



Republika e Kosovës - Republika Kosova - Republic of Kosovo

ZYRA RREGULLATORE PËR UJË DHE MBETURINA  
REGULATORNI URED ZA VODU I OTPAD  
WATER AND WASTE REGULATORY OFFICE



ANNUAL REPORT

2009

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Prishtina  
March 2009

## Vision

*“Providing quality, safe and efficient services for water and waste to all customers throughout Kosovo.”*

## Mission

*“Implement regulation of water and solid waste services in effective and transparent manner in accordance with good European practices in order to ensure that water and waste service providers deliver qualitative, sustainable, reliable, and affordable prices throughout Kosovo, taking into consideration protection of environment and protection of public health.”*

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# 1. Foreword

It is my pleasure to present through this report all activities of Water and Waste Regulatory Office implemented on November 2009. In this case I may conclude that WWRO in 2009 has faced with challenges and accomplished determined objectives successfully.

During 2009, the WWRO continued to enforce its regulatory functions in four main areas:

- (i) Institutional enforcement and enhancement of internal capacities with the aim to increase the quality and credibility of regulatory process;
- (ii) Advance the monitoring system and performance assessment of water and waste companies aiming to increase the quality of these services;
- (iii) Advance the tariff process aiming to increase financial viability of water and waste service providers;
- (iv) Cooperate with the stakeholders aiming to establish an effective legal institutional framework that enables a harmonized and inclusive action in establishing sustainable water and waste sectors in Kosovo.

In institutional plan, in 2009, WWRO has further advanced the issue of its operational independence, in particular financial independence in financing of its activities through fees paid by the regulated companies. Also, in this plan, WWRO continued amendment of secondary legislation and the completion of internal policies and administrative procedures. It is very important to continue with the building of capacities through staff training in areas such as procurement, performance monitoring, asset management etc.. Despite these positive developments, the issue of uncertainty in terms of institutional competencies and responsibilities in the waste sector, this issue has remained unresolved even despite ongoing efforts of WWRO in order to address this problem. I hope, this problem finally will be resolved in the following year

On the other hand, being one of the most important aspects of the work of WWRO, the further advancement of performance monitoring and evaluation system continued to have a special significance in WWRO activities in 2009. In this context, WWRO published and distributed the performance annual report of waste and water companies for 2008, which provided a summary report of developments in water and waste sectors in Kosovo, afterwards have been analyzed financial and operational indicators and service levels of 16 public companies that regulates WWRO.

Also, as the previous years, WWRO revealed and shared the prices of companies with the best performance, in order to encourage competition among these companies. Development of special meetings with Boards and Management of Water Companies, where have been discussed regarding their performance and recommended for improvement of their work indicators was an activity of interest to all parties.

During 2009, the WWRO has devoted a major part of its engagement to advance the tariff process. In this context WWRO systematically monitored the effects determined for the period 2009-2011 by analyzing in particular dynamics of the execution of capital investments. In this plan, WWRO concluded with regret, that planned investments are not executed as closely whether in value and planned dynamic as well. This remains a serious WWRO concern for department developments. WWRO, emphasized this concern in the meetings with management of Water and Waste Companies and other parties of interest.

The WWRO during 2009 continued the cooperation with all stakeholders in Kosovo, and in particular with: Policy and Monitoring Unit of the Public Enterprises of the Ministry of Economy and Finance (MEF), the Ministry of Environment and Spatial Planning (MESP), National Institute of Public Health (NIPH), Ministry of Economy and Finance (MFE) and SHUKOS (Association of Public Companies for Water Supply and Wastewater), Kosovo Agency for Environmental Protection (KAEP), European Integration Agency and donors. In the cooperation plan with water regulators of other countries, the WWRO during 2009 except with its productive cooperation with economic regulators of Albania, Scotland and Portugal, has signed cooperative agreements with the Water Regulatory Authority of Albania, so being formalized an excellent cooperation with this institution.

Certainly, the WWRO during 2008 has focused its engagement in protection of customers' interests. The activities undertaken by WWRO in this plan have impacted in customers' awareness for their rights and obligations as well as establishing an approach towards customers by side of the companies.

Given the fact that my commitment in WWRO will end as soon , I would like to size this opportunity to express my sincere appreciation for the cooperation that was offered over the years by all institutions. In particular I would like to thank the WWRO staff , respectively for their dedication that have demonstrated throughout the years in achieving of objectives that we set together, creating a high professional standard that I consider the greatest value for the future of WWRO.

Afrim Lajçi  
Director of WWRO

## 2. WWRO LEGAL STATUS AND RESPONSIBILITIES

### 2.1. WWRO powers and responsibilities

Water and Waste Regulatory Office (WWRO) is the economic regulator of water and waste sectors in Kosovo that was established on 26<sup>th</sup> of November 2004 under UNMIK Regulation 2004/49 in accordance with Kosovo's Constitutional Framework. This Regulation was amended with the Law No. 03/L-086 approved by Kosovo Assembly on 13<sup>th</sup> of June 2008, by delegating the responsibilities for water and waste regulation from UNMIK to Kosovo Assembly.

WWRO is responsible for regulation of Public Enterprises (POEs) that provide water, wastewater, waste collection and waste disposal services.

#### **WWRO main responsibilities include:**

- Setting service tariffs which balance the needs of customers for affordable prices and to maintain the financial viability of service providers;
- Licensing water and waste service providers ;
- Protection of customers interests by ensuring that service providers will not misuse their monopolistic position, and by ensuring that services are provided properly in accordance with appropriate service standards determined;
- Monitoring and reporting the performance of service providers ;
- Establishing procedures and disconnection terms for individual and collective disconnections of the customers from water supply network ;
- Establishing the Customers' Consultative Committees and supporting their work;
- Approving of terms for forgiveness and settlement of past debts.

Thus, WWRO is responsible to ensure that public enterprises that provide water and waste services to customers in Kosovo, are capable to provide efficient and qualitative services, and with affordable and fair prices.

In respect of fulfillment of its responsibilities, WWRO is directed by the legal framework established under Regulation 2004/49 and the Law No. 03/L-086 as well as with other applicable legislation related to the water and waste sectors. In more details the legal framework is set forth in the secondary legislation (in form of 14 Rules) adopted by WWRO in January 2005 and amended time after time.

### 2.2. Leading Work Principles of WWRO

The WWRO leading principles in accomplishing its mission and strategic objectives are:

- **Independence:** Professional and independent execution of the regulatory mandate and legal responsibilities on the interest of Kosova's citizens.
- **Balancing:** Balanced service tariff determination that enables licensed water and waste companies to provide services in compliance with relevant service standards and requirements, but also taking into consideration customers' affordability to pay.
- **Objectivity:** Effective monitoring and objective assessment as well as work transparency of licensed companies by making proper performance comparisons on yearly basis;
- **Protection of customer interests:** Handling effectively and fairly the customers' disputes and complaints by involving licensed companies in the process;
- **Consulting:** Consulting with stakeholders in collecting information about their point of view and priorities through information exchange, MoU's, organizing open workshops, publication of relevant reports in their website, and through seven Customer Consultative Committees. It is also important offering advices to the Government in drafting and policy review;
- **Transparency:** Publishing information in opened manner and transparently which enables all stakeholders to understand and participate in regulatory decision-making by WWRO;
- **Cooperation:** Cooperation with other regulators in the sector of water and waste services in Kosovo (such as MESP and NIPHK), to ensure that the responsibilities of the different parties are clearly defined. Moreover, this principle refers the close cooperation with other economic regulators for water and waste services in the region and Europe with the aim of exchanging experiences and implementing best practices;
- **Non-discrimination:** Ensuring that service tariffs charged to customers are fair and do not impose any discrimination or demonstrate preferences for any category of customers

### 2.3. ORGANIZATIONAL STRUCTURE OF WWRO

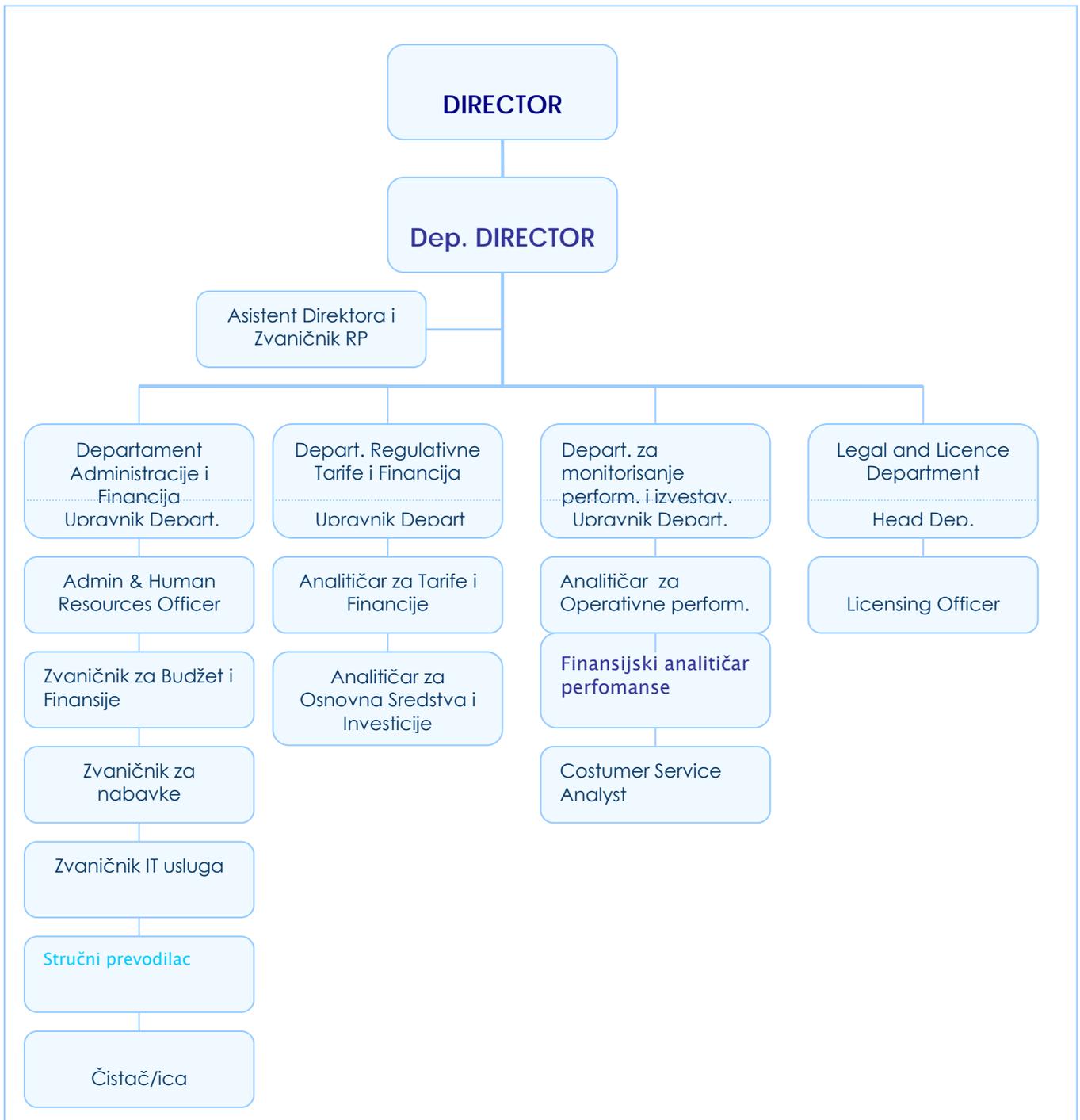
In accordance with Regulation 2004/49 and Law No. 03/L-086, WWRO is managed by Director and Deputy Director as responsible authorities for functioning of the Office as well as for regulatory decision making.

Aiming to operate effectively, efficiently, and timely, the WWRO has approved its Organizational Structure which sets for direct reporting relationships of the WWRO departments to the Director of WWRO.

WWRO comprises four (4) departments, three out of them are responsible for regulatory activities and one department provides support for Office operation. The responsible departments for regulatory activities are: Tariff and Finance Department, Monitoring and Performance Department, and Legal and Licensing Department, whereas responsible department for business support of WWRO is Administration and Finance Department.

WWRO Organizational Structure is given in Figure 1

Figure 1: WWRO Organogram



## **2.4. WWRO DEPARTMENTS**

### **(i) TARRIF AND FINACE REGULATORY DEPARTAMENT**

Tariff and Finance Department provides necessary support to Director of WWRO in service tariffs determination for licensed service providers. Specific duties and responsibilities of this Department include:

- Developing methodologies and models for calculation of service tariffs,
- Developing procedures and practices for application and review of applications for service tariffs,
- Managing tariff determination process in accordance with applicable legal provisions,
- Reviewing and evaluating financial data reported by licensed companies,
- Auditing financial data of licensed companies, and supporting in drafting secondary legislation of WWRO.

### **(ii) PERFORMANCE MONITORING DEPARTAMENT**

The role of Performance Monitoring Department is to organize reporting system of licensed companies of WWRO and to oversee the functionality of this system. In particular this department has responsibility to analyze and evaluate reported data by preparing periodic and annual reports concerning operational and financial performance of licensed service providers.

Also, duties and responsibilities of Monitoring and Performance Department include aspects related to the level of services provided to customers (cooperation and support to Customer Consulting Committees work, review of application regarding collective disconnection, evaluation of compliance with service standards etc).

### **(iii) LEGAL AFFAIRS AND LICENSING DEPARTAMENT**

Legal and Licensing Department provides necessary legal support to Director and WWRO personnel, regarding activities of WWRO and it represents the Office in all administrative and judicial cases with relevant administrative authorities, arbitrage authorities and Kosovo Courts.

In addition, this department is responsible for preparation of licensing policies and procedures as well as for management of all activities related to licensing process of companies that are under regulatory mandate of WWRO.

### **(iv) WWRO ADMINISTRATION AND FINANCE DEPARTAMENT**

Administration and Finance Department is responsible for ensuring functionality of WWRO's administration and finances. This Department provides support in administrative and language issues, data management, and supervision of internal finances for Director and WWRO Personnel.

Also this Department performs procurement activities, budget process, human resources and other activities that are related to administrative issues and WWRO vehicles.

## 3. WWRO Regulatory Activities

### 3.1. LICENSING

In accordance with the legal framework set forth under the UNMIK Regulation 2004/49 and under the Law No. 03/L-086 that amended this Regulation, the WWRO has licensed public companies that provide water and wastewater services, bulk water service suppliers, waste collection services as well as waste disposal services. Consequently, the WWRO licensed 15 public companies that provide above mentioned services.

#### (i) Licensed Companies for Water and Wastewater Services.

In accordance with the responsibilities determined by the law and basing on the procedures and regulations set with secondary legislation, the WWRO has licensed the following water and wastewater regional companies:

1. **RWC "Prishtina" J.S.C.**, that provides services in the Municipality of: Prishtina, Fushë Kosova, Obiliq, Podujeva, Lipjan, Shtimje, and Drenas;
2. **RWC "Hidroregjioni Jugor" J.S.C.**, that provides services in the Municipality of: Prizren, Malisheva, Suhareka, and Dragash;
3. **RWC "Hidrodrini" J.S.C.**, that provides services in the Municipality of: Peja, Istog, Klinë, Junik and Deçani<sup>1</sup>;
4. **RWC "Mitrovica" J.S.C.**, that provides services in the Municipality of: Mitrovica, Skënderaj and Vushtri;
5. **RWC "Hidrosistemi Radoniqi" J.S.C.**, that provides services in the Municipality of: Gjakova, Rahovec;
6. **RWC "Hidromorava" J.S.C.**, that provides services in the Municipality of: Gjilan, Kamenica, and Vitia;
7. **RWC "Bifurkacioni" J.S.C.**,<sup>2</sup> that provides services in the Municipality of: Ferizaj and Kaçanik.

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<sup>1</sup> The Municipality of Decan was a part of RWC "Hidrodrini" service area, until the decision made by the Municipal Assembly of Decani in 2007, when decided not to be part of the regional company "Hidrodrini" and has established Municipal Company for water supply. The WWRO considers that the decision made by the MA of Decani is unlawful and is non-compliance with the Law on Publicly Owned Enterprises. However, the situation created requires an engagement of the responsible government institutions regarding the abrogation of the decision made by MA of Decan and restoring this company under the authority of RWC "Hidrodrini".

<sup>2</sup> WRC "Bifurkacioni" J.S.C. is the only water and wastewater regional company (excluding the municipalities with Serbian majority that were not involved at all in the restructuring and in the corporation process) which was classified as municipal public company based on the Law for Publicly Owned Enterprises. This occurred due to the principle which stipulates that service provision shall cover more than 3 municipalities to obtain the status of the central public company.

Water and Wastewater Public Companies that have existed in municipalities with Serbian majority (Shterpce, Novoberdo, North Mitrovica, Leposavic, Zubin Potok and Zvecan) are left out of the restructuring and incorporation process and consequently they remained out of the regulatory process implemented by WWRO.

The licenses of these seven water and wastewater regional companies are valid until 31<sup>st</sup> of October 2009.

## (ii) Licensed Company for Bulk Water Supply.

Bulk water supply under the Regulation 2004/49 is defined as water that has not been treated for Bulk Water Suppliers.

The only licensed company that provides bulk water is:

1. **"Ibër-Lepenci" J.S.C.** which provides bulk water supply for WRC "Mitrovica" J.S.C and WRC "Prishtina" J.S.C.

The license of **"Ibër Lepenci"** is valid until 31<sup>st</sup> of October 2012.

## (iii) Licensed Companies for Waste Collection Services.

1. **Regional Waste Collection Company (RWCC) "Pastrimi" J.S.C.** that provides services in the municipality of: Prishtina, Fushë Kosova, Obiliq, Drenas, Lipjan, Podujeva,
2. **RWCC "Ekoregjioni" J.S.C.** that provides services in the municipality of: Prizren, Suhareka, Malisheva, and Shar;
3. **RWCC "Ambienti" J.S.C.** that provides services in the municipality of: Peja, Istog, Klina, Junik and Decan<sup>3</sup>;
4. **RWCC "Uniteti" J.S.C.** that provides services in the municipality of: Mitrovica, Skënderaj and Vushtri;
5. **RWCC "Çabрати" J.S.C.** that provides services in the municipality of: Gjakova and Rahovec;
6. **RWCC "Higjiëna" J.S.C.** that provides services in the municipality of: Gjilan, Kamenica, and Vitia<sup>4</sup>;
7. **RWCC "Pastërtia" J.S.C.** that provides services for the municipality of: Ferizaj and Kaçanik.

The licenses of regional waste companies are valid until 31<sup>st</sup> of November 2009.

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<sup>3</sup> *The Municipality of Decan has the same situation with waste collection services as the one with water supply and wastewater services.*

<sup>4</sup> *The Municipal Assembly of Vitia has also taken a decision (in 2008) not to be part of RWCC "Higjiëna" and has established a special enterprise for waste collection, that is as well in violation with the Law on Publicly Owned Enterprises.*

In addition, are presented areas of Regional Water Companies (Figure 1) and Waste Companies (Figure 2).

Figure 2: Areas of Services of Water and Sewerage Companies



RWaterC Prishtina	RWaterC Hidroregjioni Jugor	RWaterC Hidrodrini	RWaterC Ujësjetësi Regional	RWaterC Radonij	RWaterC Bifurkacioni	RWaterC Hidromorava	Municipalities that are not provided with water service
-Prishtina -Podujeva -Fushë Kosova -Obiliçi -Lipjani -Shtimja -Glogovci	-Prizreni -Suhareka -Malisheva -Dragashi	-Peja -Istogu -Klina -Juniku	-Mitrovica -Skenderaj -Vushtria	-Gjakova -Rahoveci	-Ferizaj -Kaçaniku	-Gjilani -Kamenica -Vitia	-Novoberda -Zubin Potoku -Leposaviq -Shtërpca -Deqani

Figure 3: Areas of Services of Waste Collection Companies



KRM Pastrimi	KRM Ekoregjioni	KRM Ambienti	KRM Uniteti	KRM Çabрати	KRM Pastërtia	KRM Higjiena	Komunat jashtë shërbimeve nga KRM-të
-Prishtina -Podujeva -Fushë Kosova -Obiliqi -Lipjani -Glogovci	-Prizreni -Suhareka -Malisheva -Dragashi -Rahoveci	-Peja -Klina -Deçani	-Mitrovica -Skenderaj -Vushtrria	-Gjakova	-Ferizaj -Kaçaniku -Shtimja	-Gjiçani -Kamenica -Viti	-Novobërda -Zubin Potoku -Leposaviqi -Shtërpca -Istogu

### **3.2. PERFORMANCE MONITORING**

The WWRO monitors the performance of the licensed public companies which provide water and waste services. The performance monitoring is carried out based on the reports submitted by companies to WWRO relying on a reporting system established by WWRO called OFCR/ROFK.

Apart monitoring, the WWRO makes the performance assessments of water and waste companies, based on the Key Performance Indicators (KPI) and reports publicly regarding their performance in a form of the Annual Performance Report. In order to verify the accuracy and reliability of the data reported from the licensed companies, the WWRO carries out the auditing of data and procedures on the basis of which data are generated from companies. The auditing process will be carried out during the period from January to April of the following year. Therefore, the reported data related to water and waste companies' performance for the year 2009 is currently being audited. However, in the following is given in summarized manner the operational, financial, and customer service performance for public companies that provide water and waste services based on the license issued by the WWRO, according to the data reported and non-audited data from the WWRO.

#### **3.2.1. PERFORMANCE OF REGIONAL WATER COMPANIES FOR 2009.**

In addition to this report is given a short summary regarding the performance of Public Companies, which offer water and waste services in Kosovo, and aims to notify all actors of water about the situation of companies in 2009 compared with 2008.

This report presents relative performance and individual relative performance to the sector level of each company.

The report was prepared based on data reported by water companies in accordance with their reporting obligations. Also you should consider that the data of the year 2008 are audited and therefore are reliable, while the data of 2009 are reported data and still are not audited. Their audit will be finalized during April 2010. The water quality data for 2008 are provided by IPH, while for 2009 are taken by reports of the company..

**SECTOR OVERVIEW**

The following chart presents the water sector performance through key indicators of the performance during the period 2008-2009.

**Chart 1. Sector Overview**

Indicators	2009	2008	prog/reg
Non-billed water %	59%	56%	Negative trend
Customer proportion with water meter %	78%	80%	Negative trend
Collection rate %	63%	65%	Negative trend
Working coverage rate	0.98	1.04	Negative trend
Cost per unit (€/m <sup>3</sup> )	€0.11	€0.11	The same trend
Staff effectiveness ('000 cons)	6.81	6.99	Positive trend
Customer complaints '000	5	5	The same trend
Failed tests of water quality %	3%	3%	The same trend

In the year 2009 compared with 2008, the Water Sector has performed poorly on the most of key indicators.

**OPERATIONAL EXPENDITURES.**

In general, in the year 2009 compared with 2008, the operational expenditures have been increased for 4%, while the development trends of each category of costs from the total amount of operational costs can be observed in the following chart (Table 2).

**Chart 2. Operational expenditures by category .**

Indicators	2009	2008	prog/reg
Non-billed water %	2%	2%	The same trend
Wages %	43%	52%	Positive trend
Maintenance %	9%	11%	Negative trend
Energy %	22%	19%	Negative trend
Derivates %	2%	4%	Positive trend
Chemicals %	2%	3%	Positive trend
Other expenditures %	4%	9%	Positive trend

## RELATIVE PERFORMANCE OF WATER COMPANY

The relative performance indicates performance comparison of each individual water company between periods, in this case between 2009 and 2008.

In the following chart are presented the development trends of each company.

### RWC 'PRISHTINA', J.S.C

The following chart presents the company's performance RWC 'Pristina', J.S.C for the year 2009 compared with 2008.

**Chart 3. Relative Performance of RWC 'PRISHTINA', J.S.C**

Indicators	2009	2008	prog/reg
Non-billed water %	54%	46%	Negative trend
Consumer proportion with water meter	80%	80%	The same trend
Collection rate %	65%	66%	Negative trend
Working coverage rate	1.05	1.09	Negative trend
Cost per unit (€/m <sup>3</sup> )	€0.14	€0.14	The same trend
Staff effectiveness ('000 cons)	5.83	5.99	Positive trend
Customer complaints '000	5	8	Negative trend
Failed tests of water quality %	1.4%	0%	Negative trend
Continuity of water supply (has not been reported) <sup>5</sup>	?*	?*	?

In the year 2009 compared with 2008, RWC 'Pristina', J.S.C. has marked the poorer performance in the key indicators of performance.

During the year 2009 compared with 2008, Non-billed water (%) was raised as a result of noticeable increase and reduction of water billing. Reduction of water billing despite the increasing of customer's number and remaining stable of customer's proportion (%) might be explained either as water saving or as irregularity during the billing process by the company. Moreover, produced water for customers per month (m<sup>3</sup>) was raised to 44 m<sup>3</sup> in 2009, as compared to 43 m<sup>3</sup> in 2008, while billed-water by customer's consumption per month (m<sup>3</sup>) has dropped to 21 m<sup>3</sup> in 2009 from 23 m<sup>3</sup> as it was in 2008.

The following months, WWRO plans to make the verification of individual water meter in the field, in order to validate the reliability of reading of water meter by the company.

During the year 2009 compared with 2008, the collection rate (%) dropped to 1%. This might be as a result of inefficient functioning of the collection system, afterwards unsatisfactory level of service (lack of water), or small possibility of payment by a category of customers.

The working coverage rate of 1.05 indicates that the company has been able to cover operational costs with collected revenues. In reducing the working coverage rate of year-on-year, has affected on increase of operational costs for € 437.092 in the year 2009 compared to 2008, despite the growth of income of € 229.252 in cash

<sup>5</sup>Regulator has asked the RWC "Prishtina" to report regarding the report's plan of water supply and reduction.

In the year 2009 compared with 2008, the operational expenditures for m<sup>3</sup> have not incurred any changes .

The company has achieved a little progress in staff efficiency..

#### RWC 'HIDROREGJIONI JUGOR', J.S.C.

The following chart presents the company's performance of RWC'Hidroregjioni Jugor', J.S.C. in the year 2009 compared with 2008.

**Chart 4. Relative performance of RWC 'HIDROREGJIONI JUGOR', J.S.C**

Indicators	2009	2008	prog/reg
Non-billed water %	55%	44%	Negative trend
Customer proportion with water meter %	79%	90%	Negative trend
Collection rate %	62%	64%	Positive trend
Working coverage rate.	0.91	0.86	Positive trend
Cost per unit (€/m <sup>3</sup> )	€0.12	€0.15	Positive trend
Staff effectiveness ('000 cons)	6.02	6.36	Positive trend
Customer complaints '000	2	?	Positive trend
Failed tests of water quality %	3.5%	4.8%	Positive trend
Continuity of water supply	24	24	The same trend

In the year 2009 compared with 2008, RWC 'Hidroregjioni Jugor', J.S.C. has marked the poorer performance in some of the key indicators of performance

During the year 2009 compared with 2008, Non-Billed Water (%), was raised as a result of noticeable increase and reduction of water billing. Reduction of water billing, despite the increasing number of customers and reducing the customer proportion with water-meter (%), might be explained as more as water saving by customers, since billed water according to consumption per customer for a month (m<sup>3</sup>) in 2009 was 20 m<sup>3</sup>, while in 2008 was 21 m<sup>3</sup>, where at the same time might not be excluded and other causes. In order to prove the reliability of reading of water meter, RUCO plans in the following months to make verification of an individual water meter in the field.

During the year 2009 compared with 2008, the collection rate (%) has dropped for 2%. This might be as a result of inefficient functioning of the collection system by the company, unsatisfactory level of service for customers, or smaller possibility to be paid by a category of people. This company has not been able to cover the operational expenditures with collected revenues. In increasing the rate of working coverage rate from the year-on-year has affected in increase of the cash value of € 153.145 despite the slight increase of operational expenses.

In the year 2009 compared with 2008, the operational costs for m<sup>3</sup> of produced water have marked a positive trend.

The company has achieved a little progress in staff efficiency, as a result of increasing the number of costumers for 2.784.

#### RWC 'HIDRODRINI', J.S.C

In the following chart is presented the company's performance, RWC 'Hidrodrini', J.S.C in the year 2009 compared with 2008.

**Chart 5. Relative performance of RWC 'HIDRODRINI', J.S.C**

Indicators	2009	2008	prog/reg
Non-billed water %	74%	75%	Positive trend
Costumer proportion with water meter %	87%	88%	Negative trend
Collection rate %	60%	66%	Negative trend
Working coverage rate	1.03	1.27	Negative trend
Cost per unit (€/m <sup>3</sup> )	€0.05	€0.04	Trend negativ
Staff effectiveness ('000 cons)	5.93	6.14	Positive trend
Costumer complaints '000	5	5	The same trend
Failed tests of water quality %	5.3%	5.2%	Negative trend
Continuity of water supply	24	24	The same trend

In the year 2009 compared with 2008, RWC 'Hidrodrini', J.S.C. has marked the poorer performance in some of the key indicators of performance, except in the Non-Billed Water and staff effectiveness, where trends have been progressively. In the year 2009 compared with 2008, there was a slight improvement in Non-Billed Water (%). This might be as a result of noticeable reduction in water production versus smaller reduction of water billing.

Reducing of water billing, despite the increased number of costumers for 1.900 and reducing of costumer proportion with water-meter (%) ,might be explained as more as water saving by costumers , since the billed water by consumption of one costumer (m<sup>3</sup>) in 2009 was 22 m<sup>3</sup>, while in 2008 was 24 m<sup>3</sup>. Besides this explanation could not be excluded and other causes.

Even in this company will be verified the credibility of reading of water meter by WWRO.

In the year 2009 compared with 2008, the collection rate (%) dropped to 6%. Apparent reduce of 6%, requires a deeper analysis of the company situation.

The working coverage rate of 1.03 indicates that the company has been able to cover operational costs with collected revenues. In reducing the rate of the working coverage from the year-on-year has affected in increasing of operational costs for € 162.211 € 107.704 and reducing of cash incomes of €107,704.

In the year 2009 comopared with 2008, the operational expenditures for m<sup>3</sup> of produced water have shown a small increase. However, comparing this company with other companies, it remains a leader in this indicator.

The company has achieved a little progress in staff efficiency.

### RWC 'MITROVICA', J.S.C

The following chart presents company's performance of RWC 'Mitrovica', J.S.C. for the year 2009 compared with 2008.

**Chart 6. Relative performance of RWC 'MITROVICA', J.S.C**

Indicators	2009	2008	prog/reg
Non-Billed Water %	51%	54%	Postive trend
Constumer proportion	49%	47%	Postive trend
Working Rate %	51%	53%	Negative trend
Working coverage rate	0.70	0.95	Negative trend
Cost per unit (€/m3)	€0.10	€0.11	Postive trend
Staff effectiveness ('000 cons)	10.16	10.39	Postive trend
Costumer complaints '000.	5.5	?	Postive trend
Failed tests of water quality %	2.6%	2.6%	The same trend
Continuity of water supply	18	18	The same trend

\* This does not include revenues from the northern part of Mitrovica

Comparing in 2009 with 2008, RWC 'Mitrovica', J.S.C., has shown better performance in terms of some key indicators.

During the year 2009 compared with 2008, we have an improvement in Non-Billed Water (%), which has affect to significant increase in water billing for 734.436 m<sup>3</sup> or 9% despite the slight increase of produced water for 3%. This is followed by an increase of 341 of the costumer number.

In the year 2009 compared with 2008, the collection rate (%) has dropped for 2%.

The working coverage rate from 0.70 shows that the company has remained financially weak and has not been able to cover operational costs with its own revenues. Therefore, in the year 2009, the company has received about € 590,000 subsidies from government. In the year 2009 compared with 2008, the operational expenditures for m<sup>3</sup> of produced water have incurred a slight decline.

A little progress has been achieved at the company's staff efficiency as a result of the increasing of costumer number despite the increased number of employees.

**RWC 'RADONIQA', J.S.C**

The following chart presents company's performance of RWC 'Radoniqa', J.S.C in the year 2009 compared with 2008.

**Chart 7. Relative performance of RWC 'HS RADONIQA', J.S.C.**

Indicators	2009	2008	prog/reg
Non-Billed Water %	59%	62%	Positive trend
Customer proportion with water meter %	94%	94%	The same trend
Working Rate %	69%	71%	Negative trend
Working coverage rate	1.02	1.07	Negative trend
Cost per unit (€/m <sup>3</sup> )	€0.12	€0.10	Negative trend
Staff effectiveness ('000 cons)	8.06	8.06	The same trend
Customer complaints '000 .	5	5	The same trend
Failed tests of water quality %	0%	0%	The same trend
Continuity of water supply	24	24	The same trend

In the year 2009 compared with 2008, RWC 'Radoniqa', J.S.C. except that showed a positive trend of Non-Billed Water, the trends to other indicators have been negative or stable.

During the year 2009 compared with 2008, we have a slight improvement of Non-Billed Water (%). This has become as a result of noticeable reduction of produced water for 1,885,487 m<sup>3</sup>, versus smaller reduction of water billing for 216,456 m<sup>3</sup>. Reducing the water production and billing, despite the increasing of customer's number for 553, and despite the stable remaining of customer's proportion with water-meter (%) might be explained as more as water saving by customers, being aware that billed water according to measured consumption in m<sup>3</sup> for one customer for a month in 2009 was 18 m<sup>3</sup>, while in 2008 was 19 m<sup>3</sup>. Besides this explanation can not be excluded and other causes. Even in this company will be verified the credibility of water-meter reading by WWRO.

During the year 2009 compared with 2008, the collection rate (%) has dropped to 2%.

The working coverage rate of 1.02, indicates that the company was financially able to cover operational costs with collected revenues. As such, the working coverage rate, from the year-on-year, has declined as a result of increased operational expenses of € 70,560 and reducing of revenues for € 16,846.

Increasing of operational costs, especially those directly, despite the significant reduction of water production can not be easily explained! As a result, operational expenditures for m<sup>3</sup> of produced water have indicated increase from the year-on-year.

Efficiency of staff has remained unchanged.

**RWC 'BIFURKACIONI', J.S.C**

The following chart presents company's performance of RWC 'Bifurkacioni', J.S.C of the year 2009 compared with 2008.

**Chart 8. Relative performance RWC 'BIFURKACIONI', J.S.C.**

Indicators	2009	2008	prog/reg
Non-Billed Water %	57%	48%	Negative trend
Customer proportion with water meter %	63%	60%	Positive trend
Working Rate %	60%	57%	Positive trend
Working coverage rate	1.18	0.89	Positive trend
Cost per unit (€/m <sup>3</sup> )	€0.11	€0.18	Positive trend
Staff effectiveness ('000 cons)	6.63	6.82	Positive trend
Customer complaints '000	3	?	Positive trend
Failed tests of water quality %	3%	8.3%	Positive trend
Continuity of water supply	19	16	Positive trend

In the year 2009 compared with 2008, RWC 'Bifurkacioni', J.S.C, has marked the better performance in most of the key indicators, except the trend that was negative in Non-Billed Water .

During the year 2009 compared with 2008, Non- Billed Water (%) was raised mainly as a result of large increase of produced water despite the slight increase of the water billing

Despite the increase with 3% points of customer proportion with water-meter (%), the measured consumption (%) remained the same for 65%. This phenomenon might be explained as more as water saving by customers, not excluding the possibility of the appearance of irregularities in billing. In fact, the individual water- meter made by WWRO was verified. As a result of this verification was concluded that 28% of the inspected cases and billings are based on estimated expenses, while 6% were identified as cases with improper billing.

During the year 2009 compared with 2008, the collection rate (%) is set for 3%, as a result of significant increase of collection versus increase of billing.

The working coverage rate of 1.18 indicates that the company in 2009, has been able to cover operational costs with collected revenues. In this increase of indicator except increase of revenues have affected on reducing of an operational expenses.

In the year 2009 compared with 2008, the operational expenses for m<sup>3</sup> of produced water have decreased by € 162.504

A little progress has been achieved at the company's staff efficiency

**RWC 'HIDROMORAVA', J.S.C**

The following chart presents the company's performance RWC 'Hidromorava', J.S.C in the year 2009 compared with 2008.

**Chart 9. Relative performance of RWC 'HIDROMORAVA', SH.A.**

Indicators	2009	2008	prog/reg
Non-Billed Water %%	57%	50%	Negative trend
Customer proportion with water meter %	78%	81%	Negative trend
Working Rate %	63%	77%	Negative trend
Working coverage rate	0.89	0.94	Negative trend
Cost per unit (€/m <sup>3</sup> )	€0.15	€0.18	Positive trend
Staff effectiveness ('000 cons)	8.79	8.74	Negative trend
Customer complaints '000	10	11.6	The same trend
Failed tests of water quality %	?	0%	?
Continuity of water supply	?	?	?

In the year 2009 compared with 2008, RWC 'Hidromorava', J.S.C in general has marked poorer performance.

During the year 2009 compared with 2008, Non Billed Water (%) was raised as a result of significantly increase of produced water, despite a small raise of water billing. Causes of non-parallel increase of billed water versus produced water should be explored deeply. WWRO estimates that it is directly connected with irregularities in the billing of customers with special emphasis on reading of water meter. This was proven during the individual water meter inspection in the field.

During the year 2009 compared with 2008, the collection rate (%) dropped to 14%! So apparent reduction of this indicator requires a deeper analysis of the situation in the company.

The working coverage rate of 0.89 indicates that the company was not financially able to cover the operational costs with collected revenues. In reducing the working coverage rate from year to year has affected in reducing of cash income for € 19.575 (or 2%) and reduction of other operational incomes, despite the reduction of operational expenditures of € 27.636.

In the year 2009 compared with 2008, the operational costs for m<sup>3</sup> of produced water have marked decrease. It has mainly become as a result of increasing of produced water where fixed expenses remain constant.

The staff efficiency has raised (negative trend) as a result of very high increase in the staff number of 10, despite the increasing number of customer.

### 3.2.2 Performance of Waste Sector

#### (i) Waste Collection Services

In the year 2008 compared with 2007, the performance of seven regional companies that provide waste collection services, have recorded a negative trend in many financial indicators of performance, including collection rate which directly affects in the financial viability of these companies, while we have an improvement trend in operational indicators.

The assessment was carried out based upon the key performance indicators, calculated from the data reported by companies.

The assessment was finalized based on the key performance indicators, calculated from the data reported by companies. Data of 2008 have been audited, while is expected to be audited for 2009 during the month of April.

During the year 2009, all the companies were below financial sustainability margin, mainly due to the low level of revenue collection for the services provided

#### Staff Efficiency

While in the year 2008 for 1000 costumers have served 924 workers, this rate in 2009 was improved, which was 9.08 for 1000 costumers, that means we have efficiency decrease of costumers services.

In general, the average of collected waste per employee in 2009 was 176.20 tonnes, which is about six tonnes higher than in 2008.

**Chart 10: Staff efficiency of Waste Collection Regional Companies**

Staff Efficiency			prog/reg
	2008	2009	
RWCC "Higjiena" J.S.C	8.03	7.05	Postivie trend
RWCC "Ambienti" J.S.C	7.59	7.35	Postivie trend
RWCC "Pastertia" J.S.C	8.98	8.42	Postivie trend
RWCC "Pastrimi" J.S.C	9.07	8.98	Postivie trend
RWCC "Eco-Regjioni" J.S.C	8.90	9.08	Negative trend
Sector Average	9.28	9.04	Negative trend
RWCC Çabratii" J.S.C	10.12	10.51	Negative trend
RWCC "Uniteti" J.S.C	15.28	14.29	Postivie trend

#### Collection Rate

In general, the collection rate regarding the level of waste collection for 2009 was 38% which is lower than the one for 2007 that was 8%. In the chart is shown that the lowest collection rate was scored by RWCC "Pastrimi" and RWCC "Higjiena".

The level of collection rate has marked decrease in the category of industrial-commercial costumers while in household and institutions has remained the same this year.

The Collection rate of 53% is in nonacceptable level, so it is impossible for companies to cover operational costs. Obviously their effects will be reflected in the low level of

asset's maintenance and deterioration of the level of service level by public companies.

**Chart 11: Collection Rate of Waste Collection Regional Companies.**

Collection Rate %			prog/reg
	2008	2009	
RWCC "Pastertia" J.S.C	69%	69%	The same trend
RWCC "Çabрати" J.S.C	62%	61%	Negative trend
RWCC "Eco-Regjioni" J.S.C	60%	55%	Negative trend
RWCC "Uniteti" J.S.C	57%	55%	Negative trend
RWCC "Ambienti" J.S.C	61%	53%	Negative trend
Sector Average	61%	53%	Negative trend
RWCC "Pastrimi" J.S.C	58%	51%	Negative trend
RWCC "Higjiena" J.S.C	63%	42%	Negative trend

### Working Coverage and Unit Cost

The rate of working coverage in 2009 has marked the level 0.88 in comparison with 2008 has marked increase only for 1%, which is considered as low level and as a result it is impossible for companies to cover operational and maintenance expenses

**Chart 12: The working coverage rate rate**

The working coverage rate			prog/reg
	2008	2009	
RWCC "Pastertia" J.S.C	0.88	0.98	Postive trend
RWCC "Çabрати" J.S.C	0.91	0.98	Postive trend
RWCC "Higjiena" J.S.C	0.70	0.96	Postive trend
RWCC "Pastrimi" J.S.C	1.00	0.92	Negative trend
Sector Average	0.87	0.88	Postive trend
RWCC "Uniteti" J.S.C	0.77	0.82	Postive trend
RWCC "Ambienti" J.S.C	1.00	0.84	Negative trend
RWCC "Eco-Regjioni" J.S.C	0.74	0.75	Positive trend

In the year 2009, the cost per unit was € 32.21, which compared with 2008 in the sector level, was shown reduction of € 2.00 per unit (ton of collected waste).

The participation of each category of costs in the total amount of operational costs as average of Waste Regional Companies can be seen in chart .13..

Chart 13: Operating Cost Structure of Waste Collection Regional Companies.

Operational costs of unit per categories.			prog/reg
	2008	2009	
Percentage of staff costs	54%	59%	Negative trend
The percentage of fuel costs	18%	15%	Postive trend
Percentage of storage costs	11%	11%	The same trend
Percentage of M & R costs	5%	5%	The same trend
Other expenses	12%	10%	Positive trend

### Disposal of Waste

In the year 2009, about 87% of the collected waste in the average of sector were disposed in licensed landfills, that's mean for 4% more than in 2008, while the rest of the remaining waste were dumped in the field. Djakovica region is still left without a licensed landfill, so Çabрати, Gjakova has dumped the amount of waste in the unlicensed landfills, which are outside any environmental standard.

Chart 13: Waste deposited in licensed landfills

Percentage of waste disposal in licensed landfill			prog/reg
	2008	2009	
RWC "Uniteti" J.S.C	100%	100%	The same trend
RWC "Higjiena" J.S.C	100%	100%	The same trend
RWC "Eco-Regjioni" J.S.C	89%	100%	Positive trend
RWC "Pastertia" J.S.C	95%	93%	Negative trend
RWC "Pastrimi" J.S.C	84%	90%	Positive trend
Sector Average	83%	87%	Positive trend
RWC "Ambienti" J.S.C	83%	85%	Negative trend
RWC "Çabрати" J.S.C	0%	0%	The same trend

### (ii) WASTE DISPOSAL SERVICES

Management of sanitary landfills in Kosovo is carried out from Kosovo Landfill Management Company –KLMC J.S.C. Most of the KLMC's customers (but not all) are the regional waste collection companies for the service areas of: Prishtina, Gjilan, Podujeva, and Prizren and a number of local and international private operators.

Two companies for waste collection, RWCC "Uniteti" Mitrovica and RWCC "Ambienti" Peja are licensed for management of regional disposal sites in these two cities, which means they are not under the management of KLMC. Whereas, RWCC 'Çabрати' Gjakova, it continues to dispose the waste at the unlicensed disposal sites.

The performance assessment of KLMC was carried out basing on key performance indicators, calculated from the data received from this company.

During 2009 at around 213.219 tonnes of waste were disposed in all disposal sites managed by KLMC, this amount is 8 % bigger than in 2008. .

In the end of 2009, KLMC has undertaken an internal organization in order to improve its operational performance.

The internal organization consists removal of private operators from operating in the landfill, as well as signing of agreements with several regional companies related to waste collection of disposed waste.

### **3.3. SERVICE TARIFFS SETTING**

#### **3.3.1. Water supply and Wastewater Service Tariffs**

The WWRO in 2008, in accordance with the legal mandate has developed the tariff process regarding the approval of the service tariffs pertaining to water supply and wastewater services for seven regional licensed companies that provide these services. New service tariffs were approved as the result of this process, which are effective from 1<sup>st</sup> of January 2009 and are applicable for the next three -year period (2009-2011).

And as a special process in 2009 has defined the three other tariffs of wholesale water.

In 2009, WWRO has monitored the other new tariffs as a result prepared and published and 2 periodical reports.

#### **(i) Tariff Setting Methodology**

The special about this process, is the application of an advanced methodology in comparison with previous years. This methodology was developed in collaboration with international experts who supported the WWRO within the project of AER. This methodology was discussed and clarified with water and waste companies (in 3 workshops and in many individual meetings that had this purpose).

Once this cycle regulatory fees are three years - term, the following is the methodology and describe additional efforts to monitor, analyze and evaluate the effects that would produce such fees. The main characteristics of this tariff methodology are:

- Approval of long-term tariffs (3 years) in contrary with previous processes when tariffs were approved for 1 year period ;
- Review of calculation of the depreciation rate regarding non-infrastructural assets ;
- Application of the Rate on Capital Return basing on experiences of the countries with open market economy and EU countries ;
- Implementation of Regulatory Accounting;
- Setting the separate costs for water supply services from the costs of wastewater services .
- Monitoring of periodical data of all WRCC in 2009 to analyze and evaluate the effects of the new fee started from January 1st 2009;

- Publication of reports and other documents related to the tariff process to see the effects of such fees and informing of related parties with the same issues;
- Taking of certain actions to assist the companies in order to improve their performance.

## (ii) Approved tariffs

The new tariffs have scored an increase comparing with previous tariffs. This tariff increase was assessed as absolutely necessary for enabling the companies to generate their necessary incomes in covering their costs regarding the increase of quality towards customer services. Moreover, in the last three years this was the first increase (lastly the tariffs were increased in the beginning of 2006) even though meanwhile the prices for other goods were increased and electricity tariffs that have a direct and a considerable impact service providing cost of water supply and wastewater.

The basic principle established for determining the different rates during the years 2009, 2010 and 2011 was an economic, which is allocated in agreement with companies. The same is related with the accomplishment of the operational and financial goals year after year for each company which has resulted with different annual and regional tariffs.

The determined targets are as following: the amount of produced water, raising of the billing level, reducing of losses, equilibrium of operational costs with the certain units of measurement, implementation of new investment projects financed by own resources of the company, etc..

To monitor the progress of tariff trends in the water and sewerage service sectors, the tariffs determined by regulatory process are concluded for three highlighted years, (2009, 2010 and 2011) during the end of 2008, which are presented in chart form for easier comparison. The listed tariffs are without VAT.

The approved tariff statement is summarized in the following chart (Chart 2), stressing that 2009 is now the year of history, because this year we left behind.

Chart 2: *Approved Tariffs for water supply and wastewater services: 2009-2011*

Regional Company	Tariff Category	Unit	Tariff for Household Consumption			Tariff for Non-Household Cons		
			2009	2010	2011	2009	2010	2011
RWC 'PRISHTINA' PrishtinA	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m3	0.30	0.32	0.34	0.72	0.76	0.81
	Volum.- Wastewater	EUR/m3	0.03	0.04	0.04	0.07	0.09	0.10
	Volum.- Average	EUR/m3	<b>0.33</b>	<b>0.36</b>	<b>0.38</b>	<b>0.79</b>	<b>0.85</b>	<b>0.91</b>
RWC 'HIDROREGJI ONI JUGOR' Prizren	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m3	0.22	0.24	0.27	0.46	0.51	0.57
	Volum.- Wastewater	EUR/m3	0.04	0.04	0.04	0.05	0.08	0.08

	Volum-Average	EUR/m <sup>3</sup>	<b>0.26</b>	<b>0.28</b>	<b>0.31</b>	<b>0.54</b>	<b>0.59</b>	<b>0.65</b>
RWC 'HIDRODRINI' Peja	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m <sup>3</sup>	0.17	0.18	0.19	0.41	0.42	0.43
	Volum.- Wastewater	EUR/m <sup>3</sup>	0.05	0.05	0.05	0.07	0.08	0.09
	Volum-Average	EUR/m <sup>3</sup>	<b>0.22</b>	<b>0.23</b>	<b>0.24</b>	<b>0.48</b>	<b>0.50</b>	<b>0.52</b>
RWC 'RADONIQI' GjakovA	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m <sup>3</sup>	0.27	0.28	0.29	0.57	0.62	0.64
	Volum.- Wastewater	EUR/m <sup>3</sup>	0.05	0.05	0.05	0.11	0.11	0.11
	Volum-Average	EUR/m <sup>3</sup>	<b>0.32</b>	<b>0.33</b>	<b>0.34</b>	<b>0.68</b>	<b>0.73</b>	<b>0.75</b>
RWC 'MITROVICA' Mitrovica	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m <sup>3</sup>	0.25	0.27	0.28	0.60	0.62	0.64
	Volum.- Wastewater	EUR/m <sup>3</sup>	0.09	0.10	0.11	0.14	0.15	0.18
	Volum-Average	EUR/m <sup>3</sup>	<b>0.34</b>	<b>0.37</b>	<b>0.39</b>	<b>0.74</b>	<b>0.77</b>	<b>0.82</b>
RWC 'HIDROMORA VA' Gjilan	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m <sup>3</sup>	0.28	0.29	0.30	0.60	0.62	0.64
	Volum.- Wastewater	EUR/m <sup>3</sup>	0.07	0.07	0.07	0.10	0.11	0.12
	Volum-Average	EUR/m <sup>3</sup>	<b>0.35</b>	<b>0.36</b>	<b>0.37</b>	<b>0.70</b>	<b>0.73</b>	<b>0.76</b>
RWC 'BIFURKACION I' Ferizaj	Fix	EUR/mua j	1.00	1.00	1.00	3.00	3.00	3.00
	Volumetric - Water	EUR/m <sup>3</sup>	0.28	0.29	0.29	0.70	0.72	0.73
	Volum.- Wastewater	EUR/m <sup>3</sup>	0.05	0.05	0.06	0.13	0.13	0.15
	Volum-Average	EUR/m <sup>3</sup>	<b>0.33</b>	<b>0.34</b>	<b>0.35</b>	<b>0.83</b>	<b>0.85</b>	<b>0.88</b>

As it is shown from chart 3, fix tariffs have remained unchanged (1.0 EUR/month for household customers and 3.0 EUR/month for commercial and institutional customers), whereas the volumetric tariffs have increased in scalable way for the next three-year period. Increase of volumetric tariffs was made in a relatively small level taking into account socio-economic circumstances in Kosovo, respectively payable affordability of Kosovo households.

In order to reflect the accurately information of raised tariffs, in the following, we will introduce the sector highest and lowest specific tariffs for three years of regulatory process, for the purpose of easier comparison.

For this purpose we give the details outlined for the category of domestic consumers for quantitative volumetric rates that are affected by stressed regulatory process.

- In the year 2009, the highest increase of water volumetric average tariff has achieved RWC "Hidromorava" Gjilan with the rate of 16.6%, whereas the lowest increase was for regional water company Hidrodrini-Peja with the rate of 4.7% ;
- In the year 2010, the highest increase of the average of volumetric tariff for domestic costumers has achieved the RWC "Prishtina" in Prishtina with measure of 9,09%, whereas the lowest with measure of 2.8% is presented by RWC "Hidromorava" Gjilan.

*During conducting of regulatory process, WWRO has made clear that it would review the fees determined with the reassessment of the new economic circumstances, liasing the same with accomplishment of objectives determined by regulatory process.*

Our findings for 2009 have proved that our expectations were not unrealistic, since companies have failed in accomplishment of objectives determined by regulatory process from 2009 to 2011 although the summary data for 2009 are not completely closed until now.

### 3.3.2. Planned Investments in Water supply and Wastewater during the next 3-year period.

It is worth of mentioning that with the approval of new tariffs is foreseen to be undertaken considerable investments by all water companies in the total value of over EUR 140 million. These investments are necessary investments in water supply and sewerage systems, which will provide better quality services to costumers'. WWRO, will closely monitor the execution of these investments.

As shown on the chart 3, the biggest part of the capital investments is expected to be funded by donations and grants. However, the value above 23 million EUR which is planned to be invested in companies' revenues. It is an important step that demonstrates the gradual increase of the financial capacities of water companies.

*Table 3: Planned Investments of Water Companies: 2009-2011*

Nr.	Regional Water Companies (RWC)	Investments 2009-2011		Total
		Own	Grants	
1	'PRISHTINA' Prishtina	9,217,000 €	67,980,300 €	<b>77,197,300 €</b>
2	'HIDROREGJIONI JUGOR' Prizren	2,023,900 €	34,566,100 €	<b>36,590,000 €</b>
3	'HIDRODRINI' Peja	3,751,600 €	1,290,000 €	<b>5,041,600 €</b>
4	'RADONIQI' Gjakova	2,493,800 €	9,261,000 €	<b>11,754,800 €</b>
5	'MITROVICA' Mitrovica	1,971,700 €	1,569,540 €	<b>3,541,240 €</b>
6	'HIDROMORAVA' Gjilan	1,126,600 €	1,620,000 €	<b>2,746,600 €</b>
7	'BIFURKACIONI' Ferizaj	2,450,500 €	1,575,000 €	<b>4,025,500 €</b>
<b>Total investments in sector::</b>		<b>23,035,100 €</b>	<b>117,861,940 €</b>	<b>140,897,040 €</b>

The newly approved tariff process occurred in close consultation with Customers' Consultative Committees, as defined with the law. These Committees are authorities established in 7 regions of Kosovo in the service areas of water and wastewater regional companies. The committees comprise the representatives of all Kosovo municipalities that represent the interests of all customers' categories.

### 3.3.3. Waste Services Tariff Setting

After the time harmonization of waste collection service tariffs in their administration service with for service management in a permanent landfill during the tariff process.

2009/10, WWRO in 2009 has defined the tariffs of these public services for five companies involved in collection and transportation of certain wastes in the landfill, which had applied evaluation of their applications during the first half of last year, while the other two which have not applied tariff's increase, were extended the existing tariffs of 2007/2008.

At the same time, WWRO has determined service tariff for the company which deals with waste landfills management KMDK, which under its administration has landfills of waste management and collection.

Tariffs determined for six companies involved in waste management and administration of one year will be reviewed and re-assessed during the first half of the year 2010.

It should be noted that the RWC tariffs are grouped in three groups of their service users;

- Domestic consumers ,
- Industrial-commercial costumers , and
- Institutional costumers.

Within the category of commercial-industrial and institutional consumers, we have two service areas under certain categories.

As in the chart below, we offer tariff's data determined by domestic costumers category with regular regulatory process of the last year, with validity date from June 1, 2009 to May, 31 201

Ordinal Number	Name of the Company	Srevice Tarrif €/muaj
1	RWC "Çabрати" J.S.C Gjakovo	4,22
2	RWC "Pastrimi" J.S.C . Prishtina	4,14
3	RWC "Pastërtia" J.S.C Ferizaj	4,01
4	RWC "Higjiena" J.S.C . Gjilan	3,74
5	RWC "Eko-Regjioni" J.S.C . Prizren	3,65
6	RWC "Ambienti" J.S.C .Peja	3,45
7	RWC "Uniteti" J.S.C .Mitrovica	3,45
8	RWC J.S.C .Prishtina	5,26 €/tons

Due to the space and complexity of the presentation, WWRO does not indicate the other costumers tariffs .We are ready to provide all data with clarifying informations.

### 3.4.1. Service Standards Implementation.

In order to improve the service standards towards the customers, the WWRO has undertaken general activities such as: organizing of the workshops and debates with companies and other stakeholders, where discussions and experience exchanges have taken place between the companies, recommendations were given to water companies and specific commitments were requested in order to fulfill and remarkably improve of service level towards the customers.

The customer relation offices were established almost in all companies as the result of these activities. These offices were equipped with personnel and necessary infrastructure for effective treatment of the customers' complaints. Consequently, in 2009, water and waste companies were in conformity with the review and solving of the requests and customers' complaints in accordance with minimal service standards set by the rules of WWRO.

Moreover, in close cooperation with the National Institute of Public Health of Kosovo (NIPHK), the WWRO consistently has followed the water quality and timely reacted when there were water quality failures.

### 3.4.2. Treatment of Customers' Complaints through CCC-s.

Also in this year, the WWRO continued to provide organizational and logistical support to the Customers' Consultative Committees, aiming to increase their profile and effectiveness.

In each service area the CCCs have met with regional companies in monthly basis. During these meetings were reviewed and solved a considerable number of customers' complaints as well as different disputes were reviewed between customers and respective companies

During 2009, 77 regular meetings of CCC were held, where expect the topics on interest of costumers also were reviewed 230 issues and solved the total of 26 complaints reported by customers, of which a total of 16 complaints have been resolved. Two complaints were returned to the parties, while eight complaints were referred to RWC "Pristina" in order to be resolved.

On the other hand, in order to increase the CCC profile and at the same time the customers' knowledge about their rights, the WWRO has prepared and published in three official languages a considerable number (more than 100.000) of leaflets that contain useful information for the customers regarding the complaint reporting. The leaflets were distributed to the customers by water and wastewater regional companies.

## 4. Activities on Institutional Consolidation.

### 3.2. ACTIVITIES ON LEGISLATION PLAN AND INTERNAL ORGANIZATION

#### (i) Amendment of Primary Legislation

With the approval of Law no. 03/L-086, WWRO responsibility is transferred from UNMIK / SRSG to Kosovo Assembly.

The WWRO establishment and operation as an independent regulatory is based upon the Article of the Constitution of Republic of Kosovo, whereas the legal basis regarding the WWRO activities as economic regulatory for public companies that provide water, wastewater and waste services, set under the Law No. 03/L-086.

Since the Law No. 03/L-086 has not changed the content of the Regulation 2004/49, except the transfer of accountability from UNMIK to the Kosovo Assembly, the WWRO in 2009, has initiated the amendment of this law. This initiative was commenced aiming to harmonize this law with legislation in force in order to define clearly several aspects which were identified as problematic throughout the years of its implementation. Specifically, the reasons for amendment of the Law No. 03/L-086, respectively the Regulation 2004/49, are as follows:

- Change of the WWRO governing structure which currently is through the Director and Dep. Director with the Board structure<sup>6</sup>
- Changing the name of the Regulator in accordance with the names of agencies under the Constitution and other regulators as sisters.
- Legislative authorization of the issuance of administrative acts.
- Changing of WWRO governing structure that is currently through the Director and Deputy Director with the structure of the Board. <sup>7</sup>
- Clear definition of reporting obligations of WWRO to Kosovo Assembly on one side, and reporting obligations on water companies to WWRO on another side.
- Defining the exact financial status of WWRO as authority funded by licensing fees that pay for public licensed company.
- Review of certain provisions relating to tariffs and regulation of old debts.

The WWRO being conscious regarding the importance of the above amendments will commit itself to solve the issues, in cooperation with other institutions (Kosovo Assembly, MESP, MFE, MAPL, Municipality Association and OEK),

This activity will be carried out during 2010.

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<sup>6</sup> All the agencies and the independent regulatory authorities in Kosovo (except the WWRO) are governed by a collegial authority –the Board. Therefore, this exception needs to be fixed, and consequently also for the WWRO is foreseen the establishment of the Board as an authority that will monitor the work and management and will make regulatory decisions.

<sup>7</sup>

## (ii) Amendment of Secondary Legislation – WWRO Rules

In January of 2005, the WWRO has adopted 14 (Rules) in accordance with UNMIK Regulation 2004/49 which it regulates in details certain aspects within its powers and responsibilities such as: licensing, tariffs, service standards, costumer charter, disconnection etc.

With the adoption of the Law No. 03/L-086, the WWRO commenced with the amendment of secondary legislation (Rules). Consequently, during the period July-December 2009 has amended Rules on Licensing and Tariff Regulation. The amendment of these Rules except reflection on primary legislation amendments (the amendment of the Regulation 2004/49 with the Law No. 03/L-086) has also included several changes that reflect changes in tariff methodology, as well as prevention of several discrepancies which were identified during the 3-year implementation of this Rules.

## 4.2. WWRO FINANCIAL STATUS

WWRO, in accordance with Article 142 of the Constitution of the Republic of Kosovo and the Law on Public Financial Management and Accountability, being an independent institution financed by its activities from licensing fees paid to licensed companies. This form is considered as the most appropriate form for financing of economic regulators (as does not present any problem for central budget of the state) and known as a practice standard in most countries where the regime of economic regulator for public services is implemented.

In 2009, WWRO finally managed to overcome bureaucratic obstacles and barriers, and therefore has been achieved functionalization of full financial independence on using of budget approved by the Assembly.

## 4.3. FINANCIAL SUPPORT FROM THE DONORS

The WWRO has established an excellent cooperation relationship with all donor institutions in Kosovo. In this scope, during 2009, Swiss Cooperation Office continued with support within project that commenced in January 2008.

Although this project was planned to be completed at the end of 2009, with mutual agreement was agreed to continue until the end of June 2010

On the other hand, the European Commission Liaison Office (ECLO) has supported WWRO application made in 2009 for institutional support of WWRO during 2010-2012. The new project which will provide support for WWRO and Water Regional Companies in the field of fees and regulatory accounting is currently in final stages and is expected to begin during the month of April-May 2010.

## 5. External Relations

### 5.1. COOPERATION WITH THE REGULATORS AND OTHER INSTITUTIONS IN KOSOVO

In accordance with the WWRO strategic course in terms of open and genuine cooperation with the all stakeholders in water and waste sector in Kosovo, which aims to coordinate the activities in achieving improvements needed in these sectors. The WWRO in 2009 continued its opened and collaborative approach with other regulators of these sectors as well as with other stakeholders

#### (i) COOPERATION WITH THE NATIONAL INSTITUTE OF PUBLIC HEALTH (NIPH)

On the basis of Memorandum of Cooperation signed with NIPHK in 2007, the WWRO continued its excellent cooperation in scope of monitoring the drinking water quality standards provided by licensed public companies.

Except the regular annual meeting that took place in February, the cooperation consisted in regular information exchange on interest of both parties. The WWRO used the information provided by NIPHK in the Performance Annual Report 2008 for water supply companies. Consequently, in close cooperation with NIPHK (as well as with MESP, SHUKOS, donors) it has announced the best water supply company for 2008, moreover, in August 2009; we have organized a ceremony for presenting these awards. The WWRO is committed to intensify this cooperation even more in the future.

#### (ii) COOPERATION WITH THE MINISTRY OF ENVIRONMENT AND SPARTIAL PLANNING (MESP)

Having into the consideration the role of MESP as the main authority over the management of water resources in Kosovo and as an environment regulator for water and waste sector, the WWRO during 2009, continued the cooperation with MESP in the water and waste sectors

In addition, there was a progress in relationship with MESP in terms of regular meetings and in respect of mutual participation in business meetings or workshops organized by WWRO respectively MESP. The WWRO Director had several individual meetings with the Minister of MESP in which were discussed the current problems in water sector and in particular in the waste sector, additionally issues were discussed regarding the harmonization of the legislation in these sectors in order to clearly define the role and institutional responsibilities in water and waste sector.

The WWRO, during 2009, actively participated in all important workshops organized by MESP, either in relation to water sector (investment strategy workshop, river basins workshop etc.) also in relation to waste sector (workshops regarding the initiation of drafting the strategic plan etc.). The WWRO is strongly dedicated to strengthen the cooperation with MESP in the future in the interest of action coordination pertaining to progress in water and waste sectors.

**(iii) COOPERATION WITH POLICY AND MONITORING UNIT (NJPM) MEF**

After taking the responsibility of the MEF, respectively, by the Centre for Policy and Monitoring (NJPM) of the MEF, in accordance with Law Nr. 03/L-087 for Public Enterprise, WWRO continued cooperation with this subject in which problems are discussed in the operation of central public enterprises.

**(iv) COOPERATION WITH OTHER STAKEHOLDERS**

In 2009, the WWRO cooperated with other stakeholders within its domain of responsibilities. It is worth of mentioning the cooperation with:

- Agency for European Integration (AEI) in relation to drafting of PVPE ;
  - Kosovo Agency for Environmental Protection (KAEP);
  - Association of Waste Companies (PAMKOS);
  - Association of Municipalities in Kosovo; and
- Representatives of donors (USAID, KfW, SCO, GTZ, etc.) and consultants (Rodeco, IRD, EPTISA etc.) that have been active in water and waste sector in Kosovo

The WWRO has raised the current problems with the stakeholders, regarding water and waste sector in direct meetings, workshops, conferences, discussions, and represented the actual problems as well in WWRO sections.

**5.2. COOPERATION WITH WATER REGULATORS IN THE REGION AND EUROPE**

The WWRO considers with vital importance the cooperation with other regulators of water sector in terms of experience exchange and adoption of the best practices in the scope of economic regulation for water services.

In this plan, in 2009, the WWRO continued the cooperation with the economic regulators of water services of: Portugal (IRAR), Scotland (WICS) and Albania (ERRU-WRE), a cooperation that was initiated earlier.

- On the other hand, the cooperation with the regulator of water services in Portugal initiated in late 2007, continued with the information exchange as well as exchanging the Annual Performance Reports of 2009 of Kosovo respectively Portugal.
- And finally with the Water Regulatory Entity (WRE) of Albania we have signed the Cooperation Agreement in April 2009. In these meeting it was concluded jointly the need for close cooperation of both regulatory authorities and was stated a firm commitment in continuing the initiated cooperation. For this purpose, an agreement has been reached that in the first half of 2009 to formalize this cooperation with signing of a Memorandum of Cooperation.
- And finally, we have assigned the Cooperation Agreement in April 2009 with the Water Regulatory Authority (ERRU). In that event which was held in Pristina with an initiative of WWRO, have participated Ministers of Environment of Kososvo and Albania as well as senior officials of both countries.

### 5.3. COOPERATION WITH MEDIA – PUBLIC RELATIONS

Having into the consideration the fact that the economic regulation concept for public services is relatively new in Kosovo and consequently the knowledge of the representatives of Kosovo institutions regarding this concept is very limited, the WWRO in 2009 was engaged through various forms to affect in notifying the institutions and public in general about the role and function of the economic regulation implemented by WWRO

## 6. Financial Aspects

Under the Law no. 03/L-086 (article 8.4) , the main financing source of the WWRO activities, are licensing fees payable by water and waste licensed service providers. The amount of the licensing fees is determined on annual basis according to the following criteria:

- . revenues from these fees shall correspond with the WWRO planned expenditures for the respective year, subject to
- . the amount of fees does not exceed 1.5% of gross annual turnover of service providers.

In case of any potential problem that might occur with collection of licensing fee from licensed companies, WWRO is entitled to request financial means from Kosovo budget in accordance with the Law for Kosovo Budget 2009, in order to avoid threatening of its functionality.

Moreover, certain projects and activities of WWRO may be financed by the donations provided by donor agencies as well as the governmental grants.

The WWRO annual budget is approved by the Assembly of Kosova. When forecasting its expenditures, WWRO is led by a principle that its expenditures are reasonable and efficient in order to ensure that the economic regulation of water and waste service does not pose high costs to the customers.

### 6.1. EXPENDITURES

Even though, the WWRO performs all financial transactions through the Treasury system, as the consequence the treasury has to maintain the WWRO financial accounting (as well as for all other budgetary organizations), nevertheless the WWRO maintains its own financial and material accounting and in every quarter year conducts the financial equalization with the Treasury Department.

For the fiscal year 2009, the WWRO had financial means available in the amount of 344,520.00 EUR, out of which: 293,264.07 EUR are allocated from KCB.

In the table below (Table 4), was given the statement of financial sources and executed expenditures that WWRO had available during the fiscal year 2008.

Table 16 : *The WWRO Budget 2009*

Expenditures Category	BUDGETARY (EUR)	EXECUTED (EUR)
WAGES AND SALARIES	155,570.00	130,897.51
GOODS AND SERVICES	184,300.00	158,391.07
CAPITAL EXPENDITURES	-	-
UTILITIES	4,650.00	3,975.49
<b>TOTAL BUDGET</b>	<b>344,520.00</b>	<b>293,264.07</b>

## 6.2. SUPPORT FROM DONORS

It has to be emphasized that except these assets, the WWRO in 2009 had institutional support from the donors (SDC) in the form of technical assistance. The WWRO is not in the position to provide the accurate financial data since the financial management was carried out by donors).

## 6.3. REVENUE FROM LICENSE FEES.

The WWRO during the year 2009 has collected licensing fees from water and waste companies in the total amount of: **342,042.90 EUR** .

Although the payable licensing fees from the water companies have shown an improvement (90.36), the waste companies, waste companies in general have shown a low payment rate (only 1.99% ) due to the pretext of financial difficulties, which is non-compliance with the obligations set forth in the Law towards the WWRO. Although the WWRO possess the right to revoke their service license in case of failure to pay the licensing fee, the WWRO so far has undertaken such action. The WWRO considers that with the establishment of the boards for these companies and with the clear definition of their ownership status, there is a suitable environment for improving the payment rate of licensed companies (especially waste companies) regarding the license fees.

### (i) EXECUTED REVENUES FROM WATER COMPANIES

In the year 2009, WWRO billed for water companies in total: 227,281.57 EUR. Out of this sum the total collection was: 205,370.68 EUR or 90.36% . 173,610 EUR

Table 6: PAYABLE LICENSE FEE FROM WATER COMPANIES

Company Name	Rergion	Annual Fee	Monthly Fee	Payable in 2009	Payable for 2008 2009	Payable in Total
RWC "RADONIQI" J.S.C.	GJAKOVO	26,972.00	2,247.67	17,981.36	7,535.72	25,517.08
RWC "HIDROREGJIONI JUGOR" SH.A	PRIZREN	24,646.40	2,053.87	20,538.70	3,411.22	23,949.92
RWC "MITROVICA" J.S.C	MITROVICA	30,139.59	2,511.63	25,116.30	0.00	25,116.30
RWC "BIFURKACIONI" J.S.C	FERIZAJ	9,963.26	830.27	8,302.70	0.00	8,302.70
RWC "PRISHTINA" SH.A	PRISHTINA	93,175.20	7,764.60	93,175.20	7,281.63	100,456.83
RWC "HIDRODRINI" J.S.C	PEJA	26,287.70	2,190.64	26,287.68	0.00	26,287.68
RWC "HIDROMORAVA" J.S.C	GJILAN	12,771.99	1,064.33	10,643.30	2,011.88	12,655.18
KHE "IBER LEPENCI " J.S.C	PRISHTINA	3,325.43	277.12	3,325.44	0.00	3,325.44
<b>Total:</b>		<b>227,281.57</b>	<b>18,940.13</b>	<b>205,370.68</b>	<b>20,240.45</b>	<b>225,611.13</b>

On the above chart is illustrated the regular full payments of the licensing fees were completed by:

- HEC "Ibër-Lepenci" Prishtinë,
- RWC " Prishtina"
- RWC Hidrodrini" Pejë, , dhe
- RWC "Hidromorava

Whereas, the companies that have failed to fulfill their legal obligations regarding the full payment of the licensing fees are:

- RWC "Bifurkacioni" Ferizaj (83%),
- RWC "Mirtovica " Mitrovic (83%), dhe
- RWC "Hidroregjioni Jugor" (97%)

**(ii) EXECUTED REVENUES FROM WASTE COMPANIES.**

In 2009, the WWRO total billing rate from waste companies was: 114,761.33 . Out of this sum the total collection was: 2,283.82 EUR

**Table 7: PAYABLE LICENSE FEE FROM WASTE COMPANIES**

Company Name	Region	Annual Fee	Monthly Fee	Payable in total	Payable for 2008 in 2009	Payable in total
RWCC "HIGJIENA" SC	GJILAN	13,702.89	1,141.91	2,283.82	0.00	2,283.82
RWCC "EKOREGJION" S.C	PRIZREN	16,979.10	1,414.93		0.00	0.00
RWCC "PASTRIMI" S.C	PRISHTINA	37,107.04	3,092.25		0.00	0.00
RWCC "AMBIENTI" S.C	PEJA	9,733.56	811.13		0.00	0.00
RWCC "UNITETI" S.C	MITROVICA	11,256.03	938.00		0.00	0.00
RWCC "PASTERIA" S.C	FERIZAJ	9,983.01	831.92		0.00	0.00
RWCC "ÇABRATI" S.C	GJAKOVO	6,703.98	558.67		0.00	0.00
"KMDK" COMPANY S.C	PRISHTINA	9,295.72	774.64		0.00	0.00
<b>Total:</b>		<b>114,761.33</b>	<b>9,563.45</b>	<b>2,283.82</b>		<b>2,283.82</b>

In the above table can be seen that "Pastrimi" Prishtina, "Ambienti" Peja, "Çabrati" Gjakovo dhe "Ekoregjioni" Prizren, "Uniteti" Mitrovica and KMDK Prishtina have not made any payment at all in respect of licensing fees. The WWRO will attempt to address the payment issue of the licensing fees through institutional cooperation with the Boards of these companies, and if there is no result reached from this, then the WWRO will **seriously consider the revoking of service license for these companies.**

**WWRO ASSETS**

Having into account applicable laws in Kosovo on the establishment of institutions in Kosovo, then Kosovo Consolidated Budget and Treasury regulations, budgetary institutions only make registration of assets, while their depreciation makes Treasury Department.

The value of the WWRO assets since 2005 until 31.12.2008 has reached: **96,582.00 EUR** .

**Table 8: Value of Assets of WWRO**

Nr.	Type of Asset	Value of Assets
1	Vehicles	74,012.00€
2	Inventory, Equipments, IT etc	22,570.00€
<b>Total:</b>		<b>96,582.00€</b>