



# WATER AND WASTEWATER SERVICES IN THE DANUBE REGION



# ALBANIA COUNTRY NOTE

A State of the Sector | May 2015



## KEY WATER AND SANITATION SECTOR CHALLENGES

- ▶ **Improving the quality and efficiency of water services.** The government's long-term water supply and sanitation objective is to achieve sustainable water supply and sanitation services corresponding to EU membership required standards in urban and rural areas. Water utilities are not sufficiently complying with the principles of cost control, continuous efficiency improvement, and full cost recovery, causing a vicious circle of underfunded service providers, insufficient investment, and deteriorating infrastructure, in particular for wastewater management.
- ▶ **Translating the impact of territorial reform into universal water services in particular in rural areas.** A non-negligible share of the rural population does not have access to piped water. The planned territorial administrative reform will eliminate a large number of rural local governments currently providing WSS services in those areas, which will need to be integrated into new or existing service provision structure. Creating the proper set of accountability mechanisms and incentives will be essential to ensure that the reform benefits all citizens rather than only those who already have access to services.
- ▶ **Enhancing water sector workforce capacity.** The current level of staffing of utility companies is above regional standards and significant staff turnover happens, preventing the professionalization of water services provision. Support for further capacity-building policies is needed to ensure and strengthen the existence of a professional workforce in the water supply and sewerage sector.



## FURTHER RESOURCES

### On water services in the Danube Region

- ▶ A regional report analyzing the State of Sector in the region, as well as detailed country notes for 15 additional countries, are available at [SoS.danubis.org](http://SoS.danubis.org)
- ▶ Detailed utility performance data are accessible, if available, at [www.danubis.org/eng/utility-database](http://www.danubis.org/eng/utility-database)



### On water services in Albania

The following documents are recommended for further reading; the documents, and more, are available at [www.danubis.org/eng/country-resources/albania](http://www.danubis.org/eng/country-resources/albania)

- ▶ ERRU. 2011/2012/2013. **Report on the Performance of the Water Supply and Sewerage Companies.** Tirana: *Water Regulatory Authority of Albania.*
- ▶ MPWT. 2011. **National Strategy of Water Supply and Sewerage 2011-2017.** Tirana: *Ministry of Public Works and Transport of the Republic of Albania.*

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This note has been prepared by Semira Kasimati Vathi, local consultant, with the support of Maria Salvetti, consultant, based on the data collection and analysis by Semira Kasimati Vathi. It is part of a regional State of the Sector review led by David Michaud, World Bank, under the Danube Water Program financed by the Austrian Ministry of Finance, whose support is gratefully acknowledged. The authors welcome comments and can be contacted through David Michaud ([dmichaud@worldbank.org](mailto:dmichaud@worldbank.org)).

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# WATER SNAPSHOT

Sources for all numbers in the snapshot are provided in full in the body of this country page; a complete description of the methodology is provided in the State of the Sector Regional Report, at SoS.danubis.org.

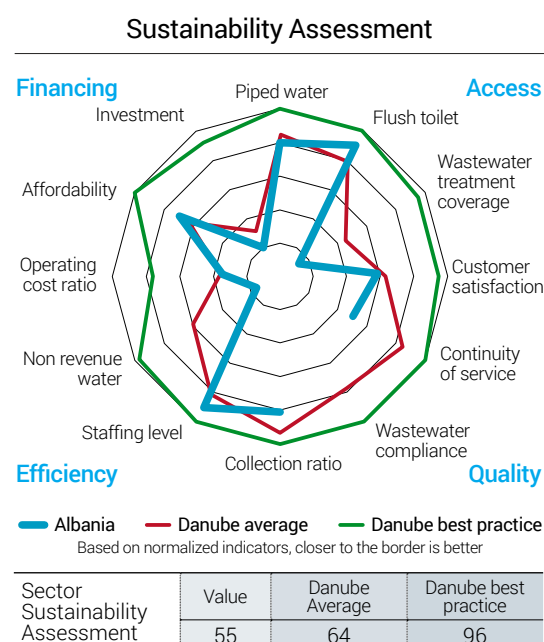
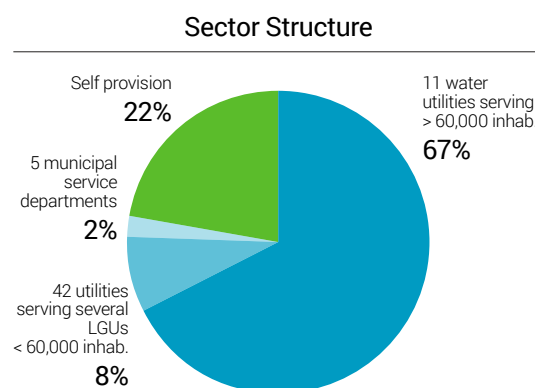
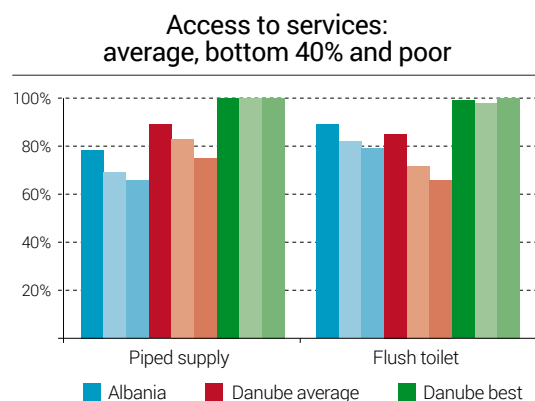
	Value	Year	Danube average	Danube best practice
<b>Context for Services</b>				
GDP per capita, PPP [current international \$]	10,489	2013	16,902	n.a.
Population [M. inh]	2.774	2013	8.451	n.a.
Poverty headcount ratio [\$2.50 a day [PPP] [% of pop]]	6.7	2012	1.65	n.a.
Local government units [municipalities]	374	2014	1,987	n.a.
For which, average size [inh]	7,416	2013	4,253	n.a.
Total renewable water availability [m <sup>3</sup> /cap/year]	12,922	2008-2012	7,070	n.a.

<b>Organization of Services</b>				
Number of formal water service providers	58	2013	661	n.a.
Average population served	36,822	2013	9,498	n.a.
Water services law?	No			
Single line ministry?	Yes [Ministry of Transport and Infrastructure]			
Regulatory agency?	Yes [ERRU]			
Utility performance indicators publicly available?	Yes [www.erru.al]			
Major ongoing reforms?	Adjustment of existing water and wastewater utility structures and governance to on-going territorial reform.			

<b>Access to Services</b>				
Access to piped water (%)	78	2012	83	100
Access to flush toilet (%)	89	2012	79	99

<b>Performance of Services</b>				
Service continuity [hours/day]	12	2013	20	24
Nonrevenue water [m <sup>3</sup> /km/d]	68	2013	35	5
Water utility performance index [WUPI]	51	n.a.	69	94

<b>Financing of Services</b>				
Operating cost coverage	0.95	2013	0.96	1.49
Average residential tariff [€/m <sup>3</sup> ]	0.74	2013	1.32	n.a.
Share of potential WSS expenditures over average income [%]	2.2	2012	2.6	n.a.
Average annual investment [€/cap/year]	15	n.a.	23	n.a.



# CONTEXT FOR SERVICES

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
<b>Socioeconomic Situation</b>						
Population [ <i>M. inhabitants</i> ]	2013	World Bank 2015	2,774	3,053	8,451	n.a.
Population growth [compound growth rate 1990 – 2013] [%]	1990-2013	World Bank 2015	-0.74	-0.33	-0.37	n.a.
Share of urban population [%]	2013	World Bank 2015	55	51	63	n.a.
GDP per capita, PPP [ <i>current international \$</i> ]	2013	World Bank 2015	10,489	11,154	16,902	n.a.
Poverty headcount ratio [ <i>\$2.50 a day [PPP] [% of pop]</i> ]	2012	World Bank 2015	6.7	3.55	1.65	n.a.
<b>Administrative Organization</b>						
No. of local government units [ <i>municipalities</i> ]	2014	MSCV 2014	374 (to be 61)	85	1,987	n.a.
Av. size of local government units [ <i>inhabitants</i> ]	2013	Authors' elab.	7,416 (to be 45,469)	35,850	4,253	n.a.
<b>Water Resources</b>						
Total renewable water availability [ <i>m<sup>3</sup>/cap/year</i> ]	2008-2012	FAO Aquastat 2015	9,551	8,128	7,070	n.a.
Annual freshwater withdrawals, domestic [ <i>% of total withdrawal</i> ]	2013	World Bank 2015	43	18	26	n.a.
Share of surface water as drinking water source	2014	ICPDR 2015	17	42	31	n.a.

**Economy. Albania is a middle-income country which has made enormous strides in establishing a credible market economy over the last two decades.**

Albania was granted EU candidate status in June 2014. The country maintains macroeconomic stability but faces persistent fiscal imbalances due to a high level of public debt and exhausted fiscal buffers. The country is facing low competitiveness and a narrow production base, and the private sector is being held back by weaknesses in the regulatory environment. Real GDP growth dipped to a low point of -2.3% in the third quarter of 2013. The main driver of the slowdown was sluggish domestic demand, as both private consumption and especially investment were adversely affected by weak confidence and anaemic lending. The political and democratic changes in the country in the early 1990s resulted in a number of economic and social changes. Albania's demographic profile has been characterized by three main phenomena: large internal and external migratory waves, declining mortality rates, and declining fertility rates. Over the last decade, the overall population decreased by 0.7% but grew in urban areas (World Bank 2015). The majority of the poor population live in rural areas. Incidence of poverty is almost three times higher in rural areas than in Tirana, the capital of Albania, and two times higher than in other urban areas. Minority ethnic groups, which include Egyptians, Greeks, Macedonians, Montenegrin, Roma, and Vlachs, represent approximately 2% of the total population of Albania.

**Governance. Albania is a parliamentary republic based on a unitary and indivisible state.** For historical reasons, Albania inherited a territorial-administrative structure characterized by many small and fragmented local government units. In July 2014, the Parliament of Albania adopted a law on "Administrative and Territorial Division," which reduced the number of municipalities from 374 to 61. The reform should contribute to improving services to citizens and empowering local governance. Based on Albania's current legal framework, the local government units have full authority and responsibility for the provision of public services, including water supply and sanitation.

**Water resources. Albania has relatively abundant fresh water resources.** The available average quantity of freshwater is estimated at 9,551 m<sup>3</sup>/capita/year (FAO Aquastat 2015), which is one of the highest rates in Europe. Freshwater sources in the country comprise natural springs, rivers, lakes, and groundwater aquifers. The water resources in Albania are distributed, hydrographically, across six watershed basins, which all flow in a westerly or northwesterly direction across the country and have as their major river systems, from north to south, the Drini-Buna Rivers, Mati River, Ishem and Erzeni Rivers, Shkumbini River, Semani River, and the Vjosa River. These river systems drain not only the land mass of Albania, but also large parts of inhabited areas in Kosovo, Macedonia, and Montenegro. Currently, developed water resources in Albania are sufficient to cover demand up to 2040 (MPWT 2012) and small regional disparities can easily be overcome.

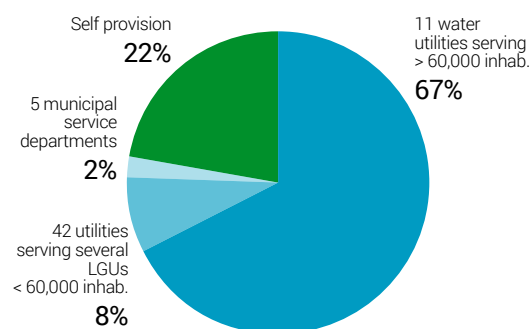
**Water supply sources. Albania relies mainly on groundwater sources to supply drinking water.** The water supply for drinking purposes comes mainly from natural springs and underground water sources (83%), except for the Tirana metropolitan area which gets a portion of its supply from a surface water source in the mountains (17%) that has been dammed to create a reservoir, and therefore must be treated, and Maskuria reservoir which takes the water from Maskuria Lake to supply Kavaja Touristic Area (Golem and part of Duures beach area) (ICPDR 2015). The quality of the surface water for about 80% of the lengths of the rivers is classified as satisfactory (1st class category), in compliance with the United Nations Economic Commission for Europe (UNECE) standards (MPWT 2011). This is due to the fact that there is limited industrial activity along most of these rivers, so there is little pollution.

## ORGANIZATION OF SERVICES

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
Number of formal water service providers	2013	GDWSS 2013	58	75	661	n.a.
Average population served [inhabitants]	2013	Authors' elab.	36,822	28,963	9,496	n.a.
Dominant service provider type	Joint stock water and sewerage companies					
Service scope	Water and/or sanitation					
Ownership	Local governments					
Geographic scope	Mainly several local governments					
Water services law?	No					
Single line ministry?	Yes [Ministry of Transport and Infrastructure]					
Regulatory agency?	Yes [ERRU]					
Utility performance indicators publicly available?	Yes [www.erru.al]					
National utility association?	Yes [SHUKALB for water and wastewater]					
Private sector participation	Only through outsourcing					

**Service provision. Local government units, through a Shareholders Assembly, have full authority and responsibility for the provision of water supply and sewerage services.** Currently, there are 58 corporatized water supply and sewerage companies in Albania that serve approximately 77% of the population. Thirty of these companies provide both water and sewerage services. Eleven water utilities provide service to several municipalities (more than 60,000 inhabitants), accounting for almost 67% of the Albanian population. Forty-two water companies are medium or small utilities that serve less than 60,000 inhabitants (Figure 1). According to the Benchmarking and Monitoring Unit of the General Directorate of Water Supply and Sewerage, approximately 644,000 inhabitants living in rural areas (representing 20% of the total population) are supplied with water served from municipalities and communes outside of the jurisdiction area of the formal water utilities (GDWSS 2013).

**FIGURE 1: WATER SERVICES PROVIDER TYPES AND MARKET SHARES**



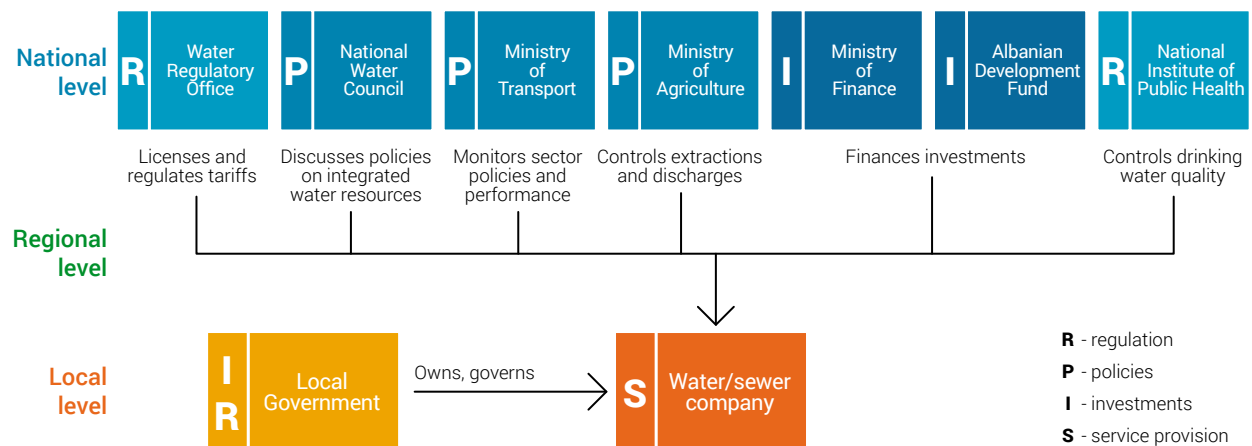
SOURCE: GDWSS 2013.

**Policy-making and sector institutions. The water sector is organized as a two-tier system, with national government being responsible for sector strategies and policy development, and local governments for service provision.** At the national level, the most important stakeholders are (Figure 2):

- The *Ministry of Transport and Infrastructure*, which is the line ministry responsible for the development and implementation of strategies and policies for the sector. The General Directorate of Water Supply and Sewerage is the only specialized technical institution of the water supply and sewerage sector that has authority to coordinate and monitor the activities of water operators across the whole country. The General Directorate also coordinates the allocation of subsidies and investments through the Ministry of Finance.

- ▶ The *National Water Council* is the main interinstitutional body responsible for drafting policies and plans for integrated water resource management, acting under the Law 111/2012. It is chaired by the Prime Minister of Albania and composed of seven main stakeholder ministries. The *Technical Secretariat* is the executive body of the *National Water Council*, responsible for implementation of policies and strategies related to water resources as approved by the National Water Council.
- ▶ The *Ministry of Agriculture and Rural Administration* and the General Directorate of Water Administration which is responsible for issuing environmental permits, monitoring environmental legislation enforcement and compliance, and controlling water pollution.
- ▶ The *Ministry of Finance*, which is responsible for financing capital investments in the sector.
- ▶ The *Water Regulatory Authority*, which is an independent regulator reporting, by law, directly to the Parliament of the Republic of Albania. It issues water intake and wastewater licenses to operators, and sets water and sewerage tariffs, prices, and charges for bulk and retail services. The commission is composed of five members who are appointed by the Council of Ministers. The chair is appointed for a mandated five-year term from the establishment of the commission, and the other members are appointed for a four-year term. No member is entitled to serve on the commission for more than two full terms.
- ▶ The *Albanian Development Fund* is responsible for the allocation of investment funds in rural areas and to not licensed companies.
- ▶ The *Institute of Public Health/Ministry of Health*, which is responsible for water quality monitoring (surface water, drinking water, wastewater) and for intervention in case of accidental water pollution.

**FIGURE 2: WATER SERVICES SECTOR ORGANIZATION**



SOURCE: AUTHORS' ELABORATION.

**Capacity and training. Albania does not have a sufficiently trained and qualified senior technical and management workforce to adequately staff its water companies.**

Staff training has been mainly driven by donor-financed Institutional Strengthening Programs, on ad-hoc basis. The lack of well-trained technical and financial personnel in the water utilities has led to inefficiency in technical operations and financial management. This problem is further compounded by the frequent replacement of utility directors with political appointees who have no specific qualifications or experience for the position. Utilities do not routinely budget trainings but have shown an interest in trainings proposed by the Water Supply and Sewerage Association of Albania, based on information provided by the Association. The Association conducts these trainings on a full cost recovery fee basis. Supporting and implementing capacity-building programs and policies to improve the professional skills of the workforce and to achieve a “mind-shift” regarding corporate governance of water services remains a challenge for utilities.

**Best Practice**

**Berat – Kucove Water Supply and Sewerage Company**

Berat-Kucove Water Company is the only example of a pro-active aggregation in the water supply and sewerage sector in Albania, between Kucova Water Supply and Sewerage Company and Berat Water Supply and Sewerage Company. The merger of these two municipal water companies has been formalized in a legal binding agreement negotiated between the shareholders of the two entities. The main driver for this aggregation was the requirement of the German Development Bank (KfW) which would only fund the gravity transmission line from the Berat system to the Kucova system if the two companies were merged. The investment allowed the Kucova system to realize significant savings on energy cost, while spending in network infrastructure and equipment, such as water meters and networks renovation, allowed the aggregated company to sustainably improve its service performance. Since 2012, the company has adopted a tariff strategy with unified tariff structure, with the approval of the Water Regulatory Commission.

**Economic regulation. Economic regulation in Albania, which was the first to be legally established in the region almost 20 years ago, is getting stronger.** The water sector in Albania is regulated through a public independent institution, the Water Regulatory Authority (WRA), established in 1996. The WRA is directly responsible to the Council of Ministers and to the Parliament of Albania, to which it reports regularly through its Annual Report. The regulator role and main functions cover the licensing of all operators delivering water and/or wastewater services to the public, and the regulation of tariffs to ensure service providers' financial sustainability and affordability for customers. It also monitors the performance of service providers to protect consumer interests and to promote continuous service improvements by setting challenging but achievable targets. The WRA provides a range of methodologies for determining cost coverage tariffs for the licensed water operators. Strengthening the role of the WRA has been one of the key focuses of the Water Sector National Strategy, and still remains a priority on the agenda of the water sector reform.

**Ongoing or planned reforms. The water sector is in the midst of important reforms, since Albania is moving into a new phase of its planned Territorial Administrative Reform initiatives.** Efforts to improve water supply and sewerage services in Albania have been largely carried out on a vertical project basis, with little or no horizontal sector-wide actions. This has resulted in somewhat inconsistent performance improvements across the sector. An approved Water Sector Strategy for Water Supply and Sewerage Services in the Republic of Albania, for 2011–2017, has been prepared with the assistance of the World Bank, with the purpose of presenting a new approach to address sector reforms by defining clear strategic goals and assigning governmental institutions the responsibility to elaborate detailed action plans to support the achievement of these goals. The strategy has outlined five key objectives to be achieved within the planning period:

1. Expanding and improving the quality of water supply and sewerage services
2. Orienting water utilities toward principles of cost control and full cost recovery
3. Improving governance and regulation in the sector
4. Investing in enhancing the capacities of the sector workforce
5. Moving toward convergence of Albanian law with EU Water Directives.

Each objective is linked to a number of priority actions, which are converted into measurable and time-bound strategic goals. Priority Action 5.c aims to reduce the number of water utilities from 58 to 26 by the end of 2017. The Ministry of Transport and Infrastructure has the leading role in monitoring and reviewing the progress of the strategy action plans on an annual basis. The Territory Administrative Reform will create a major and challenging restructuring to address and implement at the local government level. The ongoing Territory Administrative Reform, which aims to merge 374 local government units into 61, creates a major change for service provision in rural areas, because the existing administrative units at the village level, which often deliver WSS services, are merged into larger municipalities. The water cadastre and the National strategy for integrated water resources management are presently under preparation.

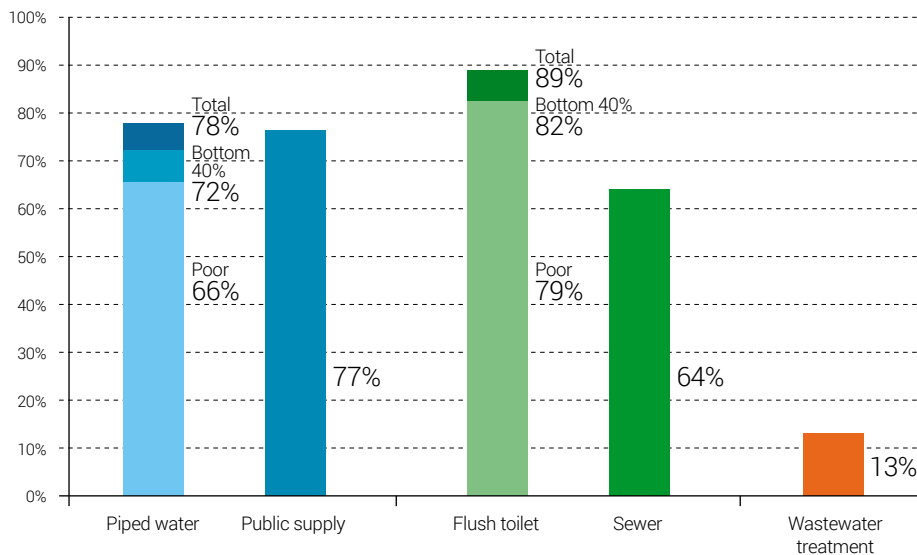
## ACCESS TO SERVICES

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
<b>Water Supply</b>						
Piped supply – average [%]	2012	Authors' elab.	78	89	83	100
Piped supply – bottom 40% [%]	2012	Authors' elab.	72	81	76	100
Piped supply – below \$2.50/day [PPP] [%]	2012	Authors' elab.	66	73	61	100
Including from public supply – average [%]	2013	GDWSS 2013	77	71	74	99
<b>Sanitation and Sewerage</b>						
Flush toilet – average [%]	2012	Authors' elab.	89	90	79	99
Flush toilet – bottom 40% [%]	2012	Authors' elab.	82	81	70	98
Flush toilet – below \$2.50/day [PPP] [%]	2012	Authors' elab.	79	76	54	100
Including with sewer – average [%]	2013	GDWSS 2013	64	53	66	94
<b>Wastewater Treatment</b>						
Connected to wastewater treatment plant [%]	2013	Expert estimate	13	9	45	95

**Service coverage. Access to water and especially sewerage service in rural areas has not received sufficient attention.** According to the Monitoring and Benchmarking Unit, the population served by the water supply utilities in 2013 was approximately 2.6 million people, or 78% of the total population in the jurisdictional areas of all water utilities in Albania (Figure 3). Based on the data, water supply service coverage is 90% in urban areas and 59% in rural areas, and sewerage coverage is 84% in urban areas and 12.5% in rural areas. The Figure of 84% coverage in urban areas is considered as being underestimated according to the Monitoring and Benchmarking Unit, since sewerage service is being provided by local governments as a communal service in some urban areas. But local governments do not collect, analyze, or report data related to service access. Wastewater treatment provision is still much lower but is expected to increase dramatically in the near future since new treatment plants currently under construction will enter into operation.

#### Population Data

Population data are a critical issue in Albania. Several official sources provide contradictory information for the total population in the jurisdiction area of the licensed water operators. For example, based on civil registration records, the total population in the jurisdiction area of water operators is 3.2 million, but the latest census (2011) showed a registered population for Albania of 2.8 million. There is no clear indication of which source should be used to determine the accurate total population figure.



**FIGURE 3: ACCESS TO WATER AND SANITATION: TOTAL POPULATION, BOTTOM 40% OF THE POPULATION AND POOR**

SOURCE: AUTHORS' ELABORATION, GDWSS 2013 AND EXPERT ESTIMATE.

#### Equity of access to services. Minority populations have very limited access to water and sanitation facilities.

According to UNDP Bratislava 2012, the housing and infrastructure conditions of the Roma and Egyptian communities have worsened in recent years. Over 38% of Roma and 45% of Egyptian families live in decrepit dwellings, and a further 21% of Roma and 11% of Egyptian families live in shacks. Many of these families do not have access to potable water, indoor toilets, or wastewater services infrastructure. Sixty-six percent of the poorest share of the population (living on less than \$2.50 PPP/day) has access to a piped water supply and 79% has access to a flush toilet (Authors' elaboration).

**Service infrastructure. The Albanian water infrastructure is old and needs upgrading.** The majority of utilities operate networks that were constructed more than 60 years ago. As a result, technical losses are high due to leakages. Over the last decade, investments have been mainly oriented toward rehabilitation and extension of water infrastructure, leaving behind the sewerage infrastructure, especially in rural areas. As a result, water network length is four times longer than the wastewater network. The operational wastewater treatment plants are equipped with preliminary, primary, and secondary treatments. Only one of them, located in the Durres area (the second-largest utility in Albania located in the coastal area), is equipped with tertiary treatment (combination mechanical/constructed wetland treatment). Several of these treatment plants are facing significant operational and maintenance issues because of a lack of technical and financial resources. The percent of sewage being generated and discharged into a formal sewer system connected to a proper sewage treatment plant must be increased and monitored as a performance measure.



Value	Value		Year	Source
	Water	Wastewater		
Number of treatment plants	2	4	2012	GDWSS 2013 & Eurostat 2014
Length of network [km]	7,478	1,752	2012	GDWSS 2013
Average connections per km of network	84	221	2012	GDWSS 2013

## PERFORMANCE OF SERVICES

### Service Quality

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
Residential water consumption [ <i>liters/capita/day</i> ]	2013	GDWSS 2013	95	165	122	n.a.
Water supply continuity [ <i>hours/day</i> ]	2013	GDWSS 2013	12	19	20	24
Drinking water quality [% of samples in full compliance]	2013	GDWSS 2013	98	83	93	99.9
Wastewater treatment quality [% of samples in full BOD5 compliance]	—	—	—	n.a.	79	100
Sewer blockages [ <i>number/km/year</i> ]	2013	IBNet 2015	15.0	9.3	5.0	0.2
Customer satisfaction [% of population satisfied with services]	2013	Gallup 2013	58	63	63	95

**Quality of service. Quality of service in Albania, although improving, is far from EU standards.** Continuity of water supply in 2013 was an average 12 hours per day (GDWSS 2013). Although this indicator has improved, water utilities still tend to overproduce water to try to meet the needs of the served population and hours of daily supply and pressure. Only two water utilities in Albania (Korce and Librazhd) can provide 24 hours of pressurized water supply service across their entire systems all day and throughout the year. In other systems, the population compensates for the service discontinuity by purchasing and installing booster pumps and water storage tanks. Despite the safety measures applied at water sources, all water utilities in Albania apply continuous chlorination treatment to eliminate contamination from microorganisms. The safety of the water supply is monitored by the State Sanitary Secretariat under the Ministry of Public Health. It tests for residual chlorine at various points of use, and for fecal coliform bacteria. Compliance rates in 2013 were 97% for residual chlorine and 98% for fecal coliform (GDWSS 2013). Although effluent treatment quality is not yet measured in a consistent manner, all treatment plants are new and are expected to operate as designed and according to defined standards.

#### Best Practice

##### Korca Water Supply and Sewerage Company

Korca UK sha is the leading water supply and sewerage company in Albania. Its mission is to provide sustainable, secure, sufficient, and quality water to all existing and new clients in new service areas, in line with current regulations. Korca was one of the first WSS utilities in Albania selected by the German Development Bank (KfW) for implementation of major infrastructure investment programs. Previously, the situation of Korca UK was very difficult, with nonrevenue water at 80%, and service continuity only 4 to 6 hours a day. Through dedicated leadership and management, Korca has become one of the most successful utilities in the Western Balkans, and the best-performing company in Albania, providing water 24/7.

#### Customer satisfaction. Customer satisfaction and citizen perceptions on water supply and sewerage service delivery are not monitored adequately or routinely.

The water utilities lack proper procedures to collect, analyze, and monitor customer feedback. A survey on consumer perceptions of water and wastewater services was undertaken by the Water Regulatory Authority in 2012 aimed at providing input for policy making, regulation, and customer service management at the utility level. But no follow-up was carried out based on the survey. According to the 2013 Gallup International Poll, 58% of Albanians are satisfied with the water service provided. This rate is low compared to other countries in the Danube region.

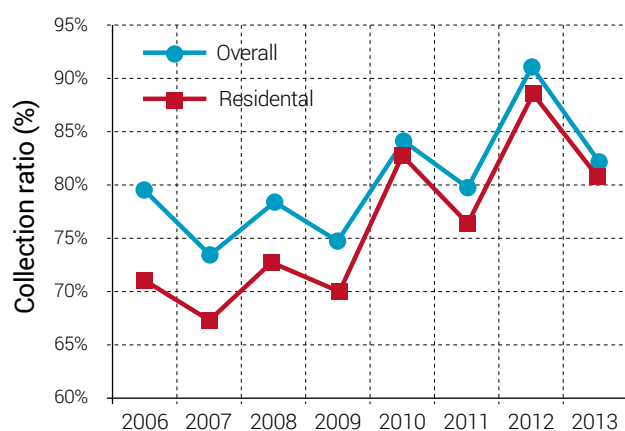
## Efficiency of Services

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
Nonrevenue water [%]	2013	GDWSS 2013	67	50	35	16
Nonrevenue water [ $m^3/km/day$ ]	2013	IBNet 2015	68	41	35	5
Staff productivity [water and wastewater] [number of employees/1,000 connections]	2013	GDWSS 2013	5.6	11.5	9.6	2.0
Staff productivity [water and wastewater] [number of employees/1,000 inh. served]	2013	IBNet 2015	1.4	2.4	1.7	0.4
Billing collection rate [cash income/billed revenue] [%]	2013	GDWSS 2013	82	85	98	116
Metering level [metered connections/connections] [%]	2013	GDWSS 2013	59	81	84	100
Water Utility Performance Index [WUPI]	n.a.	Authors' elab.	51	59	69	94

**Overall efficiency. The efficiency of water supply and sewerage utilities remains a key challenge for Albania.** For 2013, total water production was reported at approximately 273 Mm<sup>3</sup> per year and total water sales 90 Mm<sup>3</sup>. Thus, nonrevenue water is estimated at 67%, and cannot be solely considered as real technical water losses. Indeed it is well known in Albania that most water systems have a significant number of “illegal” or “unregistered” connections to their transmission and distribution network. This implies that a portion of the 67% of nonrevenue water is in fact being used and providing a necessary service. Similarly, the level of consumer metering is still low (59%), which indicates that, on a national basis, there is no clear information on and measure of the real water consumption level. To reduce nonrevenue water, focused efforts on water demand management and improvement of metering will be required. These efforts should encourage rational consumption behaviour of consumers, who will eventually be billed on a volumetric basis. Water utilities are largely overstaffed, and this is particularly true in small utilities and in rural areas. The national average staff ratio in 2013 was 5.6 staff per 1,000 water and sewer connections, far above regional good practices. (GDWSS 2013).

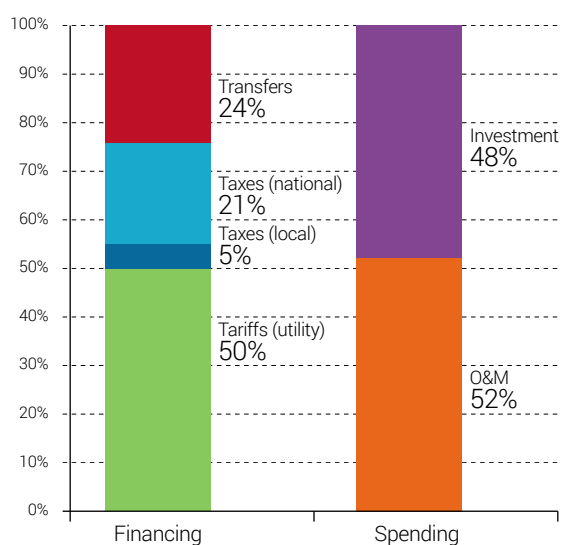
**Recent trends. Water supply and sewerage services are not always perceived by consumers as commercial activities for which a payment must be made.** Nonpayment by customers should result in the strict application of termination policies, and in rigorous follow-up legal actions against customers who refuse to pay water bills. Slow progress has been made on the efficiency agenda over the last 8 years. Although, as shown in Figure 4, overall collection rates have increased in recent years, the national annual average continues to fluctuate from year to year, impacted by central and local elections. However, the situation should improve in the future as the government is presently leading the electricity reform by pushing very hard to increase the electricity collection rate, which showed positive results on water bill payments. Indeed it resulted in increasing the awareness of customers regarding the payment of bills issued by state and LGU companies.

**FIGURE 4: EVOLUTION OF BILLING COLLECTION RATE IN ALBANIAN UTILITIES**



SOURCE: GDWSS 2013.

**FIGURE 5: OVERALL UTILITY SECTOR FINANCING IN 2013**



SOURCE: AUTHORS' ELABORATION.

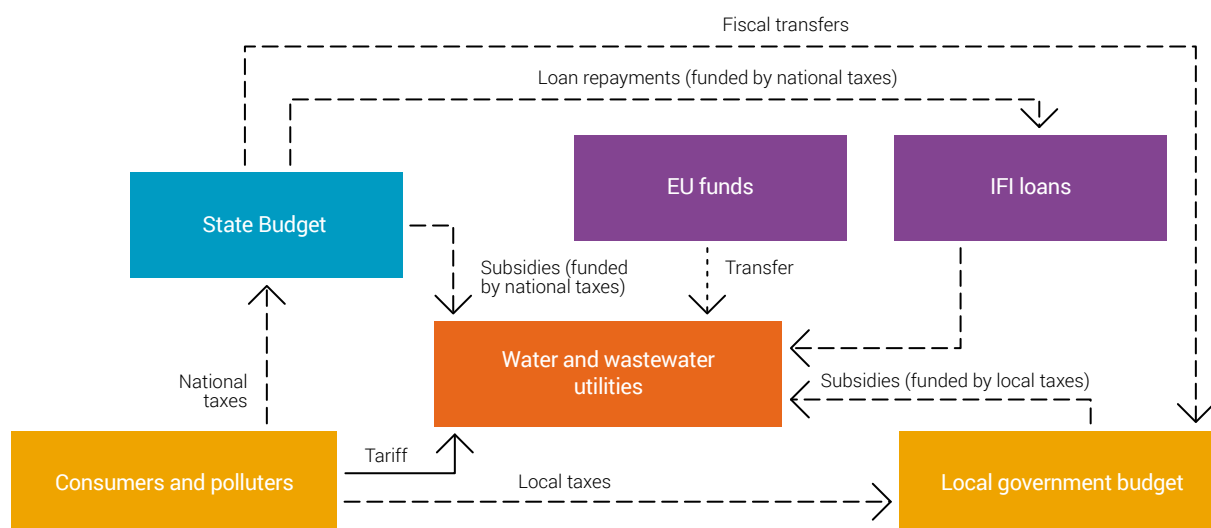
# FINANCING OF SERVICES

## Sector Financing

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
<b>Sources of Financing</b>						
Overall sector financing [€/capita/year]		Authors' elab.	32	29	62	n.a.
Overall sector financing [share of GDP] [%]		Authors' elab.	0.39	0.34	0.45	n.a.
Percentage of service cost financed from tariffs		Authors' elab.	50	67	67	n.a.
Percentage of service cost financed from taxes		Authors' elab.	26	17	13	n.a.
Percentage of service cost financed from transfers		Authors' elab.	24	16	20	n.a.
<b>Service Expenditure</b>						
Average annual investment [share of overall sector financing] [%]		Authors' elab.	48	32	38	n.a.
Average annual investment [€/capita/year]		Authors' elab.	15	9	23	n.a.
Estimated investment needed to achieve targets [€/capita/year]	2012-2040	MPWT 2012	63	37	43	n.a.
Of which, share of wastewater management [%]		Authors' elab.	80	70	61	n.a.

**Overall sector financing. Tariffs represent 50% of financing sources for the sector.** The central government has the primary role of channelling donor and treasury funds for capital improvements, based on needs assessment through National Master Plans and needs expression by local governments. It also provides sovereign guarantees on loans from international financial institutions and operating subsidies to water utilities to cover their energy costs.

**FIGURE 6: MAIN SOURCES OF FUNDING OF WATER AND WASTEWATER SERVICES**



SOURCE: AUTHORS' ELABORATION.

In 2013, revenues collected by tariffs accounted for about 50% of the total financing sources of the sector, covering 94% of operations costs (Figure 5). Keeping tariffs artificially low for all customers currently results in a vicious circle of underfunded service providers, insufficient investment, and deteriorating infrastructure. The main sources of funding of water and wastewater utilities are described in Figure 6, using the OECD 3Ts methodology (tariffs, transfers, and taxes).

**Investment needs. The Government of Albania recently developed and approved a National Water Supply and Sewerage Master Plan as a fundamental tool for national investment planning.** The Master Plan is based on a sector analysis and takes national strategies and policies into consideration. Through this tool, the elaboration of a priority ranking for the defined projects supports the sustainable use of investment funds in line with sector considerations and development policies. Based on priorities, a ranking according to short-, medium-, long-term investment is defined by taking into account both national and foreign investments for water and sanitation. Table 1 presents the total investments identified for both the water and wastewater sectors for 2012–2040. An estimated €63/capita/year is needed to fund the investments (MPWT 2012). However the Master Plan still needs to be officially approved by decision of the Council of Ministers.

TABLE 1: INVESTMENT NEEDS, 2012-2040

Sector	Item	Rehab.	Extension	New	Total	%
Water Supply	Utility based	530.5	352.7	3.4	886.6	17.45%
	OJ based	0.0	0.0	154.7	154.7	3.04%
	Total	530.5	352.7	158.1	1041.3	20.50%
Sewerage	Utility	285.2	1 714.0	482.1	2 481.3	48.84%
	Utility	0.0	185.8	39.9	225.7	4.44%
	OJ	1.3	15.5	1 280.0	1 296.8	25.31%
	OJ	0.0	0.7	45.7	46.4	0.91%
	Total	286.5	1916.0	1847.7	4 050.2	79.5%
Total		817.0	2268.7	2005.8	5 091.5	100%

SOURCE: MPWT 2012.  
 NOTE: OJ - OUTSIDE JURISDICTION

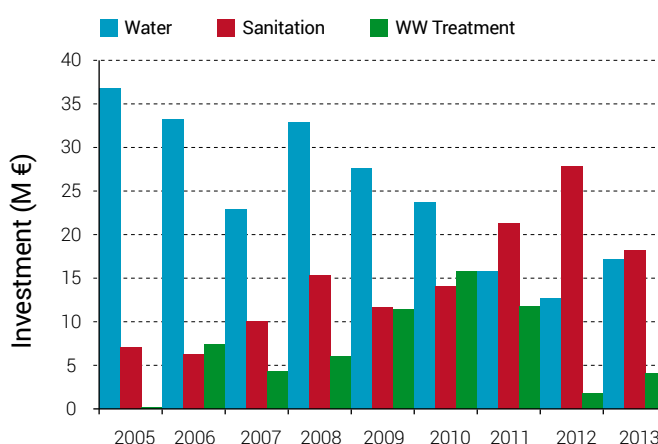
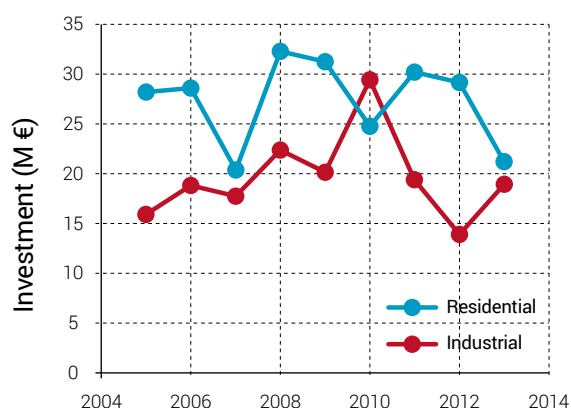
Eighty percent of the identified investment needs is planned to go toward wastewater management (sewer extension and wastewater treatment plant construction), which is consistent with the country's ambitions regarding EU integration.

**Investments. Investment levels in the water supply and sewerage sector in Albania are significantly lower than needed.** The water supply and sewerage infrastructure in Albania is old, damaged, and inefficient. Demographic changes related to the rapid rural-to-urban population migration after the regime change in 1991, and the subsequent sharp increase in the demand for drinking water and sewage disposal services, has exacerbated the already precarious situation of the water supply and sewerage infrastructure, which is operating at its peak capacity in most cases. Although in recent years investments have been increasing, and recently more targeted toward wastewater, they were never sufficient to meet capital investment needs. Around €15 per inhabitant has been invested every year, financed from a combination of national and international sources, as shown in Figure 7.

## Cost Recovery and Affordability

Indicator	Year	Source	Value	EU cand. average	Danube average	Danube best
<b>Cost Recovery</b>						
Average residential tariff [incl. water and wastewater] [€/m <sup>3</sup> ]	2013	GDWSS 2013	0.74	0.57	1.32	n.a.
Operation and maintenance unit cost [€/m <sup>3</sup> ]		Authors' elab.	0.62	0.45	1.20	n.a.
Operating cost coverage [billed revenue/operating expense]	2013	GDWSS 2013	0.95	1.01	0.96	1.49
<b>Affordability</b>						
Share of potential WSS expenditures over average income [%]	2012	Authors' elab.	2.2	1.6	2.6	n.a.
Share of potential WSS expenditures over bottom 40% income [%]	2012	Authors' elab.	3.3	2.5	3.8	n.a.
Share of households with potential WSS expenditures above 5% of average income [%]	2012	Authors' elab.	3.1	1.6	14.1	n.a.

FIGURE 7: WATER & WASTEWATER INVESTMENTS



SOURCE: GDWSS 2013.

**Cost recovery. Most water utilities are not able to cover operating costs due to a combination of low tariffs, low bill collection rates, high levels of nonrevenue water, and overall service inefficiencies.** Average total cost coverage, based on billed revenues, amounts to 74.4%, while based on current collections, the total cost coverage is 61.2% (Figure 8). Considering the total cost structure of the water utilities for 2013, the two main operational expenditures remain energy costs (22%) and personnel costs (31%). The central government provides subsidies to support the operation and maintenance of utilities, which merely results in the support of management inefficiencies.

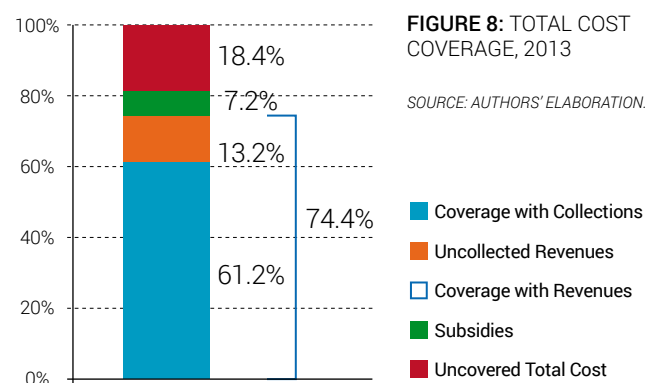


FIGURE 8: TOTAL COST COVERAGE, 2013

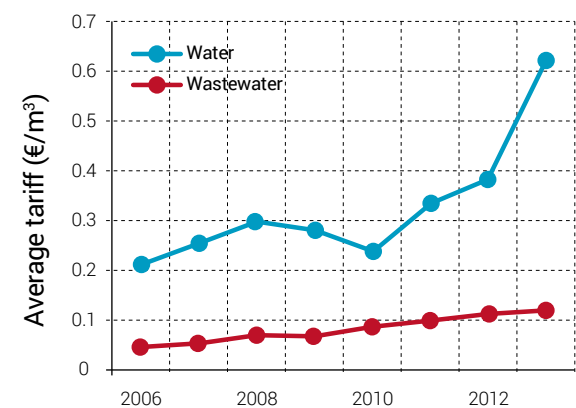
SOURCE: AUTHORS' ELABORATION.

**Monitoring and Benchmarking Unit**

The Republic of Albania has been managing a Performance Monitoring and Benchmarking Program for its water supply and sewerage sector since 2005, and completed 8 annual data cycles as of December 2013. This program is a permanent part of the monitoring and management strategy of the General Directorate of Water Supply and Sewerage in the Ministry of Transport and Infrastructure. As a result of its capital investment and capacity-building efforts, it is serving as an increasingly valuable tool for the central government in assessing performance improvement across the sector.

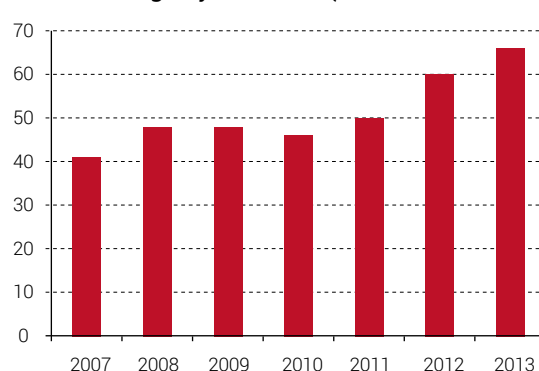
**Tariffs. Tariffs have gradually increased in real terms and will continue to do so in the near future.** The average water and wastewater tariff amounts to 0.74€/m<sup>3</sup> and is below the regional average. Although the National Strategy has indicated that the tariff review process should always target full cost recovery (including debt repayment and funding of reserves to offset depreciation of all assets), the trend analysis shows that the average price per cubic meter is lower than the average cost per cubic meter (Figure 9).

FIGURE 9: EVOLUTION OF WATER AND WASTEWATER TARIFFS AND COMPARISON OF COST VERSUS PRICE

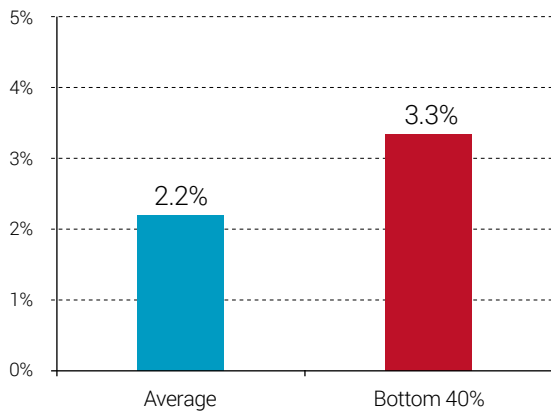


SOURCE: AUTHORS' ELABORATION.

Cost coverage by revenues (water & sanitation)



**FIGURE 10: CURRENT AFFORDABILITY OF WATER AND WASTEWATER TARIFFS BY DIFFERENT INCOME GROUPS, AVERAGE AND BOTTOM 40**



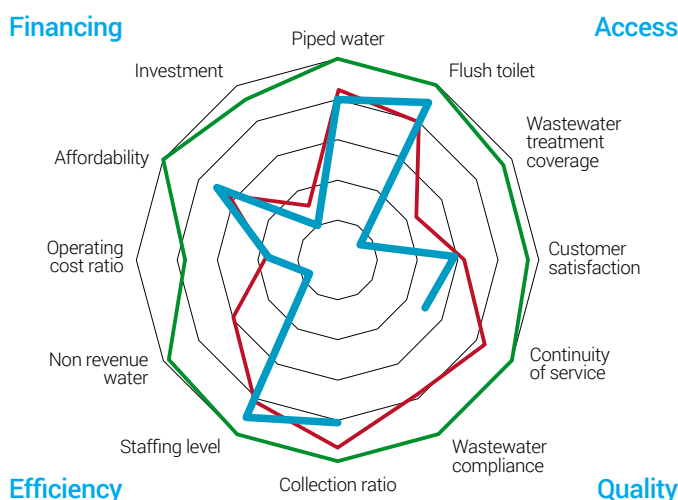
SOURCE: AUTHORS' ELABORATION.

**Affordability. Water supply and sewerage services in Albania are affordable for a high percentage of the population.** The water bill for an average family represents 2.2% of the household income and more than 3% for the bottom 40% population (Figure 10). It remains below the 5% threshold, which is a milestone monitored by the Water Regulatory Authority. Attempts were made to develop an adequate subsidy mechanism to help poor households, but they were never implemented.

Artificially low tariffs for all customers result in a vicious circle of underfunded service providers, insufficient capital reinvestment, and deteriorating infrastructure. Due to low revenues, operators further reduce the service quality to users, which results in diminishing customer willingness to pay for low-quality service.

## WATER SECTOR SUSTAINABILITY AND MAIN CHALLENGES

In order to evaluate and reflect the sustainability of services in the region, an overall sector sustainability assessment has been done taking into account four main dimensions: access to services, quality of services, efficiency of services, and financing of services. Each of these dimensions is measured through three simple and objective indicators. For each indicator, best practice values are established by looking at the best performers in the region, and countries closest to those best performers are deemed to have a more mature sector. A more complete description of the methodology to assess the sector maturity is included in the Annex of the State of the Sector Regional Report from the Danube Water Program. The outcomes of this assessment for the Albanian water sector are presented in Figure 11, which also shows average and best practices in the Danube region. The Albanian sector sustainability score is 55, which is below the Danube average sustainability of 64. The assessment shows that, on average, the country performs well in terms of access to piped water and flush toilet and affordability level, suggesting there might still be space to increase tariffs. The main deficiencies of the Albanian water sector identified through the sector sustainability assessment are the nonrevenue water level, wastewater treatment coverage, and level of investment.



**FIGURE 11: SECTOR SUSTAINABILITY ASSESSMENT - ALBANIA**

SOURCE: AUTHORS' ELABORATION.

The main WSS sector challenges are:

- ▶ **Improving the quality and efficiency of water services.** The government's long-term objective in water supply and sanitation is to achieve sustainable water supply and sanitation services corresponding to EU membership required standards in urban and rural areas. Water utilities are not sufficiently complying with principles of cost control, continuous efficiency improvement, and full cost recovery, causing a vicious circle of underfunded service providers, insufficient investment, and deteriorating infrastructure.
- ▶ **Translating the impact of territorial reform into universal water services in particular in rural areas.** A non-negligible share of the rural population does not have access to piped water. The planned territorial administrative reform will eliminate a large number of rural local governments currently providing WSS services, which will need to be integrated into a new service provision structure. The government will have to examine the pros and cons of alternatives such as tasking existing utilities with the provision of water services in rural areas, the creation of support mechanisms for community-based service providers, or the further merger and aggregation of utility providers. Given the limited performance of urban operators and the significant needs of the rural areas, analyzing the underlying causes for the current inequalities will be particularly important before finalizing any decision. Creating the proper set of accountability mechanisms and incentives will be essential to ensure that the reform benefits all citizens rather than only those who already have access to services.
- ▶ **Enhancing water sector workforce capacity.** The current level of staffing of utility companies is above regional standards, and significant staff turnover happens, which prevents the professionalization of water services provision. Support for capacity-building is needed to reinforce a professional workforce in the water supply and sewerage sector. This could be done through well-established staff training and certification programs. Beyond the need to support capacity development training, which is a legislated mandate of the General Directorate of Water Supply and Sewerage, moving toward test-based skilled certification for key positions in a utility would be an important step toward ensuring more efficient technical and financial management of services.

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# ALBANIA COUNTRY NOTE



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International Association  
of Water Supply Companies  
in the Danube River  
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The World Bank / IAWD Danube Water Program supports smart policies, strong utilities, and sustainable water and wastewater services in the Danube Region by partnering with regional, national, and local stakeholders, promoting an informed policy dialogue around the sector's challenges and strengthening the technical and managerial capacity of the sector's utilities and institutions.



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