of losses, drafting of concrete action plans for their reduction. This would help utilities in finding better and less costly solutions.

WRA is continually monitoring the situation related to meter installation. Current results show that meter installation at non-household customers is not finished yet. Based on governing law, this process should have ended in 2010. WRA will continue to require from utilities installation of meters for this consumer category and for all new connections in order to reduce high levels of unmetered services.

Ensuring drinking water quality

Supply with clean drinking water is one of WRA's work priorities. Most of companies supply qualitatively clean water according to Albanian standards. The data taken from IPH and companies themselves show that consumers are not always safe and protected in using water. Many utilities do not chlorinate water according to standards. This fact and the lack of credible information cause consumers to also buy water in those areas where water is not hygienically clean. Although public health directories and public health institute are responsible for monitoring of drinking water quality, WRA wishes consumers to be sure that they get qualitatively clean water. Performance assessment regarding this indicator is related to quality of data and manner of reporting. WRA is seeking to improve this situation based on best practices.

Continuity of service, improvements in the water pressure, elimination of illegal connections, keeping water in deposits, and installation of pumps by consumers are some of the factors affecting the quality of drinking water.

In addition, WRA considers water quality related to a series of measures that companies should take to better administer water supply systems.

Improvement of sewerage services and environmental protection

WRA is continually emphasizing the importance of improvement of sewerage services, which is currently not in the required standards. However, it is worth mentioning that important steps are being taken in this direction. Many companies are making important investments to rehabilitate or expand the sewerage system. In addition, important improvements of this service are made through functioning of wastewater treatment plants. Currently their number is 4 and other plants are expected to start functioning, the impact of which is directly on the environment.

Protection of environment takes on special importance because it is closely related to Albania's commitments to EU membership, therefore investments to improve this service will continue to grow. For this reason, the costs for this service will grow considerably, which should be kept into consideration in finding a good balance for their coverage. Of course, a considerable part of these costs should be covered by tariffs, but total cost coverage would create problems for consumers. Therefore, it is important to find subvention mechanisms to enable protection of consumers in need and at the same time the sustainable functioning of these systems.

Outlook

Publication of the performance report for 2012 is an important step in the establishment of regulatory practices in the country. The annual publication of performance results for all utilities offering water supply, sewerages and treatment of wastewater increases the responsibility of companies for the service they provide and urges them for further improvements in the future.

The year 2013 will be another year of progress for WRA in exercising its function in application of its regulatory mission and mandate. The WRA will continue to undertake initiatives to be focused in reaching its objectives.

Performance assessment results, messages and conclusions of this report would be of assistance for a fairer decision-making.

WRA will continue to monitor the sector performance in general and special aspects of this service, the results of which should be public and should be the subject of discussion with interested parties in order to improve sustainably services offered to consumers. In particular, work will continue to increase precision of data. Control and verification of reported data are going to be a priority in the work of Authority.

In the succeeding report, KPI analysis for every utility will be wider and more detailed to highlight causes and problems related to the performance level of utilities.

The WRA will review the main selected indicators for the utility performance assessment and make their reassessment.

Involvement of all actors operating in the sector: such as utilities, local government as their owner, political decision makers and supervisory councils in a constructive dialogue, will make possible for the water supply and sewerage services in Albania to reach the required standards.

Annex: Selected Key Utility Data

Table 11. Selected key data for utilities in 3 groups (2012 figures)

Utility Group	Service	Utility	No. of consumers connection (water)	No. of consumers connection (sewerage)	No of staff	Production (m ³ /year)	Sold water (m ³ /year)	Total billed (000/lek)	Other Income (000/lek)	Total collection (000/lek)	O&M Cost (water + sewerage)	Total Cost (water + sewerage)
Group 1	WSS	Tiranë	166,829	151,674	1,136	104,712	33,265	2,267,285	261,143	2,482,740	1,477,948	2,191,480
	WSS	Durrës	72,112	49,653	567	26,668	8,629	598,624	117,230	486,142	954,792	1,040,496
	WS	Vlorë	39,463	-	230	20,279	5,326	231,189	-	166,609	317,812	365,812
	WSS	Elber sh.p.k	29,434	7,854	173	14,846	3,443	287,041	9,693	229,862	202,531	360,676
	WSS	Fier	27,257	20,690	307	13,688	4,629	258,664	12,425	237,255	318,504	401,215
	WSS	Shkodër	26,880	19,443	213	13,699	4,057	246,202	79	145,611	226,792	259,074
	WSS	Berat - Kuçovë	24,915	21,217	268	20,753	3,123	161,703	1,971	122,539	150,794	207,109
	WSS	Kavajë	22,508	5,925	167	2,846	1,712	77,574	14,667	54,017	93,762	233,860
	WSS	Korçë	20,759	19,755	95	3,655	2,533	249,880	19,111	222,116	177,435	308,813
	WS	Elbasan Fshat	17,143	-	219	3,334	2,132	118,005	2,596	100,554	168,823	234,259
Group 2	WSS	Sarandë	14,129	10,776	83	4,538	1,081	71,150	5,287	49,970	79,765	123,681
	WSS	Pogradec	13,837	10,233	112	2,014	1,404	101,962	1,513	85,298	79,685	112,939
	WSS	Lushnjë	10,541	7,049	131	4,328	1,209	77,832	1,426	73,485	97,187	132,758
	WSS	Gjirrokastër	9,188	2,536	96	5,695	1,573	76,172	2,031	63,402	59,024	64,052
	WSS	Lezhëe	7,089	7,088	81	2,267	1,147	82,074	4,197	67,550	103,833	130,479
	WS	Korçë Fshat	5,929	-	51	991	699	13,956	169	12,271	38,234	43,193
	WS	Lushnjë Fshat	5,843	-	82	732	476	29,212	-	16,900	38,259	51,723
	WS	Kurbin	5,289	-	83	4,490	1,142	40,121	225	16,091	79,120	82,937
	WSS	Kukës	4,973	3,434	71	940	709	27,759	178	19,432	38,802	56,647
	WS	Patos	4,779	-	122	1,996	1,378	38,269	529	27,408	164,758	173,158
	WSS	Librazhd	4,681	4,436	61	717	552	32,476	2,902	29,358	33,749	40,778
	WSS	Burrel	4,305	2,705	47	1,715	456	16,495	-	12,444	16,579	25,941
	WSS	Rrogozhinë	4,129	1,637	35	352	293	9,934	-	7,595	21,427	28,484
	WSS	Mallakastër	4,002	1,471	85	732	454	28,380	731	23,503	64,049	70,312
	WS	Gramsh	3,873	-	52	1,020	677	27,138	51	23,741	26,190	33,020
WS	Tepelenë	3,680	-	65	880	456	25,472	-	21,143	33,296	41,828	

Annex: Selected Key Utility Data

Table 11. Selected key data for utilities in 3 groups (2012 figures)

Group 2	WSS	Krujë	3,554	2,628	38	1,190	461	22,254	406	16,084	21,963	44,310
	WS	Peshkopi	3,327	-	39	1,497	703	23,808	446	16,744	18,921	27,752
	WS	Përmet	3,236	-	37	532	330	15,678	969	14,371	19,546	22,807
	WSS	Himarë	2,807	1,234	34	690	670	24,500	-	7,208	19,297	21,136
	WS	Divjakë	2,789	-	38	258	182	9,456	540	10,258	16,440	18,710
	WSS	Peqin	2,758	-	51	944	410	26,065	-	10,977	42,948	98,490
	WS	Ura Vajgurore	2,703	-	34	982	363	18,682	400	18,202	35,863	39,270
	WS	Butqizë	2,676	-	47	767	483	10,394	129	7,800	19,719	22,250
	WS	Delvinë	2,595	1,114	33	412	302	24,667	1,381	17,982	27,131	29,167
	WS	Bilisht	2,372	-	23	690	260	12,008	1,141	11,298	20,061	22,011
	WS	Novoselë	2,314	-	34	900	445	17,832	408	12,815	34,373	38,621
	WS	Shkodër Fshat	2,165	-	79	1,329	649	18,972	120	14,338	50,284	89,320
	WSS	Fushë Krujë	2,149	1,764	35	532	241	10,259	411	6,882	20,325	30,575
	WS	Orikum	1,875	-	17	411	236	8,382	65	4,376	32,907	34,647
	WS	Malësi e Madhe	1,841	-	32	1,020	396	13,850	225	4,795	8,696	10,660
	WS	Tropojë	1,769	-	33	1,260	383	14,807	6	4,404	17,765	21,476
	WS	Çorovodë	1,760	-	34	547	236	8,679	-	4,809	22,554	35,046
	WSS	Ersekë	1,660	1,660	18	586	209	10,121	785	8,986	13,007	15,667
	WS	Poliçan	1,621	-	38	785	234	12,868	35	9,057	29,415	33,185
	WSS	Selenicë	1,506	-	13	677	132	5,728	-	4,566	14,206	14,626
	WSS	Mirditë	1,204	1,038	27	869	239	15,677	-	9,455	26,736	30,226
	WSS	Pukë	1,107	1,094	21	493	155	7,909	-	7,254	9,955	24,601
	WS	Has	1,078	-	32	817	215	6,639	-	3,606	20,026	23,890
	WS	Kelcyrë	1,002	-	14	740	108	5,258	46	4,353	7,804	9,916
	WS	Vau i Dejës	880	-	12	650	177	5,296	-	2,982	13,808	15,680
	WSS	Libohovë	783	567	7	212	130	4,065	-	3,159	12,616	14,900
	WSS	Fushë Arrëz	540	478	9	456	117	3,306	-	1,864	4,094	14,606
	WSS	Pukë Fshat	524	78	19	420	127	2,494	-	1,971	10,542	16,914
	WSS	Rubik	498	478	14	163	117	4,842	36	3,565	6,485	7,847
	WSS	Krastë	394	341	15	176	95	3,161	-	3,020	6,779	13,490
	WS	Gjirokastrë Fshat	302	-	13	396	319	2,049	408	1,790	7,011	9,183

Table 12. Tariffs applied by 57 utilities

Utility Group	Service	Utility	Cost per m ³ sold (lek)	Drinking water tariff (lek/m ³)			Service Tariff (lek/ connection/month)	Sewerage tariff (lek/m ³)			
				Household/ domestic	Public/ institutional	Private/ commercial		Household/ domestic	Public/ institutional	Private/ commercial	
Group 1	WSS	Tiranë	63.58	45	120	135	100	11	30	35	
	WSS	Durrës	109.21	58	110	120	100	15	20	20	
	WS	Vlorë	63.89	30	60	80					
	WSS	Elber sh.p.k	103.35	38	115	130		8	25	30	
	WSS	Fier	80.19	44	80	100	100	10	12	14	
	WSS	Shkodër	59.97	40	110	110	100	15	20	20	
	WSS	Berat - Kuçovë	60.91	35	110	110		8	14	16	
	WSS	Kavajë	103.00	38	80	100		15	20	20	
	WSS	Korçë	72.90	60	105	140	100	30	50	50	
	WS	Elbasan Fshat	109.88	36	110	110	100				
Group 2	WSS	Sarandë	98.22	44	120	120	100	16	25	25	
	WSS	Pogradec	54.42	55	110	110	40	18	25	25	
	WSS	Lushnjë	96.46	44	100	110	100	12	16	18	
	WSS	Gjirokastër	37.02	34	110	120	50	8	14	14	
	WSS	Lezhë	99.84	50	115	120	100	12	16	20	
	WS	Korçë Fshat	61.81								
	WS	Lushnjë Fshat	108.62	60	70	100					
	WS	Kurbin	72.60	30	80	120	50				
	WSS	Kukës	67.50	25	60	80		7	15	20	
	WS	Patos	125.65								
	WSS	Librazhd	60.94	38	100	100		13	22	23	
	WSS	Burrel	54.56	23	60	80		2	4	6	
	WSS	Rrogozhinë	85.71	45	80	90		8	10	10	
	WSS	Mallakastër	152.64								
	WS	Gramsh	48.78	32	90	90					
	WS	Tepelenë	91.83	33	100	120					
	WSS	Krujë	80.51	33	80	80		8	12	12	

Table 12. Tariffs applied by 57 utilities

WS	Peshkopi	39.50	27	65	85					
WS	Përmet	69.09	38	100	120	50				
WSS	Himarë	31.55								
WS	Divjakë	102.91								
WSS	Peqin	240.34	30	90	100	50				
WS	Ura Vajgurore	108.20	40	90	100					
WS	Bulqizë	46.06								
WS	Delvinë	85.04	48	100	100					
WS	Bilisht	84.76	38	100	110	50				
WS	Novoselë	86.83	33	50	70					
WS	Shkodër Fshat	137.62	50	120	120					
WSS	Fushë Krujë	115.61	28	60	80		6	10		12
WS	Orikum	146.69	25	70	75	100				
WS	Malësi e Madhe	26.92								
WS	Tropojë	56.01	19	60	80					
WS	Çorovodë	148.31	27	80	95					
WSS	Ersekë	65.21	32	60	80		6	6		8
WS	Poličan	142.12	37	80	95					
WSS	Selenicë	110.44	30	80	100					
WSS	Mirditë	109.24	30	100	115		10	15		15
WSS	Pukë	95.77	25	60	80		5	8		10
WS	Has	110.89								
WS	Kelcyrë	91.72								
WS	Vau i Dejës	88.39								
WSS	Libohovë	99.00								
WSS	Fushë Arrëz	82.93								
WSS	Pukë Fshat	112.41								
WSS	Rubik	54.15	30	70	100		7	10		15
WSS	Krastë	137.28	30	80	100		7	10		15
WS	Gjirokastrë Fshat	28.82	25	60	60					

To ensure for all Albanians
that water and sewerage
service providers deliver the
highest achievable quality at
a fair price and in a financially
sustainable manner.

