

WATER REGULATORY AUTHORITY OF ALBANIA

Report on the Performance of the Water Supply and Sewerage Companies

2011



Published by
Water Regulatory Authority of Albania (WRA)
Blv. Gjergj Fishta, Nr.10
Tiranë, ALBANIA

E-mail: public@erru.al
Tel.: 00355 4 2258046

Web: www.erru.al

© The Water Regulatory Authority of Albania

September 2012

ISSN: 2305-347X

With support from
Water Sector Reform Program Albania

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Contents

Chair's Foreword	4
1 Introducing Regulatory Performance Reporting into the Albanian Water Supply and Sewerage Sector	6
2 The Water Regulatory Authority and its Activities during 2011	8
3 Performance of the Water Supply and Sewerage Sector in 2011	11
4 Performance Analysis of the Water Supply and Sewerage Companies	14
4.1 Operation and Maintenance Cost Coverage	19
4.2 Total Cost Coverage	23
4.3 Collection Efficiency	27
4.4 Staff Efficiency	31
4.5 Non-Revenue Water	35
4.6 Metering Ratio	39
4.7 Hours of Supply	43
4.8 Drinking Water Quality	47
4.9 Sewerage Coverage	51
4.10 Regulator's Perception	55
5 Performance Ranking of the Water Supply and Sewerage Companies in 2011	59
6 Special Topic 2011: Protecting Consumers and Increasing Transparency	64
7 Conclusions and Outlook	67
8 Annex	70

Chair's Foreword

It is my pleasure to present the 2011 Performance Report of the Water Regulatory Authority, which is the first of its kind and takes performance monitoring of the Albanian water supply and sewerage companies to a new level. For the WRA, the publication of this detailed performance assessment marks an important milestone towards achieving our ambition of creating a fairer and more transparent regulatory environment.

I would like to invite all stakeholders, and not just those who have a professional interest in the water supply and sewerage sector, to examine the performance of the 56 water supply and sewerage companies. Never before has such detailed information been available to the general public, nor have utility managers previously been able to compare their own performance against that of their peers in this way. Most importantly, for the first time, consumers can see for themselves how their local water company is performing relative to others in the country. The WRA is strongly committed to placing consumers at the centre of all sector activities, including regulation, as highlighted in the report's special chapter on consumer protection.



This report looks in detail at key performance areas selected by the WRA, and I am confident that the companies will find valuable lessons of national best practice. By displaying and ranking the individual performance of each utility, the WRA seeks to introduce an element of comparative competition into this otherwise largely monopolistic sector. We trust that utility managers will prefer to see their company named amongst the better in subsequent reports. Likewise, we anticipate that all stakeholders – customers, Supervisory Councils, local authorities, central government, donor agencies and any other concerned parties – will support and put pressure on “their” utilities to strive for excellence in service delivery.

Overall, the sector is moving in the right direction as far as the targets agreed in the updated National Water Supply and Sewerage Services Strategy 2011-2017, to which the WRA made substantial contributions, are concerned. I am pleased to note that some utilities have achieved excellent results in improving their financial situation, already generating modest surpluses. The sector average for coverage of operations and maintenance costs has finally broken through the 100% mark. Reaching such a key strategic objective ahead of schedule is a great success for the WRA and the regulated utilities. However, most utilities will need to work harder on improving financial and management indicators. It is a serious concern that, while many remain dependent on subsidies, still more than half of the water produced by the companies does not generate any revenue at all. From the point of view of the average Albanian consumer little has changed: the water supplied by most utilities is of uncertain quality, and too many customers are experiencing a decline in service hours.

Although this report endeavours to offer a fair account of the utilities' performance, there certainly is much room for improvement with regard to the data it is based on. Given the crucial importance of accurate and reliable data to any of the WRA's regulatory tasks, data quality improvement will be a priority issue over the coming years. Here we will continue to build on the foundations created by the Monitoring and Benchmarking Unit, to whom I would like to extend my sincere thanks not only for providing us with data, but also for having introduced the concept of monitoring into the sector and acquainting the companies with data reporting procedures, thus providing an invaluable basis for our regulatory work.

I now want to congratulate the top performers in each of the three groups, who will be duly acknowledged during an upcoming award ceremony. I encourage others to follow their example and raise the standards of services for Albanian consumers. Speaking on behalf of the National Regulatory Commission, I would like to reaffirm our commitment to supporting all utilities in their efforts and playing our part in moving the sector forward.

Finally, I would like to take this opportunity to express my sincere thanks to the WRA staff and the GIZ advisors for the excellent cooperation, diligence and dedication shown in the preparation of this Performance Report 2011.

Avni Dervishi
Chair of the Water Regulatory Authority



1

Introducing Regulatory Performance Reporting into the Albanian Water Supply and Sewerage Sector

As the independent regulator of the Albanian water supply and sewerage sector, the Water Regulatory Authority is legally mandated to report 'on the status of the sector' and offer its recommendations for appropriate interventions (Law No. 8102, dated 28.03.1996, as amended). However, this is by far not the only reason why it is timely for the WRA to undertake a thorough analysis of the sector performance.

This 2011 Performance Report presents the results of a comprehensive performance assessment of the 56 water supply and sewerage utilities according to a set of ten Key Performance Indicators (KPIs) chosen by the National Regulatory Commission in 2010. In view of the urgent need to improve the financial stability of the sector, the KPI selection focuses on financial and management capacities, as well as performance areas where the impact is felt most directly by consumers. Year-on-year changes in individual utility performance from 2009 to 2011 are examined in three peer groups, according to utility size, to identify trends and highlight the best as well as particularly poor performers.

The report also intends to demonstrate that performance monitoring and reporting offers a range of benefits beyond those immediately related to the regulatory process. From the point of view of the utilities, performance monitoring can provide valuable information for internal management processes. The results presented in the report enable the utilities to assess their own performance against the performance of other utilities operating in similar environments. By engaging with the findings, they may recognise their own strengths and weaknesses and learn from successful operation or management practices developed elsewhere. Local authorities as utility owners and Supervisory Councils should also find it useful to appraise their utility's management and review investment decisions in the light of the results of the performance analysis.

From the point of view of the WRA, this first performance analysis will be of immediate use. The results will feed into the tariff regulation process, where tariff adjustments are now conditional upon meeting the performance targets set by the WRA. The findings will also be used in discussion with the utilities to identify opportunities for service improvements as well as specific constraints to achieving the WRA's vision of a financially self-sustainable water supply and sewerage sector that provides high quality yet affordable services to all consumers in Albania.

While the mandate of the WRA encompasses all providers of water supply and sewerage services, only the water supply and sewerage companies are considered in this Performance Report. There are a variety of other, currently unlicensed, service providers that operate mostly outside of the utilities' service areas. The WRA is seeking to improve its information base on the operations of these small service providers and develop suitable approaches to integrating them into the regulatory regime.

Reliable information is at the heart of effective water services regulation. Setting targets for efficient service delivery and performance improvement requires access to accurate data. By engaging with this data the regulator and companies can plan for achieving financial sustainability, and target investments so as to protect the long-term future of water and sewerage services as well as the natural resources these depend on. Without a utility performance database of its own, the WRA remains reliant on the sector monitoring data collected by the Monitoring and Benchmarking Unit (MBU) within the Ministry of Public Works and Transport's General Directorate of Water Supply and Sewerage.

Except for one indicator, the performance analysis presented in this report is therefore based on the utilities' self-reported performance data routinely collected and processed by the MBU. In fact, the assessment has reaffirmed the known data weaknesses and the urgent need to intensify the verification and validation of data provided by the utilities. In order to meet its regulatory data requirements in scope, quality and reliability, the WRA will significantly step up its efforts to improve data quality, making use of its inspection powers, where necessary. Furthermore, all possible other data sources will be drawn upon by the WRA to cross-check utility data. All companies are called on to improve their data submissions to avoid errors or ambiguities that affect the reliability of the performance analysis and the effectiveness of regulation.

The Performance Report 2011 is structured as follows: Chapter 2 introduces the Water Regulatory Authority and gives a very brief overview of its main activities and achievements in 2011. Chapter 3 then summarises the current overall sector performance in the context of sector policy. In chapter 4 – the core of the report – the utility performance analysis is presented, with each of the ten KPIs examined in turn. Chapter 5 displays the ranking of the sector's best performing utilities. Chapter 6 is a statement of the WRA's commitment to its customer protection mandate, which has been chosen as the special topic for the 2011 Performance Report. The report concludes with a summary of key messages in chapter 7.



2

The Water Regulatory Authority and its Activities during 2011



The Water Regulatory Authority (WRA) is an independent public institution, established in 1998 in accordance with Law No. 8102, as amended, to regulate the Albanian water supply and wastewater sector. Mandated to protect consumers from monopoly abuse and to create a transparent regulatory framework for efficient service provision, the WRA answers directly to the Council of Ministers and the Assembly of Albania.

Led by the National Regulatory Commission, the WRA pursues its 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”. The regulator, whose main objective is the protection of customers, exercises an array of functions and powers, including:

- licensing all providers of water and/or wastewater services to the public, and enforcing licence conditions;
- regulating service tariffs in a way that ensures service providers’ financial sustainability as well as affordability for customers;
- ensuring that service providers deliver good quality, safe and efficient services at a reasonable price;
- ensuring long-term security of supply and environmental protection;
- supporting complaints resolution between customers and service providers;
- encourage the development of uniform standards and rules for the entire sector;
- where possible, encouraging competition and private investments; and
- contributing to policy development in the sector.

Most of these activities are underpinned by systematic monitoring of the utilities’ performance in service delivery, as the WRA seeks to promote continuous service improvements by setting challenging yet achievable performance targets for service providers. Sharing information on the water and sewerage sector with all interested parties, including the general public, forms part of its regulatory approach to support transparent and demand-driven sector development.

Much of 2011 was dedicated to further developing the fair and transparent regulatory environment the law envisages. Efforts concentrated on formulating standards and guidelines to provide clarity for service providers and consumers, such that the sector can move forward to achieve concrete results, moderated by reasonable expectations. To this end, the WRA specifies basic rules and clear objectives, but allows scope for flexible implementation on the part of providers, who are however encouraged to consider feedback from their customers.

Licensing of services

Work continued on reducing the number of unlicensed service providers. 48 of the 56 Albanian water and sewerage utilities are now operating with a WRA licence¹. Of these, three renewed their licence in 2011 and three were licensed for the first time. The WRA hopes to complete the licensing process for all remaining utilities promptly, as unlicensed providers are no longer eligible to apply for a WRA-approved tariff. However, the current licensing system may not allow for the licensing of all the remaining utilities, some of whom are, due to their financial and geographical situation, unable to fulfil some of the requirements, such as employing a qualified Technical Director. The same challenge applies for the multitude of unlicensed small and rural service providers that are operate throughout the country. For these reasons the WRA will look into reviewing the licensing system in 2012.

Tariff regulation

Fifteen applications for tariff adjustments were received by the WRA in 2011, thirteen of which were approved by the Commission². The approval process for the two remaining applications was extended to 2012 due to incomplete application documentation. Given that some companies are still charging non-approved tariffs, this high number of approvals in 2011 is a step in the right direction. Moreover, the WRA introduced further changes to tariff regulation. Building on the set of Key Performance Indicators (KPI) introduced by the National Regulatory Commission in the previous year, the tariff setting methodology was fully revised and a new Tariff Setting Guideline approved in September 2011. The new guideline introduces a direct link between utility performance and the regulated tariff to encourage greater efficiency in service provision. The approval for tariff adjustments will only be given to the utilities that meet the KPI targets for technical and financial performance as set by the WRA. It is anticipated that regular tariff reviews will encourage step-by-step improvements in cost recovery, increasing thereby the financial stability of the utilities, so as to lead the sector towards achieving full cost recovery in the future. The utilities' response to the new Tariff Setting Guideline during three training workshops conducted in October 2011 was overwhelmingly positive and the utilities of Pogradec and Fier volunteered as pilot applicants in 2012.

Customer protection and transparency

In order to fulfil its customer protection mandate and to enhance the customer orientation of the utilities the National Regulatory Commission introduced a model customer service contract to clarify the rights and obligations of customers and service providers in February 2011. Further advances were made during this year to allow customers more insight and a greater say in how water and sewerage services are managed and regulated. For instance, the WRA's new website now offers a wide range of sector information. Also, public hearings were introduced as a novelty in the tariff

¹ A list showing the licensing status of each utility can be found in chapter 4.10 (KPI Regulator's Perception).

² A list showing the tariff approval status of each utility can be found in chapter 4.10 (KPI Regulator's Perception).

adjustment process. The WRA also initiated and took the lead in a number of studies to ascertain the current state of customer services within utilities and customers' perceptions of the services available to them. These developments are discussed in greater detail in the special topic chapter 6.

Supervisory Council trainings

In 2011, the WRA developed a comprehensive reference manual and training modules for the members of the utilities' Supervisory Councils, which aim to contribute to enhancing the sought-after supervisory capacities at the local level. The members of ten Supervisory Councils have successfully completed training activities and are now in a better position to monitor providers close to the point of service delivery. The WRA will roll out this capacity enhancement measure to all remaining and new Supervisory Councils in the country.

Cooperation activities

During 2011, the WRA further intensified its cooperation and coordination with a wide range of national institutions. The institution was intensively engaged in the inter-ministerial working group that drafted the new strategy for the water supply and sewerage services sector 2011-2017. During the Annual Conference of the Water Supply and Sewerage Association of Albania, the WRA took an active role and championed the most actual regulatory themes.

In the framework of the institutional strengthening and increased effectiveness of the WRA's work in the sector, the institution has cooperated strongly with international donor organizations such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the United Nations Development Programme (UNDP) and the United States Agency for International Development (USAID). As a result of this cooperation it has been made possible to develop and implement many of the regulatory activities mentioned above.

The WRA also maintained its fruitful cooperation with international water regulatory authorities in 2011. Exchange visits were undertaken with the Portuguese Water and Waste Services Regulation Authority (ERSAR), and the annual exchange with the Water and Waste Regulatory Office (WWRO) of Kosovo was held.

In cooperation with the International Water Association (IWA) and the Stockholm International Water Institute (SIWI), the members of the National Regulatory Commission presented the WRA and its ongoing activities to international audiences during events such as the International Water Week in Amsterdam or the World Water Week in Stockholm.

Further information about the WRA's work and cooperation activities in 2011 can be found in the Annual Report 2011.



3

Performance of the Water Supply and Sewerage Sector in 2011



Before scrutinising the individual performance of each utility, this chapter presents an overview of sector performance levels reached in 2011. The joint achievements of the 56 Albanian water supply and sewerage utilities are reviewed in the light of recent policy developments, as reflected in the strategic goals set out in the National Water Supply and Sewerage Services Sector Strategy 2011-2017, sector financing strategies and the WRA's performance benchmarks³.

Key developments

While the full implementation of the regulatory framework has yet to be completed, progress has been made in the right direction in 2011. There are now 48 licensed utilities providing services mostly in urban areas of the country, and 44 of these use WRA approved tariffs. The WRA is pleased to note that the companies have become more compliant and supportive of the regulator's efforts to create a stable and transparent regulatory environment.

Sewerage services continue to lag behind water supply in many respects. While the utilities' water supply services reach 80.8% of the population in their service areas, sewerage services are only available to just over half of the resident population (50.8%). There needs to be a sustained effort to improve sewage disposal and treatment services throughout most of Albania, both in terms of coverage as well as the level of service required to ensure the protection of our waters and environment. Only 29 utilities provide any kind of sewerage service, and in 2011, there were just two wastewater treatment facilities in operation in the country.

Some utilities have improved their financial situation greatly, with the sector average for O&M cost coverage surpassing 100% for the first time. Additional sector income of 14% was raised, largely as a result of the tariff adjustments approved by the WRA, leading the utilities towards greater financial self-sufficiency and sustainability. In 2011, the average water tariff increased by 16%, and tariffs for sewerage services were raised by 27% on average. While the (average) financial results look promising and were achieved ahead of target, there is no time to rest: at 63.5% overall, non-revenue water levels are alarmingly high. Many utilities remain heavily reliant on support from donors and state subsidies to be able to finance even their most basic operational activities.

Capital investments continue to play an important role in the improvement of the situation in the sector. In 2011, as in previous years, the main investment sources, in approximately equal proportions, were the state budget and foreign donor funding in the form of loans or grants. According to Ministry of Public Works and Transport figures, investments totalling some 7.3 billion Lek were realised in 2011, approximately half of which from the state budget. These were primarily focused on the rehabilitation

³ Further information on the set of Key Performance Indicators selected by the WRA and the respective benchmark targets can be found in chapter 4.

of the water supply and sewerage systems as well as the construction of wastewater treatment plants. The WRA anticipates that the impact of available investment funding will be improved following the adoption of the Water Supply and Sewerage Masterplan for Albania, an important sector initiative to channel investments to priority areas, which was started in 2011.

Despite the newly introduced emphasis on customer-focused service delivery championed by the WRA, the average Albanian consumer experienced few tangible improvements during 2011. Drinking water supplied by most utilities remains of uncertain quality, and in many cases continuity of service actually declined against 2010 performance. Customers, however, are becoming increasingly aware of the costs and benefits of decent water services, as evidenced by the rising demand for household meter installation and their declared willingness to pay more for better services, a fact that emerged from the WRA's customer perception survey.

Sector performance overview and trends

Table 1 below summarises the overall performance of the sector in 2011 with respect to ten performance indicators and displays the performance trends against 2010 achievements. The table also allows a quick comparison of actual performance against the 2011 targets set out in the current sector strategy, and the more challenging benchmarks for 'good' utility performance set by the WRA⁴.

Table 1: 2011 sector performance summary (Source: Monitoring and Benchmarking Unit).

Performance Indicators	2010	2011	Performance Trend	WRA 'Good' Performance Benchmark	Sector Strategy Target 2011
Water Coverage	80.3%	80.8%	↗	n/a	n/a ⁵
Sewerage Coverage ⁶	50.0%	50.8%	↗	75%	n/a ⁷
Drinking Water Quality ⁸	n/a	n/a	n/a	98%	n/a
Hours of Supply (hours/day)	11.1	10.9	↘	18	12
Total Cost Coverage	66.6%	74.0%	↗	80%	68%
O&M Cost Coverage	93.4%	100.6%	↗	100%	95%
Collection Efficiency	84.2%	79.9%	↘	80%	86%
Staff Efficiency (Staff/1000 connections)	9.3	9.3	=	4/6/10 ⁹	n/a
Non-Revenue Water	63.2%	63.5%	↘	30%	60%
Metering Ratio	44.6%	50.6%	↗	85%	48%

⁴ The WRA defines three performance ranges (good/acceptable/poor), which are explained in detail in chapter 4.

⁵ The National Water Supply and Sewerage Services Sector Strategy 2011-2017 defines separate targets for urban and rural areas. For water coverage, these are 91% in urban areas and 60% in rural areas.

⁶ Sewage collection only, due to limited availability of treatment facilities.

⁷ Strategy targets for sewerage covers are as follows: 83% in urban areas and 11% in rural areas. For comparison, actual performance figures are available for 2011, when the utilities supplied services to 85.4% of the population in urban areas and 3.8% rural areas.

⁸ Water quality data are known to be highly unreliable, such that no aggregate figures can be included in the performance assessment. Individual utility performance is discussed in detail in chapter 4.8.

⁹ This benchmark differs according to utility size (3 groups).

As the table shows, mixed results were achieved in 2011. Good progress was recorded with respect to the two cost coverage indicators, where the sector outperformed government targets and in the case of O&M cost coverage even met the 100% benchmark set by the WRA for good utility performance. These aggregated figures do however mask the poor performance of some, mainly smaller, service providers, whose revenues are insufficient to cover even half of their costs. The tariff increases, which were approved in 2011 for nearly 50% of the utilities, often merely compensated for rising expenses.

The financial performance results were moderated by deterioration in collection efficiency, which slipped from 84.2% in 2010 to just below the 80% WRA benchmark, a development the WRA is regarding with some concern. At 9.3 staff per 1000 connections, the average staffing efficiency in Albania is still about double of what a well-managed water utility in the region can be expected to achieve.

Technical performance results are less impressive, as indicated in the key developments cited above. The sector continues to struggle to control the extremely high levels of non-revenue water, for which a slight increase was recorded in 2011. At 63.5% sector wide, non-revenue water levels failed to meet the target set in the sector strategy and are more than twice as high as the WRA benchmark, making reduction of non-revenue water a priority work area for the WRA and the utilities.

Metering has increased by 6 percentage points to above 50%, in line with the sector target, and investments in meter installation will continue to form part of the non-revenue water reduction strategy. The WRA is proactively involved in phasing out the practice of flat rate billing, which remains high to date.

With respect to the quality of customer service, measured by continuity of service and drinking water quality, sector performance has been poor. The vast majority of customers do not receive continuous water supply, and average service hours dropped to 10.9 per day in 2011, less than the 12 hours/day sector target and well below the WRA benchmark of 18 hours/day.

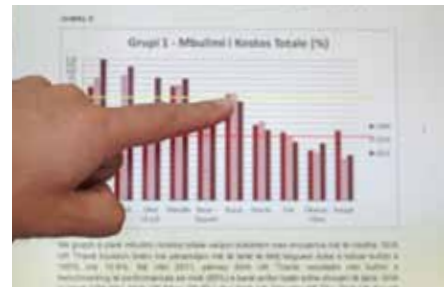
While the WRA is not directly responsible for ensuring the safety of drinking water, which falls within the remit of the Public Health Directorates, water quality failures and the uncertainties surrounding current monitoring procedures and data quality are a matter of serious concern for the WRA, in view of its mandate to protect the interests of consumers.

Finally, coverage with sewerage services is also used to estimate the utilities' environmental impact. As highlighted before, performance here is still unsatisfactory. Connection rates in urban areas are on track with the sector target, whereas rural service coverage falls short by a considerable margin. Until wastewater treatment becomes more widespread, there is little point in defining and trying to enforce environmental targets for the utilities, which provide important services not just to people, but also have a role to play in the protection of the natural environment.



4

Performance Analysis of the Water Supply and Sewerage Companies



This chapter examines the individual performance of the 56 water supply and sewerage companies in 2011 and year-on-year changes from 2009 to identify trends, highlight the best as well as particularly poor performers, and draw some general conclusions from the findings. The presentation and discussion of the performance analysis results is preceded by a description of the methodology applied.

The Key Performance Indicators

The performance monitoring and the assessment presented in this chapter are based on the set of Key Performance Indicators (KPIs) introduced by the WRA National Regulatory Commission in 2010. The KPIs reflect the broad range of tasks utilities have to perform to provide adequate and efficient services.

Table 2: Overview of Key Performance Indicators

Key Performance Indicator	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 utility's 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 is not billed to customers.
6 – Metering Ratio	Proportion of metered connections (customers) as a percentage of 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	Proportion 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 activities are in accordance with the regulatory framework.

Given the urgent need to improve service delivery and enable utilities to achieve financial sustainability in the long term, the selection of KPIs prioritises those that impact on the companies' financial stability and allow insight into current management capacities. These are complemented by a small range of KPIs that measure the areas of performance which impact more directly on consumers. From the many possible alternatives, service hours and drinking water quality were chosen as currently being of high interest from the Albanian consumers' perspective.

The WRA recognises that improvements in some of the KPIs may, at least temporarily, depend on external factors. Increasing the level of metering and improving sewerage services, for instance, will require significant capital investment. However, many KPIs are within the companies' immediate sphere of influence; collection and staff efficiency, as well as non-revenue water and cost recovery, have been chosen as measures for internal effort, notably managerial capacity and commitment. By including both types of KPI into the performance assessment, the WRA can reflect on strategic sector goals, in addition to reporting on individual and comparative performance, current trends and best practice in Albania. Finally, there is one KPI, 'regulatory perception', that seeks to acknowledge the utilities' cooperation in the regulatory process by rating the extent to which they comply with and support the WRA's efforts to create a stable and transparent regulatory environment.

Performance analysis: utility groups

In order for comparisons between different utilities to come to fair conclusions, the performance analysis needs to take into account the wide variations in operating conditions amongst the 56 utilities. Naturally not all differences can be accommodated, and in view of the current data availability it was decided to group utilities by size (meaning number of individual customer connections rather than size of the service area) as a reasonable way to make allowance for greater and lesser economies of scale, which impact on performance relative to the chosen KPIs.

The 56 water supply and sewerage companies have been divided into three groups, each of which includes water supply-only (WS) as well as water supply and sewerage (WSS) companies. A selection of key data for all utilities is provided in Annex 1.

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	19
Group 3	< 3,000 customer connections	27

Table 4: The 3 utility groups

Service	Utility	No. of Customer Connections (water)	Service	Utility	No. of Customer Connections (water)
GROUP 1			GROUP 3		
VSS	Tiranë	158,688	WS	Divjakë	2,750
VSS	Durrës	66,675	WS	Bulqizë	2,667
VS	Vlorë	37,067	WS	Ura Vajgurore	2,588
WSS	Elber sh.p k ¹⁰	29,899	WS	Peqin	2,569
WSS	Fier	26,691	WS	Bilisht	2,346
WSS	Shkodër	26,439	WS	Delvinë	2,275
WSS	Berat-Kuçovë	24,436	WSS	Fushë Krujë	2,150
WSS	Kavajë	21,973	WS	Malësi e Madhe	1,859
WSS	Korçë	20,668	WS	Shkodër Fshat	1,824
WS	Elbasan Fshat ¹¹	16,094	WS	Tropojë	1,813
GROUP 2			WS	Orikum	1,762
WSS	Sarandë	13,695	WS	Çorovodë	1,758
WSS	Pogradec	13,391	WSS	Ersekë	1,661
WSS	Lushnjë	9,736	WS	Poliçan	1,627
WSS	Gjirokastër	8,882	WSS	Selenicë	1,494
WSS	Lezhë	6,860	WSS	Mirditë	1,168
WS	Korçë Fshat	5,791	WSS	Pukë	1,099
WSS	Kukës	4,973	WS	Has	1,091
WS	Patos	4,854	WS	Këlcyrë	965
WSS	Burrel	4,657	WS	Vau i Dejës	821
WS	Kurbin	4,634	WSS	Libohovë	782
WSS	Librazhd	4,583	WSS	Fushë Arrëz	527
WSS	Rrogozhinë	4,130	WSS	Pukë Fshat	524
WSS	Mallakastër	3,899	WSS	Rubik	511
WS	Gramsh	3,849	WS	Lushnjë Fshat	506
WS	Novoselë	3,732	WS	Gjirokastër Fshat	441
WS	Tepelenë	3,680	WSS	Krastë	380
WSS	Krujë	3,618			
WS	Peshkopi	3,330			
WS	Përmet	3,197			

¹⁰ Albanian abbreviation for a commercial limited company (SHPK: Shoqëri me Përgjegjësi të Kufizuar).

¹¹ 'Fshat' is the Albanian term for 'rural area' or 'village'. Where a utility serving an urban area of the same name already exists, 'fshat' is added to the name of the provider serving the surrounding rural area to distinguish the two.

Performance analysis: benchmarks

For the purposes of this analysis, performance ranges have been defined for each KPI. As can be seen in graph 1 below, a yellow line on the performance analysis graphs marks the target level or benchmark for good performance; anything below the threshold level demarcated by a red line is considered poor performance. An 'acceptable' performance range in between the two lines acknowledges efforts already made but signals that further improvement will be necessary. Table 5 below shows the upper and lower limits as defined for each KPI.

Graph 1: Example graph explaining the KPI analysis graphs

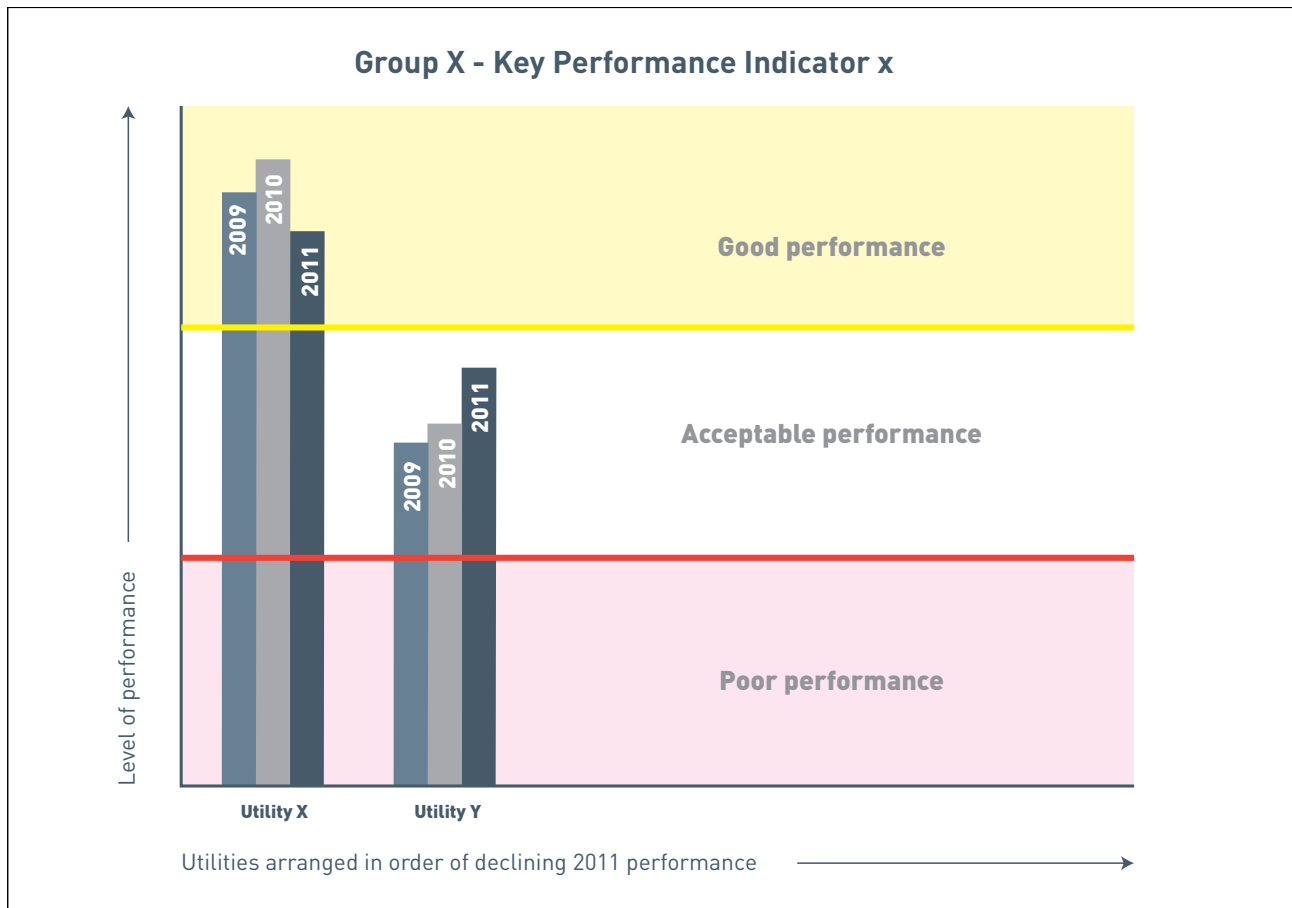


Table 5: Benchmarks for Key Performance Indicators

Key Performance Indicators		Benchmarks		
		Good	Acceptable	Poor
1 – O &M Cost Coverage		≥ 100%	80 - 100%	≤ 80%
2 – Total Cost Coverage		≥ 80%	50 - 80%	≤ 50%
3 – Collection Efficiency		≥ 80%	60 - 80%	≤ 60%
4 – Staff Efficiency (staff/1000 connections) ¹²	Group 1	≤ 4	4 - 6	≥ 6
	Group 2	≤ 6	6 - 10	≥ 10
	Group 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/day	8 - 18 hours/day	≤ 8 hours/day
8 – Drinking Water Quality		≥ 98%	90 - 98%	≤ 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

While an in-depth analysis of each individual KPI as presented in this chapter provides valuable insights, it stops short of revealing the overall top and worst performers, which will be of great interest even to the non-expert reader. In order to enable this comparison to be made, the WRA has developed a scoring and ranking system to assess the overall performance of the individual water supply and sewerage companies, taking into account performance with respect to nine of the ten KPIs, as explained in chapter 5. Different weights are assigned to each KPI, and scores awarded to reflect the providers’ performance relative to the benchmark levels set by the WRA. The total score is then used for the ranking to produce a company ‘league table’, which is also presented and discussed in chapter 5.

As shown in the above table 5, performance at or above the upper benchmark is rewarded with the maximum score. For most indicators, where performance falls below the benchmark for good performance a proportion of the maximum available points is awarded. In the case of staff efficiency, non-revenue water, collection efficiency and drinking water quality, however, underperformance is heavily penalised, and no points are awarded for poor performance. Here, an appropriate share of the available points is given if actual performance falls in the acceptable performance range.

Performance data and validity

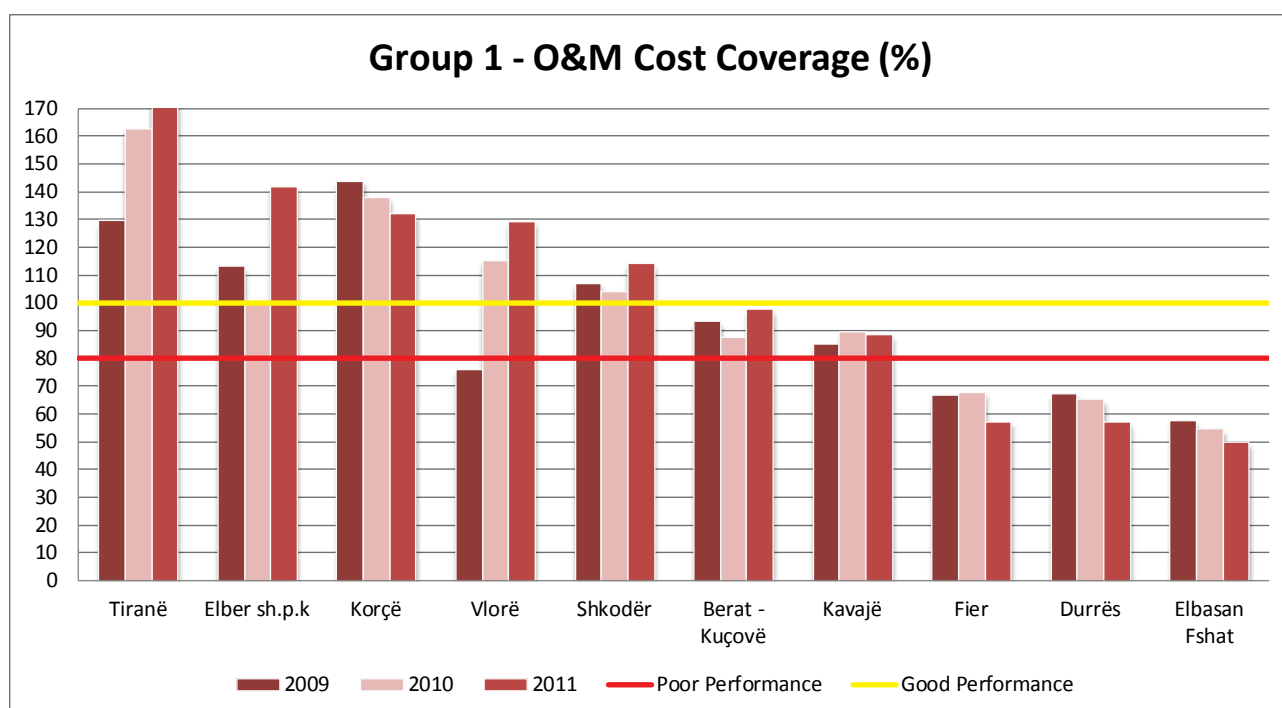
All data used in the performance analysis was provided by the Monitoring and Benchmarking Unit within the Ministry of Public Works and Transport’s General Directorate of Water Supply and Sewerage, which collects and processes utilities’ self-reported performance data. There is known data unreliability despite data checks being undertaken by MBU staff. The WRA has taken note of inconsistencies that emerged during the 2011 performance analysis, which will be followed up and verified, and future data submission of all utilities will be monitored closely. From 2012, the WRA will increasingly make use of its legally mandated powers to perform on-site inspections to verify the accuracy of data provided by the utilities. inspektime në vend me qëllim verifikimin e të dhënave që raportohen nga shoqëritë.

¹² For 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 it easier to keep staff numbers per 1000 connections to a minimum.

4.1 Operation and Maintenance Cost Coverage

Operation and maintenance (O&M) costs are the costs a utility incurs to operate a system and to perform vital maintenance of its infrastructure. The main categories of O&M costs are personnel, chemicals and energy costs. All of these should be reasonable and justified. The indicator 'O&M Cost Coverage' measures what proportion of direct O&M costs (without depreciation) is covered by the revenue generated. It is one of the key indicators that allows for an assessment of the financial situation of a company. In 2011, this indicator stood at 100.6% sector wide, thus meeting one of the government's key strategic objectives ahead of schedule: 100% O&M cost coverage with the incomes generated by the utilities was the target for 2013. Full O&M cost coverage had been set as the WRA benchmark for good performance in 2011, marked by a yellow line in the performance graphs that follow.

Graph 2: O&M Cost Coverage for group 1 in 2011

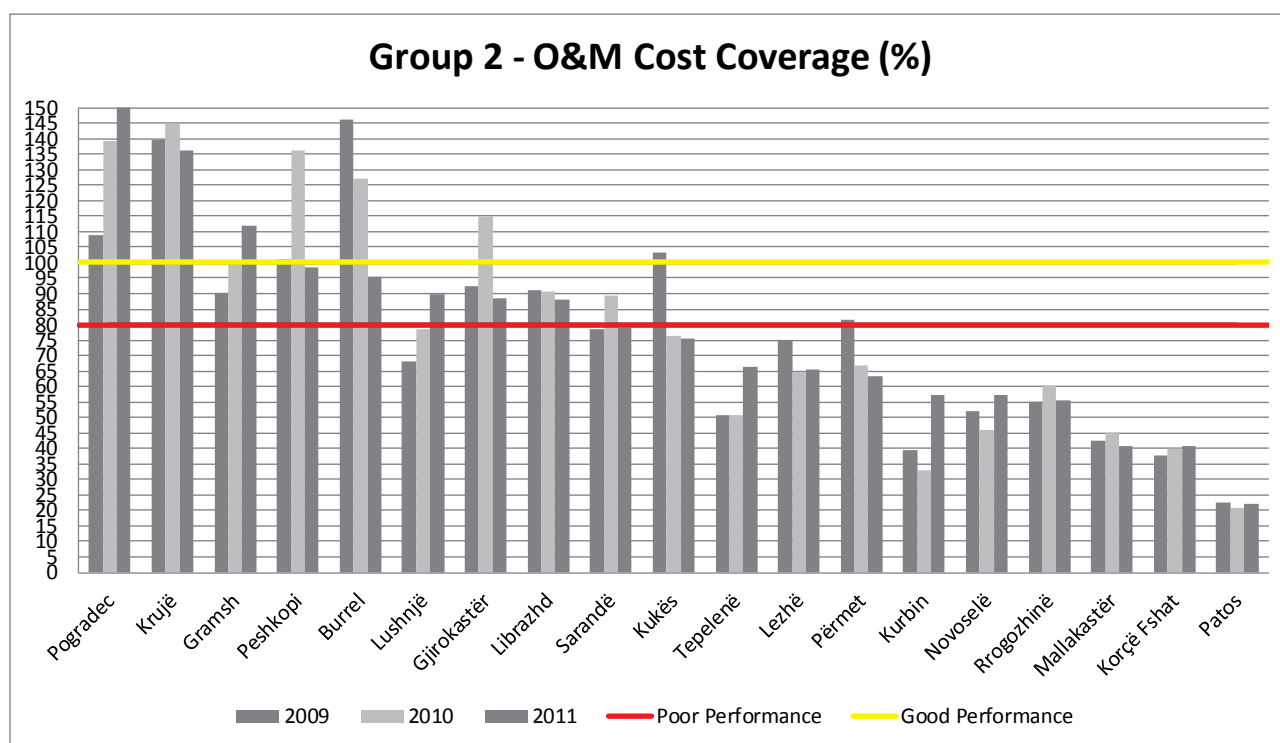


In the first group, the best performing utility in 2011 was Tiranë, followed by Elber, Korçë, Vlorë and Shkodër utilities, all of which managed to achieve more than 100% O&M cost coverage, and thus meet the WRA benchmark for good performance. Elber utility managed to improve O&M cost recovery by a significant 41.4% compared to the previous year and thus recorded the best progress in 2011¹³. Progress has also been made by Shkodër (10.4%) and Berat-Kuçovë (10.3%). Looking back to 2009, Vlorë and Tiranë have improved greatly, by 53.7% and 52.4% respectively.

¹³ Unless otherwise stated, trend observations throughout this document always refer to changes against the previous year (2010-2011 developments). Any percentage changes quoted in the text refer to percentage points gained or lost during the reporting period rather than the percentage difference to the value achieved in the previous year.

The least well performing utility is Elbasan Fshat with less than 50% O&M cost coverage in 2011. Downward trends are also reported for Fier (-10.3%) and Durrës (-7.7%). These three utilities still operate in the poor performance range below the red line. One of the top performers also recorded a deterioration in O&M cost recovery: For Korçë utility the indicator decreased by 5.7% due to increased operation costs for wastewater disposal, reconstruction and extension of the sewerage system, as well as the treatment plant that operated on a trial basis in 2011.

Graph 3: O&M Cost Coverage for group 2 in 2011

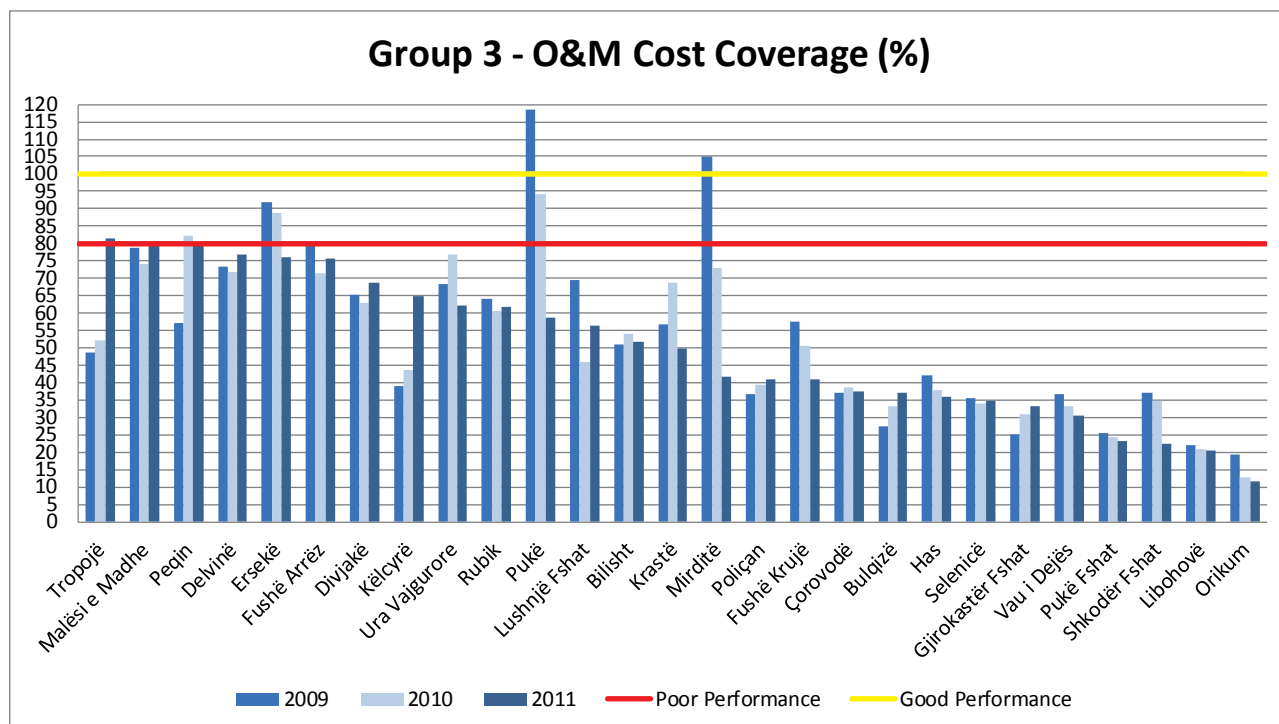


In the second group, only three out of 19 utilities have achieved more than 100% O&M cost recovery in 2011, namely Pogradec, Krujë and Gramsh utilities; Pogradec leading with an excellent 154.6%. The least well performing utility in the group is Patos, where only 21.9% of O&M costs are covered by revenues. Poor performance for this indicator is also reported by another ten utilities that lie under the threshold for poor performance (80%, marked by the red line): Sarandë 78.7%, Kukës 75.5%, Tepelenë 66.4%, Lezhë 65.6%, Permet 63.3%, Kurbin 57.5%, Novoselë 57.3%, Rrogozhinë, 55.5%, Mallakastër 40.9% and Korçë Fshat 40.7%.

Kurbin utility shows the best progress in improving this indicator. Although still covering less than 60% of O&M costs, this utility gained an additional 24.7% in 2011. When compared against 2009 figures, Pogradec utility stands out as having improved O&M cost recovery by 45.6%. Good progress is also reported for Gramsh, Lushnjë, and Novoselë utilities, which improved O&M cost recovery by around 11% from 2010 to 2011. These utilities have made constant efforts to improve their financial situation. Cost control, increased revenues due to an improved billing rate and increased tariffs have contributed to an improved costs to revenue ratio.

This group also includes utilities with significant negative trends over the 2009-2011 period, notably Burrel (-50.7%), Kukës (-27.5%) and Përmet (-18.2%). From 2010 to 2011 it is Peshkopi utility that noted the most significant drop in O&M cost coverage of 37.9%.

Graph 4: O&M Cost Coverage for group 3 in 2011



In this group, no utility achieved the benchmark for good performance in 2011. Out of the 27 small companies, 14 cannot even cover 50% of O&M costs. Only three utilities, Tropojë, Malësi e Madhe and Peqin, have achieved an acceptable level of performance by reaching the lower threshold level of 80% O&M cost coverage. Tropojë leads the group with 81.3%, and the least well performing is Orikum with just 11.5%.

On average, the group 3 - trend from 2010 to 2011 was negative for this indicator, decreasing for 15 out of 27 utilities. Mirditë and Pukë have marked the biggest decline in this indicator, with O&M cost coverage decreasing by 31.5% and 35.7% respectively. Other companies where O&M cost coverage declined by more than 10% are Krastë (-19.1%), Ura Vajgurore (-14.4%), Ersekë (-12.8%) and Shkodër Fshat (-12.7%).

On the other hand, the following utilities managed to achieve a considerable improvement in coverage of their O&M costs with their revenues compared to one year before, thus improving their financial situation: Tropojë with 29.3% and Kelcyrë 20.9%.

Conclusion

Across the three groups, 38 utilities manage to cover less than 80% of O&M costs with their revenues, an overall unsatisfactory result. While this means that the majority struggle to achieve even acceptable, let alone good, performance, those recovering less than half their O&M costs present a serious problem as they rely on subsidies from the state budget to continue functioning. In view of the planned phasing out of O&M subsidies, the unsustainable financial situation of these utilities needs addressing as a matter of priority.

In 2012, companies that have failed to achieve the benchmark will be required to establish clear goals to achieve a more favourable balance of costs and revenue. There is scope for increasing tariffs, but also for improving their work efficiency, billing and collections, leakage and cost control,

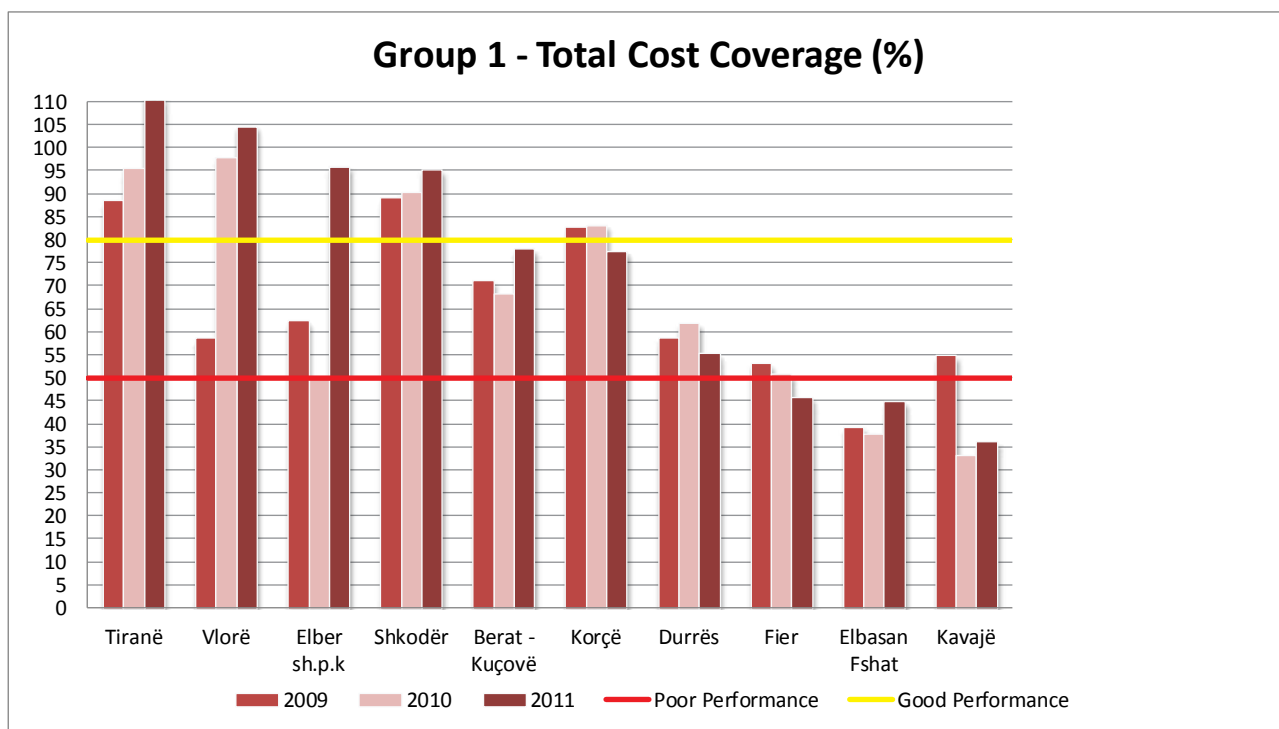
especially for personnel and energy expenses, which make up the major part of O&M costs. Where water production exceeds the billed quantities three times, for example, it is clear that energy is not put to good use. Companies ought to examine the considerable energy savings potential, and take control of water losses and wasteful consumption. This is particularly relevant in the context of tariff adjustment, as the WRA will not approve tariff increases to the full extent as requested by the utility unless the key performance targets for energy efficiency and non-revenue water have been met. There is also room for improving human resource management; addressing overstaffing and low levels of staff productivity would translate into substantial savings in some cases. Companies should take note of the relevant KPI chapters (Non-Revenue Water, Metering Ratio and Staff Efficiency) to identify entry points for greater efficiency.

For the WRA, O&M cost coverage is the immediate objective as a step towards future full cost recovery. Tariff decisions can and do have an impact on a company's potential revenue and hence its O&M coverage, but should be matched with the level of service offered. The WRA will reward and support utilities' efforts to improve services for their customers, but expects management to explore all options to increase operational efficiency. As per the new Tariff Setting Guideline, approval of tariff increases will be conditional on agreed performance targets being met.

4.2 Total Cost Coverage

The main financial objective of every utility is to cover its total costs (operational costs plus depreciation and capital costs, i.e. interest/loan repayments) with revenue generated from its main activity and from other services. Based on the government strategy for the water supply and sewerage sector this goal is to be achieved gradually, starting first with coverage of operational and maintenance (O&M) costs. In 2011, the sector average for total cost recovery was 74%.

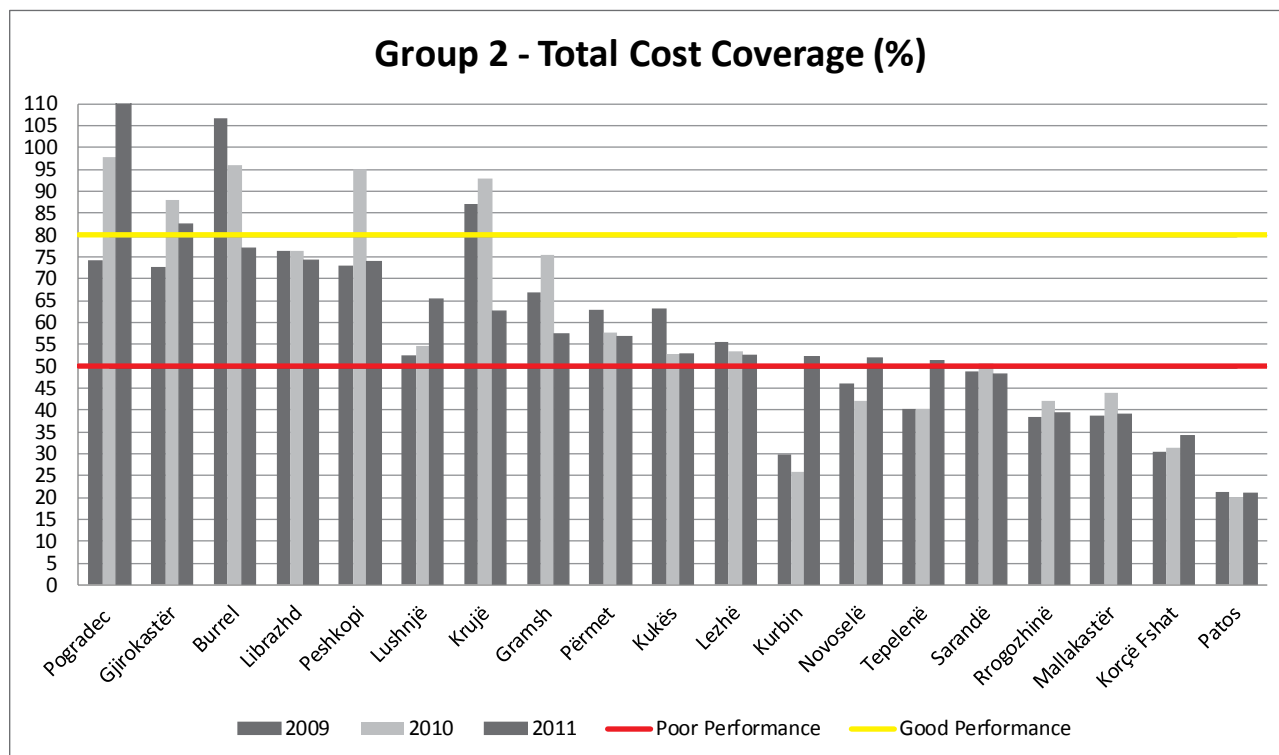
Graph 5: Total Cost Coverage for group 1 in 2011



Total cost coverage varies considerably among the largest utilities in the first group. The water supply and sewerage company of Tiranë tops the list with the highest percentage, and exceeds the 100% mark by 10.8%. Apart from Tiranë, three other utilities achieved results above the benchmark for good performance (set at 80%) in 2011: Vlorë (104.6%), Elber (95.9%) and Shkodër (95.2%). Kavajë utility is ranked at the bottom of the group, showing a very poor financial performance with only 36% total cost recovery.

The graph shows that for 2011, the most positive year-on-year trend is exhibited by Elber utility, which improved cost coverage by 45.7%. Tiranë utility gained an additional 15.2%, and most others achieved improvements between 3.1% and 9.6%, with the exception of Durrës, Korçë and Fier utilities, which recorded negative developments (-6.7%, -5.6% and -4.9% respectively) as expenses increased at a higher pace than the revenue level. When compared to 2009 levels, Vlorë made significant improvements over the past two years (46.1%), whereas Kavajë has not yet managed to regain the large losses incurred in 2010, when cost coverage fell by 21.9%.

Graph 6: Total Cost Coverage for group 2 in 2011

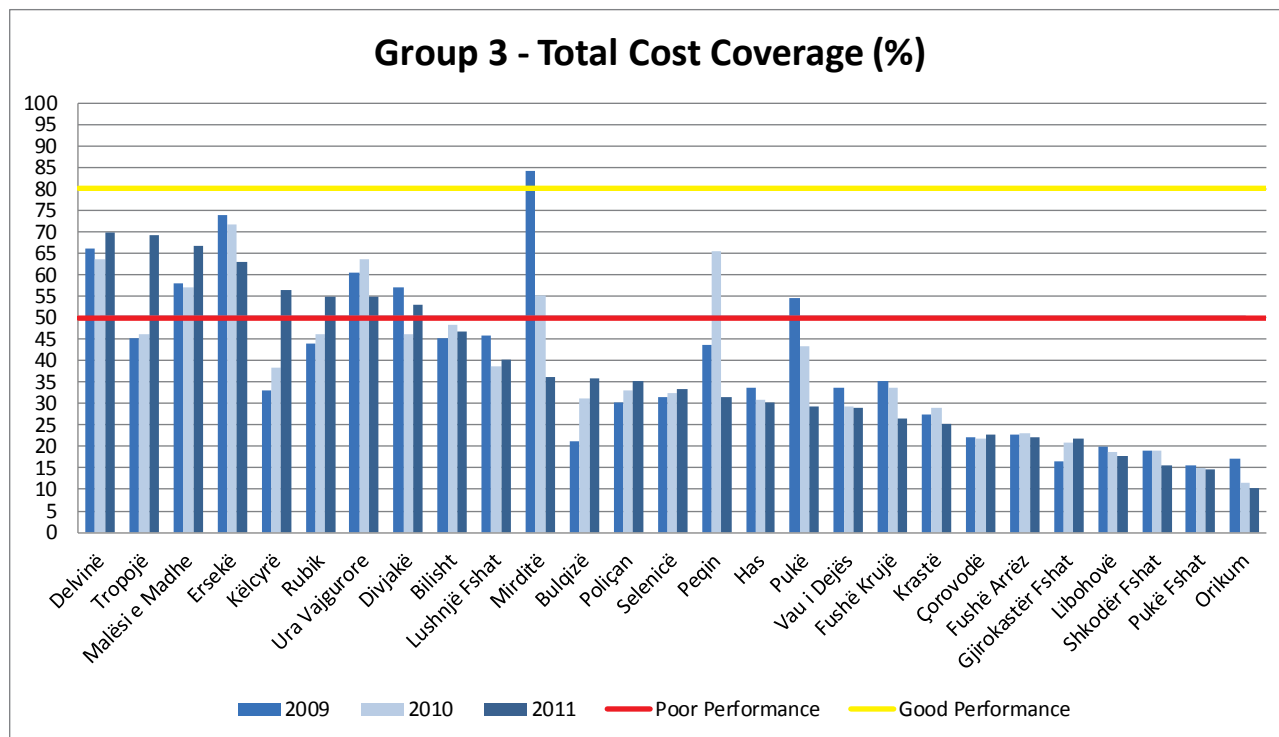


In group 2, Pogradec managed to exceed total cost recovery in 2011 (113.8%), making it the best performer in the group for the second year in a row. This excellent result is largely due to improvements in operational efficiency, as described in the conclusion section below. With 82.4% total cost coverage, Gjirokastër is the only other utility in the group to reach good performance above the 80% benchmark. By contrast, the poorly performing utilities of Sarandë, Rrogozhinë, Mallakastër, Korçë Fshat and Patos are not even able to recover 50% of their total costs, Patos trailing far behind with only 21.1% cost coverage.

For the majority of utilities (11 out of 19) this indicator deteriorated from 2010 to 2011. Downward changes of more than 5% were recorded by Krujë (-30.4%), Peshkopi (-21.4%), Burrel (-19.2%), Gramsh (-18.1%), Gjirokastër (-5.7%) and Mallakastër (-5.1%) utilities. Developments in Krujë highlight the importance of timely tariff adjustments: although the costs of materials, energy and services have increased significantly, tariffs have remained unchanged, as the company has not applied to the WRA for an adjustment since 2004.

The largest positive developments were reported by Kurbin (26.3%), Pogradec (16.1%), Tepelenë (11.1%), Lushnjë (10.9%) and Novoselë (9.9%), which managed to improve their financial situation. Kurbin utility has shown the biggest improvement within the group, and should now strive to move into the “acceptable” performance range.

Graph 7: Total Cost Coverage for group 3 in 2011



None of the utilities in group 3, which comprises almost half of the Albanian water supply and sewerage companies, achieved the 80% benchmark for good performance, and less than a third fall into the “acceptable” performance range above 50%. Of those, Delvinë utility is the best performer with 69.7% total cost coverage; Orikum utility lies at the opposite end of the spectrum, recovering only a small fraction of total costs from revenues (10.5%).

Fifteen out of the 27 utilities showed a negative development from 2010 to 2011, with the utilities of Peqin (-34.2%), Mirditë (-19.1%) and Pukë (-13.9%) recording the greatest falls in their total cost recovery rates. On the other hand, twelve water supply and sewerage companies succeeded in improving their performance, six of which significantly, that is by more than 5%: Tropojë (23%), Këlcyrë (18.1%), Malësi e Madhe (9.6%), Rubik (8.9%), Divjakë (6.9%) and Delvinë (6.1%).

Despite the external factors that have impacted on the utilities’ financial situation, there has been a lack of initiative and managerial effort to address the poor cost coverage rates. Ten of the utilities from this group have never applied for a tariff adjustment while another five utilities operate with tariffs approved in the period 2003-2006. The WRA will continue its efforts to encourage these service providers to apply for tariff adjustments.

Conclusion

On average, total cost coverage stood at 74% in 2011, up 7.4% against the previous year, which is moving towards the WRA’s benchmark level of 80%. The performance analysis shows that the best results were achieved by the larger water supply and sewerage companies and many small utilities remain dependent on external financial support, with little or no revenue available to reinvest.

A large proportion of total costs, 79.2% in 2011, derive from personnel costs, electricity bills and depreciation, the latter accounting for 20.3% of the total. These figures suggest that companies ought to explore the potential for making savings in their operations and maintenance budgets, as

discussed in more detail in the previous chapter (4.1). However, as the examples show, there is scope and in some cases an urgent need to address the revenue side of cost coverage, as tariffs no longer meet the utilities' requirements.

Lessons may be learnt from the overall top performer for this indicator, Pogradec water and sewerage company, where a combination of good management and well-targeted investments have achieved first-rate results. Near-universal metering has allowed the utility to control consumption and water loss reduction, thus requiring lower production, which in turn reduced energy costs. Better human resource management led to savings in personnel costs. At the same time, more revenue was secured through identification and billing of all customers within the service area, which was backed by improvements in service quality (such as water supply now being available 21 hours per day) and efforts to increase public awareness to pay for services.

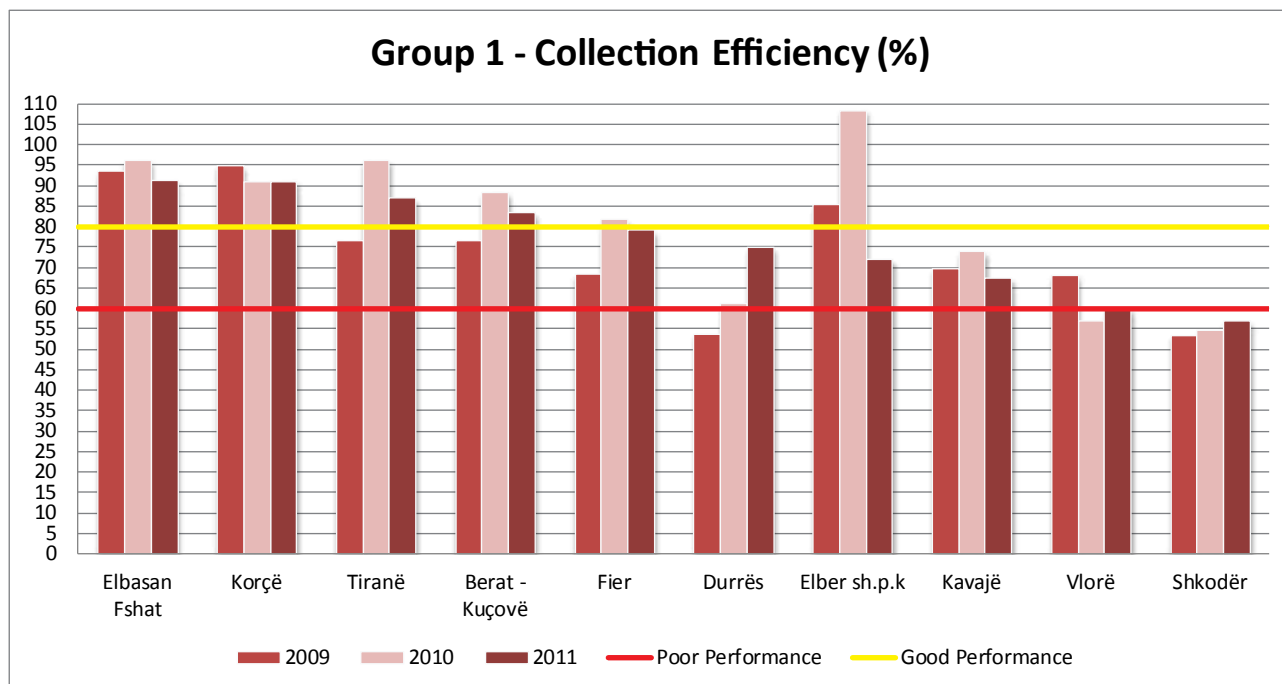
Of course, where companies have made loan-financed capital investments, the investment itself as well as the repayments that will become due add to the total cost. It is clear that especially financially weaker utilities will continue having to resort to donor and state funding for investments that will enable improvements in service delivery. However, the WRA supports the government's strategic objective to develop business plans as a means of managing, planning and monitoring investments, but also of planning the return on investments. The development of business plans ought to be a key activity for the utilities in 2012 and the following years. The WRA will shortly develop a Business Planning Guideline specifying the regulatory requirements that business plans must fulfil.

4.3 Collection Efficiency

Collection efficiency is the ratio between the amount billed for services to customers and the revenue actually collected. This indicator sheds light on how effective the company is in securing its liquidity. Good performance in collection efficiency is essentially a management task.

In 2011, the average collection efficiency for the water supply and sector was 79.9%, which is 6.1% less than the sector strategy target for this year. According to the strategy for the water supply and sewerage sector this indicator should increase each year by 2% and reach 98% in 2017.

Graph 8: Collection Efficiency for group 1 in 2011

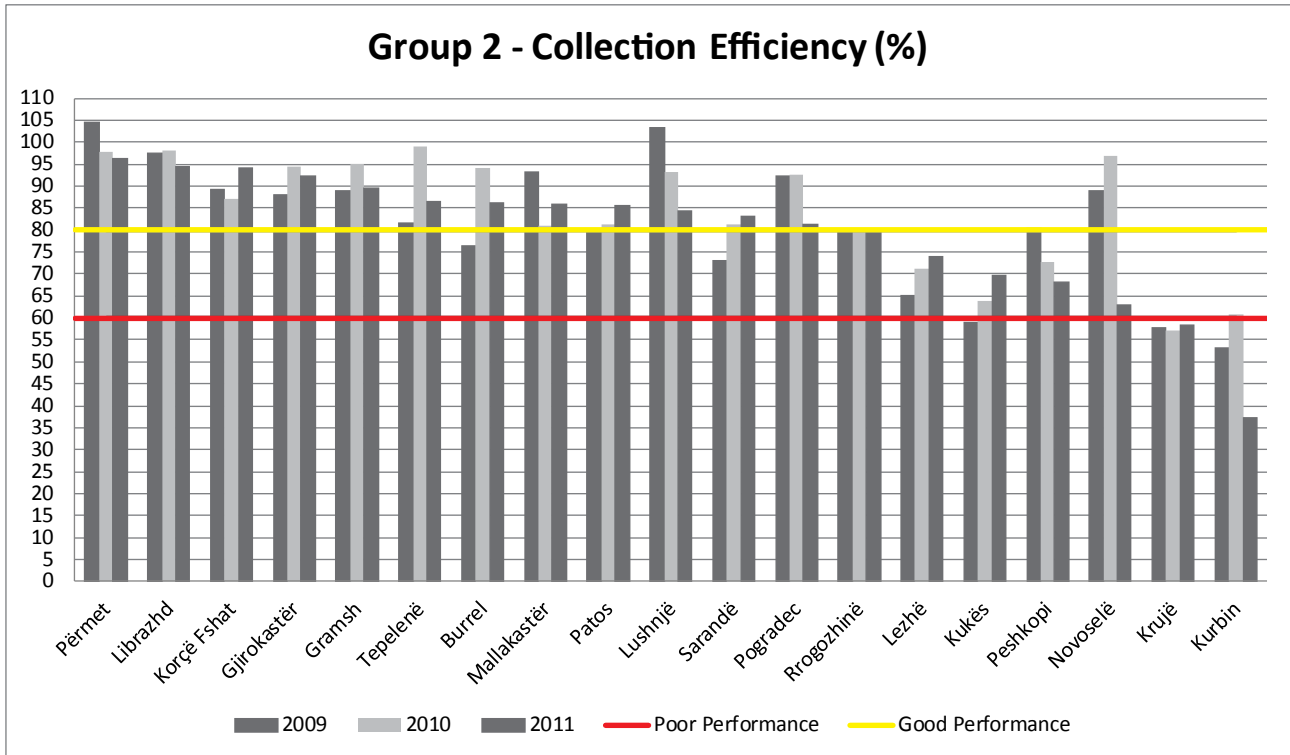


As illustrated by the graph, in the first group, Elbasan Fshat and Korçë are the utilities with the best performance in 2011 for this indicator with 91.1% and 91% respectively, while Tiranë (86.7%) and Berat-Kuçovë (83.3%) also show a good performance that exceeds the WRA benchmark of 80%. The poorest performance for this indicator in 2011 was recorded for the water supply company of Vlorë (59.7%) and the water supply and sewerage company of Shkodër (56.6%).

During 2011, six out of ten utilities of this group recorded a negative trend in their collection efficiency. The utilities that experienced a decline compared with the previous year are Fier (-2.6%), Elbasan Fshat (-4.8%), Berat-Kuçovë (-4.9%), Kavajë (-6.4%), Tiranë (-9.3%) and Elber (-36.5%), the latter showing the most significant negative development.

Durrës is the water supply and sewerage company which has consistently shown larger improvements over the 2009-2011 period. As a result of the work undertaken to improve the billing and collection system and providing customers with incentives to pay, through publicity campaigns as well as coercive measures such as disconnecting non-payers or taking customers to court, the utility managed to increase the collection rate by 21.2% between 2009 and 2011.

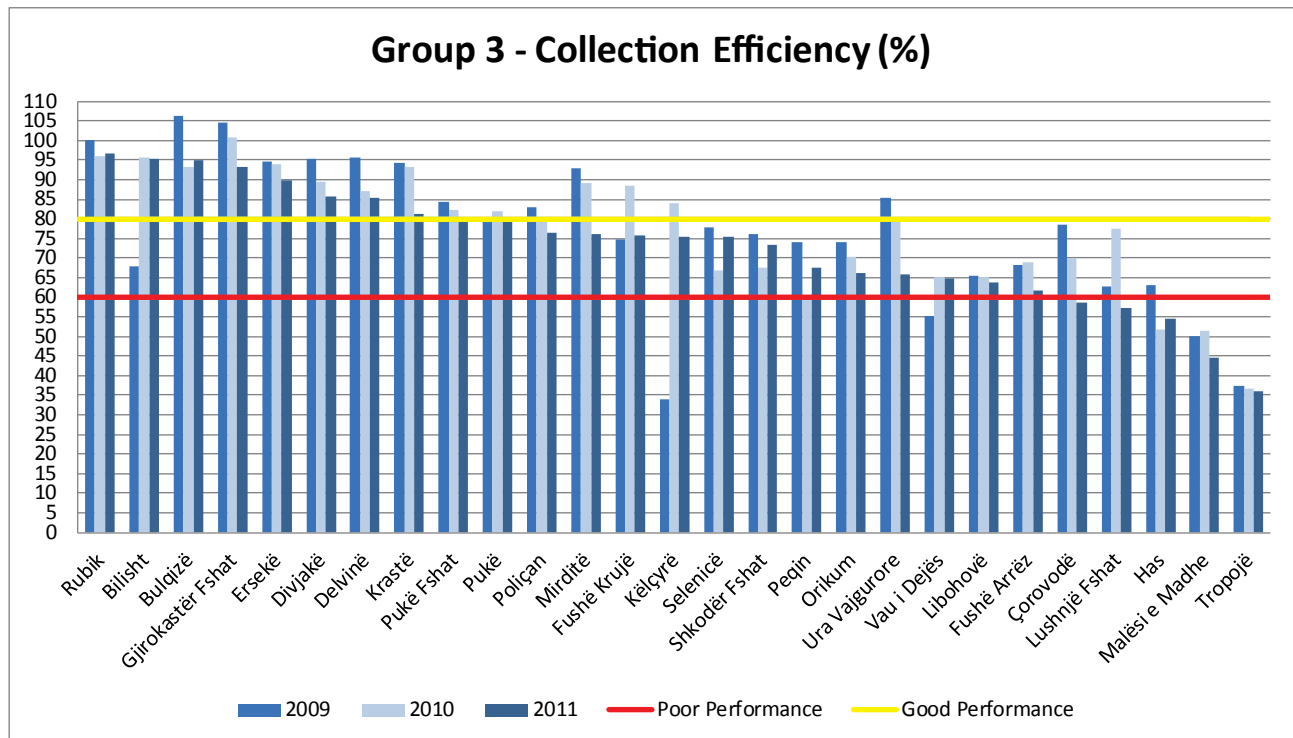
Graph 9: Collection Efficiency for group 2 in 2011



In the second group, twelve utilities show a good collection efficiency performance of over 80%. The best performance was demonstrated by the water supply company of Përmet with a collection rate of 96.3%. Only two utilities in this group lie below the red line for poor performance, collecting less than 60% of their invoiced bills: Krujë (58.4%) and Kurbin (37.4%).

An analysis of the trend for this indicator shows that only six utilities in this group show significant positive changes against the previous year. The company with the most positive trend since 2009 and a performance in the good range is Sarandë with a 10.2% improvement. From 2010 to 2011, some of the utilities have significantly regressed in their collection efficiency. Novoselë utility recorded the largest fall with -34% followed by Kurbin with -23.4%.

Graph 10: Collection Efficiency for group 3 in 2011



Of the 27 utilities in the third group, eight have a collection efficiency of more than 80%, the target level for good performance, 14 fall in the range of acceptable performance and five utilities collect less than 60% of their invoiced income. Here, Rubik is the utility with the best performance with 96.7% collection efficiency, whereas with 36% the water supply company of Tropojë performed worst.

The overall trend in this third group from 2010 to 2011 was negative. For the majority of the utilities, 21 out of 27, collection efficiency was lower in 2011 than during the previous year. The worst trend is displayed by Lushnjë Fshat utility, which has reduced its collection efficiency by 20.1%. Large reductions were also recorded for Ura Vajgurore (-13.7%), Mirditë (-13.1%), Fushë Krujë (-12.9%), Krastë (-12%), and Çorovodë (-11.4%). The largest improvements for this indicator were achieved by Selenicë, Peqin and Shkodër Fshat utilities, where the collection efficiency increased by 8.6%, 8.2% and 5.8% respectively. Looking at the trend from 2009 to 2010, Këlcyrë utility, due to an institutional reorganisation, was able to report a significant performance improvement of 41.4%.

Conclusion

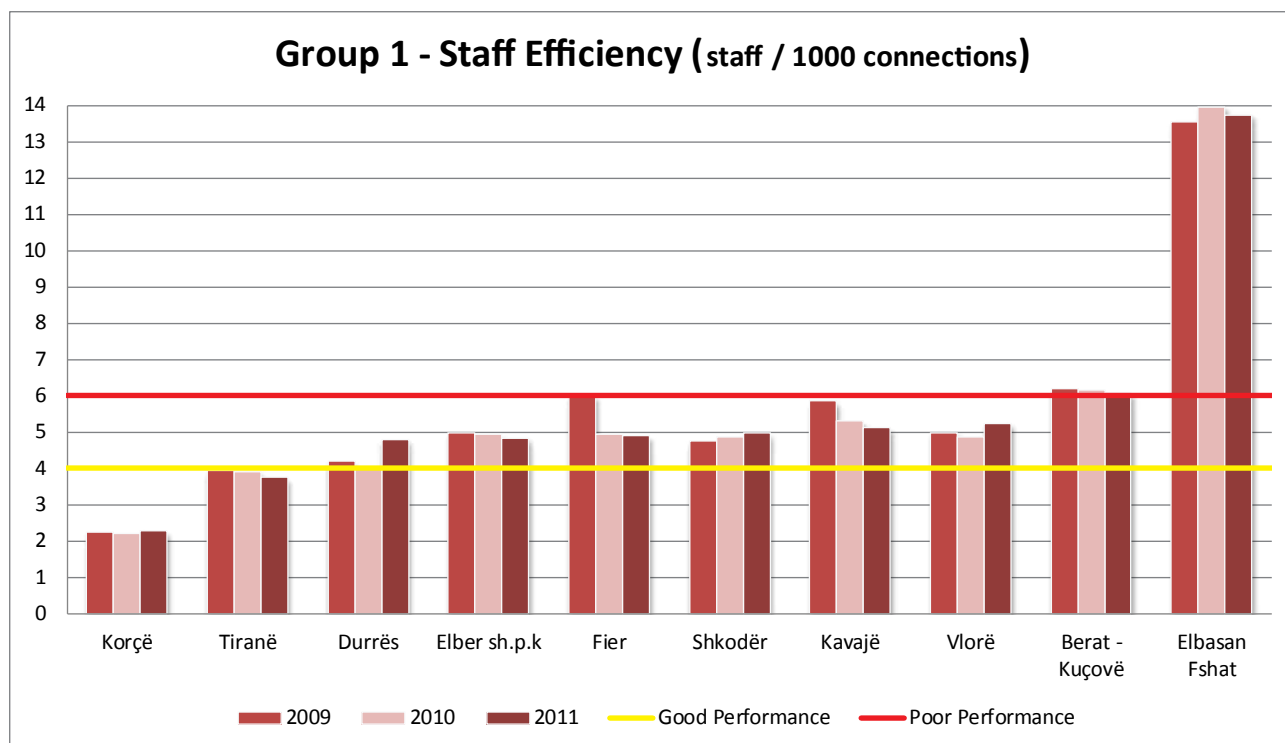
Overall, the observed decline in average collection efficiency (down by 4.3% in 2011 from 2010) is a matter of concern for the WRA. Collection of outstanding debts remains problematic in many cases. Few companies show evidence of sustained efforts to increase their collection rates. The WRA notes that in the majority of cases management needs to pay greater attention to timely billing and effective revenue collection to improve the financial sustainability of their companies. If utilities rely too much on alternative means of cash income, additional costs are generated for customers (in the case of bank loans) and society as a whole (where shortfalls are covered by subsidies).

The WRA would urge all utilities to follow the example of the lead performers in this category and take steps to secure their financial future. Systematic invoicing of all customers throughout the service area, facilitating payment by introducing client desks in accessible locations and offering modern payment options, as well as identifying problematic customers and enforcing payment all contribute to better collection efficiency. Evidence from a recent survey on “Citizen’s Perceptions of the Quality of Water and Sewerage Services” (2012) suggests that with improvements in KPIs that are related to service quality, utilities should have no difficulty in achieving higher levels of collection efficiency: a significant majority of customers even indicated a willingness to pay increased tariffs, provided these were matched by improvements in the quality of services they receive.

4.4 Staff Efficiency

Improving operational efficiency is a prerequisite for achieving higher standards of service, a primary objective of regulation. Given that personnel costs currently account for a high proportion of O&M costs of Albanian water and sewerage companies, the staff efficiency ratio provides valuable insights into potential room for increasing labour productivity, and thus overall efficiency. The indicator used to evaluate the staff efficiency is the number of employees per 1000 connections.

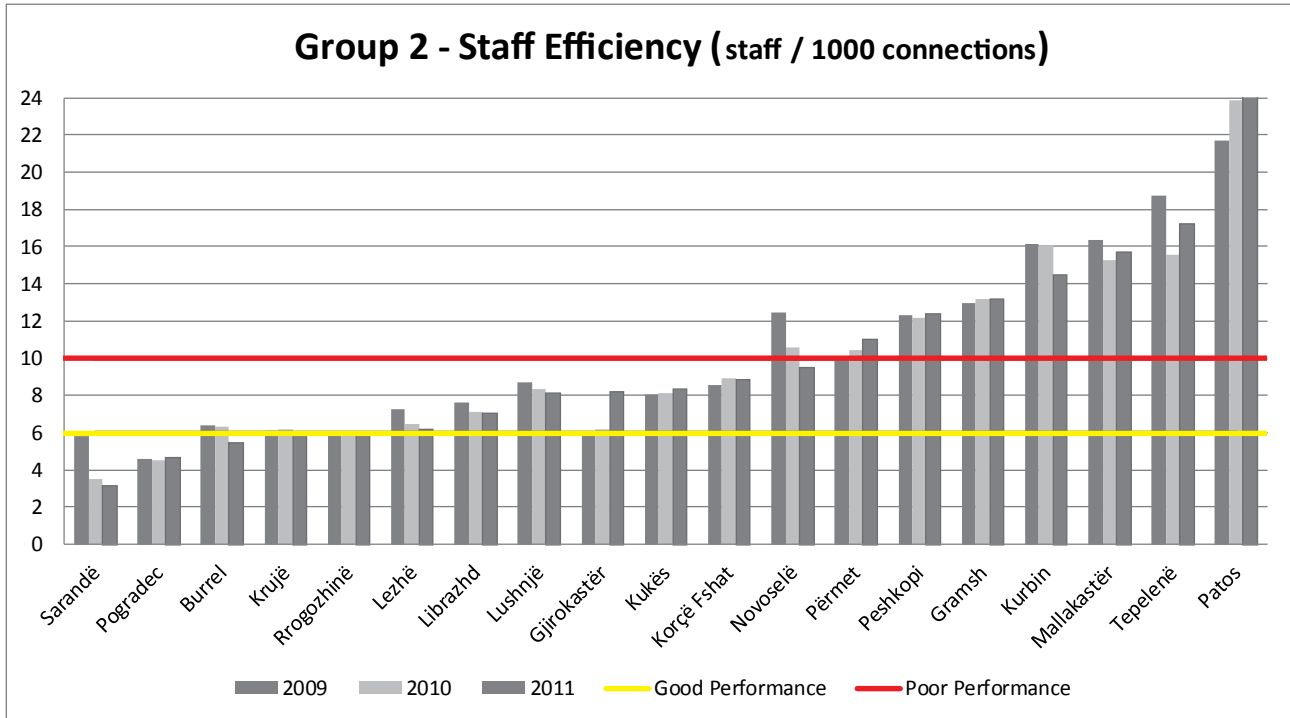
Graph 11: Staff Efficiency for group 1 in 2011



The above graph shows the ranking of the utilities in group 1 for 2011: with less than 6 staff per 1000 connections, nine of the ten fall within the acceptable performance range. Only one utility, however, can really be considered a good performer, and indeed has been leading the group on staff efficiency for several years now following considerable investments to modernise its infrastructure: the water supply and sewerage company of Korçë employs just 2.3 staff per 1000 connections. Meanwhile, Elbasan Fshat utility, though recording a slight improvement in comparison to the previous year, continues to be the utility with the highest staffing ratio of 13.7 employees per 1000 connections.

For the vast majority of utilities in this group, there have only been very small positive and negative variations in this indicator compared to the previous year. At Durrës utility, staffing has increased by almost 1 employee per 1000 connections, which is explained by a database update the utility has undertaken: all connections for which contracts have expired have been removed from the customer register, such that the utility has now arrived at a more realistic figure of its actual client base. Kavajë utility shows a positive trend over the last three years through increasing the number of connections while at the same time reducing the number of staff.

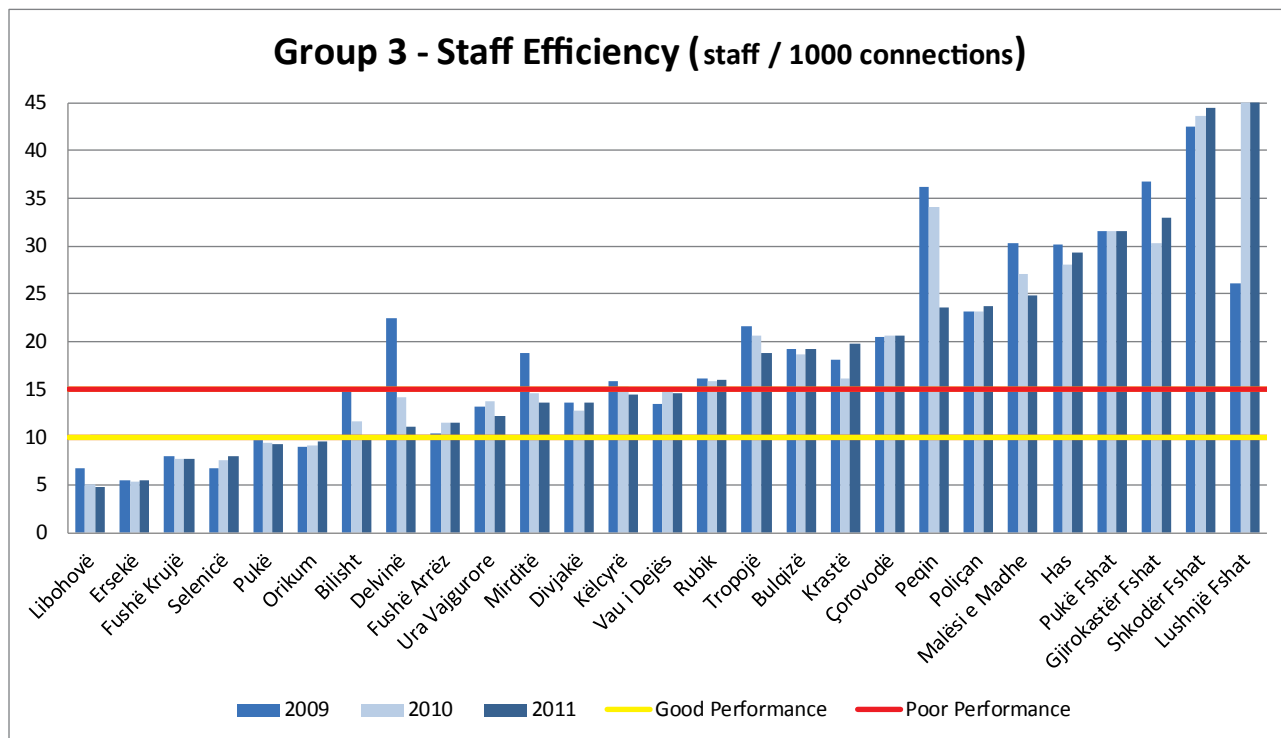
Graph 12: Staff Efficiency for group 2 in 2011



In the second group, the water supply and sewerage company of Sarandë is the utility with the best performance with 3.2 staff per 1000 connections, followed by Pogradec utility with 4.7 employees per 1000 connections. The poorest performer of the group is the company of Patos, which employs 26.2 staff per 1000 connections. Four utilities have achieved the WRA's target level for staff efficiency in 2011, employing less than 6 staff per 1000 connections. Eight other utilities show a performance in the acceptable range, which for group 2 varies from 6 to 10 staff per 1000 connections.

During 2011, the trend of this indicator has been positive for nine out of 19 of the utilities in this group, as the number of employees per 1000 connections was reduced compared to the previous year. The greatest efficiency improvement was achieved by the water supply company of Kurbin, where the staffing ratio fell by 1.6. By contrast, the greatest negative trend in staffing efficiency is reported by the water supply and sewerage company of Gjirokastrë, which employed 2 more staff per 1000 connections in 2011 than in the previous year, thus moving outside the range of good performance.

Graph 13: Staff Efficiency for group 3 in 2011



The third group includes those utilities whose staff efficiency reaches the largest number of staff per 1000 connections in the country. 20 utilities of this group have more than 10 employees per 1000 connections, which even for group 3 is not considered good performance by the WRA. Top performer of the group is the water supply company of Libohovë with 4.8 employees per 1000 connections. The graph highlights that the utilities with the lowest staff efficiency are Shkodër Fshat with 44.4 staff per 1000 connections and Lushnjë Fshat with 126.8 staff per 1000 connections¹⁴. Upon closer inspection, these apparently extreme inefficiencies arise, at least partly, as a result of changes in the client structure: instead of providing a direct service to customers, these two utilities are now selling bulk water to a number of communes that then supply the individual connections. The WRA is currently working to clarify the legal basis concerning the sale of bulk water to third parties inside the service area of a utility.

In this group, 13 out of 27 of the utilities have increased their staff efficiency, either through reorganisation of their staff structure or through an increase in the number of connections. The most positive trend was achieved by the water supply company of Peqin, which has reduced the number of employees per 1000 connections by 10.5. This is a result of the number of connections in 2011 having increased by approximately 60% compared to the previous year. Delvinë also has shown a considerable trend of improvement from 2009 and now employs 11.4 staff per 1000 connections less than two years ago. For almost half of the utilities in group 3, however, the trend from 2010 to 2011 for this indicator has been negative.

¹⁴ Staff efficiency at Lushnjë Fshat actually lies off the scale of the graph, which for legibility reasons displays only a maximum of 45 staff per 1000 connections.

Conclusion

While many utilities need to considerably increase their efforts to improve staff efficiency, nearly a quarter of the utilities (13 out of 56) have reached and even surpassed the target level for good performance set for their respective groups. In view of the overall sector strategy target to achieve financial sustainability via cost recovery improvements, the observed overstaffing and/or low levels of staff productivity remain a serious concern for the WRA. Improving staff efficiency is not only a crucial element of improving operational efficiency, reductions in labour costs will also be positively reflected in the balance sheet, freeing up much-needed finance.

As an incentive for utilities to increase the productivity of their workforce, staff efficiency has been selected as one of the KPIs for which WRA will set individual targets for each water company as part of the tariff adjustment process. The key to success for reaching performance targets for this indicator lies in the optimisation of the organizational structure, selection of qualified, motivated and dedicated staff, determination of internal operational procedures, delegation of tasks and responsibilities and increasing the number of clients.

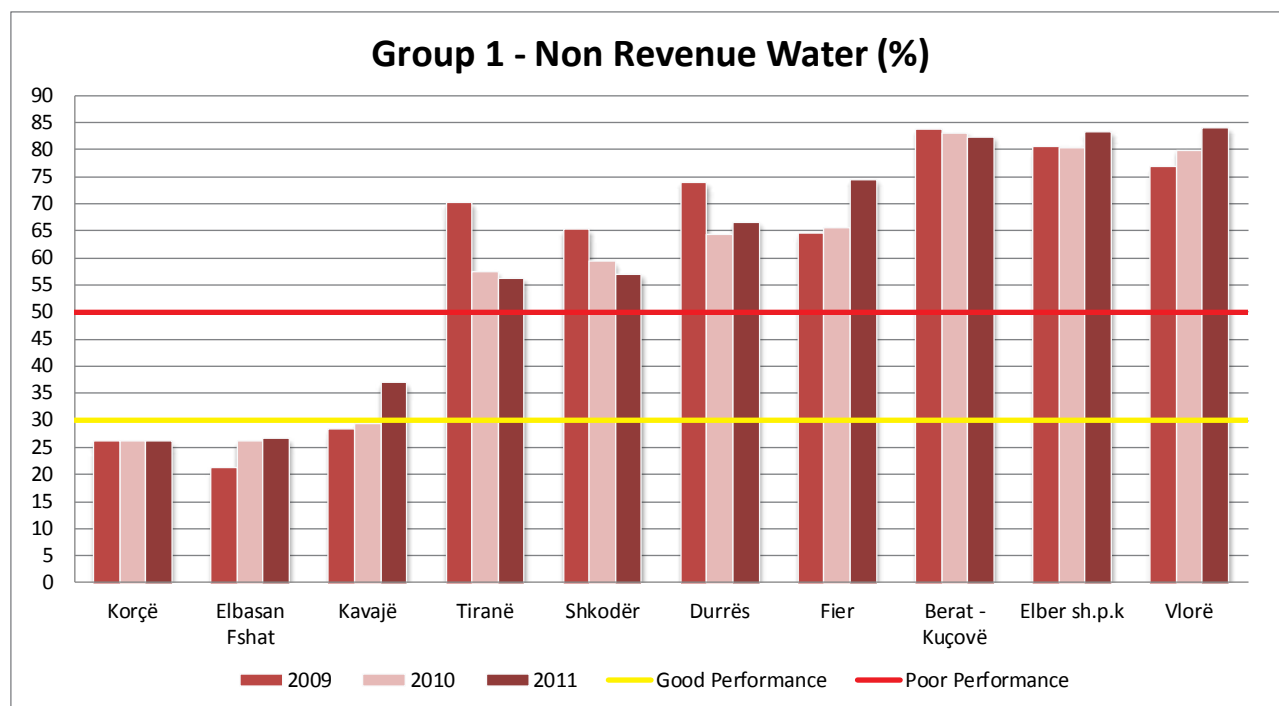
The international experience suggests that the highest levels of staffing efficiency are most easily achieved by larger companies, and in urban or otherwise densely populated areas. For small Albanian water utilities or those serving extensive rural areas, inefficiencies may provide an argument for regionalisation of service providers, although the above analysis proves that even the smallest units may perform well if under good management.

4.5 Non-Revenue Water

Non-revenue water (NRW) is defined as the percentage of the total quantity of water produced which is 'lost' in the sense that it is not billed to customers and hence does not generate revenues for the utility. This definition includes both 'real' or technical water losses (i.e. the physical leakages from the distribution system or storage overflows) and the 'apparent' or commercial losses, which refer to water supply that actually reaches users but generates no revenue as a result of unauthorised consumption, metering inaccuracies and data handling errors. As technical losses increase operating costs, and at the same time commercial losses reduce income, NRW has a direct and significant impact on a utility's cost coverage and financial sustainability.

In 2011, the total water production of the 56 Albanian water utilities was 284,294 m³, the recorded water sales volume, however, just 103,725 m³. The 2011 sector average of 63.5% NRW is significantly higher than the WRA benchmark for poor performance (50%) and needs to be reduced by more than a third to achieve the sector strategy target for 2017 of 40%. The actual proportions of technical and commercial losses are unknown, partly due to the low level of metering in many water systems, as discussed in chapter 4.6 (KPI Metering Ratio). As the national sector strategy also notes, there is little doubt about the existence of a significant number of illegal or unregistered connections throughout Albania. It is worth bearing in mind that much of the analysis presented below is necessarily based on utilities' assumptions and estimates.

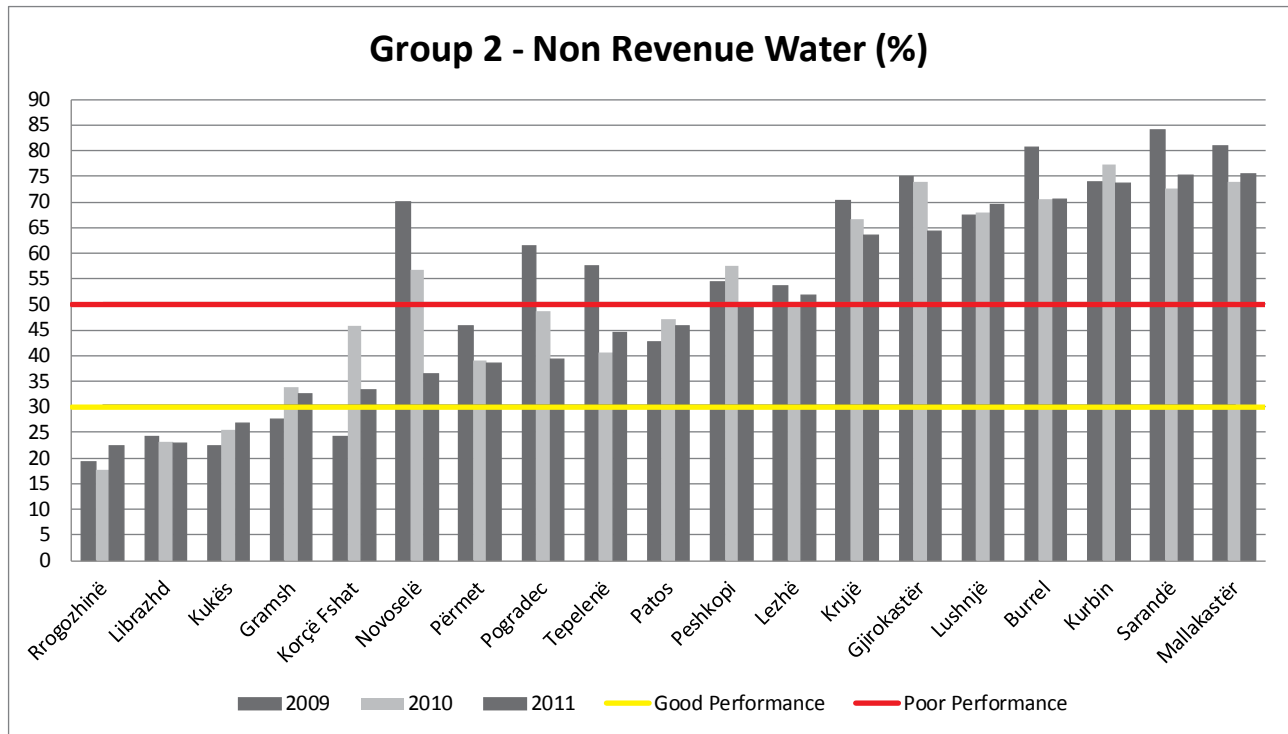
Graph 14: Non-Revenue Water for group 1 in 2011



The above graph provides an overview of NRW for the utilities of the first group. Here, Korçë and Elbasan Fshat utilities have the lowest levels of NRW with 26.2% and 26.7% respectively. NRW levels at Kavajë utility, which in previous years was in the good performance range (below 30%), deteriorated by 7.7%, slipping into the acceptable range in 2011. Vlorë utility has shown the poorest performance, with NRW reaching a drastic 83.9%. For seven out of ten utilities in this group NRW is above the 50% benchmark indicating a very poor level of performance and a strong need for further improvements.

Looking at the trends from 2009 to 2011, the utilities of Tiranë, Shkodër and Durrës have made significant progress in the reduction of NRW, achieving -14%, -8.4% and -7.4% respectively. On the other hand, the most negative developments were observed over the period in Fier (+9.9%), Kavajë (+8.7%) and Vlorë (+7.1%).

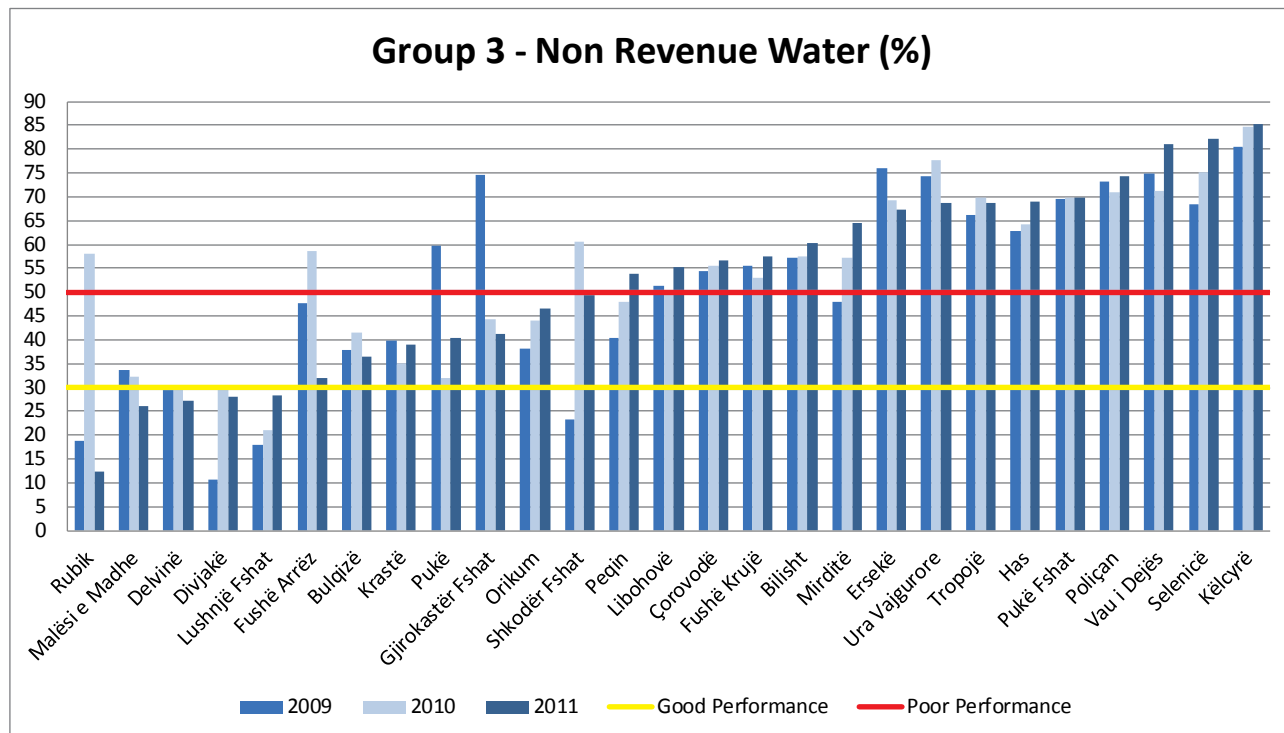
Graph 15: Non-Revenue Water for group 2 in 2011



Most of the utilities in group 2 recorded very high levels of non-revenue water. The top performers Rrogzhiinë (22.5%), Librazhd (22.9%) and Kukës (26.7%), however, have managed to remain in the range of good performance for the last three years, keeping their NRW below 30%. Despite some improvements over the 2009-2011 period, Sarandë and Mallakastër utilities have the highest NRW, amounting to 75.3% and 75.4% in 2011. The utilities of Krujë, Gjirokastër, Lushnjë, Burrel and Kurbin also have, for three years in a row, shown a poor performance for this indicator above the 50% NRW threshold level.

For five utilities of this group the trend for the NRW indicator has been noticeably positive, with NRW levels decreasing by more than 5% compared to 2010. Novoselë utility leads the group with a 20.3% reduction in NRW compared to last year, followed by Korçë Fshat utility with a NRW reduction of 12.6%. The utilities of Gjirokastër (-9.7%), Pogradec (-9.4%) and Peshkopi (-8.1%) also achieved significant reductions in 2011. However, these achievements must be viewed in the context of low levels of metering (in particular for Novoselë with a metering ratio of less than 5%) and the high probability of errors arising from the common practice of working with estimated figures. Developments in Pogradec utility can be commented on with more confidence as, due to the utility's high metering ratio (95%), NRW figures are based on actual measurements. Here, the observed loss reductions were a result of combining rehabilitation investments in the water supply system, installation of bulk, zonal and customer meters, disconnecting of illegal connections and improved billing.

Graph 16: Non-Revenue Water for group 3 in 2011



The levels of non-revenue water are considerable in the third group. In 2011, more than half of the utilities – 15 out of 27 utilities – have shown a poor performance, with NRW in excess of 50%. The available data suggests that Rubik utility leads the group with very low levels of NRW (12.3%), although the extreme variations in NRW reported by the company over the last three years call this achievement into question. With NRW reaching 85.4% in 2011, Këlcyrë utility is the worst performer not only of the group, but overall.

Seven utilities in group 3 record significant increases in NRW: Libohovë (+5.4%), Peqin (+5.7%), Selenicë (+7%), Mirditë (+7.4%), Lushnjë Fshat (+7.4%), Pukë (+8.4%) and Vau i Dejës (+9.7%), the latter being the utility with the most negative trend for this indicator from 2010 to 2011.

On a more positive note, five utilities have managed to significantly reduce NRW in 2011: Malësi e Madhe (-6.3%), Ura Vajgurore (-9%), Shkodër Fshat (-11.1%), Fushë Arrëz (-26.8%) and Rubik (-45.8%). NRW levels for Shkodër Fshat, which showed high variations from 2009 to 2010, can be explained by the fact that the utility amended its billing system in 2010 and since then has been invoicing one commune that was supplied before, but was not billed.

Conclusion

The performance analysis shows that non-revenue water levels remain unacceptably high for the majority of utilities. Even with the uncertainties surrounding some of the available data, the figures are alarming for the WRA. In view of the precarious financial situation of many water companies, urgent action is required to reduce unnecessary expenses arising from overproduction. Moreover, ways need to be found to tackle the suspected high proportion of commercial losses.

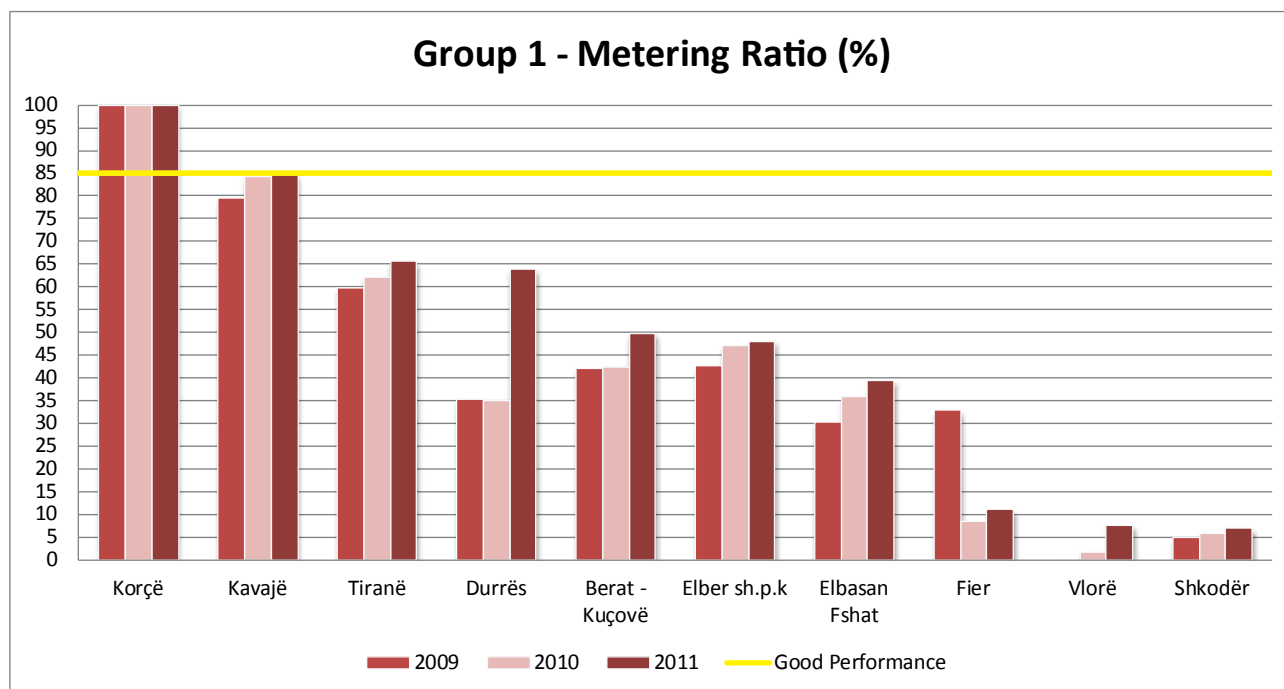
Experience from better performing companies suggests that extensive investment programmes to replace old infrastructure are not the only starting point to reduce NRW, although utilities do need to study the technical performance of their supply networks, improve their asset management and switch to more proactive leakage management strategies. There are indications that large shares of currently uncaptured revenue can be recovered relatively easily by concentrating on water supply that simply is not billed to users. Successes have been achieved by some utilities through systematic identification and disconnection or legalisation of illegal connections, as undertaken by Tiranë and Durrës, as well as updating of customer databases and billing systems, such as in Pogradec and Shkodër Fshat.

The WRA is aware that NRW reduction and control is complex and time consuming. Although many utilities are not yet in a position to identify the exact points where technical losses occur, due to the absence of bulk and zonal metering, the WRA urges all utilities to undertake water audits to establish a water balance, in as much as this is possible, and draw up action plans for NRW reduction. The WRA is prepared to assist the utilities by devising appropriate long-term regulatory strategies and instruments and will continue to lobby for policies, investment strategies and legislation that support the utilities to address real and apparent losses.

4.6 Metering Ratio

The metering ratio measures the proportion of metered connections as a percentage of the total number of customer connections. In 2011, the average metering ratio for water supply in Albania stood at 50.6%. The trend of this indicator for the sector overall has been positive with a 6% increase compared to the metering levels recorded one year ago. The interim strategy target of 48% for 2011 having been met, metering must now increase steadily to achieve the 85% by 2017 as set out in the National Water Supply and Sewerage Services Strategy 2011-2017, which corresponds to the WRA benchmark for good utility performance.

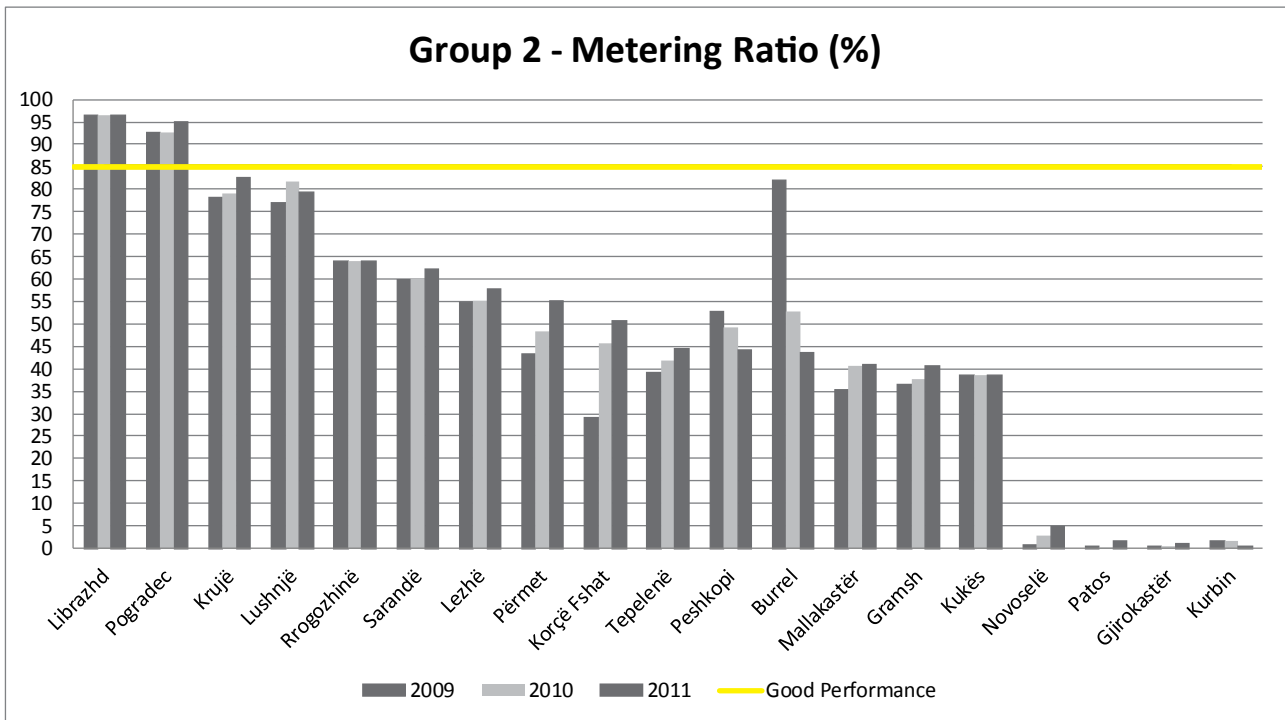
Graph 17: Metering Ratio for group 1 in 2011



In the first group, the top performer and only utility with a metering ratio of 100% is the water supply and sewerage company of Korçë. All other utilities are below the benchmark line of good performance, although Kavajë is nearly on target with 84.9% metered consumer connections. Notwithstanding a slight improvement in this indicator in 2011 against the previous year, the water supply company of Shkodër remains the utility with the lowest metering ratio of only 6.9%.

The proportion of metered connections shows a positive trend in this group, with all utilities (except Korçë, naturally) having increased their metering ratio, however with marginal improvements in some cases. The most significant positive trend is observed for Durrës utility, which, in the year 2011, increased this indicator by 29.1% to a total of 64%. Noteworthy progress was also achieved by Berat-Kuçovë (7.5%) and Vlorë (6%) utilities. Progress nearly stagnated in Kavajë as well as in Shkodër and Elber, where the number of metered customer connections increased by just 1.1% compared to 2010.

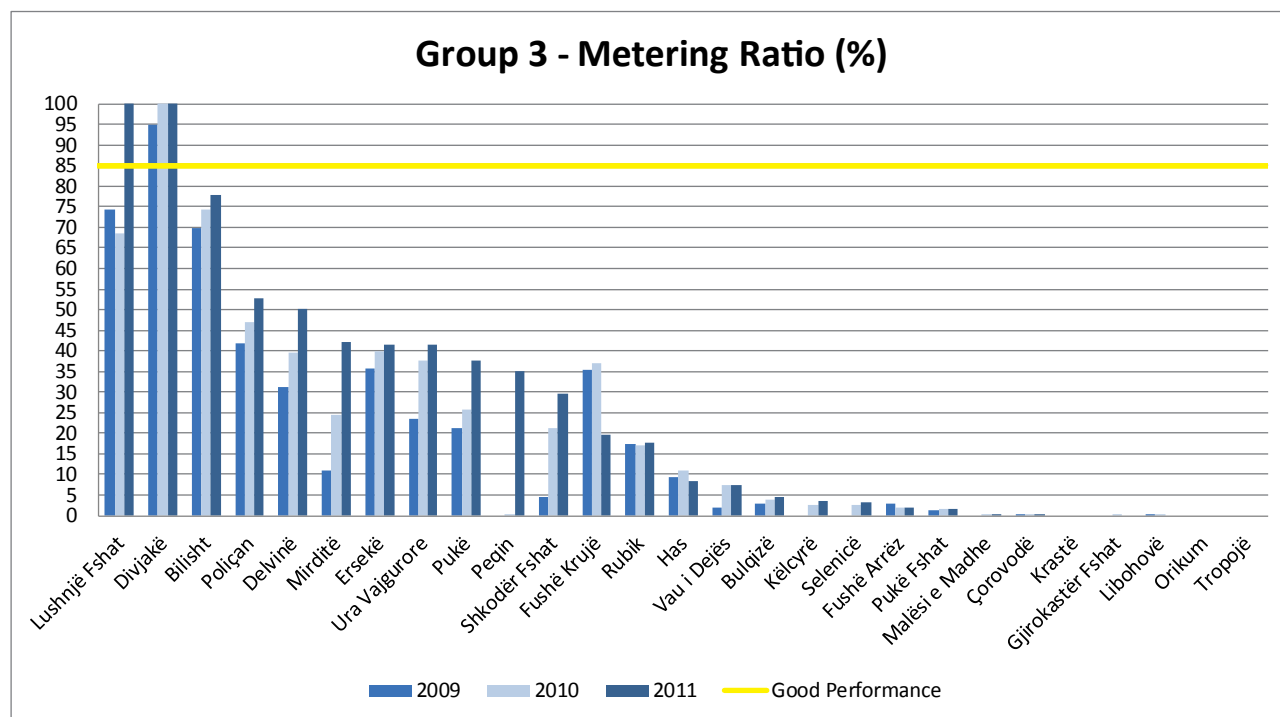
Graph 18: Metering Ratio for group 2 in 2011



In the second group, two utilities have already reached the good performance range above 85% in 2011: Librazhd (96.4%) and Pogradec (95%), who are among the top performers in the country. For several years now, these two utilities have shown outstanding performance with regard to this indicator, offering metered service to almost all of their customers. They are closely followed by Krujë (82.7%) and Lunshnjë (79.3%), who are close to the benchmark for good performance. On the other end of the spectrum, the companies of Novoselë, Patos Gjirokastrë and Kurbin show very poor performance with a metering ratio below 5%.

During 2011, most utilities in this group showed little progress for this indicator. Looking at the developments from 2009, the water supply companies of Përmet (+6.8%) and Korçë Fshat (+5%) recorded the largest improvements. The most negative trends from 2009 are shown by Peshkopi (-4.9%) and Burrel (-9.1%) utilities. Poor performance in Burrel is explained by a combination of reasons, such as extreme winter temperatures causing damage to meters, some of which are also reaching the end of their serviceable life, and a general lack of maintenance, repair and/or replacement.

Graph 19: Metering Ratio for group 3 in 2011



The third group exhibits large variations in metering ratio performance, and includes the utilities with the lowest overall performance for this indicator: 22 out of 27 utilities have less than 50% metered connections. For seven companies (Tropojë, Orikum, Libohovë, Gjirokastër Fshat, Krastë, Çorovodë, Malësi e Madhe) the metering level was below 1% in 2011. On the other hand, Divjakë and Lushnjë Fshat are the best performers in this group, offering 100% metered service, according to the available data. In the latter case, the number of customer connections was drastically reduced as the company started to supply bulk water instead of direct service to a large number of customers. A high proportion of metered supply (77.8% of all connections) is also reported from Bilisht, which at current rates of progress should soon reach the WRA benchmark for good performance.

The most positive trend is observed for Peqin utility, which started to install meters in 2011 and had reached a metering ratio of 35.2% by the end of the year. The following utilities also increased their metering ratio by more than 10% from 2009: Lushnjë Fshat (+28.5%), Mirditë (+29.7%), Shkodër Fshat (+22.5%) Delvinë (+15.7%), Ura Vajgurore (+14.1%), Pukë (+13.4%) and Poliçan (+11.4%). Significant negative developments since 2009 were reported for the utilities of Fushë Krujë (-17.4%) and Has (-6.1%).

Conclusion

Many utilities still have a long way to go to achieve the declared long-term government objective of universal customer metering. The advantages of replacing the customary approach of charging flat rate tariffs based on estimated consumption with exact volumetric billing are clear: introducing a direct link between the amount of water used and the size of the customer's bill discourages wasteful consumption, which currently adds significantly to the utilities' financial losses. Metering end user supply also allows water companies to adjust their production to reflect true demand, reducing the production costs, and provides useful information for active leakage management.

The WRA actually perceives an increasing demand among Albanian customers for the installation of household meters. Customers are beginning to understand the distinct advantages of metered supply: the ability to track and take control of their own water expenses. In turn, their willingness to pay for services they definitely use is increasing, as the WRA's survey on customers' perceptions indicated.

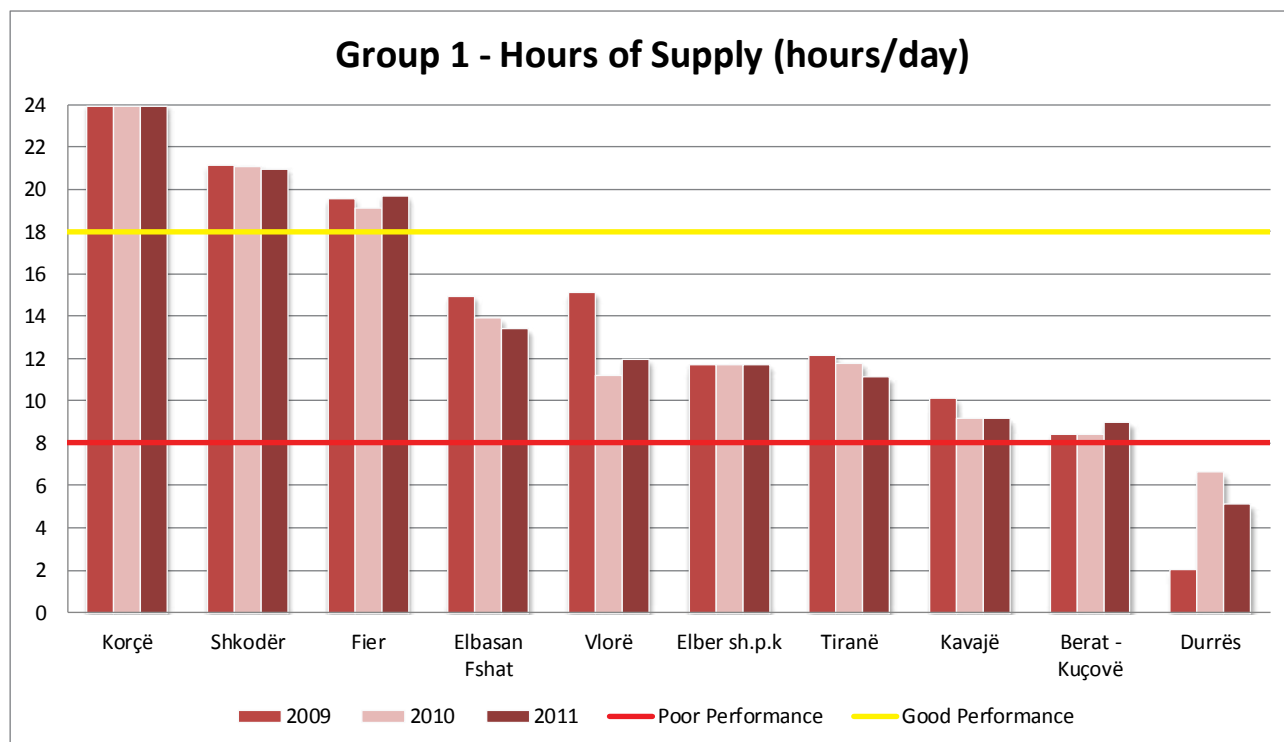
The WRA has taken action to reduce the high levels of unmetered supply by introducing compulsory metering for all new connections. Furthermore, with reference to two Council of Ministers Decisions¹⁵, utilities were issued with a request to install meters for all non-domestic customers (private/commercial and public/institutional customers) by the end of 2010. The response was unsatisfactory in that metering of non-household customers increased by just 2% for private/commercial and 1% for public/institutional customer connections during 2011, and only eleven utilities (Delvinë, Divjakë, Fushë Krujë, Kavajë, Korçë, Korçë Fshat, Librazhd, Lushnjë Fshat, Përmet, Pogradec and Pukë) have completed meter installations for all private/commercial connections. The WRA considers all companies capable of complying with the new metering policy at minimal cost and inconvenience to themselves and expects swift implementation, which will be monitored closely.

¹⁵ CMD No. 236 of 10.05.1993 and CMD No. 96 of 21.02.2007.

4.7 Hours of Supply

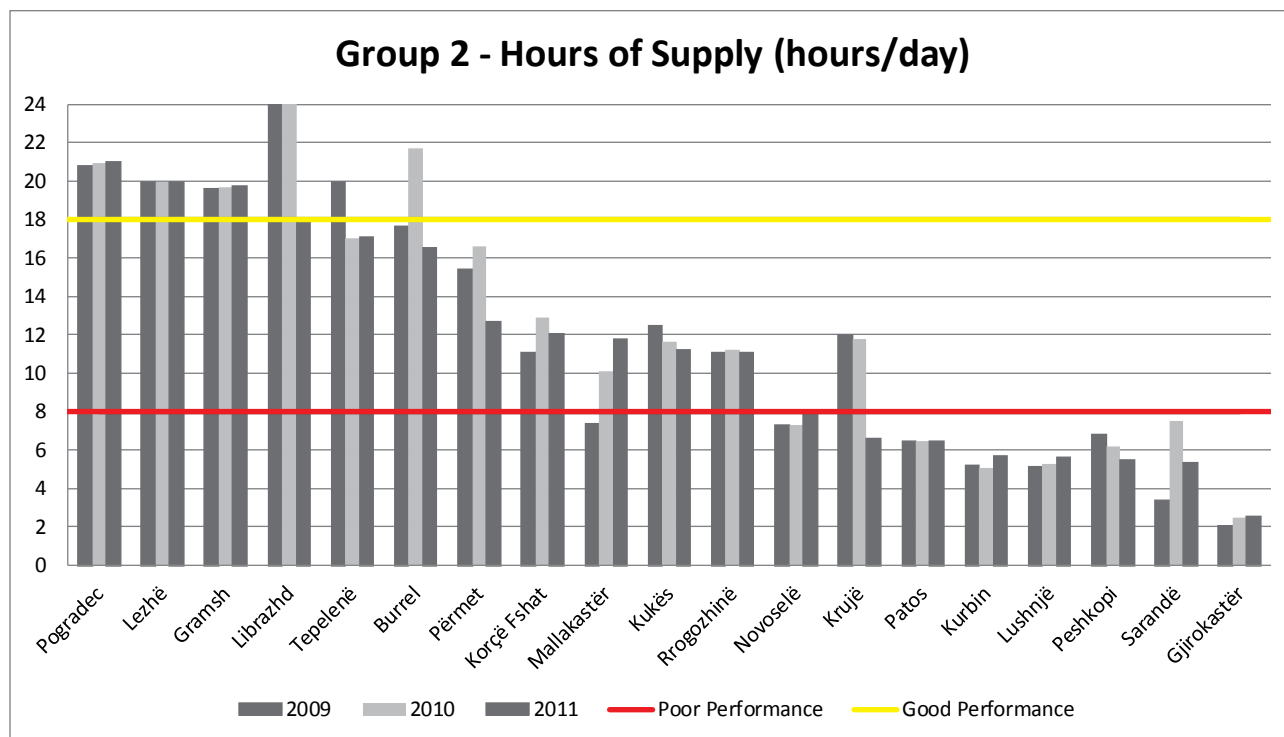
One of the main indicators of the service quality a utility provides is the average number of hours water supply is available to consumers per day. From the point of view of consumers continuity of service, along with drinking water quality, ranks high on the list of priorities, not least because improvements in either area reduce the need for costly alternative supply options. Especially where availability is far less than the ultimate goal of a continuous 24-hour service (the current sector average being 10.9 hours/day), any increase in service hours will be welcome and noticeable to users.

Graph 20: Hours of Supply for group 1 in 2011



The water supply and sewerage company of Korçë is the only utility that provides a continuous 24-hour water supply service. Shkodër and Fier provide 21 and 19.7 hours per day respectively, thus also achieving a very good performance according to the WRA target of 18 hours per day. Most of the utilities in the group provide water for between 9 and 13.4 hours per day, with only Durrës utility remaining in the poor performance range with 5.1 hours per day. Even though Durrës had previously made important steps forward, significantly improving this indicator in 2010, it was not able to sustain these improvements, and service hours in 2011 fell by 1.5 hours/day. Looking at the trend from 2010 to 2011, three utilities were able to slightly increase their service hours: Vlorë (0.8 hours/day), Fier (0.6 hours/day) and Berat-Kuçovë (0.5 hours/day). However, the performance of the utilities in this group is not considered satisfactory by WRA standards.

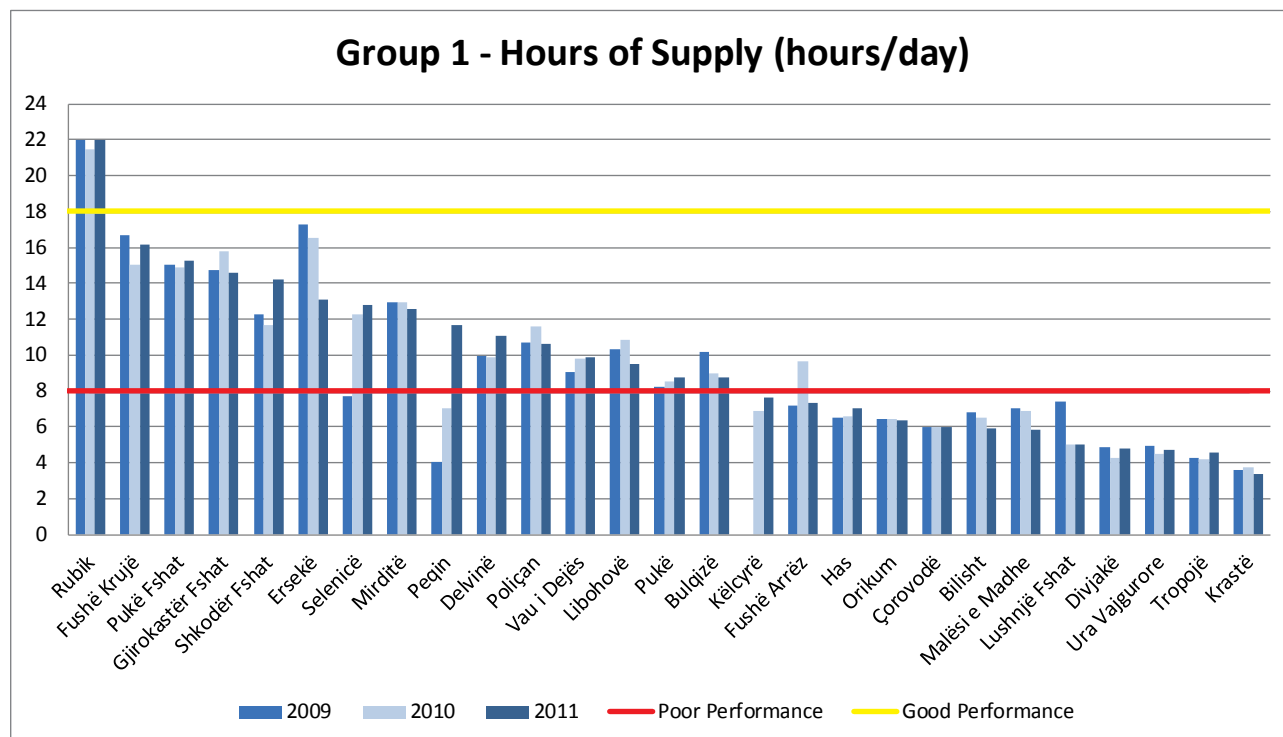
Graph 21: Hours of Supply for group 2 in 2011



In the second group, only three out of the 19 utilities – Pogradec, Lezhë, and Gramsh – have achieved good performance with regard to the continuity of service in 2011, supplying water for more than 18 hours per day. The best performer is Pogradec with 21 hours/day. For eight utilities – Novoselë, Patos, Kurbin, Lushnjë, Peshkopi, Sarandë, Gjirokastrë and Krujë – the level for this indicator is under the threshold for poor performance (8 hours/day). The worst performer in this group is Gjirokastrë utility, where customers receive only 2.6 hours of water supply per day.

During 2011, there has been generally a decrease of the number of water supply hours per day compared to the previous year. Hours of supply have significantly decreased for the utilities of Librazhd (-6.2 hours/day), Burrel (-5.2 hours/day), Krujë (-5.2 hours/day), Përmet (-3.9 hours/day) and Sarandë (-2.2 hours/day). In the case of Krujë utility, customers had to cope with a drastic reduction of service hours from 12 hours in 2009 to 6.6 hours of water supply per day in 2011 due to the large damages done to its pipeline system during the cold winter months. The most positive trend was observed for Mallakastër, who managed to provide 4.4 hours more per day since 2009.

Graph 22: Hours of Supply for group 3 in 2011



Utilities in the third group on average provide the lowest number of service hours per day. Rubik stands out as the only good performer, at 22 hours per day providing better service than any other utility except group 1 leader Korçë. 14 utilities fall into the range of acceptable performance and supply between 8 and 18 hours a day. The worst performing utility is Krastë, which has been providing 3.4 hours of water per day and not more than 4 for the last years.

The largest increase in service hours was reported by Peqin (4.6 hours/day) and Shkodër Fshat (2.6 hours/day) utilities. In Peqin, service hours had already increased by 3 hours/day in the previous year, meaning that customers now enjoy an extra 7.6 hours a day compared to 2009. Utilities that recorded a noteworthy deterioration for this indicator include Fushë-Arrëz (-2.3 hours/day) and Ersekë (-3.5 hours/day). Here, the poor state of the ageing supply systems is aggravated by lack of investment and poor management.

Conclusion

An analysis of the three groups shows that, on average, Albanian consumers received 10.9 hours of continuous water supply per day in 2011. While this is an inconvenience to be compensated for by installing sufficient storage on the customer's premises, non-continuous service also affects drinking water safety due to a heightened risk of cross-contamination, as discussed in chapter 4.8 (KPI Drinking Water Quality).

The WRA would like to see more and sustained improvements across the three groups. Too many customers have experienced a decline in service hours in 2011. A risk associated with a poor service hour performance is that large (commercial) customers might look for alternative supplies. This can have serious consequences for a utility, which may for this reason lose potential revenues. Experience from well-performing utilities in all three groups shows that achieving an acceptable level of service hours does not only depend on investment levels but can also be achieved by a willing and professional management.

Service improvements for customers are a priority of the WRA, which acknowledges the importance of service hours – both in terms of the better service and the implications for water quality – by including performance targets for this KPI into the revised tariff adjustment process. Hours of supply will be monitored closely against the targets set for the utilities, who will be required to set clear internal objectives in their business plans and take the necessary steps to achieve improvements, which will involve addressing interlinked KPIs, such as non-revenue water.

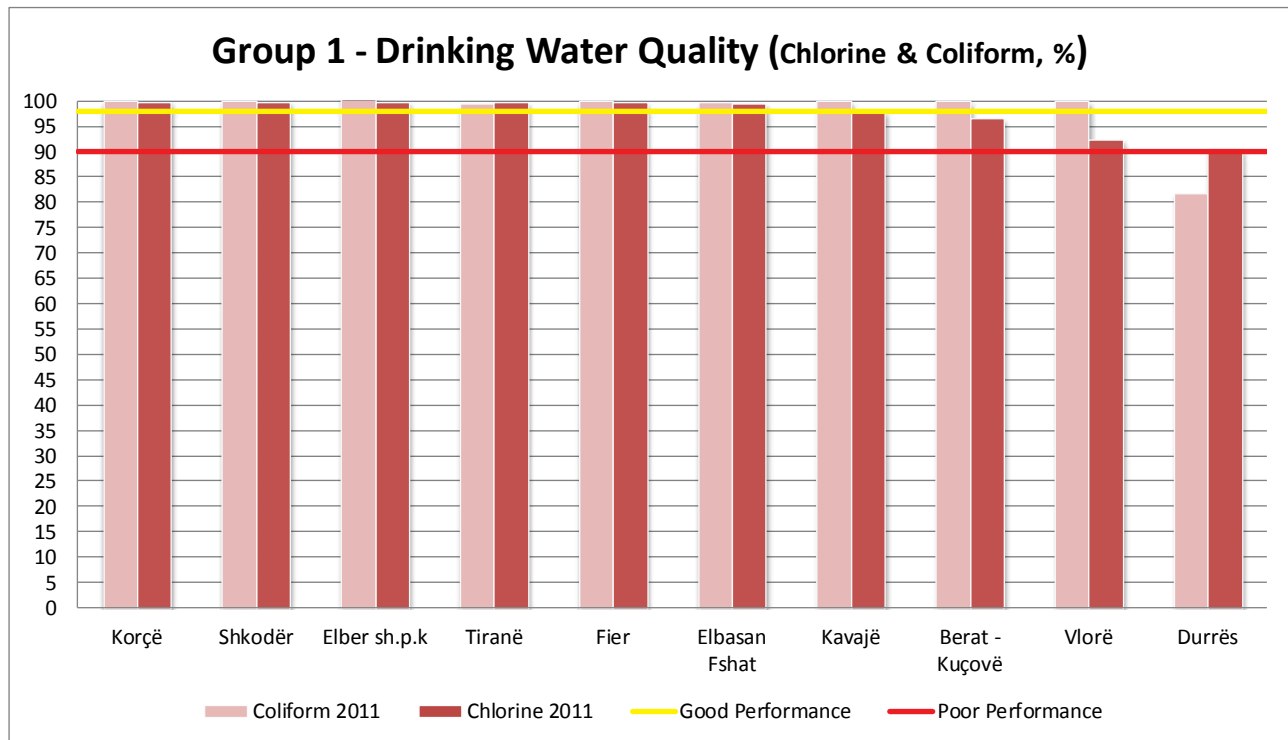
4.8 Drinking Water Quality

One of the most important indicators of a utility's performance is undoubtedly the quality of drinking water, which has a special importance as it is directly linked with the consumer's health. Within the framework of its performance analysis, the WRA concentrates on two key parameters to evaluate the safety of drinking water supply: compliance with bacteriological and residual chlorine standards. The absence of coliform bacteria provides reassurance about the overall microbiological safety of public drinking water, and compliant residual chlorine levels indicate that the water remains adequately protected during transportation and storage. While any lapse in compliance poses a risk to public health and undermines the confidence of consumers, for the purposes of the WRA performance analysis, upper and lower levels for acceptable and poor performance have been defined (98% and 90% compliance, respectively) to feed into the final assessment of the operators' overall performance.

The inspection of drinking water quality in the sector falls under the responsibility of Public Health Directorates (PHDs) set up in 51 districts, municipalities and communes throughout the country, who undertake sampling and testing at various locations inside their areas of authority. In the event of a water quality failure, the PHD places the utility under monitoring until the situation is resolved and makes sure that customers receive timely information about the situation. The Institute of Public Health (IPH) is the main responsible institution for collecting data from these Directorates.

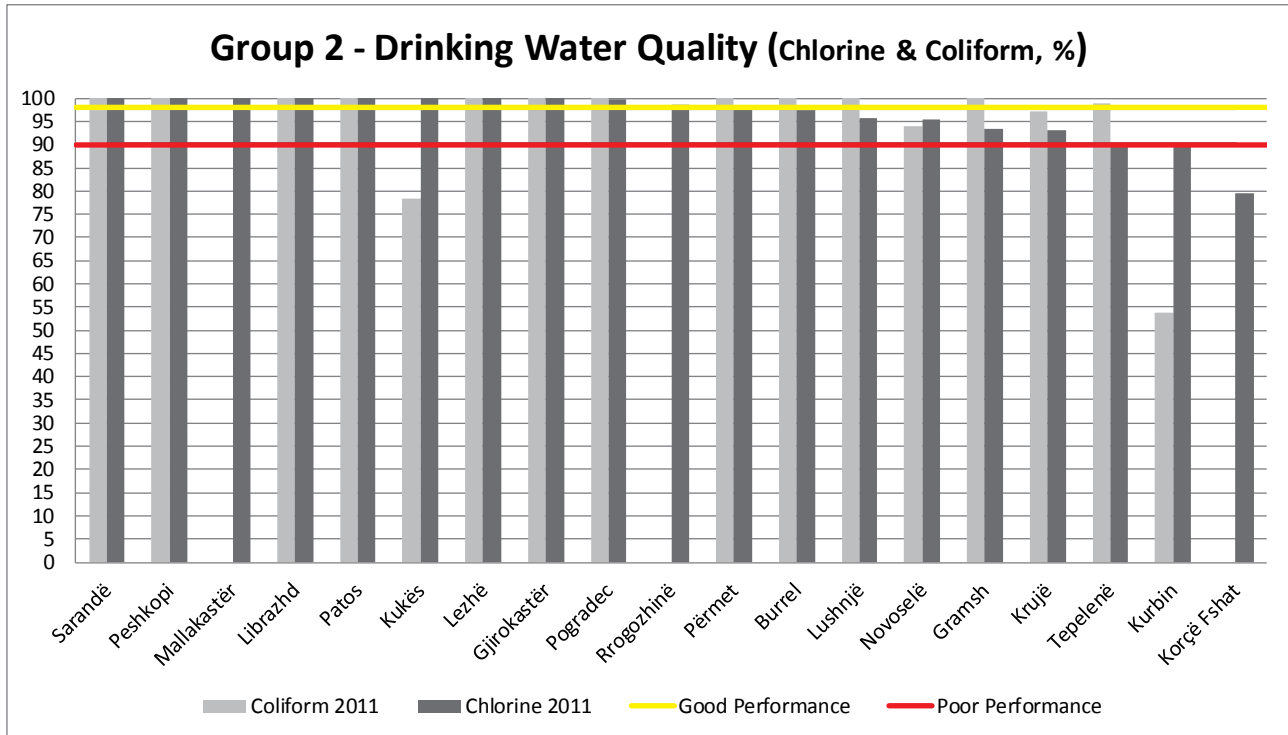
The performance analysis presented below is based on compliance data reported by the utilities to the Monitoring and Benchmarking Unit (MBU). This data could not be validated against data from other sources because the information available to the WRA from the IPH is not compatible with these self-reported compliance results.

Graph 23: Drinking Water Quality for group 1 for 2011



According to the data provided, in 2011, the utilities of Korçë, Shkodër and Elber maintained 100% compliance with chlorine and coliform standards. Vlorë utility should be commended for its efforts to improve its previously poor performance, although compliance with residual chlorine standards in particular still falls short of requirements. Durrës utility needs to improve significantly to achieve acceptable performance. The remaining utilities in the first group are coming close to meeting drinking water quality safety standards.

Graph 24: Drinking Water Quality for group 2 for 2011

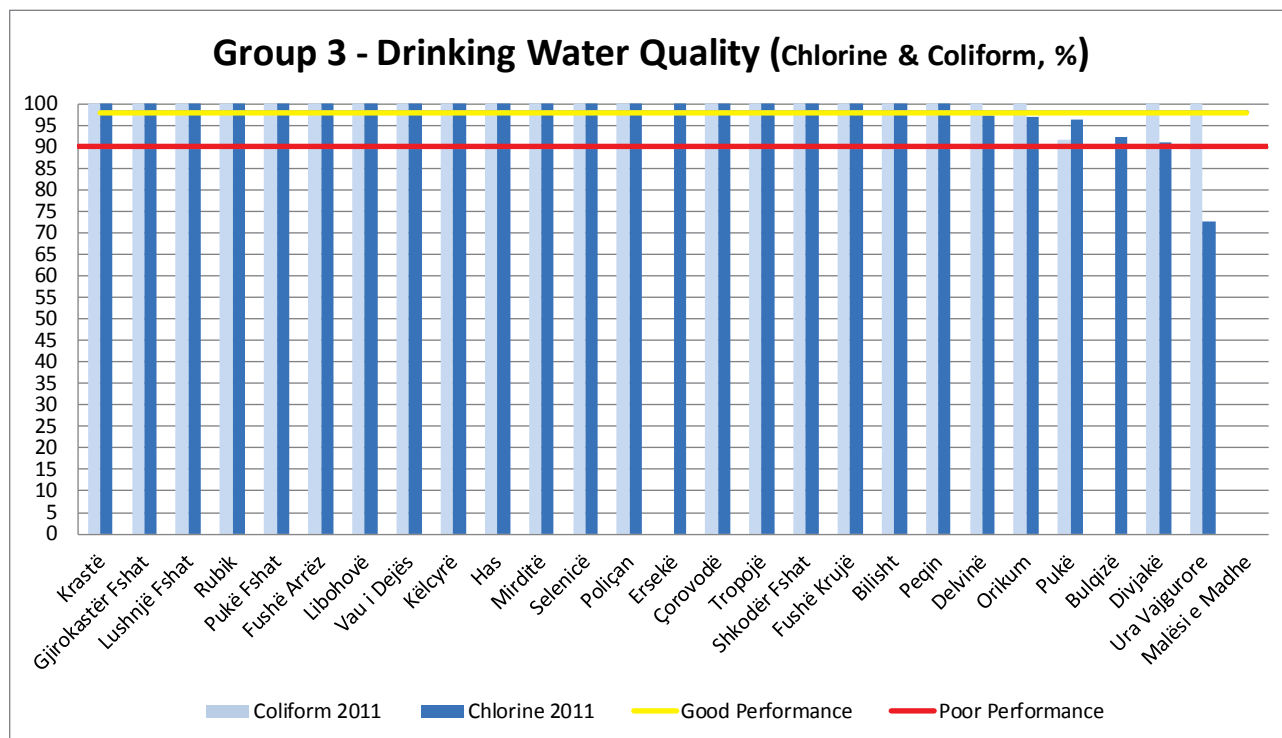


In the second group, as shown in the graph, six utilities (Sarandë, Peshkopi, Librazhd, Lezhë, Patos and Gjirokastrë) reported 100% water quality compliance for residual chlorine and coliform. Water quality data from Kurbin shows alarming rates of bacteriological contamination.

No coliform data was available for Mallakastër, Rrogozhinë and Korçë Fshat. From a public health as well as a regulatory point of view this is unacceptable, and the WRA will monitor compliance with reporting requirements very closely during the next year.

Although this is not shown in the graph, the WRA notes with concern that the water companies of Pogradec, Përmet, Novoselë, Tepelenë, Kurbin and Korçë Fshat all registered a decline in compliance with either chlorine or coliform standards, or both, against the previous year.

Graph 25: Drinking Water Quality for group 3 for 2011



Surprisingly, according to the data available, the smallest proportion of drinking water quality failures are reported from the smallest utilities in group 3, where the large majority report 100% compliance with coliform and chlorine residual standards. However, the companies in Delvinë, Orikum, Pukë, Bulqizë, Divjakë and Ura Vajgurore failed to achieve Albanian safety standards in 2011.

Of particular concern are the declining levels of coliform compliance in Pukë and the measured decline in chlorine residuals in Ura Vajgurore, given that in both localities water quality had previously been high or very high.

Data availability is also a problem in this group, as neither indicator is reported by Ersekë, Bulqizë and Malësi e Madhe utilities.

Conclusion

Overall, the water quality monitoring results suggest that drinking water supplied by many utilities is unfit for drinking purposes. Fluctuations in reported water quality compliance against previous years give rise to concerns that customers are exposed to an unacceptable level of risk from their networked drinking water supplies.

What is of even greater concern is the uncertainty surrounding the reliability of water quality data. Given that the self-reported test results cannot currently be cross-checked or validated, and insufficient information is available about sampling strategies and testing procedures, the possibility cannot be ruled out that the compliance rates quoted in the above analysis may not always present a true picture. The mere fact that bottled water is widely used for drinking purposes, and even customers of 100% compliant utilities reportedly have reservations about the drinkability of their tap

water¹⁶, would indicate that all is not as well as it may seem. From a public health perspective, even the smallest failure in drinking water quality is unacceptable, and consumers will not be able to use networked water with confidence until stringent safety standards are consistently met.

It will be a priority for the WRA and the utilities that appropriate procedures are put in place to keep customers informed about the quality of their water supplies in general and to alert them to any particular risk of contamination. There also needs to be reassurance that the procedures for sampling and water quality testing are in line with good practice, i.e. at sufficiently regular intervals at each and every treatment plant, storage reservoir and also a random selection of customer taps. To address the currently unacceptable level of uncertainty in this respect, the WRA plans to approach the Institute of Public Health and Public Health Directorate within the Ministry of Health, under whose remit the PHDs fall, to initiate a joint review of the situation.

From the point of view of the WRA as the water services regulator, safety of supplies at the point of consumption will be the utmost priority. Service providers may well be improving compliance with all applicable standards at the point of supply, but variations in water pressure associated with the periodic service interruptions continue to pose a significant risk due to the heightened risk of pipe bursts and cross-contamination. The current lack of continuous service also gives rise to another critical source of water quality failure: contamination is far more likely to occur on the customer's premises if water is stored in tanks, as is the case in many Albanian homes, and suction pumps installed by customers to compensate for low pressure in the network aggravate the problem of pressure changes caused by supply disruptions. Once again, this highlights the interdependency of the different performance areas of water supply, and the WRA will continue to engage with the utilities on all quality-related key performance indicators to minimise risks to public health.

¹⁶ See the study on "Citizen's Perceptions of the Quality of Water and Sewerage Services" (2012).

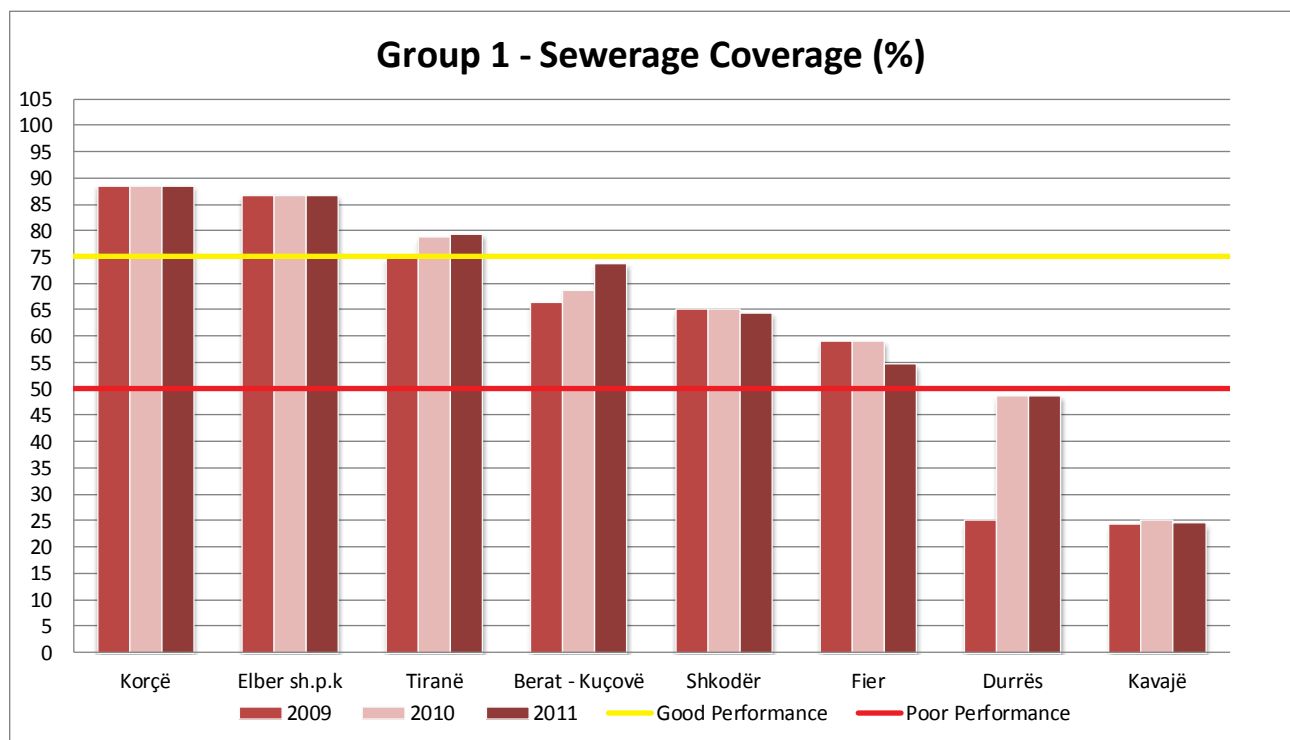
4.9 Sewerage Coverage

The ratio of the total population living in the service area and that share of the population to which sewage disposal – but not necessarily treatment – services are offered, is the indicator for coverage with sewerage services.

Not all utilities in the Albanian water and wastewater sector provide both types of service, water supply and sewage disposal. Only 29 of the 56 utilities are classified as water supply and sewerage companies, and only these are displayed in the graphs and considered in the following analysis.

At present, only two utilities operate a wastewater treatment plant, namely the water supply and sewerage companies of Kavajë and Pogradec, which are licensed by the WRA for offering this service. Due to this limited availability of facilities for wastewater treatment, which is considered of utmost importance for the protection of public health and the Albanian environment, the analysis below deals with sewage collection only.

Graph 26: Sewerage Coverage for group 1 in 2011



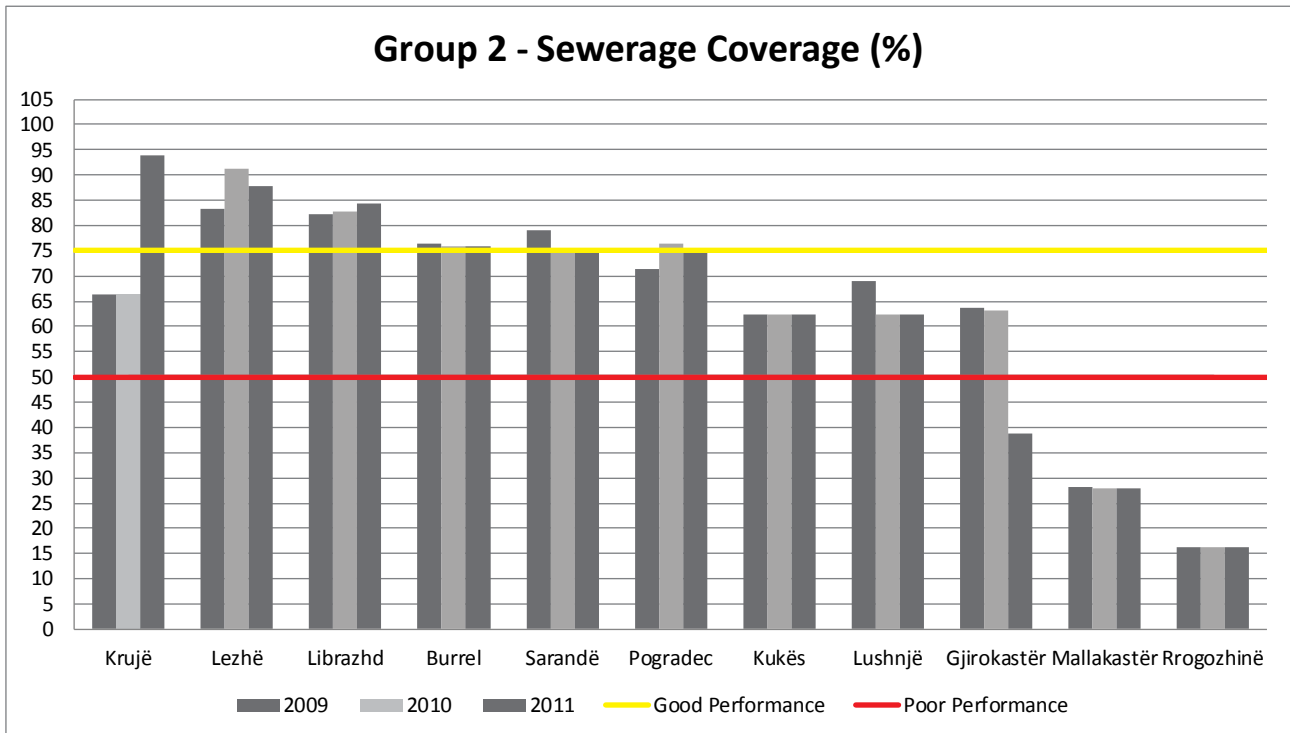
As shown in the above graph, in the first group only eight utilities are analysed, as two, Elbasan Fshat and Vlorë, offer water supply services only. Of those companies providing both types of service, Korçë has been topping the list for several years, with the highest sewerage coverage. This utility manages to provide sewage disposal services to 88.5% of the population in its service area. Meanwhile, Kavajë utility has the lowest coverage level of this indicator as it offers the service to only 24.6% of the population.

During 2011, the majority of companies maintained almost the same coverage level with sewerage as in the previous year. While the indicator decreased by 4.4 percentage points in the case of Fier utility, the most positive trend is noted for the Berat-Kuçovë utility, which now offers sewage disposal services to an additional 2.6% of the population in its service area. Looking back to 2009, Durrës utility has since extended the sewerage network and is now able to offer this service to an additional 23.6% of customers.

Referring to the benchmarking levels, only two utilities, Korçë and Elber, have reached and exceeded the benchmark for good performance above the yellow line, while for Durrës and Kavajë achievements in 2011 remained below the threshold for poor performance.

Starting from 2012, Durrës, Korçë, Vlorë and Lezhë utilities are expected to operate wastewater treatment plants, which will improve not only the sewerage services, but also the protection of the environment.

Graph 27: Sewerage Coverage for group 2 in 2011

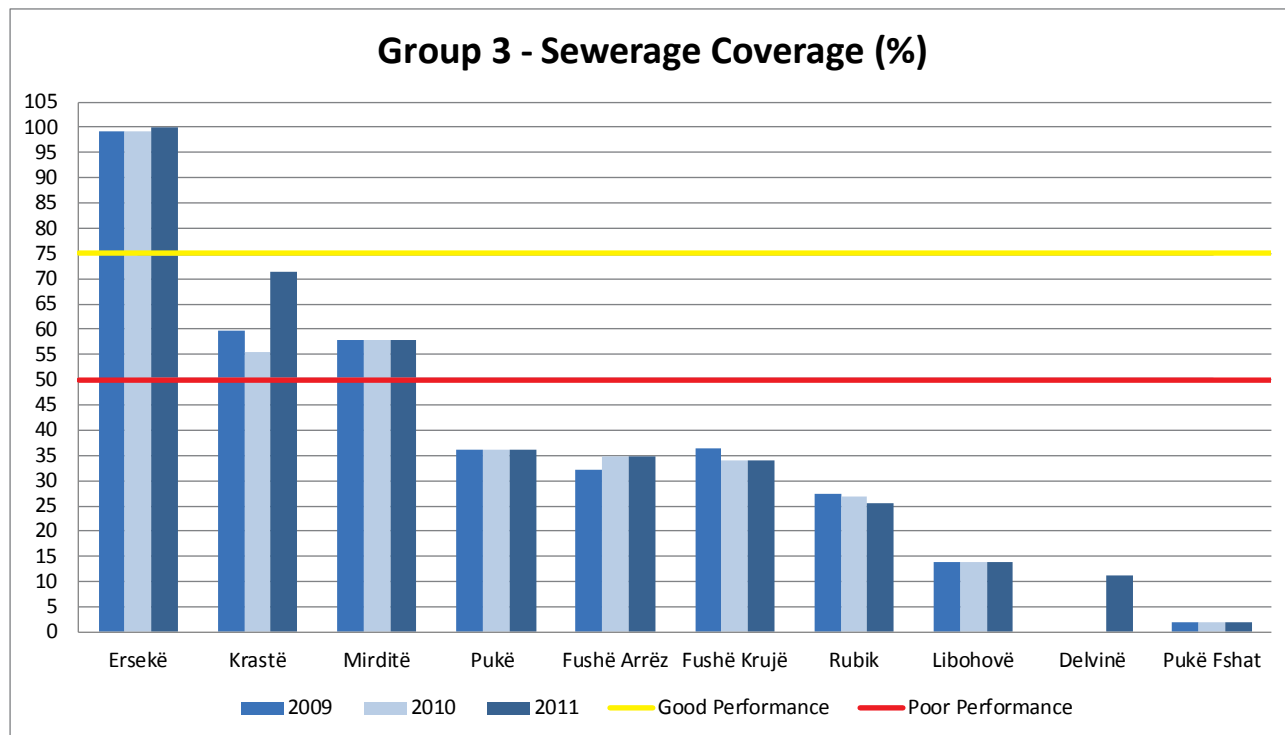


Out of the 19 utilities in the second group, eleven offer sewage disposal services. Of these, only Pogradec utility has treatment facilities. Sewerage coverage reaches the highest level in the service area of Krujë with 93.8%. Krujë also distinguishes itself with the most positive trend in this group for the year 2011, as it managed to improve this indicator by 27.5%. Sewerage coverage has stagnated at 16.3% in Rrogozhinë, making it the utility with the lowest sewerage coverage in Group 2 for the last three years.

The most significant reduction in coverage compared to the previous year is noted for Gjirokastër utility, down from 63.1% in 2010 to 38.7% in 2011. There is, however, an explanation for this seemingly drastic reduction in coverage: Gjirokastër utility is undergoing reconstruction and expansion of its sewerage network. For this reason, a proportion of the connections have been temporarily disconnected from the sewerage system. The completion of this investment programme is expected to lead to improvements in coverage and service.

Referring to the above graph, the results for the five utilities of Krujë, Lezhë, Librazhd, Burrel and Sarandë are above the benchmark level for good performance, with Pogradec utility at 74.6% close to achieving the benchmark for good performance.

Graph 28: Sewerage Coverage for group 3 in 2011



Out of the 27 utilities in the third group, ten provide sewage disposal services, although in some cases to a small share of the resident population. Sewerage services were newly introduced by Delvinë utility in 2011. Very good performance is achieved by Ersekë utility, which now provides sewage disposal services in 100% of its service area, being the only utility in this group to show this level of performance. Trailing way behind all other utilities in this group is Pukë Fshat utility, which offers this service to only 2.1% of the population.

Overall, the level of the indicator in this group is lower than in the other two groups, and coverage and progress remain poor despite the notable achievement of Ersekë utility and the considerable improvements made by Krastë utility. In Krastë, an additional 15.9% of the population in the service area now receive sewerage services, taking the company near the benchmark target for good performance of 75%. Mirditë, with 57.9% coverage is the only other utility lying in the range of acceptable performance. For the others, the poor technical condition of the network, lack of investments, and reduction of the population in the service area due to migration, are some of the causes of poor performance, marked by the red line in the graph. Most of the companies of this group provide sewerage services to less than 35% of the population in their service area.

Conclusion

The performance figures above show that there needs to be a sustained effort to improve sewage disposal and treatment services throughout most of Albania, both in terms of coverage as well as the level of service required to ensure the protection of our waters and environment. The WRA has introduced regulatory incentives that support strategic government targets for sewerage services, and will continue to monitor their impact against the indicators set out in the national strategy for the water supply and sewerage sector.

In urban areas, the achievements recorded by the companies in 2011 surpassed the targets defined in the sector strategy: 85.4% of the urban population were connected to the sewerage network, against a target level of 83%. Rural service coverage, where only 3.8% of the rural population have access to networked sewerage services, by contrast misses its 11% target by a considerable margin.

In view of the government's commitment to ensure compliance with key EU environmental directives and to fulfil its obligations under the Union for the Mediterranean, wastewater treatment remains a priority area in the drive towards better sewerage services, and is explicitly recognised in the national strategy. While construction works of new wastewater treatment plants for Lezhë-Shengjin, Durrës, Sarandë and Korçë have been completed, work continues on the transmission mains. The proportion of the population connected to treated sewerage services therefore stands at 4%, which is less than the 7% sector target that had been set for 2011.

Networked sewerage and wastewater treatment are expensive services. As the sector regulator, the WRA is well aware of the additional cost implications of network rehabilitation and expansion, which is being undertaken by many companies, especially where national or donor investments are available. While it is appropriate to recover at least a share of the costs through tariffs, passing on the full cost to customers may raise affordability concerns, and appropriate subsidy mechanisms need to be explored to ensure the protection of vulnerable consumers and sustainable operation of the systems. The WRA, as member of the national Sewerage Working Group and the strategy implementation group for the development of a targeted pro-poor subsidy mechanism, will advise and contribute to the development and future implementation of suitable strategies and mechanisms.

4.10 Regulator's Perception

'Regulator's Perception' is a performance indicator that evaluates the extent to which the water supply and sewerage companies comply with and support the WRA's efforts to create a stable and transparent regulatory environment. For regulation to function effectively, service providers need to fulfil certain obligations, as set out in the applicable laws and regulations, and become active participants in the regulatory process. The 'Regulator's Perception' indicator assesses a number of aspects that contribute to the success of the regulatory mission and objectives. In 2011, the following were selected, to give a total indicator score of up to 100 points for the utilities that demonstrate the highest compliance:

- **Licensing:** Whether or not a utility holds a valid licence by the WRA (25 points, if yes)
- **WRA-approved tariff:** Whether or not a utility operates with a WRA-approved tariff (25 points, if yes)
- **Regulatory fees:** 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 the WRA:** Whether a utility responds in a satisfactory way to the various WRA information requests and notices (a maximum of 25 points for timely and complete replies)

Table 6 below lists the points awarded to the 56 utilities for each of these aspects, ranking them in their respective groups according to the total score achieved 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	25	100
	WS	Elbasan Fshat	25	25	25	15	90
	WSS	Elber sh.p.k	25	25	25	15	90
	WSS	Tiranë	25	25	19	20	89
	WSS	Shkodër	25	25	25	10	85
	WSS	Durrës	25	25	15	15	80
	WSS	Fier	25	25	10	10	70
	WSS	Berat-Kuçovë	25	25	11	5	66
	WS	Vlorë	25	25	-	10	60
	WSS	Kavajë	25	25	-	5	55
Group 2	WSS	Lezhë	25	25	25	10	85
	WSS	Librazhd	25	25	20	15	85
	WS	Përmet	25	25	12	20	82
	WSS	Gjirokastër	25	25	25	5	80
	WSS	Pogradec	25	25	25	5	80
	WSS	Lushnjë	25	25	9	15	74

Utility		Licensing	WRA-approved tariff	Regulatory fees	Communication with WRA	TOTAL SCORE	
Group 2	WS	Gramsh	25	25	-	15	65
	WS	Kurbin	25	25	-	10	60
	WS	Peshkopi	25	25	-	10	60
	WSS	Sarandë	25	25	-	10	60
	WSS	Burrel	25	25	-	5	55
	WSS	Krujë	25	25	-	5	55
	WSS	Rrogozhinë	25	25	-	5	55
	WS	Tepelenë	25	25	-	5	55
	WSS	Kukës	25	25	-	-	50
	WS	Novoselë	25	25	-	-	50
	WS	Korçë Fshat	25	-	-	5	30
	WS	Patos	25	-	-	5	30
	WSS	Mallakastër	-	-	-	5	5
	Group 3	WS	Bilisht	25	25	25	5
WS		Delvinë	25	25	25	5	80
WS		Peqin	25	25	25	5	80
WS		Gjirokastër Fshat	25	25	13	10	73
WSS		Pukë	25	25	-	10	60
VSS		Mirditë	25	25	-	10	60
WS		Shkodër Fshat	25	25	-	10	60
WSS		Selenicë	25	25	8	-	58
WS		Çorovodë	25	25	-	5	55
WSS		Ersekë	25	25	-	5	55
WSS		Krastë	25	25	-	5	55
WS		Lushnjë Fshat	25	25	-	5	55
WS		Orikum	25	25	-	5	55
WSS		Rubik	25	25	-	5	55
WS		Tropojë	25	25	-	5	55
WS		Poličan	25	25	-	-	50
WS		Bulqizë	25	-	-	10	35
WS		Has	25	-	-	5	30
WS		Ura Vajgurore	-	25	-	5	30
WS		Vau i Dejës	25	-	-	5	30
WSS		Fushë Krujë	-	25	-	-	25
WS		Malësi e Madhe	25	-	-	-	25
WSS		Libohovë	-	-	-	10	10
WS		Divjakë	-	-	-	5	5
WSS		Fushë Arrëz	-	-	-	5	5
WS		Këlcyrë	-	-	-	5	5
WSS	Pukë Fshat	-	-	-	5	5	

Licensing

One important aspect of the WRA's work during 2011 has been the licensing of the water supply and sewerage companies that operate in the sector. Given the importance of a licence as a key instrument of regulation, the WRA devoted much time and effort to press for the utilities to provide their services under licence. As a result of these efforts, the number of licensed service providers has significantly increased from 29 in 2009 to 48 in 2011.

Following the significant progress made in 2010, when 14 licence applications, including seven first-time applications, were approved, three utilities – Korçë Fshat, Vau i Dejës and Malësi e Madhe – applied for a licence for the first time in 2011 and another two, Elber and Lushnjë Fshat, for a licence renewal. This work needs to continue, given that Mallakastër, Ura Vajgurore, Fushë Krujë, Libohovë, Divjakë, Fushë Arrëz, Kelcyrë and Pukë Fshat still operate without a licence. However, the WRA recognises that there are objective reasons preventing some utilities from meeting the legally stipulated licensing requirements, as discussed in chapter 2, and is therefore looking into developing appropriate solutions.

WRA-approved tariffs

In 2011, the majority of the water supply and sewerage companies (44 out of 56, or 79%) operated with a valid tariff approved by the WRA. During this year, the WRA approved tariff adjustments for thirteen utilities, two of which – Shkodër Fshat and Orikum – applied for the first time. However, this leaves another twelve utilities that do not operate with a WRA-approved tariff: Korçë Fshat, Patos, Mallakastër, Bulqizë, Has, Vau i Dejës, Malësi e Madhe, Libohovë, Divjakë, Fushë Arrëz, Kelcyrë and Pukë Fshat. These are strongly urged to rectify this situation.

Regulatory fees

Water supply and sewerage companies, which have approved tariffs from the National Regulatory Commission, become liable by law to pay an annual 'regulatory fee'. In 2011, payment discipline varied widely among the utilities. Only ten paid the regulatory fee in full: Korçë, Elbasan Fshat, Elber, Shkodër, Lezhë, Gjirokastër, Pogradec, Bilisht, Delvinë and Peqin. Disregarding the twelve utilities that operate without a WRA-approved tariff in 2011, nine utilities did not meet their financial obligations towards the WRA in full, including Tiranë, where the 30% outstanding payments for the current year amount to a considerable debt, given the size of the company¹⁷. Another 25 failed to make any payments at all. Of the latter, nine utilities (Berat-Kuçovë, Vlorë, Kavajë, Gramsh, Sarandë, Burrel, Krujë, Tepelenë and Lushnjë Fshat) have been in arrears with payments to the WRA for many years.

Communication with the WRA

The companies are legally required to support the efficient functioning of the WRA by providing all the necessary information. In 2011, the WRA contacted the utilities with regard to various matters, such as data submissions, consultations and payment reminders. Performance was then judged based on the utilities' responses to five selected information requests and notices. As the point scores show, in many cases communication could have been better in 2011, with Kukës, Novoselë, Selenicë, Fushë Krujë and Malësi e Madhe utilities showing the least regard for the regulator's requests, and only Korçë replying promptly and adequately in all instances.

¹⁷ The regulatory fee that is payable to the WRA is proportional to the annual billed revenues of a utility.

From 2012 onwards, the regulator's perception indicator will broaden this assessment of the relationship between a utility and the WRA: the utilities' active engagement in the regulatory process will be considered by taking note of unauthorised absences from compulsory WRA events and activities, such as training workshops.

Conclusion

During 2011, there has been a marked increase in the utilities' knowledge, awareness and appreciation of the WRA's role and the need to exercise their activities within the regulatory framework. The WRA's policy of active communication and consultation during every step of the further development of regulatory instruments and processes has shown effect: overall, it can be said that the sector is more compliant with the regulatory legislation today than it was two years ago.

Even if some, particularly smaller, utilities are struggling to meet the formal requirements to achieve a high score for the regulator's perception indicator, many could improve their performance with respect to communication. The WRA acknowledges the highly satisfactory cooperation with Korçë water supply and sewerage company, which emerges as the overall top performer with regard to 'regulator's perception' in 2011, and encourages the other utilities to follow this example.

UK	Gramsh	74.49	35	UK	Lezha
UK	Rrogzhinë	73.54	36	U	Pezë
			37		

5

Performance Ranking of the Water Supply and Sewerage Companies in 2011



For the purpose of performance reporting, the WRA has devised a methodology to rank the Albanian water supply and sewerage companies according to their overall performance. The system combines the utilities' performance with respect to the KPIs, which have been assessed individually in previous chapters, to arrive at a total point score that gives a fair reflection of their overall performance. This not only allows the WRA to determine the top and worst performing utilities, and, by publicly displaying their results, to create another incentive for utilities to improve their performance. It is also a means of reaching out to a wide audience: a 'league table' ranking of all water supply and sewerage companies can be understood without any in-depth knowledge of the water sector. The public can then easily follow the developments in the sector by observing the changes in ranking positions over the years.

While every effort has been made to recognise the true frontrunners, it cannot be ruled out that this first ranking exercise has been affected by the data quality issues raised before in this report. The WRA will take care to clarify any inconsistencies noted during this year's performance analysis, and work with all utilities to ensure the reliability of future data submissions. It is quite possible that, in the following years, we may see a reshuffle of ranking positions beyond those resulting from changes in performance.

Ranking companies' overall performance

Utilities are ranked according to a total performance score. This is calculated based on performance with respect to nine of the ten KPIs¹⁸, which have been assigned a weighting factor. These weightings emphasise the relative importance of the indicators.

The scoring system is summarised in table 7 below. A total maximum of 100 points can be achieved. There are upper and lower performance limits, and each KPI is awarded with a maximum score of between 5 and 20 points, depending on the weight attached to this KPI. Good performance at or above the upper benchmark is rewarded with the maximum score. Generally, a share of the available points is awarded if performance falls below this target to encourage and reward step-by-step improvements. For certain indicators – staff efficiency, non-revenue water, collection efficiency and drinking water quality – however, performance at or below a defined acceptable minimum benchmark attracts a zero score. The total score is simply computed by adding the scores achieved for the nine KPIs.

¹⁸ The 'Total Cost Coverage' indicator is not included in the scoring for the reason that, to date, each utility applies its own rules for calculating costs beyond operations and maintenance expenses. Until there is a unified system for cost accounting, inclusion of this KPI would be a source of distortions in the utility ranking.

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

Key Performance Indicators	Performance benchmarks		Weights	Maximum points	
	Full points	0 points	Total 100%		
1 – O&M Cost Coverage	≥ 100%	0%	15%	15	
2 – Total Cost Coverage	KPI not used for scoring				
3 – Collection Efficiency	≥ 80%	≤ 60%	20%	20	
4 – Staff Efficiency (staff/1000 connections)	Group 1	≤ 4	≥ 6	5%	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 hours/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 2011 utility ranking

The overall performance scores have been calculated for all 56 utilities, which were then ranked in their respective groups. The 2011 'utility league table' below (table 8) displays the full results in the form of each utility's performance score and relative position in the performance ranking.

Table 8: Utility league table

2011 UTILITY LEAGUE TABLE							
Rank	Type of service	Utility	Ranking score	Rank	Type of service	Utility	Ranking score
1	WSS	Korçë	100.00	29	WSS	Gjirokastrë	53.75
2	WSS	Librazhd	96.08	30	WS	Gjirokastrë Fshat	53.37
3	WSS	Pogradec	92.07	31	WSS	Fushë Krujë	52.78
4	WS	Delvinë	79.76	32	WSS	Krujë	52.45
5	WSS	Tiranë	77.20	33	WS	Polican	50.40
6	WS	Gramsh	75.58	34	WSS	Durrës	48.24
7	WSS	Rrogozhinë	74.49	35	WSS	Shkodër	47.41
8	WSS	Burrel	73.54	36	WSS	Fushë Arrëz	47.19
9	WSS	Rubik	71.84	37	WS	Peshkopi	47.12
10	WS	Elbasan Fshat	71.37	38	WSS	Mallakastër	47.00
11	WS	Divjakë	70.15	39	WS	Peqin	46.30
12	WSS	Lushnjë	69.36	40	WSS	Selenicë	46.15
13	WS	Përmet	68.90	41	WS	Bulqizë	44.44
14	WSS	Sarandë	68.77	42	WS	Shkodër Fshat	43.28
15	WSS	Lezhë	68.10	43	WSS	Pukë Fshat	42.11
16	WSS	Kavajë	66.95	44	WS	Patos	41.87
17	WSS	Berat-Kuçovë	65.87	45	WS	Çorovodë	41.72
18	WSS	Elber sh.p.k	64.20	46	WS	Këlcyrë	40.73
19	WS	Bilisht	63.82	47	WS	Novoselë	35.85
20	WSS	Ersekë	63.74	48	WS	Vlorë	34.55
21	WSS	Kukës	62.86	49	WS	Ura Vajgurore	34.20
22	WSS	Pukë	62.84	50	WS	Malësi e Madhe	31.62
23	WSS	Fier	59.40	51	WS	Orikum	30.95
24	WS	Tepelenë	59.20	52	WSS	Libohovë	28.36
25	WS	Korçë Fshat	57.20	53	WS	Vau i Dejës	27.88
26	WSS	Mirditë	55.15	54	WS	Tropojë	27.48
27	WSS	Krastë	55.10	55	WS	Has	22.32
28	WS	Lushnjë Fshat	54.00	56	WS	Kurbin	14.88

The top performers

Table 9 displays the 2011 top three performers in each group, whose achievements will be recognised with a WRA utility award. It must be noted that an award can only be won by utilities that comply with the requirements of the regulatory framework, i.e. who hold a valid licence and apply a WRA-approved tariff.

Table 9: Top performers in the utility ranking 2011

TOP PERFORMERS 2011						
Rank	Group 1		Group 2		Group 3	
	Utility	Ranking Score	Utility	Ranking Score	Utility	Ranking Score
1	Korçë	100	Librazhd	96.1	Delvinë	79.8
2	Tiranë	77.2	Pogradec	92.1	Rubik	71.8
3	Elbasan Fshat	71.4	Gramsh	75.6	Bilisht	63.8

Korçë utility emerges as the leading Albanian utility in 2011, well ahead of the second and third best performers in group 1, Tiranë and Elbasan Fshat. In group 2, Librazhd utility ranks first, closely followed by Pogradec in second place, and Gramsh in third place. Delvinë utility leads group 3, with second place taken by Rubik, followed by Bilisht in third place. Despite achieving the third-highest point score in its group, Divjakë utility loses out on an award as it is neither licensed by the WRA nor does it apply an approved tariff.

Performance over time – the top improvers

The 2011 utility ranking provides a ‘snapshot’ of the current achievements of the utilities and their relative performance compared with those of their peers. However, the WRA is aware that many lower-ranking utilities have made significant efforts to improve their services and management. Due to a number of external factors, not least the set-up and condition of their water and sewerage systems, some will find it harder than others to work their way to the top of the ‘league table’.

The WRA acknowledges the fact that the ranking system is unable to accommodate this uneven playing field, and wants to give due recognition to the companies that make progress. To assess these changes in performance over time, the scores awarded in the 2011 ranking have been compared with those achieved in 2010. Table 10 below presents the ‘top improvers’ for 2011 in each of the three utility groups.

Table 10: Top improvers in utility ranking 2011

TOP IMPROVERS 2011					
Utility		Rank in Group	Ranking Score 2010	Ranking Score 2011	Change in Ranking Score
Group 1	Durrës	8	33.4	48.2	+14.9
Group 2	Kukës	21	52.6	62.9	+10.3
Group 3	Peqin	14	30.2	46.3	+16.1

The overall top improving utility is group 3 leader Peqin, ranked in fourteenth position in its group, which added a remarkable 16.1 points to its 2010 ranking score. In group 1, Durrës utility gains an award for adding 14.9 points, and in group 2 Kukës utility emerges as frontrunner in the 'top improver' category, with 10.3 points added to its previous score, Korçë Fshat having lost out for not using a WRA-approved tariff.

Congratulations and outlook

The WRA congratulates all of the 2011 top performers and top improvers for showing what committed management is capable of achieving for the benefit of Albanian consumers. These are excellent results, which saw the maximum score being awarded and even smaller companies coming close to achieving top marks and showing remarkable jumps in development. Utilities at the top end of the 'league tables' and the best improvers are encouraged to keep up their endeavours, and all others are called upon to enter the challenge of providing their customers with better services.



6

Special Topic 2011: Protecting Consumers and Increasing Transparency



As with any service, water supply and sewerage services are there for their users. However, unlike with other services, consumers cannot switch their service provider if the services they receive do not meet their needs or expectations, or if a service provider fails to live up to its responsibilities. Protecting consumer interests regarding the quality, efficiency and reliability of services at a fair price is therefore one of the main tasks of the Water Regulatory Authority (WRA), as foreseen by Law No. 8102 (dated 28.03.1996, as amended).

The WRA puts consumer interests at the focus of its work, and interprets consumer protection as a duty to ensure its regulatory decisions are in the long-term interest of consumers and society in general. This might not always be immediately obvious, as there are often a variety of competing interests, even disagreements, between stakeholders or arising from concern about the natural environment, all of which need to be balanced carefully. The WRA's main intention, however, is to encourage efficiency and improvement of services which have a direct impact on consumers.

Being strongly committed to strengthening the customer focus in the Albanian water and wastewater sector, the WRA has pledged to enhance transparency and accountability in line with its consumer protection mandate. This chapter presents the WRA's major initiatives taken in 2011 towards achieving these goals.

A standardized service contract between service providers and their customers

Until recently, few of the 56 Albanian water supply and sewerage utilities had entered into a formal contract with their customers. Where written contracts were used at all, they often favoured the interests of the service provider, leaving customers unclear about their rights and obligations. Without an enforceable contract it is also difficult to seek redress over poor service or billing errors.

In order to remedy this situation, the WRA has developed a standardized service contract for customers of the water supply and sewerage companies. This 'model contract', which was approved by the WRA National Regulatory Commission through its Decision No. 8 of 04.02.2011, clearly defines the rights and responsibilities of the service providers and their customers, covering all the standard elements such as the terms of service, tariffs and payments, metering, service interruptions and complaint handling.

For the successful, nationwide implementation of this contract, the WRA drafted an action plan with clear timeframes, making its use obligatory for all customer groups – public/institutional, private/commercial, and domestic/household – by the end of 2013. By the end of 2011, 35,503 contracts based on the model contract (approximately 16% of all customer connections) had been signed between the companies and their customers, or old contracts replaced. The WRA will continue to monitor the further implementation closely.

Taking stock of the customer services situation in the Albanian utilities

In order to achieve a better insight into the current attitudes towards customer orientation within the water supply and sewerage companies, the WRA undertook a nationwide study on the 'Customer Services of the Albanian Water Utility Companies' in 2011. Besides identifying a limited number of good national practices, this research identified considerable shortcomings related to the quality of interaction between companies and their customers. Starting from billing and collection, over consumer feedback and complaints management, the customer care services provided by the majority of utilities are still far from best international practice.

Therefore, the WRA is currently drafting a Customer Service Guideline to set mandatory minimum standards and suggest options for the utilities to address the technical and human resources shortcomings identified by the study, so that they may offer better services to their customers and establish good relationships with the public. The guideline will be complementary to the existing model service contract and the relevant performance objectives set by the WRA in the tariff regulation process.

Introducing public hearings during tariff adjustment processes

Being committed to enabling consumer involvement in the regulatory process, the WRA has taken first steps to make sure that customers are better informed and their views considered when important decisions that directly affect them are taken. Tariffs, and particularly an increase in tariffs, may represent a major concern for consumers. It is therefore fair that they should be informed about changes to tariffs and provided with an explanation of the reasons for any change.

With the introduction of the WRA's new Tariff Setting Guideline¹⁹ in 2011, holding a public hearing has become a mandatory part of the tariff adjustment process for large²⁰ and a recommendation for smaller water supply and sewerage companies. The WRA will no longer approve any new tariffs for utilities unless they can prove that their customers had a chance to express their views and concerns. Such meetings are also an opportunity for the utilities to communicate and discuss current challenges, developments and plans for the future. The WRA is represented at all public hearings and requires the utilities to submit a copy of the minutes with their application for tariff adjustment.

¹⁹ Approved on 28.09.2011 by Decision No. 28 of the WRA National Regulatory Commission

²⁰ Large service providers are service providers that provide only water supply services to more than 100,000 inhabitants within their service area as well as service providers that provide both water supply and sewerage services to more than 50,000 inhabitants in their service area.

²¹ "Report of Citizens' Perceptions of the Quality of Water and Sewerage Services" (ISB, April 2012), investigating Durrës, Elbasan, Lezhë, Mirditë, Pogradec, Sarandë, Shkodër, Tepelenë, Tiranë, Vlorë utilities.

Finding out about consumer perceptions

A detailed survey of consumer perceptions of water supply and sewerage services in ten Albanian utilities²¹ has recently been concluded. Consumers were questioned on how they access and use the service, whether they make use of alternative options, and what they think about the safety, reliability and cost of service, and possibilities of interacting with their service provider regarding payments, information, feedback and complaints. For the WRA as initiator of this survey, this research was timely and important to confirm that regulation addresses the issues customers are most concerned about. The findings suggest that the WRA's current performance monitoring approaches and targets set for service providers correspond well with the priorities of customers. Moreover, the results of this survey will further feed into the WRA's recommendations to policymakers and utility managers.

Making sector information public

All the initiatives described above were driven by the WRA's desire to promote a shift in attitude towards consumers, with the aim to encourage policymakers and utilities to think of consumers less as passive service recipients and more as valued customers.

A new WRA website (www.erru.al) was designed with all interested stakeholders in mind, particularly consumers and the general public. It is meant to make a contribution towards realising a fair, transparent and more inclusive regulatory set-up. The website offers up-to-date information on the WRA's regulatory decisions (for example on licences and tariffs), important documents, including the WRA's reports, as well as technical and background information.

Publication of the regulatory performance assessment in the form of this Performance Report itself is an important part of the WRA's drive for more transparency in the Albanian water and wastewater sector. 2011 marks the year where customers, for the first time, can scrutinize and compare the individual performance of their local service provider.

7

Conclusions and Outlook

While the sector is moving in the right direction as far as the targets agreed in the updated National Water Supply and Sewerage Services Strategy 2011-2017 are concerned, from the WRA's perspective the levels of service offered to Albanian consumers remain unsatisfactory in many respects. At the institutional level, essential foundations were laid to put the sector on track for realising the urgently required service improvements. A positive outcome are the improving interactions between the WRA and the companies, who are becoming more aware and responsive to the need to comply with the regulatory framework.

The results of this first regulatory performance assessment draw attention to a number of obstacles that stand in the way of achieving the regulator's vision of a financially self-sustainable water and sewerage sector that provides high quality yet affordable services to all consumers in Albania. The WRA is most concerned about the following challenges, which will be key areas for the regulator and the utilities to work on in 2012 and beyond:

Increasing financial self-sufficiency and responsible management

Especially with regard to the planned phasing out of operational subsidies as well as the large investment volume required to achieve the necessary service improvements, most utilities will need to work harder on improving financial and management indicators. While there may be scope for further tariff increases, implications for affordability need to be carefully balanced against the need to enable service providers to become financially self-sufficient and sustainable. Appropriate measures must be put in place to protect low-income and vulnerable customers.

The WRA would like to reiterate the importance of coordinating subsidy and investment allocations with tariff regulation, to provide more effective economic incentives for efficient utility management. The WRA will challenge all utilities to operate more efficiently, in addition to the obvious need to reduce overstaffing and reverse the observed decline in collection efficiency. For instance, utilities will be expected to plan and program for energy efficiency, as this is a neglected operational aspect to date. Business planning will become a key activity for all utilities, for which WRA guidance will be developed shortly. More rigorous approaches to asset management planning will have to become a focus of cooperation with other sector institutions to develop the required capacities at the utility level.

Reducing non-revenue water

High levels of non-revenue water remain a significant problem within the sector, threatening the sustainability of many providers. Here, immediate and sustained improvements will need to be planned for and, most importantly, delivered. Utilities are urged to continue with meter installation, both at the point of production and consumption, to establish a water balance, and draw up action plans for non-revenue water reduction. In the first instance, utilities may choose to concentrate on tackling suspected apparent (commercial) losses to capture revenue that is currently lost through unauthorised consumption. Affordable technical solutions need to be explored when embarking on network replacement and rehabilitation to reduce real losses.

Ensuring drinking water safety

In view of the WRA's consumer protection mandate, the safety of drinking water supplies is a key priority. Despite the fact that the responsibility for water quality monitoring and compliance rests with the Public Health Directorates and the Public Health Institute, the WRA remains seriously concerned about the unacceptable level of risk many consumers are exposed to, and the lack of timely and reliable information that is made available to both consumers and regulators. Given the uncertainties surrounding data quality that have become evident in the performance assessment, the WRA will seek clarification and reassurance that water quality testing and reporting procedures will conform with good practice.

Focusing attention on environmental performance

Sewerage services, and wastewater treatment in particular, remain an area where the sector is seriously underperforming. Improvements are anticipated for the near future, when treatment facilities will take up operations in another four locations. Delivering further environmental benefits will need to become part of a longer-term strategy to support the Albanian commitments within Europe and the region. The high cost of sewerage services is an important consideration when planning further developments within the sector, to avoid that the investment requirements will become an additional burden for financially already fragile utilities as well as customers who may well be less willing and able to pay for an expensive, but less visible service. It will be imperative to focus discussions, from the policy level right down to each service provider, on implementing a financially feasible and socially acceptable approach to strengthening the environmental performance of the sector.

Outlook

Publication of this detailed performance assessment of the 56 Albanian water and sewerage utilities is an important step towards better regulation in Albania. The insights gained from performance monitoring and benchmarking provides vital inputs into the various regulatory processes and the WRA's decision-making. For example, the results are of immediate use in the ongoing and future tariff adjustments.

Presenting the findings to all stakeholders, including the consumers, means that utilities must become publicly accountable for the services they do or fail to deliver, and this should serve as an incentive to strive for further improvements.

The WRA would like to encourage all parties – utilities, their owners, supervisory councils and customers, as well as political decision-makers – to engage in a constructive dialogue about the challenges faced by the sector now and in the future. A continuous performance monitoring process by the WRA will offer new, and increasingly reliable, insights on a regular basis to stimulate further debate. As the regulator, the WRA stands by its commitment to drive and facilitate steady service improvements for the benefit of Albanian consumers.

Annex: Selected Key Utility Data

Table 11: Selected key data for utilities in 3 groups (2011 figures)

Utility Group	Service	Utility	No. of customer connections (water)	No. of staff	Production (m ³ /year)	Sold water (m ³ /year)	Total billed (000 lek)	Total collected (000 lek)	O&M cost (water + sewerage)	Total cost (water + sewerage)
Group 1	WSS	Tiranë	158,688	1,038	105,029	45,918	2,322,224	2,013,779	1,277,358	2,096,542
	WSS	Durrës	66,675	508	28,328	9,553	485,958	363,492	847,642	880,232
	WS	Vlorë	37,067	173	32,251	5,210	267,828	159,988	206,993	256,003
	WSS	Elber sh.p.k	29,899	180	15,992	2,687	288,953	207,317	203,916	301,388
	WSS	Fier	26,691	229	12,310	3,154	183,507	144,806	319,479	400,955
	WSS	Shkodër	26,439	213	10,154	4,370	232,634	131,692	203,479	244,503
	WSS	Berat-Kuçovë	24,436	273	17,441	3,088	157,368	122,174	160,873	201,929
	WSS	Kavajë	21,973	142	2,508	1,578	73,381	49,310	82,671	203,775
	WSS	Korçë	20,668	91	3,414	2,519	196,052	178,317	148,518	252,724
	WS	Elbasan Fshat	16,094	221	2,844	2,085	101,803	92,779	204,489	227,192
	WSS	Sarandë	13,695	86	4,570	1,129	67,886	56,480	86,227	141,070
	WSS	Pogradec	13,391	85	2,274	1,382	123,049	99,959	79,612	108,149
	Group 2	WSS	Lushnjë	9,736	135	4,571	1,394	88,591	74,652	98,636
WSS		Gjrokastër	8,882	98	4,975	1,781	59,670	55,107	67,314	72,378
WSS		Lezhë	6,860	85	2,368	1,140	70,645	52,318	107,692	134,869
WSS		Korçë Fshat	5,791	51	1,066	711	14,369	13,527	35,316	42,096
WSS		Kukës	4,973	70	995	729	28,858	20,123	38,199	54,732
WSS		Patos	4,854	127	2,293	1,243	37,353	32,014	170,345	177,247
WSS		Burrel	4,657	46	1,704	502	22,300	19,221	23,354	29,006
WSS		Kurbin	4,634	67	3,857	1,019	36,985	13,818	64,376	70,830
WSS		Librazhd	4,583	62	715	551	29,202	27,575	33,203	39,392
WSS		Rrogzhinë	4,130	35	351	292	11,314	9,047	20,400	28,684
WSS		Mallakastër	3,899	64	608	415	28,675	24,600	70,082	73,620
WSS		Gramsh	3,849	51	1,020	688	27,737	24,878	24,790	48,443
WSS		Novoselë	3,732	35	745	473	18,001	11,332	31,422	34,615
WSS	Tepelenë	3,680	63	842	466	25,876	22,352	38,990	50,366	
WSS	Krujë	3,618	27	1,205	440	25,967	15,172	19,070	41,531	

Utility Group	Service	Utility	No. of customer connections (water)	No. of staff	Production (m ³ /year)	Sold water (m ³ /year)	Total billed (000 lek)	Total collected (000 lek)	O&M cost (water + sewerage)	Total cost (water + sewerage)
	WSS	Peshkopi	3,330	41	1,423	720	25,429	17,305	25,876	34,445
	WS	Përmet	3,197	35	528	324	16,092	15,502	25,425	28,375
	WS	Divjakë	2,750	37	262	189	10,315	8,830	15,040	19,516
	WS	Bulqizë	2,667	39	751	477	7,400	7,039	19,962	20,682
	WS	Ura Vajgurorë	2,588	32	1,211	380	18,038	11,850	28,934	32,869
	WS	Peqin	2,569	61	1,112	514	31,375	21,213	39,174	99,949
	WS	Bilisht	2,346	23	700	277	10,486	10,008	20,198	22,479
	WS	Delvinë	2,275	27	365	265	14,249	12,150	18,503	20,431
	WSS	Fushë Krujë	2,150	30	495	210	8,709	6,590	21,348	32,699
	WS	Malësi e Madhe	1,859	46	1,031	763	13,164	5,866	16,408	19,734
	WS	Shkodër Fshat	1,824	81	951	480	17,286	12,698	77,785	111,493
	WS	Tropojë	1,813	34	1,244	388	15,199	5,478	18,703	21,943
	WS	Orikum	1,762	17	462	246	4,221	2,790	36,595	40,345
	WS	Çorovodë	1,758	36	559	242	9,104	5,329	24,272	39,887
	WSS	Ersekë	1,661	18	630	206	9,756	8,751	12,846	15,513
	WS	Poliçan	1,627	39	905	232	12,359	9,462	30,123	35,000
	WSS	Selenicë	1,494	12	680	121	5,201	3,920	15,008	15,608
	WSS	Mirditë	1,168	30	743	264	11,411	8,693	27,399	31,518
	WSS	Pukë	1,099	20	270	161	8,689	6,904	14,833	29,549
	WS	Has	1,091	32	728	226	7,183	3,927	19,958	23,822
	WS	Këlcyrë	965	14	756	111	5,316	4,009	8,214	9,440
	WS	Vau i Dejës	821	12	919	175	5,682	3,673	18,639	19,683
	WSS	Libohovë	782	7	275	123	3,045	1,937	14,938	17,222
	WSS	Fushë Arrëz	527	11	163	111	3,276	2,020	4,324	14,836
	WSS	Pukë Fshat	524	19	420	127	2,486	1,975	10,653	17,025
	WSS	Rubik	511	12	136	120	4,758	4,601	7,684	8,664
	WS	Lushnjë Fshat	506	64	812	582	18,806	10,761	33,359	46,823
	WS	Gjrokkastër Fshat	441	15	165	97	2,510	2,340	7,518	11,534
	WSS	Krastë	380	14	150	92	3,398	2,758	6,825	13,476

Table 12: Tariffs applied by the 56 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	43.45	33	110	120	100	10	25	25
	WSS	Durrës	85.28	45	90	110	100	12	15	15
	WS	Vlorë	46.47	30	60	80	-	-	-	-
	WSS	Elber sh.p.k	109.84	38	115	130	-	8	25	30
	WSS	Fier	119.41	44	80	100	-	10	12	14
	WSS	Shkodër	49.67	35	95	100	50	13	16	16
	WSS	Berat- Kuçovë	60.71	35/36	110	110	-	8	14	16
	WSS	Kavajë	87.84	38	80	100	-	15	20	20
	WSS	Korçë	66.51	50	85	114	80	20	35	37
	WS	Elbasan Fshat	108.96	30	80	80	-	-	-	-
	WSS	Sarandë	107.53	40	90	110	100	14	20	20
	WSS	Pogradec	55.41	55	110	110	40	18	25	25
	Group 2	WSS	Lushnjë	86.33	44	100	110	100	12	16
WSS		Gjirokastër	37.57	28	85	110	50	6	8	12
WSS		Lezhë	105.25	43	100	110	-	10	14	17
WS		Korçë Fshat	59.19	-	-	-	-	-	-	-
WSS		Kukës	63.01	25	60	80	-	7	15	20
WS		Patos	142.56	-	-	-	-	-	-	-
WSS		Burrel	51.77	23	60	80	-	2	4	6
WS		Kurbin	69.53	30	80	120	50	-	-	-
WSS		Librazhd	58.43	34	80	90	-	10	15	17
WSS		Rrogozhinë	86.81	45	80	90	-	8	10	10
WSS		Mallakastër	174.4	-	-	-	-	-	-	-
WS		Gramsh	70.46	32	90	90	-	-	-	-
WS		Novoselë	73.12	33	50	70	-	-	-	-
WS	Tepelenë	108.01	33	100	120	-	-	-	-	
WSS	Krujë	77.77	33	80	80	-	8	12	12	

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 3	WS	Peshkopi	47.83	27	65	85	-	-	-	
	WS	Përmet	87.57	38	100	120	50	-	-	
	WS	Divjakë	103.31	-	-	-	-	-	-	
	WS	Bulqizë	43.38	-	-	-	-	-	-	
	WS	Ura Vajgurorë	86.44	40	90	100	-	-	-	
	WS	Peqin	194.58	30	90	100	50	-	-	
	WS	Bilisht	81.18	32	75	90	-	-	-	
	WS	Delvinë	73.42	48	100	100	-	-	-	
	WSS	Fushë Krujë	155.47	28	60	80	-	10	12	
	WS	Matiësi e Madhe	25.87	-	-	-	-	-	-	
	WS	Shkodër Fshat	232.1	-	-	-	-	-	-	
	WS	Tropojë	56.61	19	60	80	-	-	-	
	WS	Orikum	163.87	-	-	-	-	-	-	
	WS	Çorovodë	164.62	27	80	95	-	-	-	
	WSS	Ersekë	65.3	32	60	80	-	6	8	
	WS	Poličan	150.88	37	80	95	-	-	-	
	WSS	Selenicë	129.2	30	80	100	-	-	-	
	WSS	Mirditë	101.08	25	60	80	-	8	10	
	WSS	Pukë	121.19	25	60	80	-	8	10	
	WS	Has	105.4	-	-	-	-	-	-	
WS	Këlcyrë	85.23	-	-	-	-	-	-		
WS	Vau i Dejës	112.46	-	-	-	-	-	-		
WSS	Libohovë	118.61	-	-	-	-	-	-		
WSS	Fushë Arrëz	90.42	-	-	-	-	-	-		
WSS	Pukë Fshat	113.35	-	-	-	-	-	-		
WSS	Rubik	59.13	30	70	100	-	10	15		
WS	Lushnjë Fshat	80.49	60	70	100	-	-	-		
WS	Gjirokastër Fshat	118.91	25	60	60	-	-	-		
WSS	Krastë	132.91	30	80	100	-	10	15		

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.

