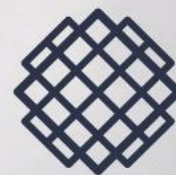




Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

# PERFORMANCE AUDIT REPORT

**The impact of capital investments in  
reducing water losses and expanding  
services to citizens from Regional  
Water Companies**



Pristina, July 2023

The National Audit Office of the Republic of Kosovo is the highest institution of economic and financial control and is accountable for its work to the Assembly of the Republic of Kosovo.

Our mission is to strengthen accountability in the public administration for the effective, efficient and economical use of national resources through quality audits. The reports of the National Audit Office directly promote the accountability of public institutions by providing a solid basis for holding managers of any audited organization to account. In this way, we increase confidence in spending public funds and play an active role in ensuring the interest of taxpayers and other stakeholders in increasing public accountability.

This audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI 3000<sup>1</sup>) as well as European good practices.

Performance audits undertaken by the National Audit Office are objective and credible reviews that assess whether government actions, systems, operations, programs, activities, or organizations comply with the principles of economy<sup>2</sup>, efficiency<sup>3</sup> and effectiveness<sup>4</sup> and whether there is room for improvement.

The Auditor General has decided regarding the content of this draft audit report “Impact of capital investments in reducing water loss and expanding water-supply services to citizens from the RWCs” in consultation with Assistant Auditor General, Myrvete Gashi, who supervised the audit.

This audit report was carried out by the team:

Ariana Gjonbalaj Shala, Director of the Audit Department;

Labinot Sadiku, Team Leader;

Alba Keqa Bejtullahu, Team Member

---

<sup>1</sup> Standards and guidelines on performance audit based on INTOSAI Audit Standards and practice

<sup>2</sup> Economy - the principle of economy means minimizing the costs of resources. The resources used should be available in due time, in and of appropriate quantity and quality and at the best price.

<sup>3</sup> Efficiency - the principle of efficiency means getting the most from the available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing

<sup>4</sup> Effectiveness - the principle of effectiveness concerns meeting the objectives set and achieving the intended results.

## TABLE OF CONTENT

Executive summary .....	1
Introduction.....	4
Audit objectives and questions.....	5
Audit findings .....	6
3.1 Planning of Capital Investments in RWCs.....	7
3.1.1 Shortcomings in the project approval process by WSRA.....	8
3.1.2 Inadequate planning of Capital Investments in the RWCs service areas .....	10
3.3 Implementation of Capital Investments in RWCs .....	16
3.2.1 Project changes, delays and failures in the implementation of Capital Investments by RWCs.....	20
3.3 Monitoring of Capital Investments .....	34
3.3.1 Monitoring of Capital Investments by WSRA.....	34
3.3.2 Project monitoring by RWCs and the Publicly-Owned Enterprise Policy and Monitoring Unit .....	35
Conclusions.....	38
5. Recommendations .....	40
6. Appendix I Audit criteria, scope and methodology.....	42
Audit Motive .....	42
Audit Criteria .....	43
Scope of audit.....	44
Audit methodology .....	45
Letter confirmation .....	46

## List of abbreviations

<b>WSRA</b>	<b>WATER SERVICES REGULATORY AUTHORITY</b>
<b>RBP</b>	REGULATORY BUSINESS PLAN
<b>DMA</b>	DISTRICT MEASURING AREA
<b>KI</b>	CAPITAL INVESTMENTS
<b>RWC</b>	REGIONAL WATER SUPPLY COMPANY
<b>LB</b>	LAW ON BUDGET
<b>ME</b>	MINISTRY OF ECONOMY
<b>POEPMU</b>	PUBLICLY-OWNED ENTERPRISE POLICY AND MONITORING UNIT
<b>LIP</b>	LONG-TERM INVESTMENT PLAN
<b>AMP</b>	ASSET MANAGEMENT PLAN
<b>BP</b>	BUSINESS PLAN
<b>CMP</b>	CONTRACT MANAGEMENT PLAN
<b>OCF</b>	ORDER FOR SERVICE FEE

## Executive summary

The National Audit Office has carried out the performance audit "Impact of capital investments of RWCs in reducing water loss and expanding water-supply services to citizens". The supply of drinking water in our country is provided by the Regional Water Companies as licensed providers of water supply services, whilst the Water Services Regulatory Authority is responsible for regulating the activities of water service providers. The objective of this audit was to assess whether the Regional Water Supply Companies in coordination with the Water Services Regulatory Authority have managed to make a proper assessment of the needs to implement the Capital Investments in order to reduce the water loss and improve the water-supply services to citizens. At the same time, if the Regional Water Supply Companies and the Water Services Regulatory Authority have taken appropriate measures that such Capital Investments are being implemented and are achieving their intended goals.

The subject to this audit were the Water Services Regulatory Authority, the Publicly-Owned Enterprise Policy and Monitoring Unit, the Regional Water Company Prishtina, the Regional Water Company Southern Hidroregion, the Regional Water Company Gjakova and the Regional Water Company Hidromorava. This audit included the period 2019-2021.

The conclusion of the audit is that the process of planning, implementation and monitoring of Capital Investments, by the Regional Water Supply Companies and the Water Services Regulatory Authority has not been well managed, causing that the intended objectives are not appropriately and timely achieved. Furthermore, some of these objectives deviated from the planned objectives. The lack of needs-based planning and detailed reasoning shows shortcomings in prioritizing investments. As a result, there are significant delays and failures in the project implementation, resulting in the ineffective use of the citizens' tariffs. At the same time, due to this, the expansion of water services and the wastewater treatment in the service areas by the Regional Water Companies, continues to be accompanied with problems and poor performance, and therefore, citizens in certain areas do not receive water supply services from the Regional Water Companies. Water loss is evident and means financial loss.

*Planning of capital investment projects has been approved by WSRA without sufficient justification and without project prioritizations.*

The Regulatory Business Plans for tariff approval that are reviewed and approved by the Water Services Regulatory Authority, and the Business Plan of companies which is drafted based on the tariff process source document, are not harmonized in terms of their project and financial values. The Regional Water Companies have not drafted the Asset Management Plan and the Long-Term Investment Plan, resulting in a lack of proper planning and no prioritization of Capital Investments. Although over the years, the Regional Water Companies have not prepared these important plans, during the

submission of applications for the approval of tariffs, the Water Services Regulatory Authority has continued to approve the tariff process even without receiving such plans.

*Failure to implement planned projects and not addressing issues such as water loss and infrastructure renewal resulted in citizens' tariffs allocated for capital investments not being used properly.*

The projects planned from own revenues and from donations for 2019 could not be implemented in accordance with the RBP and the Business Plan. The main impact on the tariffs paid by the citizens is that the citizens have paid for capital investments that were not executed on time and with the required quality, thus not providing the necessary quality for water supply services. The Regional Water Supply Company Prishtina has failed to hold accountable the Economic Operators for not completing the infrastructure renewal works on time. The Regional Water Supply Company Gjakova has no coordination with other municipalities, causing changes in the planned projects. Although the Regional Water Supply Company Southern Hidroregion had a satisfactory implementation of capital investments in water and wastewater services, in both categories (infrastructure and non-infrastructure) there are discrepancies, reallocations and overruns of investments from the planned to those that were implemented. The planning of projects in the Regional Water Company Hidromorava is only in the distribution of water and waste water, while during the implementation the projects have been changed and focused mainly on water treatment and business activities.

*Inadequate monitoring of capital investments has been identified as a critical issue in Regional Water Companies, presenting project management and implementation risks.*

The Water Services Regulatory Authority monitors the implementation of infrastructure projects based on categories rather than individual projects, which leads to poor monitoring. The lack of detailed project monitoring makes it difficult to identify, track and reallocate capital funds as required. As a result, the Water Services Regulatory Authority is not properly informed and has not been able to effectively monitor project progress.

The Regional Water Companies have not conducted cost-benefit analyses or accurately assessed the impact of their projects, particularly in reducing water loss. This lack of accurate measurement and assessment hinders the clear objective of reducing water loss in these service areas.

The Publicly-Owned Enterprise Policy and Monitoring Unit, apart from the project funded by the Ministry of Economy, has not monitored other projects funded by the Government even though in the financial agreements it is designated as a monitoring body. This increases the risk of poor management and effective implementation of donations, and consequently water services to citizens may not be at an adequate level.

The findings of the audit show that the issues related to the assessment of needs, planning, implementation and monitoring of Capital Investments in the Regional Water Companies

require immediate improvement and therefore, recommendations to the 6 institutions have been provided. The list of recommendations is presented in Chapter 5 of this Report.

The parties involved in the audit WSRA, RWC (Prishtina, Gjakova, Hidroregjioni Jugor dhe Hidromorava) have agreed with the audit findings and conclusions and have committed to address all given recommendations.

## Introduction

Water is one of the main and vital elements to all forms of life and also to human life. Supply of clean, safe and good quality water is vital for any developing society. Providing responsive, efficient water and sanitation services along with sustainable and affordable access is one of the greatest challenges of our time. The availability and distribution of water in the territory of Kosovo, compared to the quantity of water produced, continues to be a constant challenge. Water supply authorities for years have been facing the water loss problem.

In our country, the supply of drinking water is regulated through the public authorities such as the Water Services Regulatory Authority (hereinafter: WSRA) and the Regional Water Companies (hereinafter: RWC) as licensed providers of water supply services and wastewater treatment<sup>5</sup>. A number of settlements have their own water supply systems and are managed by the respective municipalities or the community itself.<sup>6</sup>

Water is supplied by seven regional companies, and their area coverage is shown in the following table:

*Table 1. Area coverage with water supply services for 2019, 2020 and 2021.*

	Coverage with water supply services for 2019 <sup>7</sup>	Coverage with water supply services for 2020	Coverage with water supply services for 2021	No. of consumers provided with services by RWC 2021
RWC Prishtina	81%	83%	83%	153,509
RWC Hidroregjioni Jugor	63%	67%	66%	54,104
RWC Hidrodrini	82%	85%	85%	53,205
RWC Mitrovica	71%	77%	80%	43,897
RWC Gjakova	90%	99%	99%	43,737
RWC Bifurkacioni	75%	81%	81%	33,551
RWC Hidromorava	59%	61%	61%	34,703

The total number of consumers that receive water services from the RWC is 416,706 consumers, of which 75% have access to water supply services from the licensed providers.

From the comparisons given in the table above, we can see that there is an increase in the water services coverage from 2019 to 2020, where RWC Prishtina has an increase of 2%, while RWC Gjakova has the highest increase with 9%.<sup>8</sup> The own revenues are collected from the tariffs set by WSRA for water services provided to citizens. A certain percentage of these tariffs is designated for Capital Investments (hereinafter: CIs). Other additional revenues are the sources from the Government at the central level where the RWCs, in cooperation with the local level (Municipalities), request these funds. The CIs from own revenues and

<sup>5</sup> Law No. 05/L -042 for the Regulation of Water Services, Article 4. p 4.

<sup>6</sup> WSRA Annual Performance Report – 2021, page 9.

<sup>7</sup> Annual Report 2019 WSRA.

<sup>8</sup> WSRA Annual Report 2019, p. 23.

donors are key factors for improving water services. The focus of CIs in recent years has been concentrated mainly on capital expansion and very little or none on capital maintenance.

In 2021, only €1.82 million have been invested, which in average is 4% of the amount of the planned investments<sup>9</sup>. These CIs are planned based on agreements made with donors and other funds from the central and local level. Based on this investment trend, the water loss problem due to technical reasons, illegal connections and unbilled water quantities still remains a big challenge.

## Audit objectives and questions

The objective of this audit is to assess whether the RWCs in coordination with the WSRA have managed to make a proper assessment of the needs to implement the CIs in order to reduce the water loss and improve the water supply services to citizens. At the same time, if the RWCs and WSRA have taken appropriate measures that such CIs are being implemented and are achieving their intended goals for reducing water loss.

### *Audit questions*

In order to answer the audit objective, we presented the following audit questions:

#### Main audit question and sub-audit questions:

Have the RWCs and the WSRA managed to properly plan the CIs and ensure their implementation in order to reduce water loss and increase the area coverage of water supply services to citizens?

The audit is focused in 2019, while the years 2020 and 2021 were taken only for comparative purposes. The limitation of the scope of activity only in 2019 is because the years 2020 and 2021 are considered fragile years due to the pandemic circumstances with the COVID-19 virus and due to cancellation or postponement of projects as a result of the absence for more than 2 years of the Board of the Procurement Review Body. Furthermore, the years 2020 and especially 2021 were marked by inflation, which could potentially affect the implementation of CIs.

Part of the scope of audit activity are the Water Services Regulatory Authority (WSRA), RWC Prishtina, RWC (Gjakova) - Gjakova, RWC (Hidromorava) - Gjilan and RWC (Hidroregjioni Jugor) - Prizren and the Ministry of Economy (ME), and more specifically the Publicly-Owned Enterprise Policy and Monitoring Unit (POEPMU).

---

<sup>9</sup> Annual Performance Report of Service Providers 2021 p 25

## Audit findings

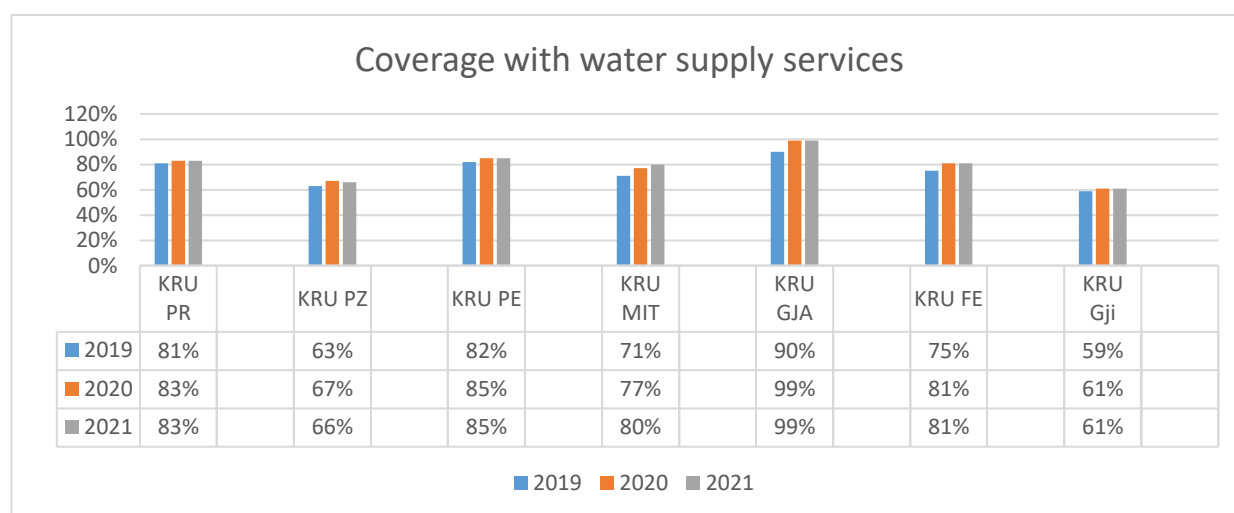
The drinking water supply is regulated through institutions and public authorities such as the Water Services Regulatory Authority and RWCs as licensed providers of water supply services and wastewater treatment.<sup>10</sup> The seven RWCs licensed by WSRA provide drinking water services to 79% of the population in Kosovo, or 418,648 consumers.

In general, compared to 2019, all RWCs in the country have marked progress during 2020, although they are still far from the ideal level of area coverage with water supply services of 100% of citizens.

Out of the 7 RWCs in the country that provide water services, the regions that have the lowest coverage with drinking water services are Gjilan region with 61%, Prizren region with 67% and Mitrovica region with 77%. While the regions with the highest coverage are Gjakova region with 99%, Peja region with 85% and Pristina region with 83%.<sup>11</sup>

The analytical data about coverage with water services by the licensed RWCs for the last 3 years are presented in graph 1.

*Graph 1. Coverage with water supply services for 2019, 2020, 2021<sup>12</sup>*



From the graph above, we can see that over the years there is a positive trend of increasing area coverage with water supply services by RWCs. However, it should be noted that some of the RWCs have lower coverage for citizens in terms of water supply services.

The RWC Southern Hidroregion which covers the region of Prizren Municipality, in 2021 had a relatively low coverage percentage of 66%<sup>13</sup> compared to RWC Gjakova which had a 99% area coverage percentage with water supply services. Similarly, the RWC Prishtina had an 83% coverage rate of water and sanitation services. It is worth noting that Gjilan region,

<sup>10</sup> Law No. 05/L-042 for Regulation of Water Services, Article 4

<sup>11</sup> WSRA Annual Work Report 2021.

<sup>12</sup> Data from the RWCs Annual Reports 2019, 2020, 2021.

<sup>13</sup> RWCs Annual Reports 2019, 2020, 2021.

which includes Kamenica and Vitia, and that are under the responsibility of RWC Hidromorava, faced a drought due to the lack of water in this region, thus affecting the water supply service area coverage. The capital investments associated with the water service coverage in RWCs are mainly funded by donations.

These seven companies are aiming to provide and expand water services and wastewater treatment to all citizens of the country. At the same time, with the investments they aim to reduce water loss. The data on the ratio of produced water compared to water loss by the regional RWCs for 2019, 2020, 2021 are presented below.

The capital expenditures of RWCs are mainly focused on capital expansion, and less or no expenditures are focused on capital maintenance. This has caused the worsening of the condition of the assets and as a result there is an interruption in the water supply to the citizens and in the water quality.<sup>14</sup>

The main challenges of RWCs are: operation and maintenance costs optimization, service area expansion, water quality improvement, service quality improvement, etc.<sup>15</sup> Moreover, capital investments should be prioritized and allocated based on the Asset Management Plan where a detailed assessment of the infrastructure is done.

The findings that were identified during the audit of four RWCs included in the audit, which are the result of analyzing and assessing documentation, auditing processes, testing, and interviews with responsible officials in the field, are presented below. These findings have served in providing the conclusions which are presented in Chapter 4 and the recommendations for improving the processes which are presented in Chapter 5.

### 3.1 Planning of Capital Investments in RWCs

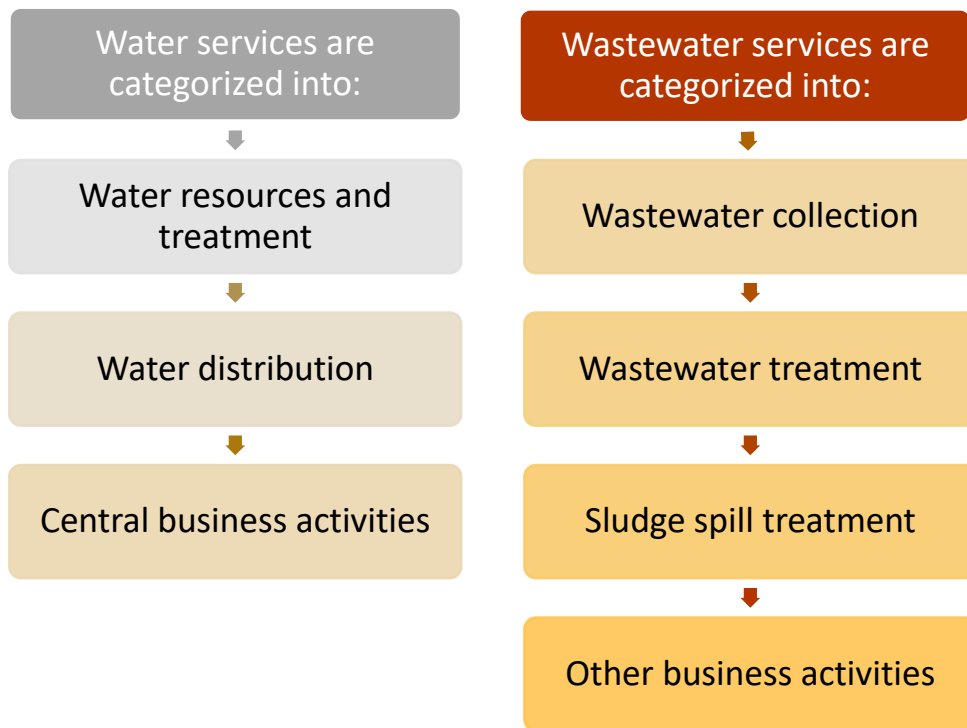
The WSRA prepares the tariff process for three years and approves capital projects for RWCs ensuring that the RWCs prioritize the capital projects based on their needs. WSRA examines and approves Regulatory Business Plans (RBPs) prepared by RWCs based on their needs and data. RBP is mainly classified into two service categories, such as water supply and wastewater services.

---

<sup>14</sup> Annual Performance Report of Service Providers 2021 p. 23

<sup>15</sup> Water Services Regulatory Authority - Analysis of assets and capital investments - Year 2018.

Graph 2. Categorization of services by components in RWCs.



The RBP also includes donations but which are not part of the tariffs from WSRA, however the RWCs, as they have planned, have the obligation to present them in the RBP, and in the BP which is sent to the POEPMU for approval.

In addition, the RWCs through Business Plans, Asset Management Plans and Long-Term Investment Plans address water loss and the area coverage with water services.<sup>16</sup>

Through the Asset Management Plan and the data in their possession, the RWC evaluates the infrastructural and non-infrastructural assets to provide water and wastewater services to citizens. The RWCs set priorities based on the rationality of the projects and the cost-benefit analyzes which they present in the Business Plans.

The CIs planning by RWCs has been accompanied with some shortcomings such as the lack of clear plans such as AMP and LIP, the lack of sustainable investments rationality, the lack of prioritization of projects and the non-harmonization of WSRA and BP. RWCs do not have a clear strategy for allocating funds and determining project priorities, thus having an impact on the non-effective use of financial resources and achieving the goals of RWCs.

### 3.1.1 Shortcomings in the project approval process by WSRA

*WSRA should approve the tariffs in RBP and ensure its harmonization with PB. WSRA should also ensure that RWCs prioritize their projects by assessing water loss and area service coverage through AMPs and LIPs.*<sup>17</sup>

<sup>16</sup> Law on Regulation of Water Services, Article 48.

<sup>17</sup> Law for the Regulation of Water Services, Article 37, p. 17.

WSRA in coordination with RWCs reviews and approves RBPs for tariff approval and PB which is prepared based on the tariff process source document<sup>18</sup>. The BP and the RBP must contain information about the CIs (own and from grants) projected for the next three years, and that such plans are not harmonized in terms of their projects and financial values. This non-harmonization is presented in the table below:

*Table 2. Non-harmonization of values in RBP and BP, for own revenues for 2019.*

<b>RWC</b>	<b>Value in RBP</b>	<b>Value in BP</b>
<b>Prishtina</b>	€ 1,092,500	€ 1,092,500
<b>Southern Hidroregion</b>	€ 627,000	€ 603,486
<b>Gjakova</b>	€ 544,000	€ 3,479,641
<b>Hidromorava</b>	€ 180,000	€ 304,000

Moreover, in the applications sent by the RWCs for approval, the drafting of basic planning documents such as the Asset Management Plan and the Long-Term Investment Plan were analyzed. These two documents, which are necessary for the infrastructure assessment and are legal requirements, were not drafted by the RWCs for 2019, 2020 and 2021.<sup>19</sup> Although the RWCs have not prepared AMPs constantly for a period of 10 years during the submission of applications for tariff approval, the WSRA has continued to approve the tariff process even without completing this document.

Regardless the WSRA's efforts to compel the RWCs to draft the AMPs, due to the RWCs negligence, the AMPs have remained unfinished until 2021. In addition to the RBP, the WSRA has also requested from RWCs the completion of the list of capital investment projects for water services<sup>20</sup>, and the guidelines for the justification of own resources planned for the tariff process<sup>21</sup>. This document from the RWCs requires the project name, description, rationale, and bill of quantities. In this document there is no request for prioritization of capital projects by RWCs. In the project's rationale, the bill-of-quantities and estimates has been identified, which do not contain sufficiently detailed and convincing information for the approval of the projects.

We have asked about the reasons for the lack of harmonization of RBP and PB, and we received an answer from WSRA saying that the Law for Regulation of Water Services and the Law on Publicly Owned Enterprises do not condition one another for the harmonization

<sup>18</sup> Business plan 2019-2021, RWC Prishtina, p. 16

<sup>19</sup> Law for the Regulation of Water Services since 2015 and the Guidelines/manual for drafting of AMP drafted/approved in 2011.

<sup>20</sup> Appendix 3 List of capital investment projects for water services during 2018. (Tariff revision process for the three-year period 2018 – 2020)

<sup>21</sup> Capital Investments RWC Prishtina 24.11.2017

of BP and RBP, and as a result the RWCs send various plans for approval to WSRA and to the Government.

During 2022, in the meetings between WSRA and RWCs, the drafting of the AMP and its implementation was requested. Despite the WSRA's efforts and requests to RWCs for drafting and implementing this plan, the draft plans of the RWC (RWC Prishtina, RWC Hidromorava, RWC Hidroregjioni Jugor and RWC Gajkova) have been drafted until the audit stage. This is due to the negligence and non-initiation of the drafting of this plan by the RWCs.

As a result, the non-harmonization of the RBP with the BP, as well as the insufficient rationality of the projects, leads to the improper planning of CIs and can cause higher costs. The lack of AMP and LIP unables a real assessment of CIs in RWCs assets. At the same time, it caused not to have priorities of the capital projects, ignoring the real needs of the company (causes of water loss, types of loss, etc.) and based on such priorities to align the CIs.

### 3.1.2 Inadequate planning of Capital Investments in the RWCs service areas

*RWCs should assess the state of ground and underground assets and, in addition, set priorities in RBP and BP. Project planning should be based on water loss data, their categorization and should be reasonably supported<sup>22</sup>. The Technical Departments of RWCs should assess the needs based on the submission order, complaints received by citizens regarding the reported damages, and they should also prioritize the projects through the Planning and Development Department<sup>23</sup>. The funding requests must be supported by cost-benefit analysis.*

The Asset Management Plan and the Long-Term Investment Plan are important for a proper planning of CIs, to ensure coordination of goals, prioritization of projects, increased financial sustainability and optimization of the use of resources. These two plans enable RWCs to plan and manage capital investments in a strategic and effective manner. Four RWCs (Prishtina, Gjakova, Hidromorava and Hidroregjioni Jugor) have not managed to draft the Asset Management Plans. With the exception of RWC Hidroregjioni Jugor, they have also stalled in drafting of the Long-Term Investment Plan.

#### RWC Prishtina

RWC Prishtina covers seven water supply operating units that provide water and wastewater services (Podujeva, Lipjan, Fushë Kosova, Obiliq, Drenas, Shtime and Graçanica).

---

<sup>22</sup> The Law on the Regulation of Water Services - The Business Plan is a three-year strategic document where each RWC must present all the enterprise plans and long-term goals in order to accomplish its vision and mission. Capital investments are also presented in this plan.

<sup>23</sup> Administrative Instruction No. 4/2019 on definition of capital projects and classification of capital projects expenditures, Article 8, p. 10.

In the absence of plans such as AMP and LIP, we have evaluated the capital projects planning method during the approval of the tariff process. According to the Technical Director at RWC Prishtina, the request for CIs originates from the Technical Department, requesting from the units what they consider to be their priorities, to draft proposals of which projects need to be covered by CIs and to send it to WSRA for approval.<sup>24</sup> Moreover, we have received a document forwarded to WSRA by RWC Prishtina during the 2018 tariff process with the list of capital projects<sup>25</sup>, their description, rationale, bill of quantities and the planned year for implementation. This information is based on their investment requests from the Maintenance and Operations Department.<sup>26</sup>

Although there is project information, we have noticed that there is no detailed justification/document with detailed information on which they were based during the drafting of project requests such as the current capacity assessment, the identification of areas with greater supply issues, the increase in demands for water, the number of citizen complaints, the identification of risks and possible problems on the ground, the criticality of the infrastructure, the impact caused by citizens from changing the infrastructure, the level of water loss, the percentage of reduction after the investment, etc.

According to the RBP 2019, the RWC Prishtina from donations had planned only €37,200 for projects<sup>27</sup>, while in the BP, from grants and donations they planned €1,005,000.<sup>28</sup> Consequently, we can see a huge difference between RBP and BP in planning of projects from donations, this is because in the BP the priority is to secure larger funds for specific projects, while in the RBP the focus is on the approval of tariffs.

If we compare projects planned by RWC Prishtina from own revenues for 2019, we do not see any values discrepancy between RBP and BP. In RBP, the planned capital projects from its own funds were with a total value of €1,092,500<sup>29</sup>, as same as in the BP<sup>30</sup>.

However, regarding projects that have been focused on reducing water losses, we have noticed minor discrepancies in the values planned in the RBP (values which are from own revenues) and in the BP, as presented below:

---

<sup>24</sup> Interview with RWC Prishtina.

<sup>25</sup> Rationality of Capital Investments RWC Prishtina 24.11.2017

<sup>26</sup> Investment requests 2019

<sup>27</sup> RWC Prishtina, WSRA, RBP.

<sup>28</sup> RWC Prishtina Business Plan 2019-21 p. 60-61

<sup>29</sup> Capital Investments RBP RWC Prishtina 2019

<sup>30</sup> Business Plan 2019-2021 RWC Prishtina p. 62-64

Table 3. Comparisons and discrepancies in project planning in the two key documents, the Regulatory Business Plan and the Business Plan in RWC Prishtina for 2019.

<b>Project</b>	<b>Amount in RBP</b>	<b>Amount in BP</b>
Replacement and construction of the water network to improve water supply and reduce loss in the RWC "Prishtina" (Prishtina, Lipjan, Podujeva, Obiliq, Shtime, Fushë Kosova, Gračanica and Drenas) service area	€250,000	€250,000
Supply and assembly of electromotor for super sor in Albanik ... supply and assembly of sprinkler and pumps in PS Batllava (2019-2020)	€80,000	€75,000
Supply of horizontal, vertical centrifugal pumps + hose and equipment (frequency) pumps in the RWC Prishtina The project is for the entire supply area dedicated to production, pumping and well facilities in the entire service area.	€60,000	€12,000
Supply of simple and SMART water meters of Fi ½ to 2" profiles for installation in Households and Businesses in the RWC Prishtina area	€330,000	€330,000
"Site Preparation, installation of new DN 600 polyethylene (PE) pipe for drinking water with other accompanying parts, and rehabilitation of the land in its previous state; the approximate length of 300 m at the entrance of the reservoir in Kodër I".	€250,000	€250,000
Adjustments by WSRA or maintenance and rehabilitation of the sewerage network part I OU Prishtina, Obiliq, Fushe Kosova, Podujeva, and Part II OU Drenas Lipjan Shtime Gračanica	€230,000	€230,000

Based on the data presented in the table, we can notice that two projects in RBP and BP planning do not have the same values. We have not received any explanation why this occurred.

In 2010, from the consultancy with the KFW Development Bank, the RWC Prishtina has drafted the LIP 2010-2040. This Plan is not detailed, and important information is missing such as strategic objectives, identification of priority areas for capital investments, assessment of current capacity, etc. The lack of detailed Plan may cause non-implementation of objectives, important projects may be neglected, difficulties in financing CIs, and project failure or delays. Moreover, since 2019 the RWC Prishtina is part of the EDAMS project<sup>31</sup>, a project carried out in three stages. A cooperation from which the Policy and Development Department has managed to make a project planning which would contribute to the draft for the AMP, however this draft still remains incomplete.

<sup>31</sup>Management system covering the commercial, technical and planning functions of water utilities to provide a coherent enterprise system solution for modern service.

## RWC Gjakova

RWC Gjakova supplies with drinking water Gjakova and Rahovec region, and some villages of the Prizren municipality. RWC Gjakova with 99% area coverage, is distinguished as one of the RWCs with the highest service coverage in its service area.

We have analysed the RBP approved by WSRA with the BP. Moreover, we have also analysed whether the RWC Gjakova has evaluated the CIs needs for 2019 according to the needs for reducing technical losses and expanding services in the service area and if as such are planned in the procurement plan.

No priorities have been set regarding the projects proposed and approved in WSRA for the CIs. We were not provided with sufficient evidence such as cost-benefit analysis and feasibility studies which prove that the proposed projects have been prioritized. RWC Gjakova has planned CIs, but not in an appropriate and sufficiently justified manner.

We can see huge differences in the amounts of planned CIs from grants and donations in water and wastewater services. According to RBP 2019, from grants and donations the RWC Gjakova had planned €5,772,500<sup>32</sup>, while €27,138,536 are planned in the BP.<sup>33</sup>

We have also analysed the differences between the planning of the key documents where we have noticed that from the own revenue resources for 2019 in the BP a total of €3,479,641 have been planned, while in the RBP only €544,000 have been planned. The planning difference between these two plans is €2,935,641. In the BP other amounts have been planned, and the difference with the approved amounts in RBP is as follows:

*Table 4. Differences in the planned amounts of capital projects to reduce losses in the RWC Gjakova service area in 2019.*

<b>Name of the Project</b>	<b>Amount in RBP</b>	<b>Amount in BP</b>
Replacement of AC pipe Ø300 UJZ-Rogova L=2800 PE DN 300/16 bar	€200,000	€229,500
Replacement of the pipe in Krajc village L=8220 m DN 225/10 bar, DN 160/10 bar, DN 125/10 bar, DN 110/10 bar, DN 90/10 bar, DN 75/10 bar, DN 63/10 bar.	€127,500	€50,000
Replacement of the Sopot-Palabardh pipeline	€0	€113,730
Replacement of the pipe in Ramaja village L=1700m, pipe from Ø63 -110 /10 bar.	€0	€38,250
Installation of smart water-meters 200 pieces	€15,000	€50,000
Investments in the water supply of - Reka e Keqe	€50,000	€0

<sup>32</sup> RWC Gjakova, RBP2019.

<sup>33</sup> RWC Gjakova Business Plan 2019-2021 p. 46-56

We have asked for the reasons related to the changes of the projects designated as priorities in the RBP and in the BP, and the RWC Gjakova has provided several reasons<sup>34</sup>, one of them is that the priorities have changed because the investments were transferred to villages that did not have potable water supply. However, we consider that such justifications are not grounded, since the company has changed the planned objective purpose, which was the reduction of water loss, and it changed it towards the area coverage with services. This indicates a poor planning in relation to the tariffs set by WSRA for capital projects for 2019.

## RWC Hidroregjioni Jugor

RWC Hidroregjioni Jugor covers the following five cities with water supply services: Prizren, Suhareka, Malisheva, Mamusha and Dragash.

Contrary to other RWCs, the RWC Hidroregjioni Jugor has drafted the LIP 2019-2028, which includes analyses, projections, assessments and strategies for reducing water losses<sup>35</sup>. However, the AMP as another important document has not been drafted.

According to RBP 2019, from own revenues the RWC Hidroregjioni Jugor had planned €627,000. As for the projects planned from donations, according to RBP, the RWC Hidroregjioni Jugor has planned €8,528,774.

On the other hand, in the BP, the planned investments are in the amount of €603,486 from own revenues and €28,072,207 from grants and donations. As a result, we can see differences in project planning from private investments and donations.

The different amounts between the CIs in the RBP and the BP from own revenues are because, in 2019, the BP went through some changes and was revised with the purpose of harmonizing it with the values approved by WSRA in the RBP. The WSRA has been notified of these changes, and the RWC has requested a tariff review<sup>36</sup>.

In the absence of the AMP, in the list of requests the WSRA submits to the RWC for the tariff process also includes clarifications, additional data or sustainable rationales for each investment project. This list with the projects rationale was prepared by RWC Hidroregjioni Jugor and submitted to WSRA<sup>37</sup>, however there is no prioritization or ranking of projects according to their importance.

---

<sup>34</sup> Due to the expansion of the villages in the so-called Reka e mire where 5 villages (Hereq, Planqor, Dujaka, Firaja and Dobrigje) are located, which are supplied by the same reservoir. Priorities have changed due to the fact that the investments were transferred to villages that did not have drinking water supply (Reka e Keqe). RWC Gjakova did not provide E-mails and minutes, but they were justified with the finalization of the co-financing agreement. There are no Board decisions, but the former Chief Executive in coordination with the senior management took such a decision. The planning of changing the water-meters has not happened due to the allocation of investments in the expansion of the service area.

<sup>35</sup> Long-term investment plan for RWC Southern Hydroregion 2019-2028.

<sup>36</sup> Answer from RWC - email 3 question 1 point 8.

<sup>37</sup> Appendix No. 2 Rationale of the RWC Southern Hydroregion projects.

According to RWC Hidroregjioni Jugor, there is no CIs prioritization because the WSRA requests that for each project presented in the RBP (Appendix 3)<sup>38</sup> from its own resources, the RWCs should present the description, justification, bill of quantities of the project, but not the prioritization of the project according to the need or urgency.

## RWC Hidromorava

RWC Hidromorava covers with water supply services the villages of the Gjilan, Vitia and Kamenica Municipalities.

RWC Hidromorava had prepared the AMP for the first time in 2016, but it was not approved due to insufficient data. Since 2018, the Geographical Information System (GIS) office uses the EDAMSS<sup>39</sup> platform to collect this information, however there are still insufficient records on the operation and maintenance portion. It is worth noting that in October 2022, in accordance with the WSRA format, the RWC Hidromorava submitted for the first time the AMP. While the LIP for 2018-2020 has been drafted by RWC, which includes water supply demands, the projects rationale that are directly related to BP, however, this plan has not been approved by the Board of Directors of RWC Hidromorava.

According to RBP 2019, the RWC Hidromorava from its own funds had planned €180,000 for infrastructure development and the same amount is presented in the LIP.<sup>40</sup> These CIs are mainly planned for the installation of water flow meters in all sources, the installation of joint water meters for collective housing buildings, the replacement of the pipeline from the VINEX F-ka in the direction of Kllokot, as well as the rehabilitation of all existing chlorination stations.

In 2019, even though it had on its agenda the review and approval of the LIP, the Board of Directors at RWC Hidromorava was not able to approve this plan, since there were remarks from the Board members. As a result of not addressing these remarks in time, the RWC Hidromorava did not implement this plan during 2019. In the absence of this plan, a proper planning, evaluation and drafting of needs and priorities was not carried out.

On the other hand, in the BP for the period 2018-2020, there are also significant investments planned in the water supply and wastewater system. Specifically, in the BP drafted in 2017, we can see €304,000 planned from own revenues.

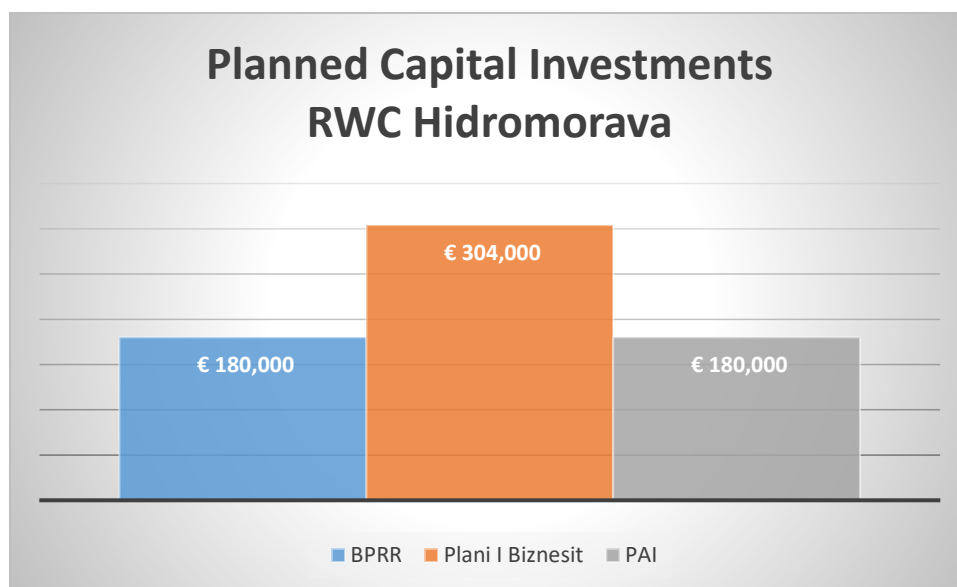
---

<sup>38</sup> RWC Southern Hydroregion, RBP Appendix 3 2019, Appendix 3 is an additional list where the projects and their values are elaborated in details.

<sup>39</sup> Management system covering the commercial, technical and planning functions of water utilities to provide a coherent enterprise system solution for modern service

<sup>40</sup> RWC Hidromorava Long-Term Investment Plan 2019 - 2028.

Graph 3. Planned Capital Investments from own revenues in Miscellaneous Reports for 2019.



According to the graph above, we can notice that the CI values of the RBP and the LIP do not match with the BP values.

The investments value does not match due to the fact that only the value which is reflected in the tariffs and which was mandatory to be executed is presented in the RBP, while in the BP, in addition to the value of €180,000 related to infrastructure, there are also investments in the business activity that were not actually calculated in the tariffs such as (€55,000 for works in the Administration Facility, €9,000 GPS and €30,000 project design). From the planned total, approximately €38,000 were implemented from the own revenues. From the RBP, we have also analyzed the total including other funds from donations in the amount of €1,960,000, where approximately €48,000 have been implemented (€38,000 from the own expenditures and €10,000 co-financing with the Kamenica Municipality) which translated into percentage, shows only approximately 2.4% of the planning. This occurred as a result of the ambitious plan to implement both categories.

From donations and grants, €58,130,000 are planned in the BP, and €1,550,000 in the RBP. Even in this category of CIs planned from grants and donations, there are planning discrepancies between the reports.

Such value discrepancies of the RBP and the BP at the RWCs lead to poor planning, potentially making it difficult to achieve the company objectives. This may also cause a lack of prioritization between reducing water loss and expanding services to citizens, causing delays in project implementation and coordination with other actors.

### 3.3 Implementation of Capital Investments in RWCs

Through capital investments, the RWCs can have an impact on increasing the water services coverage rate to citizens, the wastewater treatment and on reducing the water loss, whether commercial or technical. Funds for the implementation of capital investments can be from

own revenues, donations and co-investments with other parties such as the Municipality and other Ministries.

From the information given in table 5 and graph 4, we can see that capital investments had a slight impact on the reduction of water loss and on the expansion of water service coverage in the RWCs. In 2019, the RWC Gjakova had a 90% coverage, while in 2021 it reached 99%. Similarly, in 2019, the RWC Prishtina had 81% coverage, while in 2021 it reached 83%. The water loss in RWC Prishtina has been reduced from 60% in 2019 to 58% in 2021, while in RWC Hidromorava from 53% in 2020 to 47% in 2021.

From the table we see that from 2019 to 2021 there is a water loss in the RWCs. However, some of the RWCs in their service areas have managed to reduce water loss to a slight level, in RWC Prishtina and RWC Gjakova by 2%, RWC Prizren 3%, RWC Gjilan 5% and RWC Ferizaj 6%. The percentage of water loss in the RWCs is calculated based on the produced water ratio and the billed ratio. It is worth noting that the average water loss during 2012 was 61%<sup>41</sup>, while in 2021 the average loss was 55%.

Table 5. Water losses in RWCs during the period 2019-2021<sup>42</sup>

RWC	Operational data	Unit	Year 2019	% Water loss / produced ratio 2019	Year 2020	% Water loss / produced ratio 2020	Year 2021	% Water loss / produced ratio 2021
<b>PR</b>	Produced water	m3	54,569,918	<b>60%</b>	52,961,479.00	<b>58%</b>	55,175,048	<b>58%</b>
	Water Loss	m3	32,728,713		30,662,482.00		32,013,675	
<b>PZ</b>	Produced water	m3	17,038,292	<b>57%</b>	16,520,232.00	<b>55%</b>	16,928,504	<b>54%</b>
	Water Loss	m3	9,690,479		9,137,000.00		9,209,719	
<b>PE</b>	Produced water	m3	25,366,310	<b>62%</b>	24,881,387.00	<b>60%</b>	24,842,768	<b>58%</b>
	Water Loss	m3	15,703,595		15,020,430.00		14,509,230	
<b>MIT</b>	Produced water	m3	28,347,492	<b>59%</b>	26,506,027.00	<b>53%</b>	27,457,562	<b>55%</b>
	Water Loss	m3	16,794,023		14,065,702.00		15,156,096	
<b>GJA</b>	Produced water	m3	14,992,458	<b>44%</b>	15,202,835.00	<b>42%</b>	15,910,071	<b>42%</b>
	Water Loss	m3	6,525,046		6,346,777.00		6,742,405	

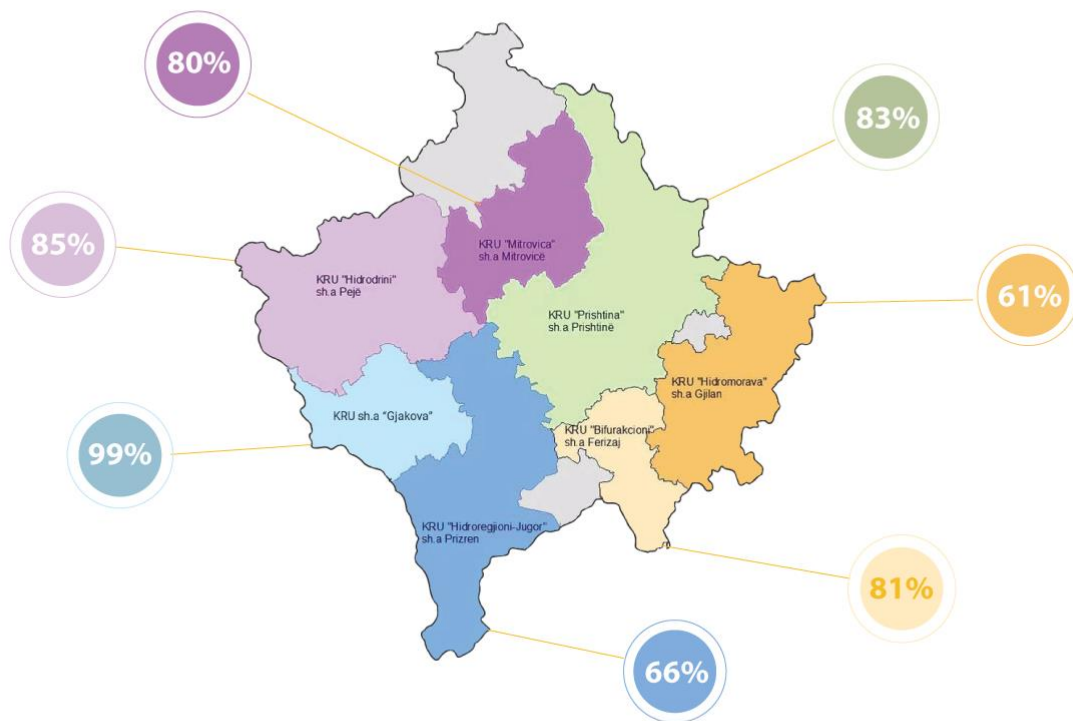
<sup>41</sup> The audit report on the efficiency in the management and monitoring of water companies - National Audit Office

<sup>42</sup> WSRA Annual Work Reports, 2019, 2020, 2021.

<b>FE</b>	Produced water	m3	8,982,619	<b>63%</b>	9,494,874.00	<b>64%</b>	8,258,735	<b>57%</b>
	Water Loss	m3	5,632,581		6,050,736.00		4,695,808	
<b>Gji</b>	Produced water	m3	8,464,519	<b>53%</b>	6,704,295.00	<b>47%</b>	7,801,252	<b>48%</b>
	Water Loss	m3	4,451,817		3,161,125.00		3,762,981	

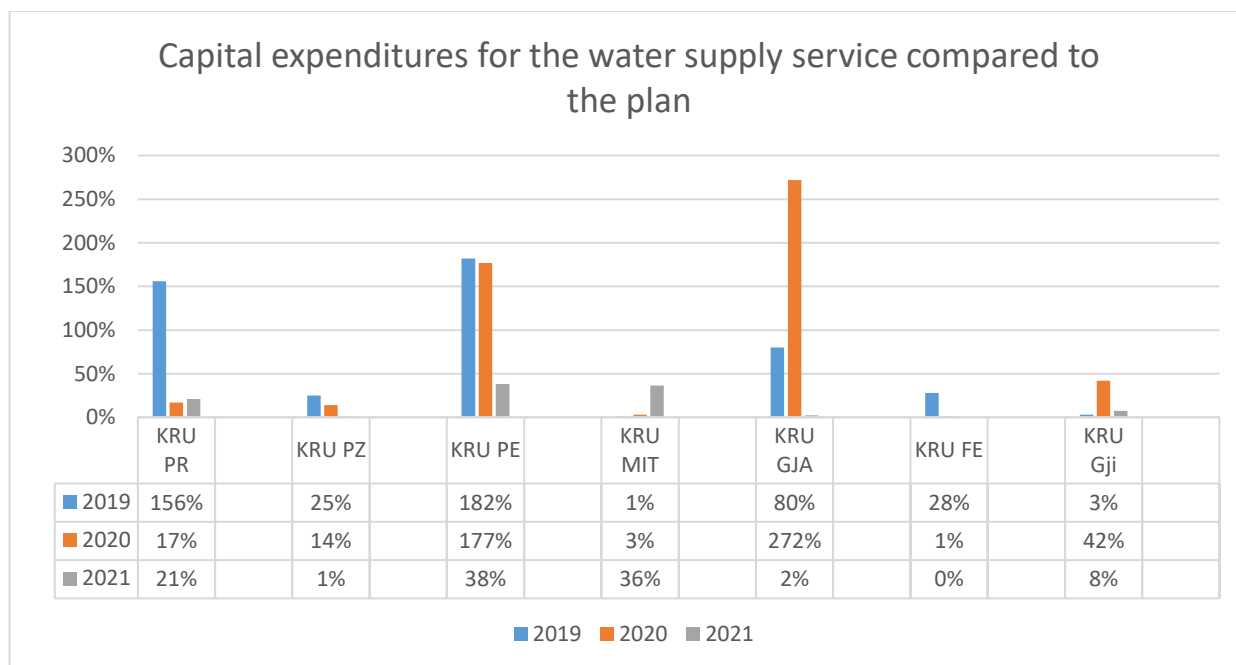
From the 7 RWCs in the country that provide water services, the drinking water services coverage rate varies from 61% to 83%, which is not considered to be a satisfactory rate, with the exception of RWC Gjakova, which covers its region with 99%. The coverage percentage for 2021 by region is presented in the graph below.

*Graph 4. Coverage with water supply services for 2021*



Below we will present the comparison between the actual implementation of capital investments and the planned investments funded by the own revenues and donations for the period 2019-2021 (see graph 5).

Graph 5. Implementation of capital investments from own revenues and donations during the period 2019-21 compared to the planned investments <sup>43</sup>.



Based on the data presented in graph 5, the WSRA evaluates the annual performance of RWCs. In 2019, the most of RWCs allocated approximately 77% of their capital expenditure to water supplies, whilst the remaining 23% was allocated to the maintenance of capital. This graph shows that RWC Mitrovica (1%) and RWC Gjilan (3%) had the lowest percentage of investments carried out in 2019. It is worth noting that RWC Mitrovica provides water services to two other northern municipalities from which it does not collect any revenues, whilst RWC Hidromorava continuously faces lack of water due to drought. The total value of investments funded from own revenues reached €2.7 million, whilst €1.2 million were executed through donations.<sup>44</sup>

While in some other RWCs we can see a high percentage of the CIs implementation compared to the planned investments. Such data does not show the true situation of the ICs planning, since the RWCs plan the donations without a real assessment and without making sure that these funds can be received.

The findings related to the implementation of capital investments in the RWCs are presented below, which are characterized by several shortcomings such as: delays and non-implementation of projects, change of the certain planned projects with the unplanned projects, nonpenalization by the RWCs of the EOs that have not managed to implement projects, etc.

<sup>43</sup> WSRA Annual Work Reports 2019, 2020 and 2021.

<sup>44</sup> Annual Performance Report 2019, WSRA.

## 3.2.1 Project changes, delays and failures in the implementation of Capital Investments by RWCs

The funds intended for the implementation of CIs, whether they are from the own revenues, donations or co-investments with other actors, should be executed as to their intended purpose. The RWCs should execute these expenditures for capital investments and for no other purposes, whether they are operational or other expenditures.<sup>45</sup>

### RWC Prishtina

Based on the comparative values calculated between the planned and the implemented capital investments for 2019 only from the own revenues, the RWC Prishtina has managed to implement 53% of the planned investments. More precisely, this company in the RBP had planned €1,092,500 and implemented only €578,097<sup>46</sup> of capital investments.

According to the table below, we can notice that for the two separate categories, the RWC Prishtina has implemented 35% more investments in non-infrastructure<sup>47</sup> (such as capital maintenance or network expansion) than the planned investments, while in infrastructure<sup>48</sup> (improvement or increase of the infrastructure) 80% of the planned investments have not been implemented.

Table 6. Capital investments in water and wastewater from own revenues planned in RBP and implemented in 2019 by RWC Prishtina

	Planned Investments in RBP		Implemented Investments	
	Infrastructure	Non infrastructure	Infrastructure	Non infrastructure
Water	500,000 €	342,200 €	106,821 €	463,124€
Waster water	240,000 €	9,800 €	6,802 €	8,152 €

Based on the table, we can see that we have a negative trend in both categories of planned and implemented investments.

<sup>45</sup> Law No. 04/L147 on Kosovo Waters, Article 69, p. 23

<sup>46</sup> Annual Audit/Verification Report by WSRA for 2019.

<sup>47</sup> Capital investments in **Non-Infrastructural Assets** include all investments in aboveground assets: (i) water treatment plants, (ii) administrative buildings, (iii) transport vehicles, (iv) office equipment, etc. This group of investments is then categorized into capital maintenance and non-infrastructural growth investments.

<sup>48</sup> Capital investments in **Infrastructure Assets** are divided into investments: (i) which are carried out for the infrastructure renewal purposes, (ii) and infrastructure growth investments. These Investments are characterized as investments in underground assets such as: pipes, wells, dams, underground reservoirs, water channels, etc.

The projects planned in RWC Prishtina from own revenues during 2019 are presented in the table below according to their value, the period planned for implementation and the implementation period.

*Table 7. Implementation of projects in RWC Prishtina in 2019*

<b>Project's name</b>	<b>Project value in euro</b>	<b>Planned for implementation</b>	<b>Year and date of signature according to the Contract Management Plan for the commencement of works</b>	<b>Deadline for completion of works</b>	<b>Final Technical Acceptance/Implementation</b>	<b>Delays</b>
<b>Supply of Water Meters and Water Meter Seals</b>	54,740,20	2019	07.04.2020	60 calendar days	30.02.2022	Almost 2 years
<b>Maintenance and rehabilitation of the sewerage network - part of WSOU Prishtina, Obiliq, Fushë Kosova, Podujeva, and Part II WSOU Drenas, Lipjan, Shtime, Graqanica</b>	230,000	2019	26.02.2020	30 calendar days	24.06.2022	2 years and 4 months

<b>Replacement and construction of the water network for improving water supply and reducing water loss Part II in Drenas</b>	12,267.84	2019	16.09.2019	30 calendar days	23.02.2021	1 year and 4 months
<b>Replacement and construction of the water network for improving water supply and reducing water loss - part II - Lipjan and part III - Podujeva</b>	50,926,80  119,235,85	2019	16.09.2019  16.09.2019	90 work days Lipjan  45 work days Podujeva	01.02.2021  27.04.2022	1 year and 4 months  A period of almost 2 and a half years
<b>Construction and repair of water supply wells and sewerage system</b>	19,277.00	2019	13.01.2020	15 calendar days	24.11.2021	Almost 2 years
<b>Supply and installation of zonal water meters</b>	Planned at €150,000	2019	Not started until 2022.			Not impleme

<b>in the RWC "Prishtina" service area</b>			Signed contract, March 2020.			nted until 2022
<b>Site preparation, installation of new DN 600 polyethylene (PE) pipe for drinking water with other accompanying parts, and rehabilitation of the land to its previous state; the approximate length of 300 m at the entrance of the reservoir in Kodër I</b>	250,000	2019	16.12.2022			Not implemented until the audit period

In the table above we can see that the delays in the implementation of projects are apparent and obvious, where we have projects that have not been implemented for a period longer than two and a half years.

The implementation of projects was delayed, however there are also projects that were not implemented at all. The reasons for the delays and non-implementation for each project are given below:

**Supply of Water Meters and Water Meter Seals:** The delays until the implementation of the project are for a period of almost two years due to the non-initiation on time by the requesting unit to start this project. Even the contract was signed with almost over a year delay. These factors had an impact on the progress and the overall duration of the project.

**Maintenance and rehabilitation of the sewerage network - part of WSOU Prishtina, Obiliq, Fushë Kosova, Podujeva, and Part II WSOU Drenas, Lipjan, Shtime, Graqanica:** This project has been implemented with delays for a period of two years and four months. According to the answer received from the Procurement Department at RWC, the reasons for the delays are due to the delayed project initiation, and also delays in the implementation of the project by the requesting unit. Additionally, the lack of project staff is another contributing factor mentioned. The project has suffered significant setbacks and deviations compared to the dynamic time schedule. Delays in project initiation, implementation and field works can lead to numerous negative consequences. These may include increased costs due to project duration, potential disruptions to other related activities, and overall project inefficiencies.

**Replacement and construction of the water network for improving water supply and reducing water loss Part II in Drenas:** This project was implemented with a delay of one year and four months. In the initial assessment<sup>49</sup>, by approving unfinished works, the technical acceptance commission had concluded that the works executed by the EO did not meet the requirements specified in the contract,. Several essential activities, including groundworks, side road connections, asphalt restoration and completion of well edges, were not performed as specified in the contract. Moreover, due to the damages caused by the EO during the construction process, especially the sidewalks that were damaged, the Municipal Inspectorate intervened and stopped the work. It is worth stressing out that the RWC Prishtina has not taken any action against the EO's failure to timely and appropriately implement the project.

**Replacement and construction of the water network for improving water supply and reducing water loss - part II - Lipjan and part III - Podujeva:** Initially, the project was not initiated on time and was it completed with delays. The project for reducing water loss in Lipjan is delayed for one year and four months and the project for reducing water loss in

---

<sup>49</sup> Evaluation of works by the technical acceptance commission, dated 10.01.2020

Podujevo is delayed for almost two and a half years compared to the dynamic plan defined according to the Contract Management Plan.

Several reasons that have influenced the non-implementation of the project on time are: suspension of works due to pandemic related decisions, insufficient personnel and complaints due to nonexpropriation<sup>50</sup>. Furthermore, the interruption of works of the RWC Prishtina by the inspectorate due to the lack of environmental consent, indicates non-compliance with the legislation on roads. Regardless of the environmental consent application<sup>51</sup>, the RWC Prishtina has not received a response from the ministry, therefore the RWC Prishtina proceeded with the signing of the contract and started the works.

These delays can have far-reaching impacts on the projects and the organization as a whole. They can have an impact on not supplying citizens with water and on continued water loss. The fact that the RWC Prishtina has proceeded with the signing of the contract and has initiated the works without receiving an answer to their request for environmental consent, raises concerns about the proper compliance and risk management.

**Construction and repair of water supply wells and sewerage system:** The delays in this project are almost two years compared to the dynamic schedule set out in the Contract Management Plan. The RWC justifications are that the contract manager has submitted three warnings for project implementation delays. Even after the requests from the Contract Manager, the remarks given by the EO have not been implemented. In addition, the acceptance commission at RWC Prishtina accepted the works without specifying that the implementation of works was delayed. Even in this case, the RWC Prishtina has not applied the foreseen delay penalties against the EO.

Despite requests, the failure to implement the Contract Manager remarks indicates improper communication and cooperation. This can lead to misunderstandings, ineffective decision-making and possible negative consequences for project execution.

Finally, the RWC Prishtina failure to apply penalties for project delays further worsens the lack of accountability. As a result, the company objectives such as the expansion of the wastewater service area are not implemented in time.

**Supply and installation of zonal water meters in the RWC "Prishtina" service area:** Even though this project was planned for implementation within the capital investment plan for 2019, it took 12 months to draft the specifications, which had affected the timely project initiation. From the initiation to its completion, it took 2-3 months for the implementation of this project.

**Site preparation, installation of new DN 600 polyethylene (PE) pipe for drinking water with other accompanying parts, and rehabilitation of the land to its previous state; the approximate length of 300 m at the entrance of the reservoir in Kodër I:** This project has significant delays of about three years since its planning in the capital investment plan in

---

<sup>50</sup> Extension of the pipe in private property.

<sup>51</sup> The request for an environmental permit was submitted on 18.07.2019

2019, whereas the contract was signed in December 2022. Prior to starting with the implementation of the project, the RWC Prishtina had to resolve the project area ownership issues. Such important issues should be communicated and clarified in advance. We have not found any evidence that the RWC Prishtina had communication with the Kosovo Police regarding the project implementation within police stations/premises and through the Kosovo Police area, while according to the manager there was only verbal communication with the police. As a result, the project has not yet been implemented and it has an impact on supplying citizens with water.

## **Donations**

According to the BP for 2019, the following projects in the amount of €1,700,000 are planned from donations. From an agreement with KfW<sup>52</sup>, €70,000 have been invested for the "**Construction of the pipeline in Shkabaj**" Project.

### **The planned projects are:**

- Splitting the pump system of Miredita II and Miredita III pumping stations in the amount of €90,000;
- Rehabilitation of the primary water supply network in Madrasa neighborhood, €350,000;
- Rehabilitation of the primary water supply network in Bregu i Diellit neighborhood, €430,000;
- Replacing the water pipe from Miredita II Kashagia pumping station, €110,000;
- Replacing the water pipe from Arbëria pumping station, Kodër Reservoir, €250,000.

None of the above projects was implemented as planned in 2019, 2020 and 2021.

**Project "Replacing the water pipe from Arbëria PS, Kodër Reservoir"**: In this project, the delays are 3 years. The delays presented below are given as justifications<sup>53</sup> and those had an impact on the non-implementation of the project on time:

- Delay in supply of materials affected by the pandemic, and also due to the large diameters of pipes and accompanying parts, since the manufacturing factories have reduced the production of materials for these pipes;
- Numerous delays in obtaining permission from the Kosovo Police - Station 4 Kodra e Trimave for technical reasons, and this caused continuous delays in the project implementation;
- Delays due to constant leakage of the existing old steel pipe (difficulties to work);
- Delays by the EO in drafting of the final project, delays in providing geodetic measurements to check the recent situations of the final works implementation.

The projects implementation delays have a negative impact on the implementation of the project. Such delays can cause additional costs, hinder the work progress, can impact the

---

<sup>52</sup> Kreditanstalt für Wiederaufbau - German Development Bank.

<sup>53</sup> Director for planning and development at RWC Prishtina

implementation of the project within the the projected time, and can face severe and numerous delays in its implementation.

**Project "Rehabilitation of the water supply network in Bregu i Diellit neighborhood and in Madrasa neighborhood"** was not initiated due to the lack of coordination of the expropriation activities between the Municipality and the RWC Prishtina. We have not received any document/or testimony which justifies and validates the commitments of the RWC Prishtina for initiation and timely implementation of this project. The only evidence provided is in the form of email communications with other parties.

Although the RWC Prishtina has submitted a project draft and has identified roads that need interventions (Bregu i Diellit and Medrese), other companies such as KEDS and Termokos should provide their investment plans in order to complete the project and prepare the preconditions for the project initiation and implementation. For the implementation of these projects, in March 2023, a new request for work permit will be submitted to the Relevant Municipality Directorate.

The lack of coordination between the Municipality and the RWC Prishtina and other parties has hindered the initiation and implementation of the project. Furthermore, the reliance on email communication as primary evidence highlights potential weaknesses in formal documentation practices.

## [RWC Gjakova](#)

RWC Gjakova has been announced as the most successful RWC compared to other RWCs as in its service area it has a 99% coverage with water and wastewater services. However, despite this, during 2019 there have been some delays in the implementation of capital investments related to the reduction of water losses and the expansion of services. Based on the comparative values calculated between the planned and the implemented capital investments for 2019 only from own revenues, the RWC Gjakova has managed to implement 67% of the planned investments. More precisely, this company in the RBP had planned €544,000 and implemented €366.163<sup>54</sup> in capital investments.

According to the table below, we can notice that the RWC Gjakova has implemented 92% of planned investments in infrastructure, while in non-infrastructure 46% of planned investments have been implemented.

---

<sup>54</sup> Annual Audit/Verification Report from WSRA for 2019.

Table 8. Capital investments in water and wastewater services from own revenues planned in RBP and implemented in 2019 by RWC Gjakova

	Planned Investments in RBP		Implemented Investments	
	Infrastructure	Non-infrastructure	Infrastructure	Non-infrastructure
Water	€327,500	€135,175	€302,536	€62,361
Waste water	€40,000	€41,325	€78	€1,188

Based on the presented data, we can notice a negative trend in the category of planned non-infrastructure investments with the implemented investments.

The two main projects planned for implementation at RWC Gjakova during 2019 have been replaced by projects that were not planned for the respective year. The projects that were replaced are shown in the following table:

Table 9. Replacement of projects in RWC Gjakova

Planned project based on RBP	Value in Euros	New project	Value in Euros
Replacement of the AC fi 300 Ujz-Rogova Pipeline	200,000	Completion of water supply works for 28 villages - Gjakova	1,973,829 <sup>55</sup>
Replacement of the pipeline in Krajk village	127,500	Replacement of pipe in Sopot-Palabardh up to the reservoir	153,448

These planned investments have changed, and have been replaced by two new projects due to the requests from Gjakova and Rahovec municipalities.<sup>56</sup> The request was made in the mid-2019, and the revised plan was approved by WSRA.<sup>57</sup> It is worth noting that two new projects were implemented with delays.

According to the letter submitted<sup>58</sup> by RWC Gjakova to WSRA, where they have notified WSRA about the change of the projects considering that it was an unplanned but necessary need for the implementation of the request from Gjakova and Rahovec Municipalities, and based on this, the WSRA approved this change of projects. However, the RWC Gjakova initiated the works even before notifying WSRA and prior to the approval of their request.

<sup>55</sup> According to the 2019 procurement plan

<sup>56</sup> RWC Gjakova – Reasoning about capital investments 2019

<sup>57</sup> WSRA Decision for RWC Gjakova.

<sup>58</sup> Letter addressed to WSRA by RWC Gjakova, dated 26.06.2019

However, a key factor in changing projects is the lack of proper and timely analysis and identification of investment needs, and also lack of communication between RWC Gjakova and the municipalities. Poor planning and lack of coordination indicates failure to adequately address key objectives and goals such as water losses and expansion of water services. As a result, projects are prolonged for following years, while there are other projects/priorities that have never been implemented.

In regards to the "**Replacement of the pipeline in Krajk village**" Project, a donation from the Municipality of Prizren, which was planned to be implemented in 2019, however due to the replacement of this project with another project, its implementation was initiated in 2020<sup>59</sup>. This project was completed in September 2020 (five months later) even though the contract/agreement was expected to end in April 2020. The total investment value has reached €137,402 or about €10,000 more than the investment planned in the RBP. On the other hand, the project for replacement of the pipeline in Ujz - Rogova, planned for 2019, was not implemented even in 2020 and 2021 due to the re-destination of funds and also due to the insufficient funds for the implementation of this project<sup>60</sup>.

The new replaced projects, namely the project "**Replacement of the pipeline in Palabardha**" was implemented and completed with two months delay, in September 2019<sup>61</sup>. The total value of the investment is €153,448, although in the reasoning of the capital investments for 2019 addressed to WSRA, the value of €139,540 was foreseen.

The other replaced project which is a capital investment of the Ministry of Economy is "**Water supply works for 28 villages - Gjakova**". Regarding this project, we have found that the RWC Gjakova made a request to the WSRA<sup>62</sup> for the implementation of this project three months after initiating the works<sup>63</sup>. Secondly, there is a discrepancy between the planned values as shown in the graph below.

---

<sup>59</sup> Signing of the contract, 15.01.2020 (it should be implemented within 70 days after signing of the contract).

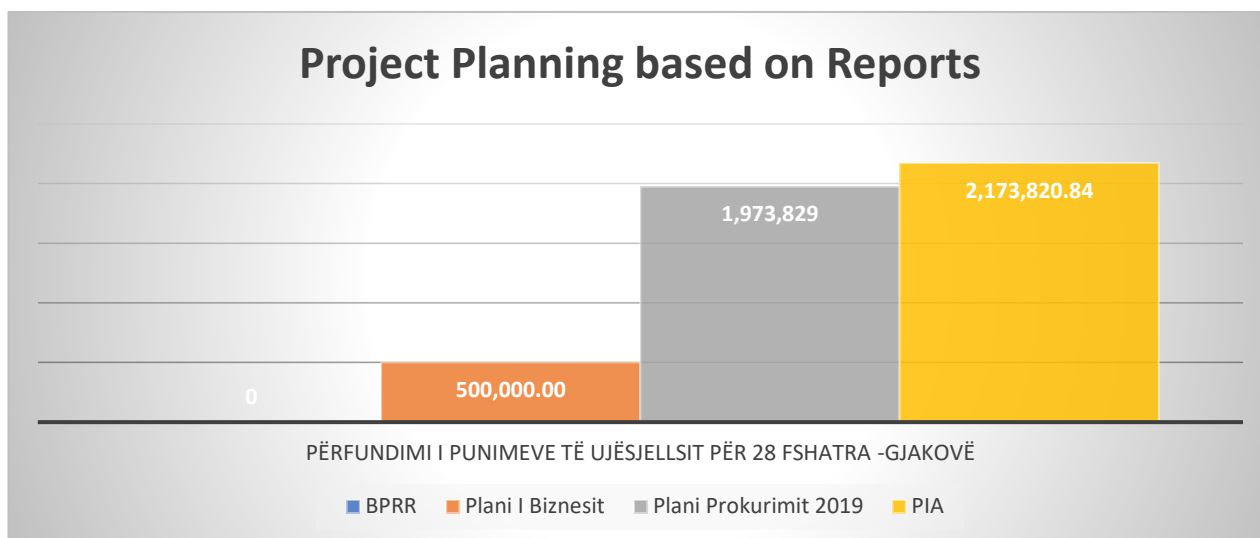
<sup>60</sup> Response from RWC Gjakova on the requested information.

<sup>61</sup> According to the contract, the deadline for the completion of the works is 40 days after their initiation.

<sup>62</sup> Request submitted on 25.06.2019.

<sup>63</sup> General Ledger Period: January-December 2019 Account 4320 No. 2.

Graph 6. Project planning based on the various documents planned by RWC Gjakova and approved by the Water Services Regulatory Authority.



The Technical Acceptance Commission report for the Execution of the Works, and the payments made show that the preliminary works as well as the additional works have been completed with an additional cost of 8% or in the amount of €416,167 compared to the planned cost according to the procurement (€2,173,820 the contract value and €216,176 the additional/extra works cost, compared to the amount in the procurement plan €1,973,829). Consequently, the additional works indicate that the project has not been implemented on time, respectively the completion of the project was expected to be implemented by November 2019, while the technical acceptance was done in July 2020<sup>64</sup>.

In addition, for the project "**Purchase and Installation of Smart Water-Meters**", the RWC Gjakova in the RBP has planned this project in the amount of €15,000, while in the BP it is planned in the amount of €50,000. Moreover, in the procurement it is planned in the amount of €150,000, however until the end of 2019 it has not been implemented at all. The RWC Gjakova had a ungrounded and unrealistic planning for this project based on the unharmonized values in the planning documents and as a result it had not made any efforts to initiate this project in accordance with the plan and as such it was not implemented. Failure to implement the installation of the smart water-meters project hinders the possible reduction of water loss rate. This also means financial loss for the company. Such project changes are the result of poor cooperation with the Municipalities. In addition, the implemented projects are not focused and do not contribute to the reduction of water losses due to improper planning and allocation of resources.

The replacement of projects endangers their implementation since the means used for other projects may not be replaced and approved by the WSRA in the next tariff process. In addition, the planned projects for changing the infrastructure remain unimplemented and may cause water loss which means that funds and bills paid by citizens are not used efficiently and effectively.

<sup>64</sup> Technical Acceptance Commission Report.

## RWC Hidroregjioni Jugor

Based on the comparative values calculated between the planned and implemented capital investments for 2019 only from own revenues, the RWC Hidroregjioni Jugor has exceeded the investment plan by 40%. The implemented value has reached 140% of the investments. More precisely, the RWC Hidroregjioni Jugor had planned in the RBP the amount of €627,000 and implemented €875,855<sup>65</sup> in capital investments. However, in the table below we can see that in both investment categories, in water and wastewater services (infrastructure and non-infrastructure), there are discrepancies, reallocations and excesses of investments between the planned and implemented investments.

*Table 10. Capital investments in water and wastewater services from own revenues planned in RBP and implemented in 2019 by RWC Hidroregjioni Jugor*

	Planned Investments in RBP		Implemented Investments	
	Infrastructure	Non-infrastructure	Infrastructure	Non-infrastructure
Water	€456,000	€38,000	€573,547	€285,751
Waste water	€133,000	€0	€0	€16,557

The "**Installation of production water meters at the regional level**" Project was not planned in the RBP, while in the BP it was planned in the amount of €346,000 for 2019 and €350,000 for 2020. The implementation of this project was planned through donations, however until the audit period it was not initiated.

In the RWC Hidroregjioni Jugor projects from donations are planned without taking concrete steps in advance to ensure that the projects will be funded by donors, however they are listed as planned investments. This was done, because, whenever they secure the funds from donors or the government, there will be justification that these investments have been planned in advance and partially included in 2019 and 2020 procurement plan, including the possibility of funding the project from its own revenues.

The project "**Installation of production water meters at the regional level**" would enable an accurate measurement of water production. This leads to a real presentation of the water produced, in addition to which there will also be a real billing on the use of water. As a result, there will be a tracking and identification of water losses, which will indirectly have an impact on the reduction of water losses. This also enables a better orientation of capital investments against losses and would increase the collection of funds. It is important to note that water loss has financial consequences

---

<sup>65</sup> Annual Audit/Verification Report from WSRA for 2019.

Other projects planned in the BP from donations such as "**Rehabilitation of the network in the Zhur village; and Rehabilitation of the water supply in Kurrilla district**" Project are not well planned and without ensuring that they can benefit from the donor funds.

## RWC Hidromorava

Based on the comparative values calculated between the planned and implemented capital investments for 2019 only from own revenues, the RWC Hidromorava has managed to implement 21% of the planned investments. More precisely, this company has planned in the RBP €180.00 and implemented only €38.496<sup>66</sup> of capital investments.

*Table 11. Capital investments in water and wastewater services from own revenues planned in RBP and implemented in 2019 by RWC Hidromorava*

	Planned Investments in RBP		Implemented Investments	
	Infrastructure	Non-infrastructure	Infrastructure	Non-infrastructure
Water	€130,000	€0	€17,758	€20,480
Waste water	€50,000	€0	€0	€258

From this table, we can see that the RWC Hidromorava has implemented only 14% of the planned investments in infrastructure, whilst in non-infrastructure, capital investments were made without any planned investments.

In addition, in LIP, BP and RBP, the RWC Hidromorava had planned CIs mainly in the category of area service coverage expansion and maintenance, however we noticed that these investments were not done for the intended purposes but for the commercial activities and distribution.

The expenditures were mainly done for commercial activities (such as office supply, etc.) and in the non-infrastructure sector distribution for water supply needs (pumps, trucks, and projects such as the opening of wells for drought management in 2019).

The implemented projects that we have analyzed are:

- "**Increasing capacities in Kamenica in both wells at the location called Bashqja**" in the amount of €9,995 and €10,000 of funds from the Municipality of Kamenica (this project was implemented due to the drought in 2019 and these wells were opened for the extra/addition of water);
- "**Hydraulic Pump 6**" in the amount of €990;

<sup>66</sup> Annual Audit/Verification Report from WSRA for 2019.

- **"Reconstruction of the Main Well and relocation of Fazonic parts to the FPU well"** in the amount of €7,763,
- **"Vehicles"** in the amount of €5,500, and
- **"Submersible pump 4 SR 4"** in the amount of €975. Considering that as a justification we have received that in 2019 the RWC Hidromorava was facing drought and insufficient supply with water, we have extended the audit also for 2020 and 2021.

We have analysed five projects which are more similar to investments in infrastructure and investments in service expansion. We noticed that even during 2020 and 2021 the RWC Hidromorava did not implement the following capital projects:

- **Renewal-replacement of the main water supply pipe in Esat Berisha Str., Gjilan, including side streets;**
- **Renewal-replacement of the main water supply pipe from FPU in Letnica up to Vitia", L=12 km;**
- **Renewal-replacement of the main water supply pipe in Dardania I neighborhood in Gjilan, etc.**

These projects have been planned to address the two important objectives, the service expansion and water loss reduction.<sup>67</sup>

Based on the answers received regarding the reasons for the non-initiation and non-implementation of the planned priority projects, in 2019, the Gjilan region, including Kamenica and Vitia, faced drought due to the insufficient water quantity in this region. Due to this, the implementation procedures were not carried out since the RWC staff was engaged in other activities for the management of the situation.

The non-implementation of planned investment projects and the use of funds for other purposes shows the improper management by the company and a lack of coordination for obtaining the relevant approvals from the WSRA.

The non-implementation of CIs for the intended purposes makes the RWC Hidromorava to continue to face the issues of expanding the infrastructure for the area coverage with services as planned. At the same time, the non-implementation of capital investments leads to the same percentage of water loss and thus not achieving reduction goals.

---

<sup>67</sup> Renewal-replacement of the main water supply pipe from FPU in Perlepnice up to Gjilan L=7 km; Renewal-replacement of the main water supply pipe in Esat Berisha Str., Gjilan, including side streets; Renewal-replacement of the main water supply pipe from FPU in Letnica up to Vitia, L=12 km, etc.

## 3.3 Monitoring of Capital Investments

The implementation of capital investments by the RWCs, both in the short-term and in the long-term, aims to achieve certain objectives. In order to ensure that these objectives are achieved, the RWCs monitor these CIs and forward the reports to the WSRA.

As for the capital projects data and requests of the RWCs, the POEPMU is only responsible for the monitoring procedure and not for the planning or prioritization of capital projects by the RWCs. The process of data and project requests by the RWCs for approval begins with the approval of the Law on Budget (LB) which allocates funds for every publicly owned enterprise including RWCs. After the budget approval, the POEPMU is responsible to forward the requests for projects to the RWCs which are obliged to apply and send the projects in accordance with the LB. Afterwards, it is the duty of the Board of Directors of each RWC to set the CIs priorities and submit them to the POEPMU for the tender opening application.<sup>68</sup>

Regarding the project priorities or the project rationale, the National Investment Council takes into account the large projects that initially go to the Council for approval. Afterwards, the RWCs justify the investments, and then the initiation of the process is approved. The POEPMU takes part in these meetings and defending the proposed projects is also their duty<sup>69</sup>.

### 3.3.1 Monitoring of Capital Investments by WSRA

*The projects implementation by the RWCs is done in short-term and long-term periods and it is reflected through the reports submitted to the WSRA. The WSRA should monitor projects through these reports.*<sup>70</sup>

WSRA follows and monitors the implementation of infrastructure projects on a monthly and quarterly basis. Monitoring is based on categories and not on individual projects, and this method of monitoring makes it difficult to properly identify, follow and re-allocate capital funds as needed. It can also reflect on the next tariff process.

Consequently, the WSRA is not correctly informed and had not managed to monitor the project implementation. The implementation of RWCs projects should be monitored by the RWCs themselves. In addition, the RWCs often re-change the priorities and funds planned for capital projects due to improper coordination with the local level. This caused them to change the intended purpose and invest in the replacement of pipes or other maintenance where the Municipality is operating.

The non-monitoring of each project by the WSRA specifically, makes the projects not to be implemented on time and the concrete steps for their implementation not to be taken by

---

<sup>68</sup> At the end, the Commission is established which evaluates the projects for approval. Funds are transferred through the Budget Department, where PEOCMU is responsible for preparing the case and sending it for transfer.

<sup>69</sup> PEOCMU Interview - Head of the Unit.

<sup>70</sup> Regulation No. 12/2020 on Determining the Water Services Tariffs in Kosovo, Article 10, page 10.

RWC and WSRA. This leads to delays in project implementation and ineffective use of funds. The lack of proper/real assessments during planning and the lack of feasibility studies wherever there are needs, makes that there is no proper project monitoring and then this has an impact on the project implementation.

Moreover, the failure to monitor also had an impact on the implementation of CIs in respective RWCs. Apart from the RWC Hidroregjioni Jugor, that in 2019 managed to satisfactorily implement the CIs, other RWCs have a low percentage of the implementation of CIs. RWC Prishtina had implemented only 53% of its planned CIs. RWC Gjakova with 67%, while with 21% the RWC Hidromorava has the lowest percentage of implementation compared to the planned CIs.

Upon identification of the non-implementation of the objectives, the WSRA has requested more responsibility from the RWCS<sup>71</sup> to rationalize the unreasonable expenditures and to stop changing the destination of funds that are approved for another purpose. In 2017, the WSRA has notified the ME (former Ministry of Economic Development) about these concerns and requested support.<sup>72</sup> In addition, it is worth noting that until the auditing stage, respectively during 2022, WSRA held meetings with the RWCs requesting for the BP to be updated with RBP and also for them to be more considerate in the capital investments execution.

### 3.3.2 Project monitoring by RWCs and the Publicly-Owned Enterprise Policy and Monitoring Unit

*The RWCs must monitor the implementation of the CIs and ensure that these investments are reaching the intended goals, such as: expanding the area coverage rate with water and wastewater services for citizens, and reducing water loss.<sup>73</sup> The Publicly-Owned Enterprise Policy and Monitoring Unit (POEPMU) should approve to the RWCs the capital projects from donations and monitor such projects.*

The monitoring process includes cost-benefit analysis and post-implementation evaluation. However, it has been established that RWC Prishtina, RWC Hidroregjioni Jugor, RWC Gjakova and RWC Hidromorava have not carried out the cost-benefit assessments or have not measured more accurately the impact of their projects, in particular in terms of reducing water loss. The lack of accurate measurements and estimates hinders the clear objective of reducing water losses in these service areas.

We have analyzed projects and we have asked if the invested projects have a cost-benefit analysis and if they were monitored after the implementation in order to show the impact

---

<sup>71</sup> WSRA letter sent to RWC Prishtina March 2, 2017.

<sup>72</sup> WSRA letter sent to MED March 3, 2017.

<sup>73</sup> Law on Regulation of Water Services, Article 37, p. 17.

of the investments (e.g. if the level of water loss reduction after the investment was assessed through measurements).

According to RWC Prishtina, the projects are monitored through "District Measuring Area" or (DMA) areas, which are isolated portions of the distribution network. These make precise and real-time measurements on water flow and pressure, through which the lost water is identified in certain areas and this enables the reduction of water losses.

Currently, RWC Prishtina has around 20 DMA areas that are monitored in real time, and another 20 that are monitored on a monthly basis in the country. In the areas where ground-works were carried out (CIs were carried out), for many years there were no interventions. Although according to RWC Prishtina this method is considered a kind of monitoring, however, we consider that it is not sufficient to monitor the impact of capital investments compared to the reduction of water loss.

We have discussed with officials from the RWC Hidroregjioni Jugor, where according to them, it is difficult to make an accurate assessment in terms of water loss results due to the impossibility of defining-dividing the areas in the distribution network (DMA Zones). Consequently, according to RWC, the water loss result has not been specifically measured in any segment, however the investments in these segments resulted in the improvement/fulfillment of the implementation of service standards.

In addition, RWC Gjakova and RWC Hidromorava have provided their reasons/clarifications emphasizing that due to the project implementation, the damages have been reduced, however, we consider that they are not sufficient since there is no monitoring and accurate measurement of the given impact.

The lack of cost-benefit analysis and accurate monitoring and measurement of the project for the impact given on the reduction of water loss after the project implementation caused that the RWCs do not have a clear objective regarding the method to reduce water loss.

## Publicly-Owned Enterprise Policy and Monitoring Unit

*The Publicly-Owned Enterprise Policy and Monitoring Unit (POEPMU) should approve capital projects for RWCs and monitor their implementation.<sup>74</sup>*

In 2019, the RWCS had benefited from donations from the central level, more specifically from ME and MESPI. The project "**Completion of water supply works for 28 villages - Gjakova**" in 2019 was funded by ME with €200,000 and by MMPHI with €750,00. The project "**Construction of sewerage on the riverbed in Dobërçan, Gjilan Municipality**" was funded by MESPI with €150,000 in 2019, respectively with €400,000 in 2020.

Except for the project "**Completion of water supply works for 28 villages - Gjakova**" funded by the Ministry of Economy, other projects funded by MESPI have not been

---

<sup>74</sup> Law 03-L/087 on Public Enterprises, Article 37, p. 20

monitored by POEPMU even though in the financial agreements it has been designated as a monitoring body.

In order to better assess the planning and cooperation process between POEMPU and RWCs, we have analysed the project "**Completion of water supply works for 28 villages - Gjakovë**" which was monitored by POEMPU. This project was monitored based on the monitoring agreement between RWC Gjakova and POEMPU. Through monitoring, this unit ensures that the works have been completed, relying on the internal audit report of RWC Gjakova and the issued invoices. Based on these data and based on the agreement, the payment is also made. In addition, project monitoring is carried out through the board meetings where it is reported on achievements and setbacks in the company where the Unit representative is also present, and also through the minutes of the company Board meeting. We have also analysed the audit report and the contract management committee members report and we have not noticed any irregularities.

Even though during the period 2019-2021, RWC Prishtina and RWC Hidroregjioni Jugor, had investment plans, their implementation was not included in the Law on Budget and no budget was allocated for these two RWCs from the central level.

Since the POEMPU is only a monitoring body and has no responsibility for planning or evaluating the CIs priorities, the project rationales and priorities are evaluated only by the Board of Directors of the respective RWCs and by no other level.

POEMPU is not informed about all capital projects funded by the Government Budget, but only about projects which are funded by the ME. This is due to the improper coordination and insufficient cooperation between institutions or other line Ministries, improper distribution of responsibilities, and the way POEMPU is organized and operates.

Donations given by the Government, if not monitored, increase the risk of mismanagement and their effective implementation, and consequently, the water supply services to citizens may not be at the expected level.

## Conclusions

The process of planning, implementation and monitoring of Capital Investments, by the Water Services Regulatory Authority and the Regional Water Supply Companies is at a low level, causing that the intended objectives are not reached in time and in the proper way. Some of these objectives even deviate from what was planned initially. The lack of needs-based planning and detailed reasoning shows weakness in prioritizing investments. As a result, there are significant delays and failures in the implementation of projects, resulting in the ineffective use of citizens' tariffs. At the same time, due to this, the expansion of water and wastewater services through the Regional Water Supply Companies service areas continues to be accompanied by problems and poor performance, and for this reason, citizens in certain areas do not receive water services from the Regional Water Companies. The lack of Capital Investments implementation monitoring by WSRA, RWCS and POEPMU affects the achievement of the companies' objectives. Citizens in certain areas do not receive water services from the responsible RWCs as a result of poor implementation of Capital Investments and delays in the expansion of the covered service area. Water losses are evident and are translated into financial losses. The main impact on the tariffs paid by the citizens is that the citizens have paid for capital investments that were not carried out on time and with the proper quality, not providing the necessary quality for water supply services.

1. RWCs have not harmonized the Business Plan and the Regulatory Business Plan. WSRA has approved tariffs for Capital Investments in the Regulatory Business Plan, which are different from the Business Plans approved by the Board and forwarded to the Government. Capital projects are not planned the same way in these two Plans and their values differ.
2. The RWCs (Prishtina, Hidromorava, Gjakova and Hidroregjioni Jugor) have not drafted the Asset Management Plan. Due to the lack of this plan, they do not have an accurate and proper reflection of the infrastructure to provide water and wastewater services to citizens. The lack of an Asset Management Plan means that there is no proper planning of capital investments during the tariff process and as a result the implementation of capital investments is quite low. Likewise, with the exception of the RWC Hidroregjioni Jugor, the other RWCs have failed to draft the Long-Term Investment Plan.
3. RWC Prishtina has not drafted the capital investment plan based on needs and without a project prioritization. The planned projects rationale is not detailed and convincing, and based on it the tariffs are set by the company. Capital projects funded by own revenues (paid by citizens' taxes) are being implemented with significant delays. Various projects have failed to be completed on time. Some of them have not been implemented at all.

The projects planned by donations for 2019 have not been implemented in accordance with the RWC Prishtina Business Plan. This occurred due to the lack of proper planning. RWC Prishtina has failed to hold accountable the EO for completing the works on time for the renewal of the infrastructure, the construction of new infrastructure in order to reduce water loss. The projects planned in RWC Gjakova have the projects rationale, however they are not supported with a proper analysis and detailed project information. There is no coordination between the RWC Gjakova and the Municipalities where this particular RWC operates, and upon request of the Municipality, the important projects planned for implementation by RWC Gjakova in 2019 have been replaced with other projects. The tariffs set for the CIs have not been used for the intended purpose. However, from the planning and implementation of capital projects of RWC Gjakova, we mainly see projects only for replacement or eventual installation of water pipes and there are no projects such as the installation of smart water meters, projects which would contribute to reduce the water loss rate.

4. Although there was a satisfactory implementation of capital investments in water and wastewater services in the RWC Hidroregjioni Jugor, however, in both categories (infrastructure and non-infrastructure) there are differences, redestinations and excess of investments between the planned and implemented projects. The project implementation failures in the RWC Hidroregjioni Jugor, both from own revenues and from donations, are the result of poor planning. The projects in RWC Hidroregjioni Jugor remain unimplemented, influencing the poor performance in expansion of the service area.
5. RWC Hidromorava has not made sufficient efforts to implement the funds from the tariffs planned for CIs compared to the needs. The CIs, compared to the planned ones were implemented in a low percentage, mainly in the business activities of the company and partly for distribution needs, while the main item such as the expansion of the infrastructure and the reduction of water loss was not implemented.
6. The RWCs (Prishtina, Gjakova, Hidromorava and Hidroregjioni Jugor) have not carried out the monitoring and cost-benefit analysis of the invested projects to assess whether the company's objectives are being addressed and the intended goals are being achieved.
7. WSRA carried out the monitoring of capital investments in RWCs in a generalized manner. The capital investment monitoring is done by category and not by project. This prevented the implementation of projects in a specific way and as a result the implementation percentage is very low. Water losses continue to be evident and, moreover, the area of water service and, in particular, with water polluted by the RWC continues with a slow development.
8. The Publicly-Owned Enterprise Policy and Monitoring Unit does not monitor the capital projects in RWCs except those funded by the Ministry of Economy. The unit does not have a proper coordination of activities with other governmental institutions financing capital projects.

## 5. Recommendations

### **Recommendations for the Water Services Regulatory Authority**

To ensure that the RWCs are using the approved tariffs efficiently and effectively by:

1. Coordinating activities with the RWCs to draft the Business Plans similar to the Regulatory Business Plans in order to properly address any problems through the Capital Investments.
2. Ensuring that the RWCs draft the Asset Management Plan and the Long-Term Strategic Investment Plan in accordance with the legal requirements, so that there is a proper strategic capital projects planning.
3. Ensuring that the capital projects through the monitoring are being implemented on time and reaching the intended goals.
4. Ensuring that during the tariff revision, the RWCs define the priority Capital Investments. At the same time, ensuring that the RWCs provide the appropriate and convincing rationale for the projects aiming to achieve concrete results in the expansion of services, and in the reduction of water loss.

### **General recommendation for the Regional Water Supply Companies**

1. To draft the Asset Management Plan with the purpose of real assessment of the above-ground and underground infrastructure for the provision and expansion of the water service and the water loss reduction.
2. To ensure that the projects and investment values planned in the Business Plan are in harmony with the Regulatory Business Plan and based on the needs of the company, and that a more realistic and accurate capital project planning is carried out.
3. To prioritize the Capital Investments based on the project rationale, in order not to cause delays in the process implementation, in execution, and to help harmonize the company with other actors/investors.
4. To draft the Long-Term Investment Plan with the purpose of real assessment of the defined strategic objectives related to investments in infrastructure in order to reduce the water loss and expand the service area.
5. The Capital Investment Plan sent for approval to the WSRA, to be accompanied during the tariff revision with information and data which convincingly justify the Capital Investments.
6. To ensure that capital projects are monitored and implemented on time and that the results achieve the intended goals.

7. To ensure coordination of activities with Municipalities and other parties with whom it plans the co-funding of capital projects.
8. Donations in the Business Plans of the RWCs should be planned only in cases where it is certain that these funds can be benefited through a real assessment.
9. To prioritize losses based on information and data that convincingly justify investments, such as pre-feasibility, cost benefit analysis, etc., and to orientate investments based on these assessments.
10. To plan properly and in time by preparing all the preconditions for announcing the tender for the projects that directly affect the water loss.
11. To ensure the implementation of punitive measures against EOs in cases of delays and non-implementation of projects on time. Project Contract managers continuously monitor the project implementation, ensuring its proper and timely implementation.

**Recommendations for the Ministry of Economy/Publicly-Owned Enterprise Policy and Monitoring Unit**

1. The RWCs projects that are funded by the Government Budget, to be monitored by the POEPMU in cases where, based on the agreement of understanding, it is defined as monitoring body.

## 6. Appendix I Audit criteria, scope and methodology

### Audit Motive

#### The water supply problems of the Regional Water Supply Companies in the country

In general, all the RWCs in the country have marked progress during 2020 compared to 2019, although they are still far from the ideal level of coverage with water supply services of 100% of citizens.

Currently, only 79% of the Kosovo population is supplied with drinking water by the licensed companies. The regions that have the lowest drinking water service coverage are; Gjilan region with 61%, Prizren region with 66% and Mitrovica region with 80%.

Analytical data about the water service coverage by the licensed RWCs are presented in Appendix 1 (figure 4).

#### Water loss

There are various problem indicators concerning the water supply services from the RWCs, starting with water loss, problems with the implementation of CIs for the improvement of water supply services, up to the unbilled water (UBW), etc. The water loss causes are of a different nature. During 2020 and 2021, the water loss reached the level of approximately 56%, as presented in Appendix 1 (table 6). There is no improvement in terms of the water loss trend, on the contrary, the water loss volume in the country during 2021 shows an increase by 3.08% compared to the previous year.<sup>75</sup>

The water loss is mainly divided into two categories: physical (infrastructural) loss and commercial loss (illegal connections, old water meters, etc.). The old infrastructure (pipes, wells, dams, underground reservoirs, water channels, etc.) is part of the infrastructural/technical losses<sup>76</sup>.

Commercial losses can be considered bypasses, illegal connections through the water supply network, old water meters that do not measure properly and accurately the quantity of used water, etc.

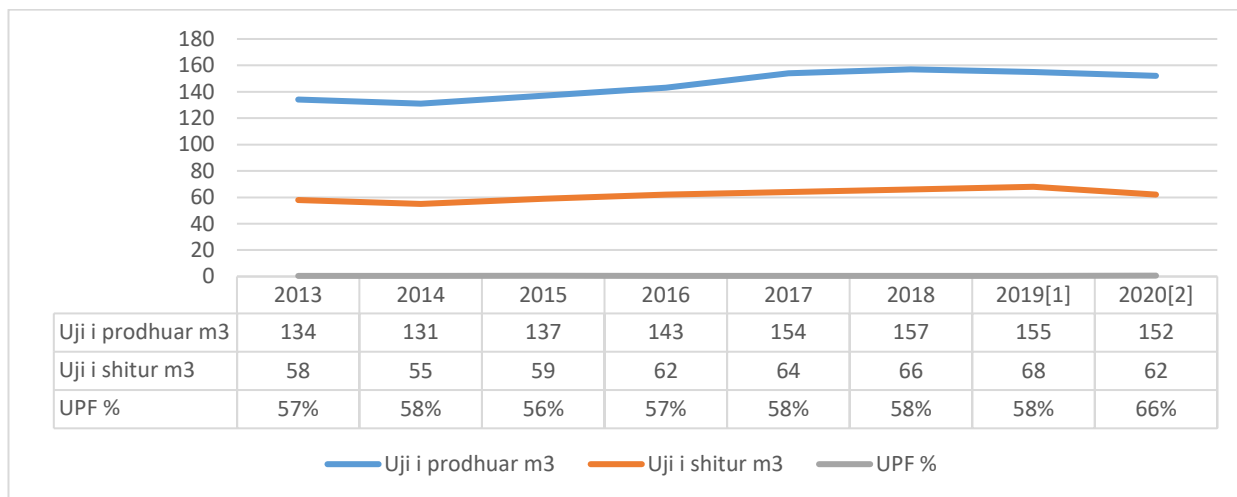
One of the main factors contributing to water losses in the country is the unbilled water.

---

<sup>75</sup> Goal Implementation Report 2021, p. 14-15..

<sup>76</sup> Annual Performance Report of Water Service Providers, pg 10.

Graph 7. Production, sale and the UBW, the data is presented in million m3 (2013-2020)<sup>77</sup>



## Audit Criteria

1. Through the Asset Management Plan (AMP), the RWCs should carry out the assessment of their ground and underground assets (infrastructural and non-infrastructural) in order to have a clear overview of their condition and to set priorities. In addition, these data must be presented in the Business Plan (BP).<sup>78</sup> The project planning should be based on water loss data, their categorization, etc. Based on the water loss types, the CIs should also be prioritized. In the application for capital projects which are sent to the WSRA for approval, the RWCs must support the project rationale.

The assessment of needs should be carried out by responsible departments within the RWCs based on the breakdowns and the citizens' complaints concerning such breakdowns, the breakdowns frequency, the age of the existing water infrastructure, etc., and in addition, through the Planning and Development Department they must plan and prioritize projects<sup>79</sup>. The RWCs requests for approval by the WSRA for funds from own revenues, and requests for donations, borrowing, co-financing, etc. from the central and local level, must be supported with the project rationale and cost-benefit analyses.

2. When approving tariffs and capital projects for RWCs, the WSRA must ensure that the RWCs are prioritizing capital projects based on their needs. Through the BPs, AMPs and Long-Term Investment Plans<sup>80</sup>, the water loss, the water service provision coverage areas, etc. are being addressed. The WSRA must ensure that the RWCs have set these priorities and based on them they are planning the CIs. For the RWCs, the WSRA should be the guarantor of capital priorities. At the same time, the WSRA should monitor the

<sup>77</sup> Report on the state of unbilled water.pdf.

<sup>78</sup> The Law on the Regulation of Water Services - The Business Plan is a three-year strategic document where each RWC must present all the enterprise plans and long-term goals in order to accomplish its vision and mission. Capital investments are also presented in this plan.

<sup>79</sup> Administrative Instruction No. 4/2019 on definition of capital projects and classification of capital projects expenditures, Article 8, p. 10.

<sup>80</sup> Law on Regulation of Water Services, Article 48.

implementation<sup>81</sup> of projects in short-term and long-term periods through the RWCs reports which should be forwarded to WSRA. The WSRA must ensure that the capital investments implemented in certain RWCs are achieving the intended goals<sup>82</sup>.

3. The RWCs must assess the implementation of capital investments and ensure that these investments are achieving the intended results. The RWCs, through the CIs should increase the coverage level<sup>83</sup> with water and wastewater services for citizens, and reduce both, commercial and technical, water loss. The funds planned for the implementation of CIs, whether from donations, personal revenues or joint investments with the municipality, must be implemented for their intended purpose. The RWCs must carry out these expenditures only for capital investments and in no way for any other purposes, whether operating or other expenses.

4. The POEPMU collects the data of the RWCs projects and requests<sup>84</sup> and then it should address such data to the Government for approval. Capital projects approved by the central level and those approved by the local level must be in harmony with the RWCs priorities. The POEPMU should monitor the implementation of the BP of each RWC in order to assess whether the planning for CIs has given any effect. The POEPMU has a monitoring agreement with each POE through which they submit quarterly reports to POEPMU for the review. The POEPMU processes the application and payments of capital grants and subsidies, to ensure that such funds are applied for the intended purposes<sup>85</sup>.

## Scope of audit

Part of the scope of this audit are the Ministry of Economy (ME), more specifically the Publicly-Owned Enterprise Policy and Monitoring Unit (POEPMU) and the Water Services Regulatory Authority (WSRA), RWC Prishtina, RWC (Gjakova) - Gjakova, RWC (Hidromorava) - Gjilan and partially RWC (Hidroregjioni Jugor) - Prizren.

- We, in WSRA, will focus in the Tariffs Department which is responsible for setting the three-year tariffs, which also include tariffs for the CIs, and in the Inspection Unit, which is responsible for reporting and for inspecting service standards and supervising the implementation of the WSRA legal acts. The focus within the RWCs will be on the Technical Department, the Planning and Development Department and the Finance Department.
- The RWC Prishtina due to the larger number of citizens who have access to the water supply, the sample is also representative.
- RWC (Radoniqi) - Gjakova as a good example of reducing water loss and with the high percentage of implementation of CIs.

---

<sup>81</sup> Regulation No. 12/2020 on Determination of Tariffs for Water Services in Kosovo, Article 10, p 10.

<sup>82</sup> Law on Regulation of Water Services, Article 37, p. 17..

<sup>83</sup> Law No. 04/L147 on Kosovo Waters, article 69, p. 23.

<sup>84</sup> Law No. 03-L/087 on Publicly Owned Enterprises, article 37, p. 20

<sup>85</sup> Law No. 03-L/087 on Publicly Owned Enterprises.

- RWC (Hidromorava) - Gjilan was selected due to the lowest percentage of coverage area of citizens with water supply services.
- RWC (Hidroregjioni Jugor) Prizren will be included only for certain samples during the years 2019, 2020, and 2021 as it is one of the RWCs with the lowest capital investment implementation percentage compared to the planned investments<sup>86</sup>.

The scope of audit activities is focused on 2019. The limitation of the scope of activity only in 2019 is because the years 2020 and 2021 are considered fragile years due to the pandemic circumstances with the COVID-19 virus and due to cancellation or postponement of projects as a result of the absence for more than 2 years of the Board of the Procurement Review Body. Furthermore, the years 2020 and especially 2021 were marked by inflation, which could potentially affect the implementation of CIs.

## Audit methodology

The selected methodology for analysing the issues of this audit included the review of all relevant documents starting from:

- Prioritization of investments;
- Reviewing of specific legislation and regulations;
- Comparisons between the Business Plan, Regulatory Business Plan and Procurement Plan 2019;
- Comparisons of the initial investment plan with the final plan;
- Reviewing and analysing the implementation of CIs in the RWCs;
- Analysing Plans and Annual Reports of WSRA and RWCs;
- Analysing Annual Performance Reports for water service providers in Kosovo;
- Analysing Annual Performance Reports for water service providers in Kosovo;
- Testing payments for the implemented works and their comparison with the contract, focusing on duration and contracted amount;
- Analysing of Strategic Plans;
- Analysing reports on achievement of goals;

In addition to the aforementioned analyses, the following activities will also be carried out:

- Meetings and interviews with officials responsible for the design, implementation and monitoring of CIs in water supply services;
- Consultation of literature, standards and good practices concerning the management of capital investments related to water supply services.

---

<sup>86</sup> Analysis of capital investments, coverage with water services and water loss for 2019, 2020, 2021 in Appendix 1.

## Leter confirmation

Republika e Kosovës - Republika Kosova - Republic of Kosovo  
AUTORITETI IRREGULLATOR PËR SHËRBIMET E UJIT  
REGULATORNI AUTORITETI ZA USLUGE VODE  
WATER SERVICES REGULATORY AUTHORITY

ARRU

REPUBLICA E KOSOVES - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO  
ZYRA KOMBËTARE E AUDITIMIT  
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

11.08.2023

Skema Org. Org. Jedit. Org. Unit	Shk. Klasif. Klasif. Kod Class. Code	Nr. Prot. Gr. Prot. Prot. No.	Nr.faqeve Bk. Stranica No. Pages
06	47	1344	1

474  
D  
31/07/2023

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës “Ndikimi i investimeve kapitale në zvogëlimin e humbjeve të ujit dhe zgjerimin e shërbimeve tek qytetarët nga KRU-të”, dhe për zbatimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Prishtinë: 31. 07. 2023

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit “Ndikimi i investimeve kapitale në zvogëlimin e humbjeve të ujit dhe zgjerimin e shërbimeve tek qytetarët nga KRU-të” (në tekstin e mëtejshëm “Raporti”);
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Hajrije Morina  
Drejtor i ARRU

Republika e Kosovës - Republika Kosova - Republic of Kosovo

AUTORITETI I REGULLATOR PËR SHËRBIMET E UJIT  
REGULATORNI AUTORITET ZA USLUGE VODE  
WATER SERVICES REGULATORY AUTHORITY

ARRU

REPUBLIC OF KOSOVO  
ZYRA KOMBËTARE E AUDITIMIT  
NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE

16.08.2023

Udhëzimi Org. / Urg. Jedini / Org. Unit	Sh. Klasif. / Klasif. Kod / Class. Code	Nr. Prot. / Br. Prot. / Prot. No.	Nr. Fajetave / Br. Stranica / No. Pages
06	47	1344	1

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për raportin e auditimit të performancës “Ndikimi i investimeve kapitale në zvogëlimin e humbjeve të ujit dhe zgjerimin e shërbimeve tek qytetarët nga KRU-të”, dhe për zbatimin e rekomandimeve.

Për: Zyrën Kombëtare të Auditimit

Prishtinë: 31. 07. 2023

I nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit “Ndikimi i investimeve kapitale në zvogëlimin e humbjeve të ujit dhe zgjerimin e shërbimeve tek qytetarët nga KRU-të” (në tekstin e mëtejshëm “Raporti”);
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

Hajrije Morina  
Drejtor i ARRU





Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office



National Audit Office of Kosovo | Arbëria District | St. Ahmet Krasniqi, 210 | 10000 Prishtina  
Republic of Kosovo