



Poverty and Social Impact Analysis



Decentralization and Water Sector Privatization in Albania



Co-Plan

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ABBREVIATIONS

AWSSE	Association of Water Supply and Sewerage Enterprises of Albania
CAS	Country Assistance Strategy
CG	Central Government
CM	Council of Ministers
CMU	Contract Monitoring Unit
EC	Executive Committee
FG	Focus Group
GOA	Government of Albania
GDP	Gross Domestic Product
GDWSS	General Directorate of Water Supply and Sewerage
GTZ	German Development Cooperation
HHQ	Household Questionnaire
INSTAT	Institute of Statistics
KESH	Albanian National Power Corporation
KfW	Kreditanstalt für Wiederaufbau (German Cooperation)
LG	Local Government
LM	Line Ministry
LSMS	Living Standards Measurement Study
MC	Management Contract
MDGs	Millennium Development Goals
MOE	Ministry of Economy
MOF	Ministry of Finance
MOLGD	Ministry of Local Government and Decentralization
MOTAT	Ministry of Territory Adjustment and Tourism
MTEF	Mid-Term Expenditures Framework
MWWP	Municipal Water and Wastewater Project
NSDA	National Strategy for Decentralization and Autonomy of Local Government
NGO	Nongovernmental Organization
NSSD	National Strategy for Social and Economic Development (Albanian PRSP)
NWSSS	National Water Supply and Sanitation Strategy
OFLG	Law on “Organization and Functioning of Local Government”
O&M	Operations and Maintenance
PO	Private Operator
PSIA	Poverty and Social Impact Analysis
PRSP	Poverty Reduction Strategy Paper
PSP	Private Sector Participation
QPA	Poverty in Albania: A Qualitative Assessment
RDA	Regional Development Agency
SC	Supervisory Council
TOR	Terms of Reference (for local consultant)
USD	United States Dollar (\$)
WB	World Bank
WU	Water Utility
WRE	Water Regulatory Entity
WSURP	Water Supply Urgent Rehabilitation Project

GLOSSARY OF TERMS

Commune: A local, rural territorial and administrative unit governed by a chief who is elected for a three-year term by the residents of this administrative unit.

Counterfactual cities: The four study sites where the water utilities are under public management.

Cubic meter: Metric unit of volume equaling 1,000 liters.

Lek: The currency of Albania (at the time of the study, US\$1 = Lek 121).

Line ministry: A ministry that is responsible for one or more aspects of the water sector reform with regard to decentralization of the water sector functions and the transfer of authority to the local government (namely the Ministry of Local Government and Decentralization, the Ministry of Territory Adjustment and Tourism, and the Ministry of Economy).

MC cities: The four study sites benefiting from the World Bank Management Contract, where the water utilities are under private management.

Municipality: Urban administrative unit with a population in excess of 4,000 inhabitants and hosting industry.

Service quality: This stands for “hours of water supply” and “water pressure.”

State Economic Assistance: An Albanian government program providing monetary assistance to households with no alternative income sources.

New settlements: New, post-1990 settlements surrounding the urban areas, usually without access to basic infrastructure.

Region: A local territorial and administrative unit, usually comprising more than one municipality and several communes.

Target cities: The collection of all eight study sites considered together.

INTRODUCTION

This study is a poverty and social impact analysis (PSIA) of the water sector reform in Albania. This study will benefit the implementation of Albania's National Strategy for Social and Economic Development (NSSED), and its water sector reform. The Water and Sanitation Sector Reform in Albania is considered an important part of the NSSED. The reform is intended to improve access to water and wastewater services with regard to coverage, quantity, and quality of water supply. Nevertheless, it is expected that the reform will also have negative social impacts, especially on vulnerable groups of society such as the urban poor. The reform also intends to promote sustainable water management and financial viability of the water utilities.

This paper presents the results and analysis of a qualitative and quantitative research study, of which the objectives are threefold:

1. Set baselines to assess stakeholder perceptions of, and satisfaction with, two management models of water service delivery and measure the distributional impacts of the water and sanitation sector reform on the well-being of various stakeholder groups against those baselines, particularly on the urban poor, regarding:
 - Tariff increases
 - Access to water and wastewater services through public and private provision
 - Support for the poor via a lifeline of 20 liters per capita per day at no cost
 - Changes in employment for different groups
 - Other impacts of the reform.
2. Identify and provide insight into some of the main institutional issues and bottlenecks of the water sector reform. To achieve this objective, an analysis of the decentralization process will be conducted, highlighting the positive and negative impacts of the two models on water sector management.
3. Provide recommendations for enhancing the pace and sustainability of the reform, as well as recommendations for mitigating undesired, negative impacts on vulnerable groups of society.

Summary of Key Findings

General Characteristics of the Selected Cities

- All target cities, except for Korça, exhibit similar characteristics regarding coverage area, billing system, collection ratio, and level of water losses.
- Project cities differ with regard to type of management of the water utilities, presence of illegal connections, population size resulting from the urbanization trends during the past 13 years, and labor market opportunities.

Tariff Increases

- The provision to transfer the authority for setting water tariffs to the local government (LG) has not met with positive reception by the Water Regulatory Entity (WRE).
- Tariff increases are negatively impacting the most vulnerable categories of the population, such as the urban poor. In the MC, the introduction of the lifeline tariff (20 liters per day per capita) is mitigating this impact.
- Affordability to pay is mainly an issue for very poor households, households of retirees, and households living in the new settlements.
- While “lack of financial means” is the most frequently cited reason for not paying among the “very poor” and the “poor” groups, “dissatisfaction with the service” is reported as the main reason for nonpayment among less poor families.
- Consumers do not welcome tariff increases, especially when they are not accompanied by improvements in service.
- Even relatively prosperous households do not welcome the high cost of meter installation.

Access to Water and Wastewater Services

- Percentages of households that have water connections (82 percent of respondents in the four MC cities, and 99 percent of respondents in the four counterfactual cities) are higher than those reporting access to wastewater services (64.5 percent of households in the four MC cities and 84.3 percent of households in the counterfactual cities).
- Access to both services is higher in the counterfactual cities. The significantly larger migration flows to the MC cities versus the counterfactual cities accounts for the discrepancies in access.
- Service quality, meaning “hours of supply” and “water pressure,” can be considered slightly better in the MC cities because of an intervention during the Water Supply Urgent Rehabilitation Project (WSURP).
- Service quality of the water and sewerage system depends on the household’s distance from the urban center (that is, the closer the household to the urban center, the better the quality of water supply).
- The most common way to cope with inadequate water coverage is through illegal intrusions in the main water pipes. Other coping mechanisms include (a) digging wells in the yards, (b) purchasing water tanks, (c) purchasing water pumps, (d) buying water from vendors, and (e) establishing additional connections. Septic tanks are the most common solution for coping with inadequate sewerage coverage, especially in the MC cities.

- Poorer households are more likely to have an illegal connection than those relatively better off.
- The very poor and poor are more disadvantaged with regard to network coverage and service quality (about 28 percent of the very poor and about 17 percent of the poor do not have water access at all).

Support for the Poor via a Lifeline to Services

- Although the water bill constitutes only a tiny fraction of the monthly household expenditure, there are families that cannot afford to pay for this service. This category consists mainly of households benefiting from state economic assistance, retirees, and households living in the new settlements.
- Expert and consumer opinions differ about the lifeline tariff. Some believe that the lifeline tariff is a suitable form of subsidy, whereas others suggest alternative forms of subsidy, such as increasing the amount of state economic assistance received by families in need or providing direct subsidies to the water utilities (WUs) to recover the cost of unpaid water bills from the families in need.

Other Channels of Impact on the Reform

- *Employment:*
 - The link between water supply and employment is specific to each city, depending on labor market peculiarities. The reform is perceived to positively affect the food industry, service sector, and tourist industry, which is especially relevant to coastal cities.
 - Improved water supply would liberate women, enabling them to look for employment outside the home.
 - It is often difficult for people to see how improved water and sanitation services affect employment.
 - The restructuring of the privately managed WUs will cause some WU employees to lose their jobs, giving rise to opposition and dissatisfaction.
- *Health:* Citizens sometimes perceive the decrepit sewerage infrastructure to be a source of disease even more dangerous than the inadequate and low quality of water. Cases of water-borne or water-related diseases were mainly observed in Durrës and Gjirokastra.
- *Savings:* Consumers did not report any significant impact of the reform on family savings. This might be mainly because of the relatively small influence of the water bill on monthly household expenditures. Increased expenditure for buying water tanks and water pumps and additional electricity costs to operate water pumps are all hidden costs related to water access.
- *Land:* Only very few experts were able to mention the impact of water on land as an asset that had value.

Stakeholders and Institutional Impact

- Stakeholders of the reform are divided into three groups: (a) those who affect or implement the reform; (b) those affected by the reform, either positively or negatively; and (c) those who have influence on the reform policy.
- As the role of the central government is changing from one of service provider to that of regulator and facilitator, new institutional relationships are emerging between various stakeholders. This is especially pronounced in the four MC cities, where two additional constituents, the Executive Committee (EC) and the Contract Monitoring Unit (CMU), have come into play.
- Stakeholders often do not have the necessary information about each other's roles and responsibilities. Lack of information disclosure underlies the discord and tension among various stakeholders.
- There are some stakeholders who are impeding the progress of the reform, either by refusing to accept the new roles and responsibilities assigned to the LG or because they *perceive* themselves as being left out of the process.
- None of the municipalities are really using the power given to them by the law; consequently, more initiative on their part is deemed necessary.
- The local authorities are faced with three major issues: (a) lack of necessary expertise in issues of administration and management of the utilities, (b) politics interfering in the reform, and (c) loss of institutional memory.

Conclusions and Recommendations

The present study reveals certain similarities as well as differences between the MC and counterfactual cities:

Some similarities that are noticed in both groups of cities include (a) higher access to water services than to wastewater service, (b) the flat rate is the most predominant form of billing, (c) the LG in all target cities is now operating in a new institutional environment that requires adaptation and cooperation, (d) the LG faces issues related to lack of expertise and loss of institutional memory, (e) information sharing among stakeholders is problematic, and (f) consumers in both types of cities do not have a voice in the decisionmaking process.

Some of the major differences that distinguish the private operator (PO) utility management model from the publicly managed model include (a) poorer access to water and wastewater services with regard to coverage and an increased number of illegal connections and septic tanks; (b) higher tariffs and lower satisfaction due to rapid urban growth; (c) better quality of access, as defined by reliability, duration of supply and pressure, or service quality resulting from participating in the WSURP; (d) a clearer strategy for covering operations and maintenance (O&M) costs; (e) a lifeline tariff, with 20 liters per day per capita free of charge that will benefit the poor; (f) installation of meters to measure and control consumption; (g) a strategic human resources development program and efforts for capacity building; (h) possibility of unemployment for some of the WU staff resulting from the restructuring of the privately managed

WUs; and (i) a somewhat different institutional structure, resulting from two additional constituents, the EC and the CMU, which are accountable for setting priorities and making important decisions in the MC cities, versus the Supervisory Council (SC), which approves important decisions in the counterfactual cities. There is a perceived inadequacy of the EC and CMU by local WUs in the four privately managed cities, probably due to a lack of proper knowledge transfer and dissemination of information.

Realizing the complexity of the restructuring of the water and sanitation sector in Albania and after analyzing the findings about distributional and institutional impacts of the reform, the study presents a number of policy recommendations that benefit the reform, the stakeholders, and the beneficiaries, especially the urban poor.

The following policy matrix gives a more detailed description of recommendations and suggestions.

Table 1. PSIA Matrix for the Decentralization and Privatization Reform in the Water Sector in Albania

	Main Issues	Relevance	Proposed Policy Recommendation
A. Transmission Channels			
1. Tariff Increases	Lack of reliable data on consumer affordability and willingness to pay	Both MC and counterfactual cities	Surveys with a representative sample should be conducted to measure consumer ability and willingness to pay. Assistance of local authorities, especially the social assistance unit and labor office, is deemed indispensable. Engagement of civil society might also be necessary.
	Customer perceptions that tariffs are already high and no improvements are visible	Mainly relevant for the MC cities	It is recommended that before proceeding with further tariff increases, the consumers feel at least some kind of improvement in access and supply quality. Simultaneously, open and transparent awareness campaigns need to be conducted to counteract any form of opposition or noncompliance. Moreover, huge attempts need to be made toward completing meter installation before tariff increases; most consumers say they are willing to pay more only if meters are installed so that they can control consumption. This is especially relevant for the more vulnerable families.
	Customers have no say in tariff setting	Both MC and counterfactual cities	Implementation of the step foreseen in the NWSSS on the establishment of consumer panels, which will likely represent the interests of the customers.
	Lack of efficient enforcement mechanisms	Both MC and counterfactual cities (except for Korça)	Improved enforcement through the engagement of the water police and assistance from the municipal police is necessary. Consumer awareness campaigns should go hand in hand with this, to avoid any potential opposition.
	Delay in implementing the law on sewage tariffs for all water and sewerage enterprises	Counterfactual cities, Vlora	Necessary to implement the decision, so that every customer that benefits from the service pays for it. It is recommended that this step be accompanied by sensitization campaigns targeted at increasing consumer awareness.
2. Access to Water and Wastewater Services	Incomplete network coverage, mainly due to uncontrolled internal migration, leading to illegal connections, well digging, and septic tanks	Both MC and counterfactual cities, mainly prevalent in the four MC cities	Capital investments, through donor participation, are necessary to increase access level and improve access quality, in the framework of the poverty reduction strategy.

	Main Issues	Relevance	Proposed Policy Recommendation
	Cutoff of illegal connections	Both MC and counterfactual cities	Contracting illegal customers is perceived as a better alternative than disconnection, which has not proved successful.
	Unsatisfactory water quality due to inadequate sanitary conditions of water sources and water reservoirs	Both MC and counterfactual cities	Water resources and reservoirs need to be considered objects of special importance with regard to adequate protection by external agents. Moreover, it is necessary to improve the chlorination process, making it comparable to international standards.
	Unsatisfactory water quality due to sewage infiltration into water pipes	Both MC and counterfactual cities (mainly Durrës, Fier, and Gjirokastra)	Urgency to rehabilitate the water and sewerage networks so that intermixing of potable water and sewage is avoided. Particular attention should be paid during the summer period, when high temperatures exacerbate hygiene problems.
	Lack of wastewater treatment plants	Both MC and counterfactual cities	Expand efforts to construct treatment plants in Albania, with priority given to coastal cities, in addition to those being constructed in Durrës, Lezhe, and Saranda. Continued capital investments and donor cooperation are extremely important.
	Improper consumer attitude toward water consumption, which actually hampers access quality	Both MC and counterfactual cities (mainly prevalent in the four MC cities)	A well-thought-out awareness-raising campaign should be implemented at each municipality. This is a complex issue, which ranges from water misuse and abuse, nonpayment, late payment, illegal connections, breaking of water meters, and so forth. Fines might be used as a form of punishment for repeated violations. Because of this complexity, active cooperation from government, businesses, and civil society might prove successful.
3. Support for the Poor via a Lifeline to Services	Perceived inadequacy and manipulation of the criteria for qualifying as a family in need	Both MC and counterfactual cities	Alternative methods for identifying beneficiary households have to be formulated. It might be necessary for the local governments to cooperate with civil society actors. Systematic observation of beneficiaries is needed to avoid any system abuse. Enforcement measures have to be taken against corrupted officials.
	Perceived inadequacy of the lifeline tariff by some experts and households	MC cities	The application of the lifeline tariff implies the presence of meters. Before meters are installed, other forms of subsidy, such as increasing the amount of state economic assistance received by eligible households, is recommended. In such cases, it is recommended that the money go directly to the water utilities. Such practice would allow for more cooperation between water utilities and the respective local governments.

	Main Issues	Relevance	Proposed Policy Recommendation
4. Other Channels of Impact	Lack of awareness among people regarding the importance of water and sanitation to employment	Both MC and counterfactual cities	Organization of awareness-raising campaigns that aim at creating a better understanding of the importance of good management of water and sanitation services. These campaigns should specifically focus on the direct link between water and sanitation and employment and local economic development of each municipality.
	Presence of water-related or water-borne diseases, mostly diarrhea, stemming from the dilapidated water and sewerage networks	Both MC and counterfactual cities (mainly Durrës, Fier, Gjirokastra, and Lushnja)	Urgency to improve the water and sewerage infrastructure and avoid contamination of potable water with sewage. Need to improve chlorination methods and use right dosage.
	Lack of awareness among experts and people regarding the relationship between improved water supply and land value	Both MC and counterfactual cities	Make issues that clarify the relationship between water and sanitation infrastructure and the value of the land part of awareness-raising campaigns; this could be part of an awareness campaign strategy.
B. Institutional Issues			
	Slow transfer of assets or shares of water utilities to the ownership of the local government units	Both MC and counterfactual cities	Use innovative forms and creative ways of transferring ownership of assets or shares of water utilities to local government units, as recommended in the policy paper that was approved by the CM.
	Perceived inadequacy of asset transfer approach, especially in the case of regional systems	MC cities (Durrës)	Transfer of shares, as opposed to transfer of assets, might be considered as a plausible alternative.
	Perceived inadequacy of the EC and CMU by local WU	MC cities	Intensification of information exchange among these actors to increase the level of transparency is deemed indispensable.
	Perceived inadequacy	Both MC and	Intensification of information exchange among these actors to increase the level of

	Main Issues	Relevance	Proposed Policy Recommendation
	of the SC	counterfactual cities	transparency is deemed indispensable.
	Lack of adequate capacity at the LG level, mainly stemming from insufficient information and leading to lack of initiative and motivation	Both MC and counterfactual cities	Need to provide technical and financial assistance, as well as training to local governments. Urgency for knowledge dissemination and sharing of information.
	Failure to complete the merger between water and sewerage enterprises	Counterfactual cities (Vlora)	Need to accelerate the pace of merger and facilitate reform progress through exercising enforcement mechanisms.
	Lack of updated water and sanitation network maps to guide the rehabilitation process	Both MC and counterfactual cities (except Korça)	Provide technical assistance to local WUs to update the existing maps, in collaboration with experts from the LG.
	Low motivation and lack of commitment at the water utility level, leading to corruption	Both MC and counterfactual cities	Establish a system of incentives, such as salary increases and other secondary benefits, to guarantee work commitment and ultimately improve service.
	Hesitation to restructure the water utilities. Mitigating measure foreseen in the NWSSS is perceived as insufficient for compensation.	MC cities	Identify strategies to promote the labor market and create new jobs for those who will be negatively affected. Maximize the cooperation among water utilities, local governments, and local business.
	Perception that reform progress is affected by political climate in the country	Both MC and counterfactual cities	Strengthen institutions or employ mechanisms that will enable preservation of institutional memory and permit transfer of information and knowledge.
	Absence of measurable performance indicators	Counterfactual cities (PO in the MC)	Need to formulate performance indicators based on the institutional reform agenda, including clear objectives, outputs, outcomes, and methods of verifications.

	Main Issues	Relevance	Proposed Policy Recommendation
		cities will enact this approach)	
	Failure to establish a trustworthy relationship with customers	Both MC and counterfactual cities	Establish mutual understanding, mainly through increased transparency and improved service. Need each water utility to formulate a new communication strategy and establish public relations unit to implement that strategy.
C. Legal Basis for the Reform	Incompleteness of the legal framework necessary to support implementation of the reform	Both MC and counterfactual cities	Urgency to proceed with the remaining bylaws and government decisions that are pending.
	Lack of efficient enforcement mechanisms that enable law implementation	Both MC and counterfactual cities	Need to strengthen the existing enforcement structures and establish new ones at the local level, especially in relation to the payment of bills.
D. Private Sector Participation	Present difficulties with full privatization	Both MC and counterfactual cities	Partial privatization, which can start with the privatization of the sales unit, might prove successful in enhancing the financial viability of local utilities.
	Difficulty for a private operator to enter a subsidized sector	Both MC and counterfactual cities	Need for water companies to gradually move to “zero” subsidy and increase their attractiveness to the private operator. It is widely believed that a private operator will perform better than a public operator.

Structure of the Report

The report is divided into 6 chapters and 13 annexes. The first chapter describes the objectives of the study and key findings. The second chapter explains the methodology of the study. The next chapter provides (a) the context and progress of the water sector reform, (b) a brief description of stakeholders, and (c) a brief description of poverty as it relates to access to water and wastewater services and goods. The fourth chapter gives a brief overview of the eight selected cities and current conditions of the water and sewerage services in all eight project cities. The following chapter presents detailed description and analysis of the distributional impact of the reform through the five transmission channels and highlights main institutional issues and bottlenecks that pose a threat to the reform. The final chapter provides policy recommendations and conclusions.

METHODOLOGY

PSIA method – This study is a poverty and social impact analysis (PSIA) of the water sector reform in Albania. The first PSIA methodology in Albania was developed and piloted during May–July 2003, targeting four medium-size cities: two cities with privately managed utilities under the Municipal Water and Wastewater Project (MWWP) and two cities with publicly managed utilities. The pilot study provided important findings on the perception and behaviors of customers and institutions regarding the decentralization process and water sector reform. The present study is a scaling-up of the pilot study to include a total of eight cities: four cities managed by one private operator under the MWWP and four counterfactual cities with publicly managed water utilities. This analysis was carried out at the start-up stage of the private operator’s engagement in the operation and management of the four water companies under the MWWP.

Site selection – The cities were selected by the World Bank, as was stipulated in the Terms of Reference (TOR). The cities were chosen to represent two models of utility management: privately managed utilities (Durrës, Fier, Lezha, and Saranda) and publicly managed utilities (Lushnja, Gjirokastra, Korça, and Vlora). This approach allows for comparison between the two models and tests the underlying assumptions of each.

Research techniques – Both quantitative and qualitative data collection techniques were used to gather information on the distributional impacts of the reform. The research techniques employed included the following:

- *Desktop review* – The research team reviewed the existing literature relevant to the water sector reform in Albania. The documents reviewed are noted throughout the footnotes and references section.
- *Key informant interviews at the central government level* – Eight key-informant interviews were conducted at the central government level. Additional interviews at this level were performed to properly address the issues of concern that were raised in some of the meetings with experts. (A detailed list of the experts interviewed and their respective institutions appears in Annex 9.)
- *Key informant interviews at the local government level* – At least 10 expert interviews at the local government level were performed for each of the eight project cities. Additional interviews were conducted in some of the cities, depending on the peculiar characteristics of the city. (A detailed list of experts interviewed and their respective institutions appears in Annex 9.)
- *Focus group discussions* – Four focus group discussions were conducted in each city. Care was taken to ensure that the groups had balanced representation of participants and consumers who were selected based on the following criteria: demographic and socioeconomic characteristics (gender, socioeconomic background, level of education, and so forth) and service quality of water and wastewater goods and services (different water pressure zones, areas that have or lack coverage by the network, households with and without meters, and so forth).

- *Socioeconomic household questionnaires* – A total of 664 household surveys, which covered all eight municipalities, were performed by a group of trained research staff. The survey was conducted on a representative sample of at least 80 households in Fier, Gjirokastra, Lezha, Lushnja, Korça, Vlora, and Saranda plus a representative sample of 100 households for the region of Durrës (see Annex 13), including the villages covered by the project. (An additional 20 household surveys were conducted in Durrës to account for a larger number of residents served.) The sampling technique was both stratified and random for each city. It was stratified because it aimed to include the sample households complying with different criteria, such as coverage or lack of coverage by the network, different pressure zones, presence or lack of meters, and so forth. Within each group, sampling was random to obtain balanced representation of households located in and outside each service area.

CONTEXT AND OBJECTIVES OF THE WATER SECTOR REFORM

Background of Water Sector Reform in Albania

Water and sewerage infrastructure in Albania is at least 30 years old. Consequently, it has significantly deteriorated, and huge leakages account for considerable water losses.¹ The quantity and quality of the water supplied is well below desired levels, while sanitation presents an even more acute problem caused by the lack of investments to improve the sewerage network. Uncontrolled migration to the country's major cities has resulted in expansion of the boundaries of urban areas, but has not been accompanied by provision of water and wastewater service coverage for most of these newly settled areas. The ensuing increase in illegal connections to the water and sewerage network has exacerbated an already serious situation.

The Government of Albania (GOA) is also trying to address the issue of access to the poor through poverty mitigation reform, which is supposed to (a) provide basic water and sanitation services to the poor, (b) provide safe water to the population served, (c) provide an affordable water supply, and (d) increase access to water and sanitation services in neglected areas. At the same time, the reform intends to promote financial viability of the water utilities through increased tariffs, improved collection ratio and enforcement, disconnection of illegal connections, and so forth.

To address these urgent issues in this vital sector of the economy, the GOA has declared water and sanitation sector reform an important part of the National Strategy for Social and Economic Development (NSSSED). This reform aims to improve the efficiency and effectiveness of the service provision, ensure access to basic infrastructure services, and improve targeting of low-income households.

The two main documents guiding the reform are (a) Law No. 8652 on "Organization and Functioning of Local Governments (OFLG)" (June 2000) and (b) Albania: Water Supply and Sanitation Sector Strategy (June 2003). Three main steps are central to this process and the success of the reform:

Asset inventory and transfer of powers to the local government. Asset inventory carried out by the Ministry of Territory Adjustment and Tourism (MOTAT) has been completed for all 53 WUs in the country, except Korça, where the inventory has to be calculated by taking into consideration the KfW investment. The next measure will be the classification of WUs according to their service area, starting with the less complex utilities (basically those serving only one municipality or commune) and ending with the more complex ones (regional companies). Asset inventory has proven difficult for regional water systems, thus affecting the pace of the reform.

Assessment of the financial situation and current type of management for each WU. According to an expert at the Ministry of Finance (MOF), most WUs have inherited debts that hinder the pace of the decentralization reform. The expert stated that one of the challenges facing the MOF was writing off their debts to the Albanian National Power Corporation (KESH) during 2005, the

¹ The system was designed to serve the needs of the time, where much smaller amounts of water were used. While adequate maintenance has been lacking, unauthorized interference in its infrastructure has caused the system to depreciate rapidly.

deadline by which the state subsidy to the WU for paying off the debt to KESH is expected to end. The same expert believed that completion of the transfer would be dependent on writing off the arrears of the utilities, as well as on LG capacity to generate investment funds from sources other than the limited unconditional grant from CG, which cannot finance large-scale investments.

Completion of the legal framework necessary to support the reform is the third and final step. According to one of the CG experts, the incomplete legal base supporting the reform has hampered its progress. According to the director of the Decentralization Department at the MOLGD, revisions to the current laws and bylaws on decentralization and water sector reform are necessary.

Progress of the Reform

During 2003, the decentralization reform continued through a process of “functional and fiscal autonomy,” but the main objective related to the delegation of powers to the local government was not accomplished. The Law on “Organization and Functioning of Local Governments” OFLG stipulates that the decentralization of the water sector functions and transfer of authority to the local governments would become effective on January 1, 2002. Although the inventory had been completed for all water companies (except one) and government subsidies were continuously provided to write off utility debts, none of the eight WUs, which are the focus of this study, had been transferred to the local governments. Some CG experts anticipated the complete transfer of property and authority to be achieved within 2004, while other CG experts considered the completion of the water sector decentralization within 2005 a real challenge.

To facilitate the progress of the reform, a number of bylaws have been issued recently,² but despite the commitment of the central government to move the decentralization efforts forward, the progress of the reform has been very slow. The objectives related to the decentralization of the water sector functions and transfer of authority to the local government have not been accomplished. The implementation and success of the water reform depend not only on the support from the central government but also on the support and initiative of local governments.

Institutional Structure of the Water Sector and Reform Stakeholders

In the following analysis, stakeholders are divided into three groups: (a) stakeholders that affect the reform, (b) stakeholders that are affected by the reform (either positively or negatively), and (c) stakeholders that have influence on the reform policy.

Stakeholders That Affect the Reform

Central Government

The *Council of Ministers (CM)* plays a key role in the completion of the legal components of the reform. The responsibilities of the CM are to draft and propose laws to the Parliament and issue bylaws. There has been political commitment on the part of the central

² For more detailed information, see Annex 1.

government to proceed with the formulation of the decentralization strategy; however, its support for the implementation phase has not been substantial.

Ministry of Territory Adjustment and Tourism (MOTAT) plays a critical role in the reform process. MOTAT is responsible for designing water sector strategy and policy, investment policy through planning and distribution of investment funds, subsidy policy through planning and distribution of subsidy, and an assets inventory of the water utilities to transfer WUs to the LG. MOTAT and MOLGD are both engaged in implementing the transfer. However, no new deadlines have been set to meet these targets. MOTAT is also responsible for representing the government in the Supervisory Council of the water companies and in the Executive Committee (EC).

Ministry of Local Government and Decentralization (MOLGD) plays the main role in the implementation and coordination of the decentralization reform in all sectors, including the decentralization of the water sector. Most important, MOLGD monitors the transfer of WU to the respective local governments. In addition, it represents the CG in the Executive Committee of the four water utilities with management contracts. The Directorate of Decentralization within the ministry is the main actor responsible for pushing the reform forward.

Ministry of Economy (MOE), as the owner of the assets, is responsible for drafting laws and implementing privatization policy for this strategic sector. Some of its main responsibilities in the process of water sector reform are to assess their assets and assist in the merger between water and sewerage enterprises and the transformation of these enterprises into shareholder companies.

Ministry of Finance (MOF) is responsible for providing the subsidies to WUs. Experts interviewed confirmed that most WUs have inherited debts, which have slowed the pace of the transfer. Writing off company debts to KESH by 2005 is considered a challenge for the MOF. Given the current financial situation of WUs in Albania, the role of the MOF is crucial in accelerating the pace of the reform.

Water Regulatory Entity (WRE)

The WRE is an independent entity that came into being after a 1996 law on the “Regulatory Framework of the Water Supply Sector and Disposal and Processing of Wastewater.” In the framework of the decentralization reform, the authority to set tariffs will be transferred to the LG; however, because of the delay in the decentralization process, the WRE continues to hold this authority. The future role and responsibility of the WRE will focus on designing models for setting tariffs and facilitating the decisions made by the LG. The WRE has a legal right to monitor and issue penalties in case of law violations; however, this has not been put into practice.

Local Government (LG)

The local governments are expected not to be merely beneficiaries of the reform but also active participants in it. However, because of a delay in the decentralization process, the municipalities have not been able to exercise all their rights as established by the law. The LG is now operating in a new institutional environment, which includes (a) a new status for the WU; (b) a draft service agreement signed between the municipality and WU; (c) a new water code; and (d) the EC, where the four local governments have representation. LGs in the four MC cities are expected to play a more active role through their participation in the EC.

- The local authorities are faced with two major issues:
- The first issue is the lack of necessary expertise in issues of administration and management of the utilities. Durrës is a case in point, with difficulties and ambiguities stemming from not only the complexity of the system but also the incompetence of the LG to adequately address issues of concern.
 - The second issue relates to the WU's vulnerability to the political process, whereby some of the new administrators can be political appointees and not necessarily technical experts. This could be of particular concern for Korça, where the utility company is operating efficiently.

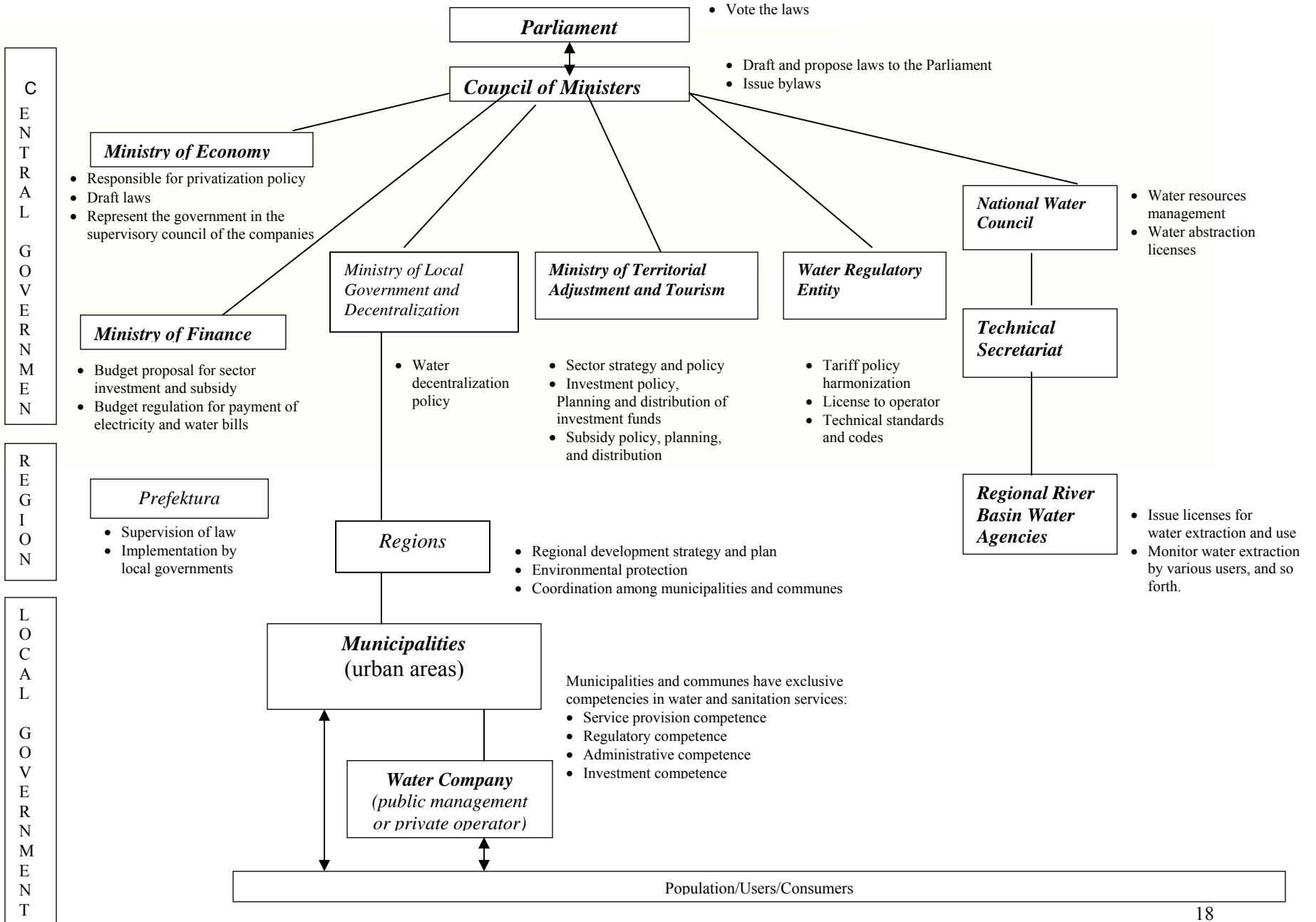
Contract Monitoring Unit (CMU)

The CMU builds on the Water Supply Urgent Rehabilitation Project experience and extends its focus to improving managerial capacity, in addition to technical and physical interventions. This contract introduces two more constituents into the institutional structure of the water sector. Unlike the EC, which is a political body, the CMU deals only with technical issues.

Executive Committee

The EC was established after a decision by the Council of Ministers to manage the World Bank (WB) Credit. It is the main decisionmaking body, with the authority to revise and approve actions undertaken by the private operator. This committee consists of seven members, three of whom belong to the line ministries (MOTAT, MOLGD, and MOE), and four other members are representatives of the LG from the four project cities. All members are appointed by the CM. Apart from Durrës, which has a regional water system and is thus represented by a regional authority, municipal authorities represent the other three cities. The EC is assisted in this process by the CMU, which deals with the technical component of the project.

Figure 1: Institutional Map of the Governance structure in the Water Sector



Supervisory Council (SC)

The SC is a structure established after October 2003, when WUs were transformed into shareholder companies. This structure replaced the former leading board of the WUs. Two-thirds of the SC belong to the central government (MOTAT and MOE), and only one member is an LG representative. The latter is usually the deputy mayor and is in direct contact with the director or other WU staff. The SC can meet whenever the local WUs feel it is necessary. A bylaw, pending approval by the CM, will change the majority of the SC in favor of the LG.

Training Agencies

The water sector reform foresees training and capacity building for the local staff accompanying the transfer of competencies to local governments. In the framework of the decentralization process, GTZ has taken over the responsibility of conducting training programs with the heads of municipalities and communes. In addition, the General Directorate of Water Supply and Sewerage is preparing a manual and technical guide on the administration of the water supply systems. As the National Water Supply and Sanitation Strategy (NWSSS) anticipates, the Association of Water Supply and Sewerage Enterprises of Albania, with the support of the line ministries, is another stakeholder that will be actively involved in the process of capacity building.

Stakeholders Affected Positively by the Reform

Local governments will soon exercise their responsibility in providing the water and sanitation services and will also benefit from training and capacity building programs. The local authorities in the four MC cities will have additional roles attuned to the approved action plan of the PO.

Water utilities – The reform, starting with the transformation of the WUs into shareholder companies, aims at increasing the financial viability of the utilities. In this respect, the four utilities with the MC are expected to benefit through increased company revenue and staff who are better trained.

Customers (public, private, households) are expected to benefit from increased access and availability of quality running water at a higher pressure for more hours per day and more days per week. It is assumed that the benefits will be greater for households in the four MC cities because of large-scale investments that will improve the infrastructure.

Very poor households – The MC for the four privately managed water utilities of Durrës, Saranda, Fier, and Lezha has introduced a new form of subsidy for very-low-income households, which are unable to pay their water bills. The subsidy consists of a lifeline tariff of 20 liters per capita per day that is anticipated to be effective during 2004.

Stakeholders Affected Negatively by the Reform

Unauthorized household users – One of the provisions of the NWSSS addresses the termination of unauthorized access to water pipes. If such a measure is put into effect, it may negatively affect these households' standard of living because it will force them to look for

alternative providers, such as a vendor, and would increase household expenditures. The likelihood that the government will succeed in this endeavor is slim, considering that previous attempts made by the WU have failed and that the government lacks the comprehensive approach needed to deal with squatters.

Unauthorized business users – such as car washes or construction companies that use drinking water for their businesses – are another group that will be negatively impacted by the reform. It is believed that the discontinuation of water supply (in the case of car washes) or the installation of meters accompanied by water tariff increases will have an adverse effect on this stakeholder group and might trigger a negative reaction.

Stakeholders with Influence over the Reform

The government and the water utilities are significant stakeholders with influence over the reform. It is important to note that other segments of civil society that have an influence over the reform such as the Albanian Association of Water Supply and Sewerage Enterprises (AWSSE), which is a very promising body, very active and supportive of the decentralization reform. The AWSSE, in close cooperation with the line ministries, will design and implement training programs for the LG and WUs and will provide consultation. Moreover, the AWSSE believes that when the authority and asset ownership are transferred to the LG, the latter will provide institutional support to the association, and the cooperation between the two will be stronger and more effective.

Poverty in Albania in the Context of the Water Sector Reform

Albania remains one of the poorest countries in Europe, with the GDP per capita at around US\$1,100.³ Poverty has a monetary dimension as measured by income or expenditure, but it has a nonmonetary dimension as well. The latter is quite broad in scope and includes access to basic goods and services, such as education, health care and health services, water, sanitation, employment, social inclusion, accountability, and civil society participation and empowerment. Poor access quality to basic infrastructure services is one of the main issues regarding nonincome poverty in Albania (De Soto and others 2002). This study will focus mainly on the nonmonetary dimension of poverty as it relates to access to water and sanitary goods and services.

According to the report on “Poverty in Albania: A Qualitative Assessment” (2002), as far as water and sanitation are concerned, access is poor, and quality of services offered is low even in urban areas. Many Albanians ranked infrastructure problems as the third main cause for their difficulties and low standard of living, after low income and high unemployment. Data from the same report indicated that about 35 percent of Albanians mentioned lack of water supply as their most urgent problem. About 71 percent reported having access to tap water, but that was available only for an average of about 11 hours per day. They frequently blamed poor water quality and inadequate services for their health problems.

Descriptive data obtained from the present study in the eight selected cities showed that an average of 20.7 percent of surveyed households (24.5 percent for the four MC cities and 16.6 percent for the four counterfactual cities) ranked service quality as their most urgent problem. An

³ Living Standards Measurement Study (LSMS), 2002.

average of about 90 percent of the households (82.2 percent for the MC cities and 99 percent for the counterfactual cities) have access to tap water, while the average hours of supply vary greatly among the cities.

The discrepancy between the two data sets can be attributed mainly to the inclusion of rural areas in the 2002 study, which significantly decreases access level figures, while the focus of the present study is urban water and sanitation access. Furthermore, it should be noted that the seemingly low figures of households having no access to water in our study could be attributed to the use of coping mechanisms, such as water tanks, which increase supply hours, affecting consumer perception on water supply quality.

Service quality of water and wastewater services tended to be related to location and poverty. (See detailed discussion in Findings and Analysis chapter.) In this respect, the PSIA will specifically explore relationships that exist between poverty and access to water and sewerage in the illegal settlements, such as Kënetë in Durrës. Distribution of poverty⁴ was similar in all target cities.

⁴ Classification is taken from Hermine De Soto and others. 2002. "Poverty in Albania: A Qualitative Assessment." The World Bank. Washington D.C.

CITY PROFILES

This chapter tries to provide an understanding of similarities and differences among the eight selected cities regarding issues of access, billing, coverage, collection ratios, and water losses, as well as between the two models of water service management. (Detailed city profiles are included in Annex 4.)

Access

The eight cities are quite different regarding population size, ranging from 33,000 inhabitants in Lezha to 173,542 inhabitants in Durrës. As indicated in Table 2, population size has drastically increased during the past 13 years, contributing to the deterioration of the water and sewerage infrastructure. Data made available by municipal sources showed that the population growth rate was higher in the four MC cities than in the counterfactual cities.⁵

Internal migration was identified as an indicator that had significant implications on the quality of water and sanitation services. The development of new settlements, which lack proper coverage by the water and sewerage systems, was more pronounced in the four MC cities. In this respect, households in the MC cities reported having poorer access to the services regarding duration and pressure of water supply, higher tariffs, increased number of illegal connections, greater discrepancy between the real number of users and the number of contracted customers, a higher number of septic tanks, and so forth. Inadequate access to water services has caused an increase in the number of self-dug wells, especially in the cities of Fier and Lushnja.

Seven out of the eight selected cities provide service only to urban areas, except for Durrës, which is a regional system and provides service to three municipalities and six communes. As a regional water and sanitation provider, Durrës is rather unusual regarding issues of access, asset transfer, and other aspects of the reform.

Billing

Billing represents similar characteristics in all four MC cities, where the flat rate is the prevailing method, while partial metered consumption is an outcome of the WSURP. On the other hand, Korça WU bases billing on metered consumption only. Vloora uses mainly flat-rate billing, with very few metered consumers, and Lushnja and Gjirokastra are totally relying on flat-rate billing. The PSIA has tried to explore the relations between the type of billing system and consumer behavior toward water conservation, payment of the water bill, and financial situation of the WU. (See more detailed discussion in Findings and Analysis chapter). One of the measures stipulated in the reform is universal metering. The four MC cities are expected to be among the first beneficiaries; however, the customers in the MC cities are also expected to experience higher tariff increases. (The implications of these measures are discussed in the Findings and Analysis chapter.)

⁵ Figures on population size of city outskirts are unavailable.

Collection Ratio

Collection ratio is seen as a combination of affordability and willingness to pay. At the same time, collection ratio is another indicator of the efficiency and financial viability of the water companies. As such, collection ratio can also be considered as an indicator of the absolute necessity to define new strategies and/or mechanisms for improving enforcement. An improved collection ratio will enhance company revenue allowing it to cover O&M costs, and thus decrease the amount of state subsidy to the sector. This, in turn, might have far-reaching implications for more active and efficient participation from the central government with capital investments.

Water Losses

Water losses are present in all the selected cities except for Korça. Water losses are seen as a combination of the dismal technical condition of the network and human factors such as consumer behavior toward water consumption. Water loss has clear implications for the service quality, which in turn affects consumer satisfaction with the service.

Table 2 presents a summary of basic socioeconomic and technical data that relate to our analysis. It provides for a better comparison of the eight target cities, especially when analyzing the distributional impact of the reform. Overall, the situation of water supply and sewerage services in all target cities, except for Korça, is similar regarding water loss, billing, and collection rates. The cities are grouped in MC cities and counterfactual cities, and the data are provided for each group separately. In the first group (MC cities), there is a private operator, which is ready to invest and has incentives for doing so, but carries with it the issue of significant tariff increases. In the second group (counterfactual cities), there is a public operator, which has limited investment capacity, but adopts a more “consumer-oriented” approach. The issue of tariffs is perceived to be especially relevant for the four MC cities, where even current tariffs are already higher than those in the counterfactual cities. Access data, on the other hand, are slightly worse for the MC cities, probably because of increased population size, which implies increased demand for water.

Table 2. Condition and Access to Water and Sewerage Infrastructure in Eight Target Cities

	Cities under management contract				Counterfactual cities			
	Durrës	Fier	Lezha	Saranda	Korça	Gjirokastra	Vlora	Lushnja
Area (km sq)	433	720	437	149	1,530	1,137	1,609	712
Population (2001 census data)	113,465	76,166	16,592	14,553	58,911	22,866	85,180	38,336
Population (municipality data)	173,542	109,925	33,000	32,000	84,000	34,250	115,396	61,000
Population growth ratio (%) (1989–2003) ⁶	210	255	340	203	132	142	160	204
Unemployment rate, 2001 (%)	27.05	20.07	12.88	19.58	21.76	23.12	27.23	27.05
Families under economic assistance	1010 (2.27%)	1330 (5.2%)	792 (13%)	153 (1.9%)	1944 (8.3%)	320 (3.5%)	2007 (7%)	1500 (10%)
Main economic activities (water-related)	Tourism and services	Food processing services	Fishery, tourism, and services	Tourism, fishery, and services	Brewery and food processing services	Food processing services	Tourism, fishery, and agricultural services	Food processing and agricultural services
Main economic activities (not water-related)	Trade, construction, apparel manufacturing, transportation, and agriculture	Construction, trade, apparel manufacturing, and agriculture	Construction	Construction	Apparel manufacturing, trade, and construction	Construction and apparel manufacturing	Construction, apparel manufacturing, and trade	Apparel manufacturing, construction, and industry
Water utility coverage area	Regional	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal
Billing system	Predominantly flat rate combined with metered consumption	Predominantly flat rate combined with metered consumption	Predominantly flat rate combined with metered consumption	Predominantly flat rate combined with metered consumption	Metered consumption	Flat rate	Predominantly flat rate combined with metered consumption	Flat rate

⁶ Based on population data obtained from municipal sources.

Table 2 (cont.)

	Cities under management contract				Counterfactual cities			
	Durrës	Fier	Lezha	Saranda	Korça	Gjirokastra	Vlora	Lushnja
Tariffs for domestic consumers (flat rates represent four-member households)	840 Lek flat rate; 31 Lek/cubic meter	30 Lek/cubic meter	28 Lek/cubic meter; about 840 Lek flat rate	30 Lek/cubic meter; about 620 Lek flat rate	32 Lek/cubic meter	240 Lek flat rate	About 550 Lek flat rate	18 Lek/cubic meter; about 600 Lek
Collection ratio (%)	60	40	67	60	98.83	60	50	60
Water loss (%)	68	55	55	60	10	55–60	60	60
Condition of the sewerage system	Dire, some investments through the MWWP	Dire, some investments through the MWWP	Dire, some investments through the MWWP	Dire, some investments through the MWWP	Dire, funds provided, project not yet implemented	Dire, lacking investments	Dire, system upgrade started in 2003 by PHARE project	Dire, lacking investments
Hours of supply*	1.5	4.5	13	4	24	2.4	7.5	1.3
Monthly household income	39,139	60,292	46,644	74,127	50,023	58,716	66,555	29,964
Population having access to water service (%)	88	85	62	92.4	100	100	100	96.3
Population having access to sewerage service (%)	69	86.3	36.7	64.6	95	76.5	87.8	76.8

* Hours of supply presented here are an average of summer and winter supply, as presented in the Findings and Analysis chapter.

Source: Household Questionnaire, and qualitative fieldwork data for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004

FINDINGS AND ANALYSIS

The following is a detailed description of costumers' perceptions of the two management models of management and an analysis of (a) the impacts of the water sector reform and (b) the institutional issues and bottlenecks of the reform.

Impact Analysis

Tariff Increases

Main stakeholders – Tariffs are crucial because of implications for both utilities and consumers. While water companies try to increase tariffs to cover costs, consumers are the ones who bear the consequences. Main stakeholders with regard to tariffs are the WRE, local governments, WUs, POs, all types of customers (especially vulnerable groups), and businesses. One major institutional issue that emerges is the attitude of the WRE in light of its changing role and responsibility. With very few exceptions, most expert interviews at the local government and water utility levels indicated that the LG is in a better position to set the tariff and that it is more accountable toward both consumers and WUs. The greatest challenge for the LG was perceived to be in setting tariffs when the assets of the water company belong to more than one LG unit, as is the case of Durrës.

Main issues related to the current billing system – The most common type of billing for seven of the target cities is based on a flat rate. The Korça WU is the only utility in the country whose billing is completely based on metered consumption. Most WU experts in the seven target cities (Korça excluded) stated that the current billing system encourages major water abuses and consequently does not allow for covering the real cost of production.

Introducing computerization is another important issue recognized by most experts, although qualitative data from FG discussions revealed that a computerized bill per se means nothing unless it is accompanied by service improvements. Although both Korça and Durrës consumers receive a detailed computerized bill, only the former regard this as an improvement.

Urgency for universal metering – One of the objectives of the water sector reform is the application of universal metering to prevent water abuses and achieve demand management, which has far-reaching impacts for water conservation and sustainable water management. The rationale behind this measure foreseen in the NWSSS is also supported by FG discussions in Korça, where the participants confirmed that once meters were installed, people began to conserve water and use it strictly for internal household consumption.

Quantitative data obtained from the HHQ provide support to this statement. Most participants responded that tariff increases did not affect water consumption because of lack of meters. The above finding confirms the finding from the pilot PSIA study, which indicated that meter installation was considered key to a fair tariff system, based on actual consumption.

States one man in Lezha: “When there were no electricity meters, you’d wake up in the middle of the night and see all the lights turned on. This situation changed as soon as meters were installed. For this reason, I believe that the most effective way to prevent water abuse is to install meters. They [meters] are necessary.”

Universal metering is a priority issue, which will affect the way households will cope with increased tariffs. This measure will be especially positive for vulnerable groups, such as the poor or retirees. This statement is illustrated by one of the FG discussions in Këneta, Durrës: “We might afford the water tariff as it is now, provided we have meters to control consumption.” The cost of meter installation, however, poses a major problem, as was illustrated by one of the FG discussions in Durrës with (relatively well-off) participants who had been included in the metering program of the WSURP. One of the FG participants stated, “When water meters were installed, nobody told us we would have to pay US\$90 for them. I know that the average price for a meter is about 2,500 Lek, not US\$90. I call this corruption. Now, we are paying 200 Lek per month in addition to the water bill.” This finding suggests two things: (a) the cost of the meter is unaffordable to poor families and (b) meter installation should have been preceded by an information campaign. In Saranda, there have been some cases where meters installed by the water company to business customers have been broken or tampered with. Consequently, it is recommended to install tamper-proof meters, at least for problematic customers or areas.

Need to improve billing rates – For most target WUs, only about half of the water consumed is actually billed (Korça being an exception). Inappropriate billing is mainly caused by leakages, water abuse, and over-consumption of water. It is suggested that the companies update their customer database to reflect the real number of consumers and contract consumers in the new residential areas who are actually connected [though illegally] to the network. It should be noted that although most of the WU experts state that it is in the best interest of the company to contract the [illegal] consumers, no ambitious steps have been taken in this direction.

The current legal base regarding VAT payment might be at the root of this issue. At present, the WUs calculate the VAT over the billing rate so that the more consumers they bill, the more VAT they charge. For this reason, it is recommended to base VAT rates on the collection ratio. There is a caveat to this, however; contracting additional consumers would not necessarily mean collecting more revenue, especially in the new settlements, where the social and economic problems are more prevalent and where most households do not have an address where the bill can be sent. This points to another area of possible cooperation between the WU and local governments.

Improve collection ratios – Increasing the collection ratio is perhaps the top priority of water companies. One of the CG experts stated that national collection figures for the year 2003 were 72 to 75 percent, a smaller figure than predicted. A positive exception was the Korça WU, with a collection ratio of about 99 percent. On the other hand, data obtained from the local WUs showed that figures for collection ratio were actually lower. In most experts’ view, customer reluctance to pay and lack of proper enforcement measures were the main reasons accounting for low collection ratios.

Need to improve enforcement – A similar number of respondents from both groups of cities (almost 75 percent of MC and counterfactual respondents⁷) answered “yes” when asked whether the company should improve enforcement.

A man living in the new residential areas in Lezha states: “The technicians of the company came once to disconnect us. Then we connected again. After that the company contracted us, but we still do not pay the bill.”

More people in the MC cities compared with the counterfactual ones reported not having paid the bill regularly because of lack of enforcement. The WUs believe that they alone cannot succeed in

⁷For city-specific data, see Annex 8, Table 3.

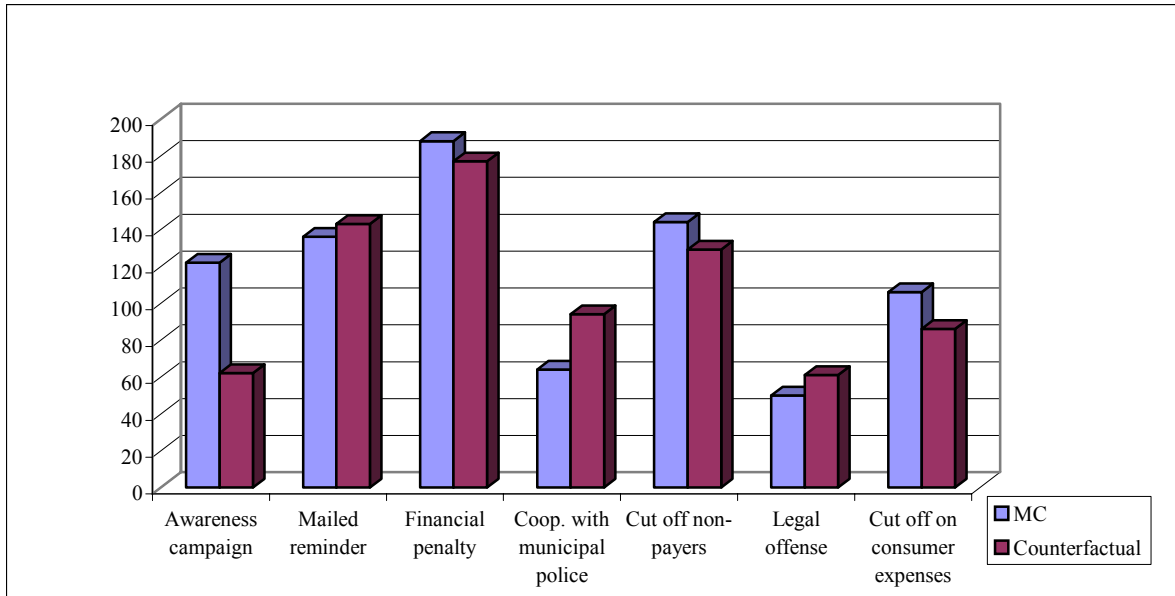
improving enforcement and that active participation of the local authorities is necessary.

As Figure 2 below shows, a similar number of respondents (about 24 percent) in both MC and counterfactual cities stated that the best way to improve enforcement is to apply financial penalties to late payers. Cutting off nonpayers and sending reminders in the mail to delinquent customers are the second and third options for both MC and counterfactual cities. A difference emerges only regarding awareness campaigns, where 15 percent of the respondents from the MC cities, compared with 8 percent of respondents from the counterfactual cities, perceived that such an approach was necessary to improve enforcement.

It should be noted that although a significant number of participants reported cutting off service as an efficient way to penalize nonpayers, qualitative data from both expert interviews and FG discussions showed that this method did not work. A statement of a respondent illustrates this claim. Moreover, more than 70 percent of respondents believed that enforcement measures should be targeted at business customers, who are perceived as a category that uses water the most and pays the least.

A man living in the new residential areas in Lezha states: “The technicians of the company came once to disconnect us. Then we connected again. After that the company contracted us, but we still do not

Figure 2. Households’ Perceptions on Best Ways To Improve Enforcement



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

Water company experts, too, stated that businesses were usually the most problematic customers, and in this regard, the WU asked for cooperation from the municipal police. Public institutions are perceived as the second target for enforcement according to about 18 percent of respondents.

Affordability and willingness to pay – Given that the monthly water bill accounts for about 1.3 percent of household expenditure for both types of cities, it would seem quite plausible that affordability should not be an issue for most families. However, in most cases, the water bill is not the sole household expense that goes for drinking water. Families often buy water from vendors, travel to get water, pay for electricity used to operate the water pumps, buy water tanks, and make repairs to the interior of the house because of the humidity caused by wide use of the tanks.

The link between poverty and affordability to pay was evident especially in city fringes, such as the new settlement of Këneta in Durrës. These people stated that they could make an effort to pay the water bill, as it was at present, but that another tariff increase would be unaffordable. Business consumers are another category that might be negatively affected by tariff increases. This concern was especially evident in the service sector and was raised by owners of small businesses that did not generate a big profit.

On the other hand, willingness to pay is mainly related to issues such as attitude and satisfaction with the service. The question is: “At a time when consumers make additional expenses for drinking water, why should they agree to pay more for network water?” FG participants admitted that they would be willing to pay more, provided there were increased access and water quality and improved service quality. The PSIA pilot revealed similar findings regarding this issue.

Data also suggested that tariff increases, which were not associated with improvements in service quality, were not welcomed by the consumers and might cause discontent. This statement is further illustrated by the FG discussion in Durrës, where most FG participants stated that the tariff increase was accompanied by promises of significant improvements in the water supply that did not materialize.

Table 3. Reasons Reported for Not Paying the Water Bill

		MC cities (%)	Counterfactual cities (%)
1	Water should be free	21	1.6
2	Lack of financial means	25.8	30.6
3	Dissatisfaction with the service	21	17.7
4	We did not receive the bill	4.8	12.9
5	We have to wait in line for hours	1.6	1.6
6	Inconvenient opening hours of the sales office	1.6	0
7	No enforcement	11.3	0
8	Other	12.9	35.6

Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

As the Table 3 shows, “dissatisfaction with the service” is the second most common reason cited for not paying the water bill. (The following box illustrates this last claim.) Most responses falling under the category “other” were (a) “we are connected, but do not have a contract with the company”; (b) “we have been living abroad”; and (c) “there is no water.”

States a customer from Lushnja: “If we had water even for one hour per day, we would pay the bill. Why should we pay when we don’t have water at all?”

Table 3 shows that “water should be free” is an option that differentiates the two types of cities. The higher figures in the MC cities might reflect the sample of households interviewed (that is, the MC cities have experienced the largest impact of internal migration). Most people who have settled in the city fringes have come from areas where water is found in nature, for free, and is thus considered a gift from God. It is possible that a major reason for the observed difference is that these consumers do not really perceive water as a commodity that comes at a cost. This fact implies that the PO, in cooperation with WU staff and local governments, will have to pay great attention to raising customer awareness in these areas regarding payment.

Previous experiences in other developing countries have shown that involvement of the civil society sector in awareness-raising campaigns has shown positive results as measured by improved collection ratios, water conservation, and so forth. For this reason, it is suggested to encourage civil society engagement in Albania as well.

A man from Korça complains: “My family pays about 1,300 Lek per month. This is expensive.” On the other hand, women from Këneta say: “We are ready to make a financial contribution if it is necessary, provided the WU brings water to our houses.”

Need to increase the tariffs – All the experts interviewed agreed that the current water tariff did not cover the cost of the services, and another increase⁸ for both water and sewage tariff was necessary. The PO in the four MC cities confirmed this statement and added that a tariff increase

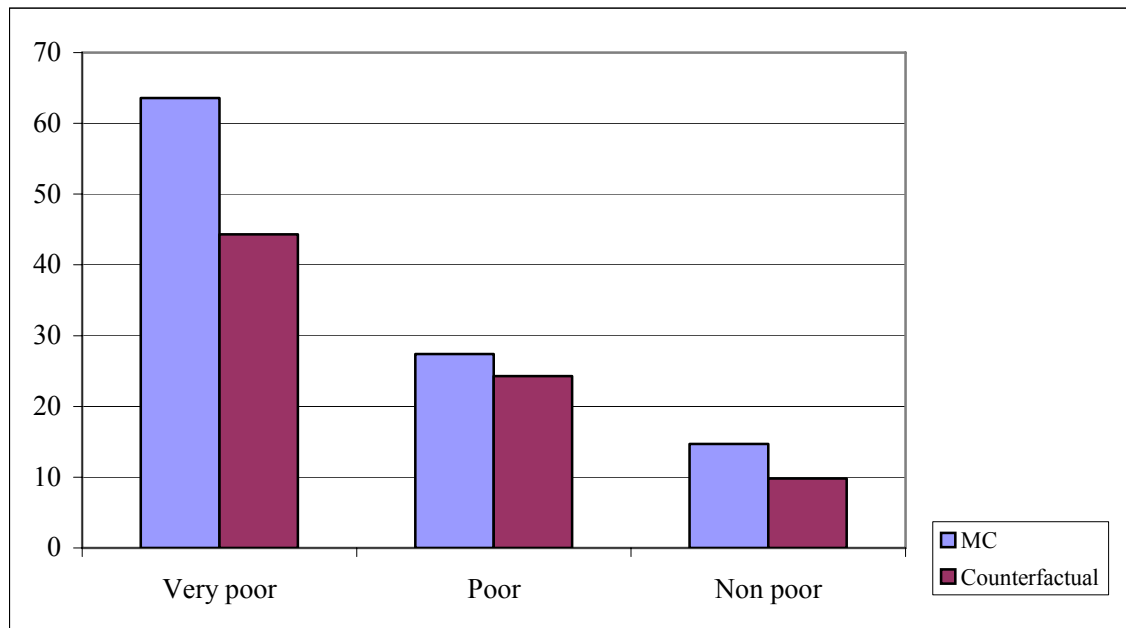
was indispensable to cover O&M costs⁹ and become attractive to investors. In his view, tariff increases should be accompanied with training the local WU staff in adopting an approach that is more businesslike. This experience has proven to be very successful in Korça. Regarding this, the Deputy Mayor of Lezha stated, “If the WU is operating below cost, we should proceed with the tariff increase. It will be a bit painful at first, but it is a step that needs to be taken.” However, most experts stated that the increase would be gradual, taking into account consumers’ ability to pay.

Vlora experts expressed diverging attitudes regarding increased tariffs. While the Director of the WU stated, “My intention is not to increase the tariff, but to increase the collection ratio, because an optimal collection ratio at the current tariff would allow the company to cover O&M costs,” municipal authorities in Vlora stated openly their intention to increase the water tariff once they were entitled to do so. The present study indicates that further tariff increases are not usually met with enthusiasm.

⁸ The four WUs under the MC currently have the highest water tariffs, compared with the other four counterfactual cities. Moreover, the tariffs for the former group are expected to increase even further. Korça is not directly comparable in this regard, because tariff setting in Korça is based on metered consumption employing a price per cubic meter of water consumed.

⁹ Except for the Korça WU, none of the other seven WUs cover O&M costs at the current tariff and collection ratio.

Figure 3. Percentage of Contracted Consumers Who Are Not Regular Payers



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

As Figure 3 clearly indicates, the largest proportion of nonpayers comprises very poor households. The figures for irregular payments drop as the poverty level decreases. It should be noted that, in general, there are no reliable surveys that measure consumer ability and willingness to pay. It is therefore suggested that, in the framework of the decentralization and water tariff liberalization laws, local governments conduct surveys and focus group discussions with all categories of consumers, including residents from the new settlements, to make informed decisions.

Access to Water and Wastewater Services

Main stakeholders – Service quality is probably one of the best ways to measure the impact the reform is having on consumers. Main stakeholders in regard to this transmission channel are the GOA, MOTAT, donor community, WUs, local governments, and customers (who will be the main beneficiaries). The local WU staff tends to inflate figures on current quality of access, as compared with data obtained from FG discussions and HHQ. Another issue of concern is the dependency on power supply for water extraction, which inflates production costs.

Need for extending the network coverage – Table 2 shows the percentage of households that have access to water and sewerage services. Quantitative data from the HHQ show that about 82 percent of respondents in the four MC cities and about 99 percent of respondents in the four counterfactual cities report having a water connection, be it legal or illegal.

Table 4. Current Level of Access to Water and Sewerage Services

		Access to water (%)	Access to sewerage system (%)	Septic tanks (%)
1	Durrës	88	69	18
2	Lezha	62	36.7	62.5
3	Fier	85	86.3	13.9
4	Saranda	92.4	64.6	35
5	Lushnja	96.3	77.8	9.9
6	Vlora	100	87.8	11
7	Gjirokastër	100	76.5	36.3
8	Korça	100	95	5

Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

As Table 4 shows, one of the main differences between the two types of cities is access to water service. The larger population living outside of the coverage area may explain the larger percentage of people in the MC cities without access to water and sewerage network. At the same time, partial investments in the water network in these cities could not match the increased demand for services. On the other hand, the four counterfactual cities have experienced the impact of internal migration to a lesser extent. Again, the situation in Korça is different because capital investment to the network has enabled the WU to cover all customers.

Inadequate system coverage has forced people to find alternative solutions. For instance, illegal connections are the most common form of coping mechanism regarding water access. Because of lack of maintenance and security, it is easy to intrude into the main pipes either with the assistance of a company technician or a friend or on one's own. The percentage of people having one or more illegal connections is higher for the MC cities (see Table 16 in Annex 8). The second most common coping mechanism is digging wells in the yards.

A man from Lushnja: “We have dug wells; this is where we get the water from. The wells are usually about 10 meters deep. Sometimes the sewage is filtered through the soil and as a result mixes with well water. You have to dig very deep if you want to get quality water, but the cost is very high.”

However, well digging is not a phenomenon restricted to households. A number of hotels in the Durrës beach area make use of wells to meet the demand during the summer season. Illegal connections and wells are usually

individual. In a few cases, though, two or more families join to dig common wells. Quantitative data shows that the percentage of illegal connections is especially high in the four MC cities, where the percentage of the population living in the outskirts is very high.

The third most common alternative solution is buying water from a vendor. This situation is especially prevalent in Lushnja, where water access has been totally unacceptable for years and entire neighborhoods are supplied with water by means of water trucks. About 80 percent of respondents from Lushnja state that they buy water for drinking or cooking. On the other hand, there are cities like Saranda or Durrës, where the “water truck” phenomenon is common during the summer season when access to water is poorer. There tends to be a correlation between access to water and poverty for the MC cities, where the percentage of very poor households that have access to water is 72 percent. Moreover, the number of illegal connections is especially high among the very poor group, and this percentage drastically goes down as the poverty group moves toward the relatively well off (see Table 17 in Annex 8).

All of the above-mentioned coping mechanisms produce certain externalities, especially for the environment. Uncontrolled illegal connections and wells bear negative consequences for

sustainable water management. Excessive groundwater pumping has negative impacts on the underground waters, erosion, and so forth. Indeed, sustainable water management is one of the priorities that the reform is trying to address. One of the measures foreseen in the NWSSS is disconnection of illegal intrusions in the water pipes. However, such a measure is expected to face opposition by those directly affected by it, such as households, car washes, and so forth. So far, the most frequent form of opposition has been to disregard authority and reestablish the connection. As discussed in the previous chapter, this is a fact widely recognized by the WU experts, who have concluded that it is in their best interest to contract illegal users and transform them into legal users that pay for the service. At this point emerges the need to improve enforcement mechanisms, ensuring cooperation from the local government, civil society, and increased awareness.

The situation of the sewerage system, on the other hand, is similar for all eight target cities. Investments and maintenance in the sanitation sector have been totally lacking, and in many cities, the condition of the sewerage system is much worse than the water system. Table 5 provides a good picture of the current access to sewerage services, which is much poorer than access to the water network. Survey data shows that 64.5 percent of the households in the four MC cities are connected to the sewerage network, while this figure is higher for the counterfactual cities at 84.3 percent. The impact of internal migration in the MC cities might again explain this discrepancy.

Septic tanks are the most common solution for coping with inadequate sewerage coverage. These figures are 31.6 percent for the MC cities and 15.5 percent for the counterfactual cities. Qualitative data has shown that the relatively high percentage of Gjirokastra households that rely on septic tanks is due to the extremely dilapidated sewerage network.

Wide use of septic tanks in itself bears several externalities, such as contamination of underground waters through infiltration,¹⁰ spreading of disease due to irregular cleaning, and so forth. At present, a necessary step forward would be for the WUs to take over responsibility for cleaning the septic tanks. This calls for provision of the necessary equipment to carry out the task. At the same time, the decrepit sewerage network and lack of wastewater treatment plants can, among other things, cause water pollution, harm aquatic life in rivers and seas, and be a source of disease. This might even have economic consequences for the coastal cities with regard to the tourist industry and fisheries.

The NWSSS recognizes the urgent need for intervention in the sector, but such large-scale intervention would call for significant investments, which the GOA cannot possibly afford. It is of paramount importance that the donor community take an active role by providing the necessary funding and expertise.

Need to improve reliability of water supply and quality of access – The present study supports findings from other sources, which have shown that being connected to the network does not imply adequate access to the service.¹¹ In fact, survey data showed that out of all the households that reported having access to the water service, *daily* water supply was available to only 45.4 percent of respondents from the four MC cities and 60.3 percent of respondents from

¹⁰ Most septic tanks are simply primitive holes dug into the soil, independent of the type of soil, and noncomplying with any hygiene parameter.

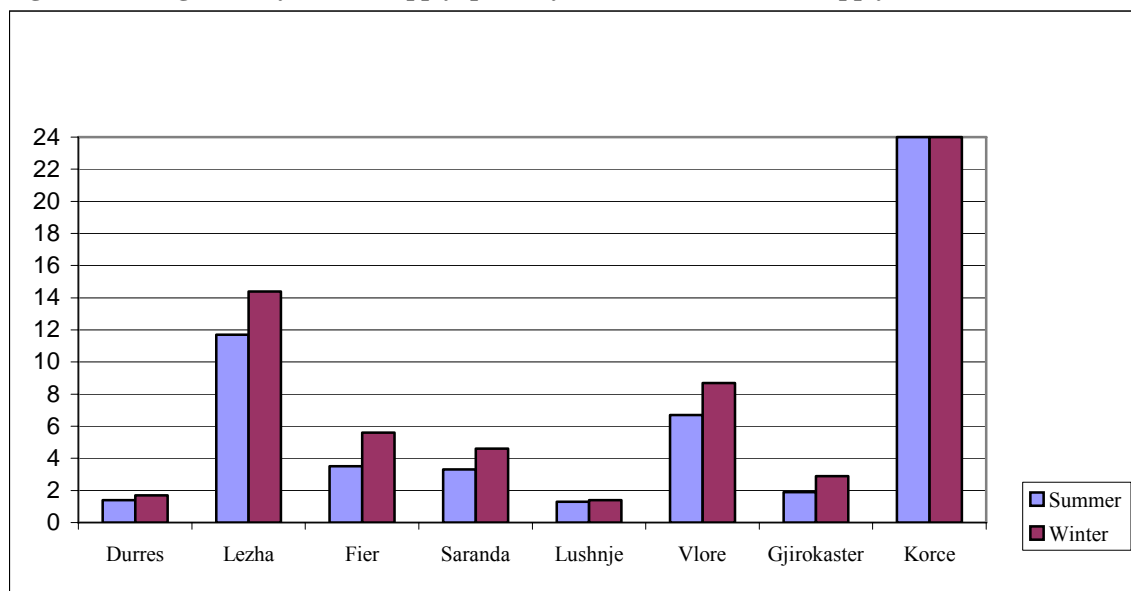
¹¹ Hermine De Soto and others. 2002. "Poverty in Albania: A Qualitative Assessment." The World Bank. Washington D.C.

the counterfactual cities. Households that did not benefit from daily access reported that average days of supply for the summer were 17 days per month for the MC cites and 14 days per month for the counterfactual cities; winter supply was about 25 days per month for the former group and about 20 days for the latter. In the four MC cities, of all households that reported having water connection, 32 percent have less than two hours of water supply during the summer. This percentage slightly drops to 25.7 percent during the winter. (For city-specific data on days and hours of supply, see Tables 8, 9, 10, and 11 in Annex 8.)

Figure 4 clearly indicates that water supply in seven out of the eight target cities is completely inadequate and the current system does not provide an acceptable standard of delivery. Korça is an outlier in this respect because it offers 24 hours of high- pressure water supply. The situation seems worst in Durrës, Lushnjë, and Gjirokastra. Both days and hours of supply differ, depending on the season. Poorer access during the summer can be explained by one major factor: drinking water is used for irrigation purposes so that less water reaches the city. Moreover, water abuses are common in all target cities, except for Korça.

A man from Saranda states: “People water their gardens; use it [drinking water] for car washes and for their cattle.

Figure 4 Average Hourly Water Supply, per City (Summer vs. Winter Supply)



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

The number of supply days for the four MC cities are also slightly related to poverty, where the number of days with water provision increases by about two as the poverty level moves up from very poor to the relatively prosperous. Hours of daily supply appear to be slightly related to poverty level, but only for the four counterfactual cities, where the very poor tend to get about two hours less of water supply than the poor, who in turn receive about two hours less of water supply than the nonpoor.

People cope with inadequate water supply in a number of ways: (a) purchasing water tanks, (b) purchasing water pumps, (c) buying water from vendors, and (d) establishing additional connections. Quantitative data showed that the percentage of households reporting having a water

tank is about 79 percent for the MC respondents and 57 percent for the counterfactual cities (currently, no water tanks are needed in Korça). The most frequently cited reason for having a water tank is the system's failure to provide 24 hours of water supply. Moreover, data on average supply hours show a slight tendency to be related to tank capacity—the shorter the duration of daily supply, the larger the tank's capacity.

Qualitative data from the FG discussions showed that people are dissatisfied with water pressure, with upper floors being the most frustrated category in this regard. Consumers in seven target cities heavily rely on water pumps. Moreover, access is also affected by electricity shortages. These shortages were reported as a major problem in the FG discussions in Durrës. Poorer households, on the other hand, report having limited ability to afford water pumps and tanks. Qualitative data reveal that most poor households use buckets or basins to store water, instead of installing tanks and pumps. (Detailed data on presence of water tanks and pumps and how they are related to poverty may be found in Tables 24 and 25 in Annex 8.)

States one woman from Gjirokastra: "If you come and see our bathrooms, all you'll find are buckets and basins."

Qualitative data from FG discussions revealed that consumer perception regarding the current quality of access was strongly associated with the belief that the current water supply would not improve as long as there were certain individuals who could benefit from the water tank and water pump sales business. The above-mentioned coping mechanisms have both financial and environmental impacts. Increased expenditure for buying water tanks, water pumps, paying extra money in electricity bills for operating the water pumps, house repair costs due to humidity, and noise from operating the pumps are some of the side effects of these coping mechanisms. Water tanks also favor water abuse. Security valves are usually broken, and it is not uncommon to see water overflowing from the tanks during supply hours.

One of the measures foreseen in the NWSSS to improve the quality of water supply concerns cutting off illegal connections used in car washes or construction companies. These types of businesses usually consume significant amounts of water without having to pay for it. So far, the attempts of the WU to cut off these connections have proven unsuccessful. The WU felt that they did not have the necessary legal support to enforce the law. Considering the water supply situation in Albania and the ability of the government to invest, it may be concluded that there is still a long way ahead for these side effects to be eliminated. However, the measures foreseen in the reform, together with active donor participation, are expected to reduce the negative impacts on people's lives and finances, as well as the environment.

Need to improve water quality – Most local experts consider water quality generally within acceptable parameters and consequently drinkable. However, data obtained from the FG participants and the HHQ did not support their claim. While almost all experts stated that they did drink tap water, only 56.7 percent of the respondents from the MC cities and 57.7 percent of the respondents from the counterfactual cities reported drinking water from the tap. The percentage of respondents who bought drinking water was 37.5 percent for the MC cities and 38.2 percent for the counterfactual cities. About 40 percent of respondents stated that they considered the water unsafe to drink. About 53 percent of households from the four MC cities and 38.3 percent of counterfactual households stated that water *was* unsafe to drink. These claims were sometimes supported by cases of interception of drinking water with sewage, altered water color, and foul smell. These figures were similar for all respondents, except for Korça households, who reported

A woman from Fier describes water: "It smells bad, it is rusty, and the color is not normal. Even the livestock will die if it drinks this water."

almost no problems related to quality of water, except high chlorine quantity in some cases (this claim, however, was not supported by laboratory tests). FG discussions showed that the most problematic cities were Durrës, Lushnja, Gjirokastra, and partly Fier.

Some ways that people cope with inadequate water quality include (a) buying drinking water, (b) boiling the water, and (c) freezing the water. However, as most people stated, it is not economical to always buy drinking water, especially in the summer, when consumption increases. Nor is it practical to always boil or freeze tap water before drinking it. Consequently, even though they are not satisfied with the quality of water, participants reported drinking tap water because it is economical and more convenient.

Most WU experts have remarked that it is necessary to change the chlorination technology, which is very old and not suitable for today's standards of quality. Water is tested every day by the primary health care unit, which submits monthly reports to the WU. However, in cases of water contamination, immediate notice is sent to the WU, and both the primary health care unit and the WU are responsible for informing the consumers. Usually this is done through the local media. It should be noted that even in blatant cases of water contamination, there was reluctance on the part of the municipal and WU authorities to admit it.

Qualitative data have revealed a relationship among poverty, access, and location, so that the poor have generally lower-quality access, and access improves when moving toward the downtown area. Box 1, taken from four different FG discussions in Durrës, illustrates this relationship. Durrës is perhaps the most complicated case of all target cities. Box 5.1 illustrates how access is related to location and draws attention to the importance of access to tourism development. The link between access and poverty is highlighted by the comparison of the first and fourth FG discussions. The latter group can be considered as either very poor or poor, whereas the former category can be considered as relatively prosperous.

Box 1. Relationship among Access, Location, and Poverty

Downtown resident: “In my neighborhood, we have water supply for about two hours once a day, and that is in the evening. We use water pumps to add pressure to the water so that our tanks are filled. I can say that in my neighborhood, the investment showed a slight improvement in water supply. During previous summers, we only had intermittent access to water. This summer, instead, we have water every evening. It does not have a set schedule, though. The water tanks are our salvation.”

Urban periphery resident: “We get water from the network once a day or once every two days. There is no set time, so if we happen to be out of the house, we remain without water; neither will our water tanks get filled with water. Even during supply hours, water has no pressure unless we use the water pumps. Some of us go to the water reservoirs to get water. But then the police threaten us. At the beginning of the summer, we were supplied with water only once a week, and even then we had to carry the water; it wouldn’t make it to the indoor taps. Later, we started having water once every two days. Sometimes, there is no power during the water supply hours, and we cannot use the water pumps, without which the water cannot make it to the water tanks.”

Beach area resident: “We have running water once every four days. Even when there is water, it has a terrible smell, and it has color. Previously, I used to boil the water, but now even boiling won’t take away its smell. Once we did not have water for 25 days; we bought water from the trucks. I buy the water for drinking and cooking. I consume about 5 liters of bottled water per day. Even during supply time, there is no more than 45 minutes of water running from our taps. Even that little that we get is thanks to the pumps; without the pumps, we would have no water at all. Obviously, this implies that if there is no electricity, the pumps do not work, and we get no water. Water supply does not have any set schedule. There have been cases when we had water at 3 a.m.”

Kēneta (new residential area) resident: “We do not have water access. We carry water with wheel carts from neighbors that do have water connection. Some of them allow us to get water; some others don’t. Even our neighbors who have water access have managed to get this through illegal connections. Sometimes the police would come and disconnect them. Then we are left without water at all. Our men are out of the house most of the day looking for casual jobs, so we have to carry water ourselves. All of us who are here today suffer from some kind of kidney disease from carrying such heavy weights every day. We have to walk for about 40 minutes to get to the water connection.”

Support for the Poor via a Lifeline to Services

Main stakeholders – The issue of subsidies comprises several stakeholders, such as the GOA, the LGs, WUs, the PO for the four MC cities, and the main beneficiaries (that is, vulnerable households). Lifeline to services through 20 liters per capita per day (l/c/d) free is the subsidy scheme proposed by the GOA as part of the poverty mitigation reform. One of the major issues with this transmission channel concerns the fair identification of the families in need. Moreover, a balance needs to be struck between the social approach of the LGs and the commercial approach of the WUs.

Distribution of poverty in the target cities – As Table 5 shows, respondent perceptions of their economic situations are similar for both types of cities:¹²

¹² Table 21 in Annex 8 provides city-specific data on distribution of poverty.

Table 5. Distribution of Poverty for the Two Groups of Cities

		MC cities (%)	Counterfactual cities (%)
1	Very poor	18	18.8
2	Poor	34.5	37
3	Nonpoor	47.2	42
4	Relatively prosperous	0.3	2.2
5	Total	100	100

Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

Other data sources related to poverty, such as employment and unemployment figures and the number of families benefiting from the state economic assistance for both groups of cities are usually lower than those reflected in the table. About 2 percent of the respondents from the four MC cities and about 3.6 percent of respondents from the four counterfactual cities reported benefiting from this type of assistance, at a time when the unemployment rate was about 6 percent for the MC respondents and about 16 percent for counterfactual respondents. On the other hand, the percentage of households who use the list¹³ to make purchases is about 13.8 percent for the MC cities and 5.6 percent for the counterfactual ones.¹⁴ The discrepancy between the different data sources can be explained by two main factors: (a) a number of very poor households are not included in the social assistance plan because of flaws in the selection process or because they do not meet the eligibility criteria, and (b) people have the tendency to underestimate their financial situation, thus reporting being poor even when they are not.

Need to improve mechanisms for the identification of beneficiaries – The discussion above begs the question: How to go about making an accurate identification of the families in need? So far, both experts and FG participants have stated their distrust in the system, pointing out cases of people driving their Mercedes Benz to collect their benefits, while other needy families have been left out of the system. This is also confirmed by quantitative data, which reveal that 75 percent of those households that use the list do not benefit from the state's economic assistance. This brings forth the need to develop more efficient mechanisms to identify beneficiary households. Because the responsibility of identifying the families in need belongs to the municipality, it should take the initiative in finding alternative methods of identification. In this respect, the LG might seek help from the civil society to carry out socioeconomic surveys, which are only one of several methods that can be employed by the stakeholders. In addition, on-site verifications and application of penalties for corrupt state employees might be useful tools in rectifying the problem.

Choosing the best subsidy policy – Data collected from various sources reveal that the proposed lifeline tariff might not be the best method for mitigating the negative consequences on vulnerable groups. Figure 5 represents consumer perceptions in the four MC cities regarding the lifeline tariff.

Figure 5 clearly indicates that consumer perceptions regarding the lifeline tariff were similar among the three poverty groups.¹⁵ Survey data shows that although more than 50 percent of respondents maintain a positive attitude regarding this form of subsidy, a significant number of surveyed households stated that the lifeline tariff will have no impact. Taking into consideration

¹³ Refers to a list used by shopkeepers (usually grocery stores) to keep a record of names and due amounts of those who do not have money to pay at the moment when they buy. The money is usually paid back when income sources are made available.

¹⁴ Table 26 in Annex 8 provides city-specific data on this issue.

¹⁵ The relatively prosperous group was not included in this analysis because of the small sample size.

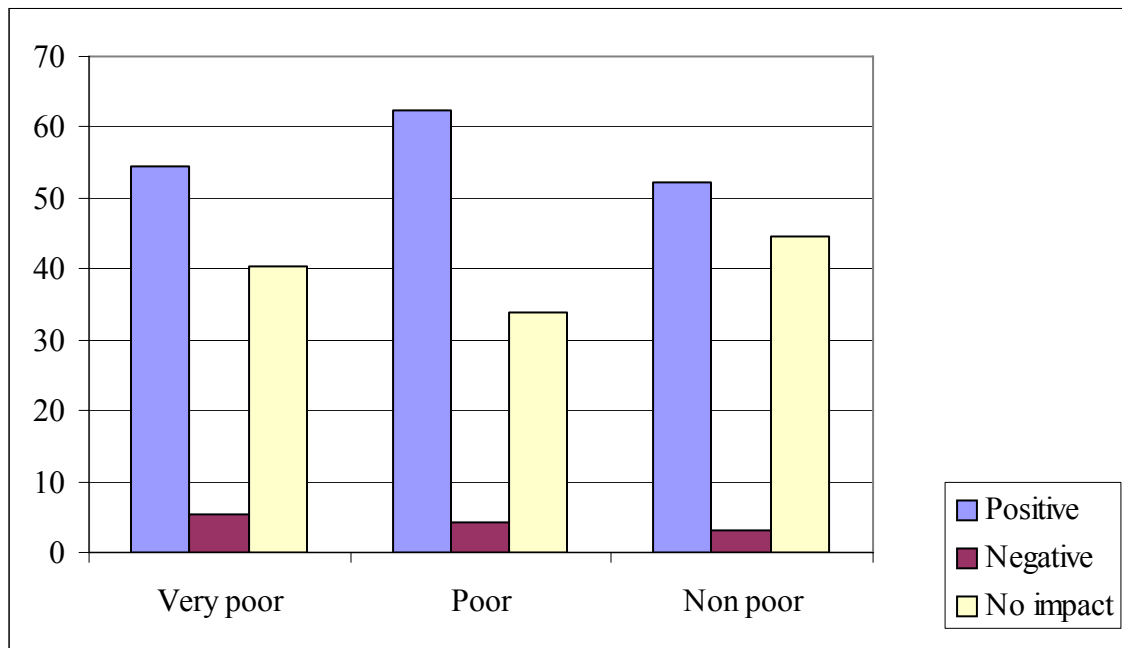
both quantitative and qualitative data, we can infer that citizens in the four MC cities were not clear about the lifeline tariff and the majority of them had never heard of it.

When asked about the proposed lifeline tariff as a form of subsidy, not all the experts interviewed agreed that this was the best alternative. Those who supported it were mainly the WU authorities, in whose view such form of subsidy left no room for abuse, as might be the case with cash subsidy. On the other hand, LG authorities, especially experts in the Social Assistance Unit at the municipality, stated that other approaches, such as direct subsidies through increasing the amount of state economic assistance, would be more adequate. Local WU authorities in Fier added that the increased amount of subsidy should flow directly into the WU. The director of the Korça WU stated, “The company has to work on a cost-recovery basis. It cannot stop and think about philanthropy.” Consequently, finding the right balance between the cost-effective and social approaches might prove difficult.

One of the perceived drawbacks of the lifeline tariff is its dependency on meter installation. The application of the lifeline tariff implies that this form of subsidy should come into effect as soon as the tariff increases, which in turn implies that meters should be installed by the time the tariff increases. One possible recommendation is to apply a flat rate that is lower than the rate applied to the rest of the population.

A resident of the urban periphery of Fier states his opinion: “The lifeline tariff cannot be executed because there are no meters. How are you going to measure the 20 liters?”

Figure 5. How Different Poverty Groups Perceive the Lifeline Tariff (MC Cities)



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

Another remark regarding the proposed 20 l/c/d fee comes from one of the FG discussions in Fier, where one of the participants stated, “The lifeline tariff is nonsense. Twenty liters is just one toilet flush.” Perhaps other forms of subsidy to the families in need might be taken into account, such as the application of block tariffs. When meters are installed, the WUs

might decide to set block tariffs so that a minimum tariff is set for water consumed up to a certain level, and if the quantity surpasses this “block,” the “per cubic meter” tariff is equaled to the tariff applied to the rest of the population.

The Water Sector Reform Impact on Employment

The ways in which the water sector reform is expected to influence employment is specific to each city because of the local labor market peculiarities, which will channel the way the impact is felt. For cities like Durrës, Saranda, Vlora, and Lezha, tourism would be the most likely area to be impacted by the reform. All the experts interviewed believe that the reform will enhance the attractiveness of these cities, which will be manifested through an increase in the number of tourists flowing into these areas. This, in turn, will have positive implications for the businesses themselves and, at the same time, it will contribute to increasing municipal funds from tax collections.¹⁶ Consequently, an indirect but far-reaching impact of the reform might be the (financial) strengthening of the local governments.

Apart from tourism, another area likely to be impacted by the reform is food processing, which is one of the main economic activities for the cities of Lushnja, Fier, and Gjirokastra. More and better quality water will certainly have clear impacts on the effectiveness and efficiency of the food processing industry. Korça, on the other hand, hosts one of the largest breweries in the country, as well as soft drink production plants, both of which are clearly dependent on the quality and access to drinking water.

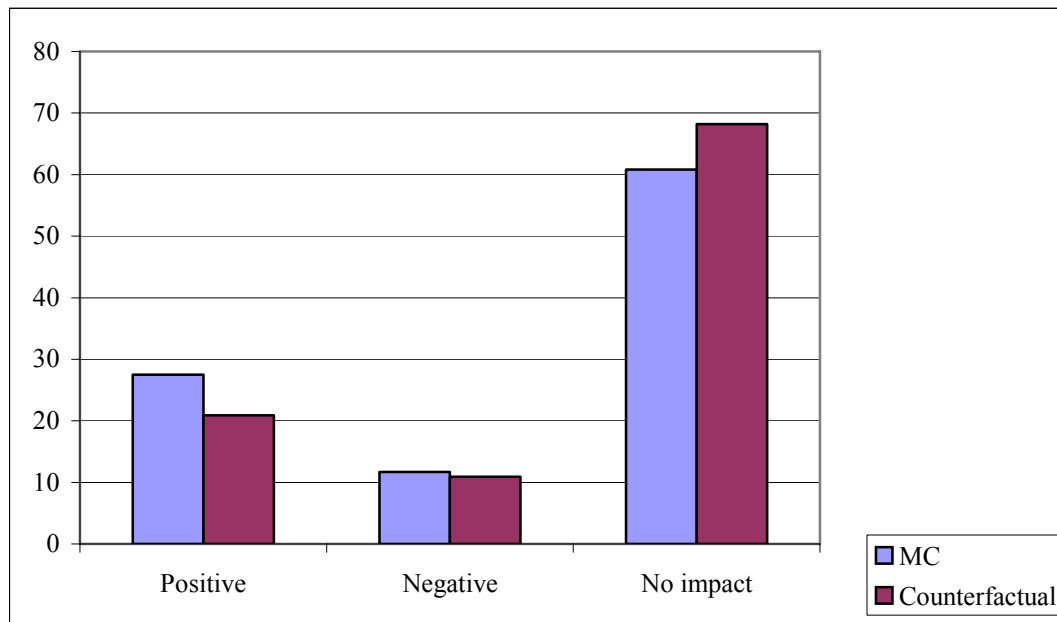
Another area of potential impact of the reform is in the service sector, which is directly dependent on water supply. Qualitative data from interviews with businesses in the service sector, mainly bars and restaurants, revealed that business owners expect their businesses to grow after the water supply situation improves.

Another implication of improved water supply is related to the employment of women. FG participants in Durrës and Gjirokastër explained that women have to stay home to wait for the water to carry out household chores. It is hoped that if the water supply is improved, women will be less dependent on it and start looking for jobs outside the home.

The impacts on employment are largely (but not totally) dependent on water supply situation. The importance of adequate sewerage service is perceived as especially relevant to the tourist industry, and it has clear implications for the future economic development of coastal cities. In addition, the lack of treatment plants is considered a major drawback for the development of the tourism industry. Currently, sewage is discharged directly into rivers and seas and is thus a major pollutant. As some of the interviewed experts acknowledged, lack of adequate sewerage infrastructure has caused a decrease in the number of Albanian tourists who spend their vacations in cities like Durrës, or even Saranda, making other foreign countries their destination of choice.

¹⁶ Increasing municipal funds through this source is expected to be applicable as soon as all respective competencies are transferred to the LGs.

Figure 6. Households' Perceptions of the Reform Impact on Employment



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

Figure 5 clearly depicts respondents' perceptions of the relationship between these two factors. It is often difficult for people to see how improved water and sanitation services affect employment.

It should be noted that there was a tendency on the part of the experts being interviewed to take a very short-term approach regarding the relationship between improved water supply and employment. Often employment was regarded as being positively affected only during the civil works phase, when more people got hired for constructing or rehabilitating the network.

Other Channels of Impact of the Reform

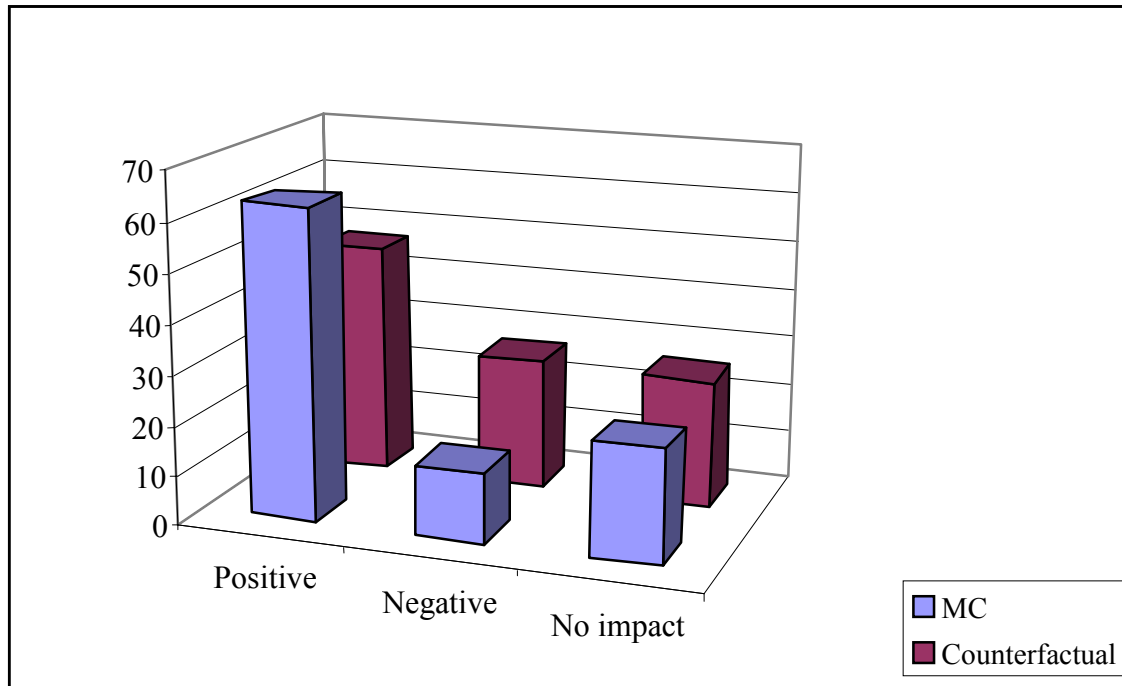
Health – Most of the FG participants stated that they perceived water quality to be directly related to health issues. Cases of water-related diseases, mainly diarrhea, were reported in Gjirokastra and Durrës, which have been associated with hospitalization of children. The current extremely old and decrepit water and sewerage network accounts for the diseases in Gjirokastra, while inadequate water supply due to illegal connections was the main cause for those at Durrës. The focus group discussion in Këneta, a new settlement in Durrës with an estimated population of about 30,000 inhabitants, revealed the presence of a number of diseases stemming from, or being related to, the lack of proper water and sewerage infrastructure. Health complications were reported among children and women, which were further aggravated by the lack of financial means to get proper medical treatment or medicine to cure the diseases.

No cases of water-related diseases were reported in Korça. FG participants stated that since the new network was constructed, the occurrence of such diseases had decreased considerably. No cases of diseases were reported by the FG participants in Lushnja and Fier, although network water was absolutely undrinkable, they stated. This was because most

consumers did not use tap water for drinking. Another form of disease related to water is rheumatism. A number of FG participants reported that their houses were humid because of broken water tanks.

FG participants in all target cities were concerned about diseases that might stem from the extremely decrepit sewerage network. The sewage was perceived as a source of disease, even more dangerous than inadequate and low-quality water. Sewage running down the streets is a “daily occurrence” for most FG participants in all eight target cities.

Figure 7. Households’ Perceptions of the Reform Impact on Health



Source: Household Questionnaire for the PSIA Decentralization and Water Sector Privatization in Albania, December 2003–January 2004.

It should be noted that even when cases of water-related diseases were evident, the local authorities declined to accept such a fact. Interviews at the LG level, local WU, and local health care units usually did not reveal any cases of concern. The fear of losing or weakening their relations, or even fear that the information might be misused, could convince these actors not to disclose information. Hospitals, on the other hand, turned out to be more reliable sources than the above-mentioned stakeholders. The close and continuous institutional relations that exist especially between the WUs and the health care units might explain this.

Land – Other assets such as land or savings were not perceived to have any bearing on the water sector reform. Only the technical director of the WU in Lezha mentioned the positive impact of improved water supply on land value. One of the reasons why neither experts nor FG participants could see a link between improved water supply and value of land might be partially explained by the relatively new concept of “owning land” or “owning private property.” Consequently, it was difficult for them to see a connection between two concepts that previously had no direct relationship.

Savings – Neither data source could show any perceived impact of the reform on savings. This might be explained by the fact that the water bill constitutes only a tiny fraction of the monthly household expenditure. Moreover, many very poor or poor households feel that the term “savings” does not apply to them.

Stakeholder and Institutional Issues

The Methodology chapter provided a description of the roles and competencies of each of the stakeholders. This part provides an in-depth analysis, which aims to identify stakeholder issues and institutional gaps and bottlenecks that interfere with reform implementation. The conclusions drawn from this analysis are considered in more detail in the Conclusions and Policy Recommendations chapter.

Stakeholders and the New Institutional Environment

Data obtained has revealed the presence of ambiguities, tensions, and discords among stakeholders. WUs seem to still be trying to figure out their role and that of other actors. Some of the issues discussed here are relevant to the four MC cities only.

Most WU experts reported that the role of the CMU was not clear to them. Perceptions such as “. . . why does the CMU have to manage our money? We are generating the money, not the CMU.” were common. It is suggested that the CMU take the initiative to organize workshops with local experts as part of the information dissemination strategy and capacity building.

The attitude of water utilities toward the EC was similar to the attitude reflected toward the CMU. Although the EC was established to assist the WUs, the latter shared the perception of inefficiency and distrust toward it. The water utilities questioned the existence, function, and composition of the EC. Moreover, the utilities thought that strategic decisions were being made for the WU without engaging them in the process. At this point, information and communication campaigns targeted at increasing transparency and promoting cooperation are necessary.

The general perception of the WU management in all target cities was that the Supervisory Council was not an effective structure, and if compared with the former board of the company, many of the interviewed experts believed that the latter was more effective and efficient. Some of the experts of the local WU even stated, “The SC is not even needed. All they are responsible for is to get extra salaries.”

According to one CG expert, the WUs lack awareness about the duties and responsibilities of the PO as stipulated in the contract. The same source indicated that there was reluctance on the part of the WU staff to sit down and read the management contract, which would provide a clear picture of the respective roles and responsibilities. For this reason, an intensive and active communication program targeted at the WU staff is perceived as the best way to increase awareness.

The CG and CMU experts acknowledged the existence of initial difficulties between the PO and the CMU. The attitude of the WU was stemming partly from their initial [unrealistic] enthusiasm about the private operator, which was then followed by disappointment. The same expert added that the relations between the WU and the PO had significantly improved. However, expert interviews at the LG level did not support the claim that the PO and the WU were

collaborating. The local authorities were almost unaware of that fact, and they were not familiar with the roles and responsibilities of each actor.

The private operator in the four MC cities, acknowledging the crucial role of the local governments as a [future] service provider, expressed its open interest in collaborating with the LGs in the four MC cities and ensured their active participation in the process.

Main Issues Related to Stakeholders

Knowledge and information dissemination – The lack of information disclosure or sharing appears to be the underlying factor for the misapprehension and tension among the different stakeholders. The local authorities and WU staff are not always well informed about decisions made by the CG or even when they are being made, so information is not disclosed in time. Addressing this issue can be instrumental in conflict resolution and can serve as the basis for future cooperation among stakeholders.

Exercising the new rights and competencies – The lack of initiative from the LGs and lack of encouragement from the CG account for the present situation in which, despite the presence of several institutional tools—a new statute of the board to issue the service agreement with the utility and a project agreement signed with the World Bank, specifying the rights and obligations of the municipalities related to the project—the city mayors are not yet exercising the competencies assigned to them by law.

Attitude of Water Regulatory Entity – The WRE is not being supportive of the new powers delegated to the LG regarding setting water tariffs. Informal interviews with WRE experts revealed that they were opposed to the LG's new role in decentralizing tariffs.

Corruption of WU employees – Many FG participants raised concerns about the corruption of some WU employees. Most complaints were about the extra fees these employees were charging customers in exchange for their services. This has caused distrust of the water company. Moreover, most consumers in the new settlements revealed that WU employees often assisted them with the illegal connections for certain compensation. One of the WU experts confirmed these allegations, stating, “It will be naïve on our part not to realize that our employees perform services under the table during their workday. It is nonsense to think that they will work here eight hours per day, every day, for what they are being paid.” To cope with this, some of the shareholder companies are trying to augment employee salaries, which in turn is expected to increase their work commitment.

The merger between water and sewerage enterprises – Despite continuous efforts, a merger between water and sewerage enterprises has not been completed at a national scale. Seven out of eight target cities have completed this merger, with Vlora being an exception. One of the CG experts explained that there were two main reasons for this delay. The first is related to the political climate in the country, which is dependent on whether the CG and LG represented the same political force. The other reason, perhaps even more important, was that the sewerage service was completely dependent on government subsidy and consequently was a good source of funds for the municipality. Thus, the CG believed the delay was intentionally caused by the LG.

Politicization of the reform and need to sustain institutional memory – One of the risks facing the reform has to do with its politicization (that is, reform dependence on the political

climate in the country). “Politics is spoiling the water,” stated one of the WU experts. Decisionmaking bodies are political actors who have their own stated or unstated interests. This implies that implementation of the reform is dependent on the political willingness of certain actors to push it forward and on the ability of institutions to preserve their institutional memory in times of change. Consequently, to ensure the success of the reform, it is paramount to find the right means to minimize the impact that its politicization could have on the reform and to sustain the necessary institutional memory.

Need to improve legal framework – Two of the main concerns raised by the LG and WU experts in all cities in the study were an incomplete legal framework and an inadequate legal base.

Introduction of the sewage tariff by all WUs that had not yet applied it, such as Vlora, was considered a necessary step by some of the experts at both central and local government levels. Another necessary legal change that needs to be considered is to define the sewage tariff as an executive title, although this does not guarantee implementation. Experts at the local WUs reported that the legal fees for suing debtors would be higher than the amount owed by them.¹⁷ An enforcement mechanism, which might be especially applicable to public institutions, is to define the water bill as a separate line item, so that the amount receivable is predetermined and the money goes directly to the WU bank account. Changing the legal base with regard to the VAT payment from billing- to collection-based is perceived as an incentive for the water companies to increase billing rates without fearing any adverse impacts.

¹⁷ Suing KESH debtors has proved to be successful; however, KESH and the WU are not comparable in this respect because of the marked differences in respective financial dues (while the average water bill is about 500 Lek, the average electricity bill is about 3,000 Lek).

CONCLUSIONS AND POLICY RECOMMENDATIONS

The present study revealed certain similarities as well as differences between the MC and counterfactual cities.

Similarities

Some similarities that are noticed in both groups of cities include:

- The percentage of people without water access is much lower than the percentage of people without sewerage access. This discrepancy can be explained by the relative importance of each service to survival. Water connection is more vital to people because water does not have direct substitutes.
- The two groups of cities have similarities in the billing system: the flat rate is the most predominant form of billing.
- The LG is now operating in a new institutional environment, which includes new stakeholders and requires cooperation and coordination and better knowledge of the roles of each stakeholder.
- The local authorities are faced with three major issues: (a) the lack of necessary expertise in issues of administration and management of the utilities; (b) the WU's vulnerability to the political process, whereby some of the new administrators can be political appointees and not necessarily technical experts; and (c) the loss of institutional memory resulting from the latter.
- Information sharing and communication among the various stakeholders constitute a major issue in the success of the reform. This problem is further exacerbated because of the new roles and new environment stakeholders operate in.
- Consumers in both types of cities do not have a voice in the decisionmaking process.
- Most WU offices do not even have a customer relations office, and attempts to voice complaints, either individually or in a group, have failed.

Differences

It should be pointed out that, having benefited from a multimillion-dollar investment, Korça (counterfactual city) has set itself apart from the other target cities in almost every respect related to water service and network coverage.

Some of the major differences noted between the two groups of cities and the two different types of utility management models include:

- The cities with privately managed utilities are marked by rapid urban growth, resulting in larger new settlements, poorer access to water and wastewater services with regard to

coverage, an increased number of illegal connections and septic tanks, higher tariffs, and lower satisfaction.

- With regard to quality of access—as defined by reliability, duration of supply, and pressure—the MC cities fare slightly better (Korça is excluded from the analysis). (Some of the MC cities benefited from the WSURP, which has improved access as measured by increased supply hours.)
- Customer dissatisfaction at higher tariffs in the four MC cities is due mainly to the fact that the higher water bill, compared with the water bill in counterfactual cities, is not perceived to be justified by the service.
- The PO in the four MC cities has a clear strategy for covering O&M costs and has defined measurable indicators, which is not the case with three counterfactual cities (again, Korça being excluded).
- Those with poor living standards in the four MC cities are expected to have an advantage over their counterparts in the counterfactual cities because of a proposed subsidy scheme of 20 l/c/d free of charge, although some experts and customers do not perceive this form of subsidy as optimal.
- The institutional structure is different for both types of cities. The four privately managed cities have two additional structures—the EC and the CMU—which are accountable for setting priorities, making important decisions, and designing action plans. On the other hand, the four counterfactual cities rely on the SC to approve important decisions.
- One of the objectives of the PO in the four MC cities is to design and implement a strategic human resources development program, a crucial step that is actually missing in the counterfactual cities.
- Restructuring of the four privately managed WUs will cause some WU employees to lose their jobs; this situation is expected to face opposition and dissatisfaction.

Policy Recommendations

The water sector reform in Albania is a challenging undertaking because of the complexity of the reform and the current socioeconomic situation in Albania. The ultimate goal of the reform is not only to offer better-quality service to more customers but also to promote sustainable water management. In this regard, this study has highlighted the urgent need for large-scale investments in the sector, a cost-recovery approach for the water utilities, and the impact of these measures on different groups. A list of more detailed recommendations follows:

Strategy for tariff increase – All the data available leads to the conclusion that tariff increases should be implemented only after consumers believe that access has improved significantly enough to justify another increase. This finding is especially relevant to the MC cities. Public surveys might be used, at this point, to measure consumer affordability and willingness to pay. Most important, when the tariff is increased, the service improvement should be such that it minimizes or eliminates other expenses related to water. This has to be shown to consumers through cost-benefit analysis in workshops held at the community level, guided by the

WU staff and the PO and facilitated by the respective local governments. The inclusion of civil society actors might prove beneficial in achieving the desired results.

Need to consider alternative subsidy policies – This study suggests that it might prove helpful to consider other forms of subsidy for the poor, given that the proposed 20 l/c/d is dependent on the installation of meters, which are reported to be in short supply. Alternative forms might include augmented state economic assistance, application of block tariffs, or application of a lower-than-average flat rate. Improved targeting, which will include city outskirts and new residential areas, is necessary. Close cooperation among the local governments, WUs, and civil society is deemed necessary at this stage.

Consumer representation and consumer panels – Although the establishment of consumer panels has been anticipated in the NWSSS, no concrete steps have been taken to facilitate or encourage this part of the reform. It can be assumed that the sooner these consumer panels are established, the sooner the consumer attitude will change.

Institutional reengineering – For institutional reengineering to take place, the government should clearly define the mechanisms to coordinate and integrate the network of actors, both public and private. An interministerial decentralization committee is mentioned in the NWSSS; however, its impact is not being felt in reality. It might prove beneficial for all stakeholders to gather and revise all existing documents comprising the NWSSS, set new and realistic time frames for the predetermined objectives, and then decide on the concrete steps that have to be taken.

It is necessary to formulate a “Reform Budget,” which will include (a) a long-term plan for capital investments and O&M costs, with an annual budget breakdown; (b) government subsidy for writing off WU debts and initial organizational restructuring of the WU; (c) government subsidy for people included under the social assistance program and government subsidies for the lifeline tariffs; (d) funds dedicated to WU capacity building; and (e) modalities and strategies on how the government funds will be gradually curbed down. In this respect, it is important to resume preparation of the Public Investment Program (PIP) and integrate the Reform Budget as part of the PIP. This would allow for better strategic vision of future investments in various sectors, interconnections among sectors, priorities, externalities, efficient use, and policy recommendations design.

Formulate action plans based on measurable performance indicators at the WU level – The government action plan should be supported by action plans at the WU level. As recommended by the expert at MOF (analogy is made to KESH), an action plan, which is based on measurable performance indicators (similar to the ones conducted for the WU under the World Bank (WB) management contract), needs to be carried out for all WU.

Introducing “matching subsidy” – Government subsidies to the WUs are not based on measurable performance indicators. This leaves room for irregularities and bad practices. In this respect, it is necessary to define such indicators and introduce the concept of “matching subsidy,” which implies that the amount of subsidy WUs will receive will be a function of their performance.

Need to revise the legal base related to the VAT – We suggest the need for a change in the legal base for VAT, meaning that the VAT be calculated on the bases of the revenue collected from billing rather than on the billing rate itself. This change can be a significant incentive for the

WUs and could encourage them to expand their customer database by including the new residential areas.

Formulate strategic human resource development plans for WU – Given the current conditions of the WU, there is urgent need for a clearly formulated strategic human resource development plan. The POs in the four privately managed cities have developed such a plan, and it is necessary that the WUs in the counterfactual cities adopt such a plan as well.

Transfer of shares versus transfer of assets – One of the greatest challenges facing the reform has to do with the inventory of assets for complex water systems. How will the assets of a regional system be divided and distributed among the different local units? Is it fair to disintegrate a unit that works? For this reason, another type of transfer—the transfer of shares to respective local units—is suggested. These shares may be distributed based on the value of the assets.

Possibility of partial privatization of the WUs – Step-by-step privatization can be considered as a potential solution to some of the WU problems. The privatization of the sales unit could be the first step. This is believed to improve enforcement, increase the billing and collection ratio, and thus promote the viability of the company.

Empower and build capacities at the LG level – Expert interviews in the eight target cities revealed that the respective municipalities lacked not only awareness about the responsibilities they were going to have, but most important, the necessary expertise for exercising those responsibilities. Additional effort, time, and money will have to be allocated to educate the municipal staff about the new role they are expected to play and about the different relationships they need to build with the CG and other actors on the basis of a new philosophy of water and sewerage service management.

The ability of the LG to move forward with the reform is seriously hampered by the lack of institutional memory. Changes in municipal staff, because of local elections, are not necessarily accompanied with the transfer of knowledge and institutional records. This can have direct ramifications on the implementation of the reform and may even jeopardize its success.

Need to decentralize information dissemination – Most of the qualitative data obtained from in-depth interviews with experts at the LG level clearly indicated that the LG was not up to speed with the new legislative and institutional measures that have been introduced within the framework of the water sector reform. Consequently, the LG operates with inadequate information, leading to unrealistic assumptions and misguided positions. To achieve the decentralization of information dissemination, new mechanisms for raising awareness, other than the *Official Gazette*, should be employed, such as roundtable discussions, workshops, and open communication.

Need to showcase best practices – Best practices do exist, Korça being a case in point. Unfortunately, these practices remain unknown to most of the WUs in Albania. Before last year's improvements, the situation regarding the water supply in Korça was similar to the current situation in the other cities. Such being the case, it would be very helpful to organize exchange visits for employees of other municipalities and offer them practical and informative workshops with illustrative cases.

Need to integrate water and sewerage issues into a national environmental policy – Dire conditions of the water supply network and illegal connections to the water supply by individuals,

compounded by frequent digging of new wells, are just some of the major culprits that are causing water losses at alarming rates. These losses may seriously jeopardize the sustainability of water resources and result in an urgent need for a national policy regarding water resources management. Future policies related to water sector development should be based on the assumption that water is a nonrenewable resource. Furthermore, extremely dire conditions of the sewerage network and the high number of septic tanks are two major pollutants to the environment. This is an issue that requires careful attention because it can have serious ramifications, especially for the coastal cities.

Calling for multisectoral partnership – The water and sanitation services constitute a strategic sector that is in need of major investments to meet international standards and ensure sustainable development. For this reason, establishing a partnership among the public and private sectors and the civil society may be considered as a new alternative to providing cost-effective services to an increasing number of the urban poor. International experience in developing countries has shown that such a partnership can be successful, provided all interested parties can reach a consensus.¹⁸

Box 2. An Illustrative Case Study from Korça - A Success Story

A KfW loan of about 23 million Euros was used for the construction of a new water supply network in Korça by employing the most advanced technological equipment. One of the factors that made possible the success of this project was that training and capacity building of local staff accompanied the technical interventions. This served to raise staff awareness regarding organizational effectiveness and efficiency, and company and customer relations. A new sales office was opened in a convenient place, and the handwritten bill was changed to a printed and clearly itemized one. Installation of meters was another crucial step toward increasing consumer awareness regarding water conservation, enabling them to control consumption and regulate it according to family income. Currently water loss in Korça is minimal, company revenue is optimal, and consumer satisfaction is the highest when compared with the other seven target cities.

According to the director of the Korça WU, the real strength of this project was that the loan was intended to construct a whole new network, including secondary distribution, and was not a partial rehabilitation of the network. As he defines it, the latter is simply “an emergency project” and is not sufficient to meet the increasing consumer demand for water supply.

An important finding that came up during the interview with the technical director of the Korça WU relates to local capacity and attitude toward foreign technical assistance. The technical director explained, “At first we [WU engineers and technicians] were a bit disappointed and morally affected when we were not directly involved in the project. I have been working as an engineer for the last 30 years, and I thought I was qualified enough to be involved. However, once the project implementation began, we realized that we did not really have the required capacity to use the new technology. They [foreign operator] were using such high technological devices and totally new models of design that we had not even heard of. Now we have that experience, and we can share it.”

The head of the social assistance unit at the Korça municipality revealed that another benefit from the project resulted in an increase in employment, even though short-term. During the construction phase, many local residents were employed, mainly as manual workers. Most of these beneficiaries were heads of households that were under the state economic assistance.

¹⁸ Colin and Lockwood. 2002. “Research and Surveys Series: Making Innovation Work Through Partnerships in Water and Sanitation Projects.” BPD Water and Sanitation Cluster. London.

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ANNEX 1 – METHODOLOGY

Preliminary Work

A desktop review of existing documents related to the decentralization and privatization of the water system was carried out as the first step. The documents that were reviewed included:

- The Municipal Water and Wastewater Project, Project Appraisal Document
- Social Assessment of the Municipal Water and Wastewater Project
- The National Strategy for Social and Economic Development (Albanian PRSP)
- Qualitative Poverty Assessment
- The report from the PSIA pilot for the Water Sector

- National Strategy for Decentralization and Local Autonomy
- Law on Organization and Functioning of Local Governments, No. 8652, July 31, 2000
- Albania Water Supply and Sanitation Strategy, October 16, 2003
- Mid-Term Economic Framework, 2004–2006
- Document of Policies on Decentralization of Water Supply and Sanitation Sector, Law No. 550
- Government Action Plan, 2004.

Preparation of Fieldwork

Household Questionnaires, Expert Interviews, and Focus Groups

The household questionnaire, as well as EI and FG questions, were revised, taking into consideration (a) relevance of some items to the Albanian conditions, (b) balanced coverage of the five transmission channels, (c) coherence of the questions (smooth information flow), and (d) problems and concerns raised by the piloting. The household questionnaire was piloted by the enumerators and was revised into a final version, reflecting enumerators' feedback. After the revision, they were sent to WB PSIA team to review.

Sampling

The samples were prepared separately for each of the eight cities. The size of the sample was fixed for each city and previously agreed upon. Sampling was both stratified and random. It was stratified because it aimed at including in the sample households complying with different criteria, such as coverage or lack of coverage by the water system, pressure zones, presence of meters, and so forth. Within each group, sampling was random. City maps, which included the distribution network, were used to identify the households to be interviewed. Each city was first divided into two main zones: the areas covered by the existing water and sewerage network and the areas not covered. The latter are newly developed areas from the post-1990 internal migration. Also, the assumption is that the inhabitants of the uncovered areas are the poorest part of population. The households within the coverage area were selected according to their vicinity to

the main or secondary network (assuming that the closer the household to the main water pipe, the higher the quality of access, and the further the household from the main water pipe, the lower the quality of access). Attention was given to including metered households in the survey, in addition to unmetered households (which constitute the majority of water consumers).

Training of the Enumerators

Two local enumerators, who were familiar with the city and the culture (mentality) of the people to be interviewed, were selected for each city to conduct the household surveys. A three-day participatory training was held. It focused on (a) explaining the main objectives and methodology of our study and the questionnaire, (b) piloting questionnaires and receiving feedback from the enumerators on their first experience with it, and (c) explaining in detail the sampling methodology.

Identification of Focus Group Participants

Identification of FG participants was done separately for each city, by working closely with the local enumerators. The identification was based on criteria established beforehand, such as gender, pressure zones, metered or unmetered customers, income level, education, location (place of residence), coverage or lack of coverage by the network, and so forth. The inclusion of very poor, fairly educated, or other categories in the FG discussions was dependent on the specific characteristics of the city. Enumerators were instructed to arrange for mutually exclusive FGs, and it was explained that no single person could take part in both the FG discussions and household questionnaire.

Completion of Fieldwork¹⁹

A total of 664 household surveys, which covered all eight municipalities, were performed. The survey was carried out on a representative sample of at least 80 households in each city: Fier, Gjirokastra, Lezha, Lushnja, Korça, Vlora, and Saranda, and on a representative sample of 100 households for the region of Durrës (including the villages covered by the project).²⁰ Twenty additional household surveys were conducted in Durrës because water supply and wastewater service in Durrës is regional and because of the higher population density in Durrës compared with the other cities.

Four focus groups were conducted in each city with people from different pressure zones, residential areas (coverage or lack of coverage by the network), genders, socioeconomic backgrounds, education levels, metered or unmetered customers, and so forth. Facilitation of the focus group discussions in all eight cities was handled by the Co-PLAN PSIA team.

At least 10 key informant interviews were conducted at the local government level for each of the eight project cities. Depending on the peculiar characteristics of the city, additional interviews were conducted to provide a full picture. These interviews were conducted with officials of local governments, such as the mayor or deputy mayor, the head of public services, the head of the social assistance unit, and the head of primary health care; with representatives

¹⁹ Annex 9, Final Progress Report, gives a more detailed explanation of the fieldwork.

²⁰ See Annex 8, Tables and Descriptive Statistics Obtained from HHQs.

from the water companies (the director or technical director and the head of finance); with members of the supervisory council of each water enterprise, the local Chambers of Commerce and Industry, the Regional Development Agency, or other business associations; and with representatives of local NGOs dealing with water, socioeconomic, environment, or gender issues.

Eight key informant interviews were conducted at the central government level. Although the TOR only planned six interviews, two additional interviews were performed to properly address all the issues raised in some of the meetings with the first six central governmental experts. These interviews included experts from the Ministry of Finance, Ministry of Territorial Adjustment and Tourism, Ministry of Local Government and Decentralization, Ministry of Economy, members of the Executive Committee, and the Association of Water Supply and Sewerage Enterprises of Albania.

Stakeholder workshops will be held within the context of the policy dialogue to debate the policy recommendations.

ANNEX 2 – POVERTY IN ALBANIA

Albania remains one of the poorest countries in Europe, with GDP per capita at around \$1,100.²¹ Poverty has multiple dimensions: along with its monetary dimension (measured by income or consumption), it has nonmonetary dimension as well.

Monetary Dimension

The most recent LSMS shows that the food poverty line,²² calculated by calories, equals 3,047 Lek per month per person and is used to measure extreme poverty. Based on this figure, 4.7 percent of the population is extremely poor and unable to meet basic food requirements. The full poverty line, which includes food and basic nonfood expenditure to measure the poor, equals 4,891 Lek per month; based on this figure, 25 percent of the population in Albania is poor. Also, many families live close to the poverty line. The table below compares poverty lines:

Poverty Line	Value (Lek)	Headcount (%)
Food poverty line	3,047	4.7
50% median per capita consumption	3,349	7.0
\$2 PPP	3,775	10.8
60% median per capita consumption	4,019	13.5
Full poverty line	4,891	25.4
\$4 PPP	7,550	59.3

Source: Living Standards Measurement Study (LSMS) 2002.

Nonmonetary dimension

The nonmonetary dimension includes human development (access to basic education, health care and health services, water, sanitation, employment, and so forth) and social capital exposure to risk. The nonmonetary dimensions of poverty are also high in Albania. Access to services and the quality of services offered are low even in urban areas. The rate of unemployment in Albania is very high,²³ especially in urban areas.

One of the objectives set in the NSSED approach for the mid-term period 2003–2006 is the reduction of the existing level of poverty from 25 to 20 percent and the reduction of the level of extreme poverty, while the long-term objective is the reduction of poverty by half (13 percent) by 2015 and eradication of extreme poverty.

To accomplish these objectives, different economic policies require an appropriate combination with other social policies that mitigate social problems. This PSIA study will present an overview of poverty in all eight cities studied, based on statistics from the household survey

²¹ LSMS 2002.

²² A poverty line is defined as an income and expenditure level below which people are called poor and above which people are called nonpoor.

²³ See Annex 13, Table of Baseline Indicators.

and from the qualitative findings produced by the focus group discussions. Households will be classified as very poor, poor, nonpoor, and relatively prosperous.²⁴ The PSIA study will give the percentage of the families that fall in each category, show the relationship that exists between poverty and access to water and wastewater services, assess the likely social impact of the water sector reform on these groups (focusing especially on the poor), and give policy recommendations on how to mitigate the likely negative impact that this reform might have on the poor.

²⁴ Classification is taken from Hermine De Soto and others. 2002. "Poverty in Albania: A Qualitative Assessment." The World Bank. Washington D.C.

ANNEX 3 – LEGAL FRAMEWORK SUPPORTING THE REFORM

There are two main documents guiding the water sector reform in Albania: (a) the Law “on Organization and Functioning of Local Governments,” No. 8652 (July 31, 2000), and (b) Albania Water Supply and Sanitation Sector Strategy (June 2003). Moreover, there are a number of laws and bylaws that enable the local governments to exercise their competencies:

- A draft of a Council of Ministers’ Decision “On the Transferring of the Immovable Assets of the Water and Sewerage Systems under the Ownership of the Local Governance.”
- Amendment to the CM Decision No. 479, dated July 29, 1998, “On the Liberalization of the Drinking Water Tariffs,” by adding one provision that stipulates that “For the water and sewerage systems that are transferred under the ownership of the local governance, the drinking water tariffs are proposed to the local governance from the water utility or water enterprises. Local government units approve the tariffs by applying the methods of cost calculations approved by the Water Regulatory Entity.”
- Amendment to Law No. 7926, dated April 20, 1995, “On the Transformation of the State Enterprises into Trade Associations,” by adding one provision that stipulates, “The members of the Supervisory Council of the associations that administer water and sewerage systems under the ownership of the local government units are appointed by the respective local government units.”
- Amendment to Law No. 8102, dated March 28, 1996, “On the Regulatory Framework for the Water Supply, Collection, Disposal, and Treatment of Wastewater.”

Below is a list of legal rights intended to enable the local governments to execute their functions:

Right of governance enables municipalities to establish administrative structures to carry out their functions. This would enable both municipalities and central government to carry out management and institutional reform to transform the central government from service provider to regulator and facilitator of the sector. The management contracts awarded to the private operator in the four cities under the WB projects are still under the auspices of the central government.

Right to collaboration enables municipalities to delegate specific competencies or responsibilities to one or the other or contract a third party. Joint Power Authorities (JPAs) could be established for special purposes, such as watershed management or other natural resource protection. This model could be specifically important for Durrës, which has a regional WU. However, even in this case, many unclear and mismatched competencies exist between Durrës municipality and Durrës region. The municipality says that the competencies for the water should be transferred to the municipality, whereas the WU experts state that the administrator of the utility has to belong with the region. On the other hand, the expert at the regional level, who is at the same time a member of the EC, states that the region is taking over this responsibility because the municipalities and communes have not shown the necessary commitment in dealing with this issue.

Property rights include the right to purchase, sell, or rent its movable and immovable property; however, this could be exercised only after all assets (one of which is the water and sanitation utilities) are transferred at the local level. So far, none of the eight target cities has benefited from this because of delays in reform implementation.

Right to fiscal autonomy is related to the financial reform, which tends to improve financial management of the water utilities by gradually increasing tariffs to achieve cost recovery of the O&M costs.

However, the gap between the issued laws and their implementation has been largely recognized in all expert interviews. According to the law on Organization and Functioning of Local Governments (OFLG), communes and municipalities were supposed to be fully responsible for executing exclusive functions²⁵ in infrastructure and public services related to water supply, sewerage, drainage, and [flood] protection canals in the residential areas beginning on January 1, 2002. In addition, the NSDA defines water supply and sewerage services as exclusive functions of Local Governments. According to the water supply and sanitation sector strategy, the long-term objective of GOA is to achieve sustainable water supply and sanitation services. Two parallel approaches are considered in this strategy: decentralization with private and public management of water utilities. Finally, it is worth mentioning that the reform includes many elements in itself, such as (a) management reform, (b) legal and institutional reform, (c) financial reform, (d) technical reform, and (e) poverty mitigation reform.

Achieving sustainable water supply and sanitation services is the long-term objective of the GOA for the water supply and sanitation services. Completion of major public investments, increased quantity and safer quality of supplied water, greater discipline in the water and wastewater sector, increased scale of revenue collection, a lower speculation rate, creating cost-effective water enterprises, and merging the water and sewage enterprises are some of the major issues that GOA is trying to address through its water and wastewater reform, which includes many elements:

- Management reform, which is supposed to achieve (a) demand management through a gradual approach toward universal metering and volumetric billing, combined with enforcing tariff collection and disconnection of illegal and nonpaying customers; (b) monitoring and benchmarking; (c) qualification of personnel, and (d) capacity building.
- Legal and institutional reform, which intends to (a) change the role of government from service provider to regulator and facilitator in the sector, (b) strengthen law enforcement, (c) complete transformation of water enterprises into commercial companies, (d) change the statute of the water utilities to provide local governments with the majority of board members, (e) transfer the ownership of water utilities from CG to municipalities and communes (also has provisions for a public awareness and communication program), and (f) private sector participation reform.
- Financial reform, which intends to (a) improve financial management of the water utilities; (b) gradually increase tariffs to achieve cost recovery of the O&M costs; (c) introduce wastewater tariffs in all the cities and increase the collection rate; and (d) change the GOA subsidy policy to a performance-based, transparent scheme.

²⁵ “Exclusive functions” are functions given by law to the local government unit, for the realization of which it is responsible and has the authority to make decisions and use means for their realization.

- Technical reform, which includes (a) a capital investment program to meet the urgent rehabilitation needs and (b) a capital investment program to improve and expand water supply and wastewater infrastructure.
- Poverty mitigation reform, which is supposed to (a) provide basic water and sanitation services to the poor, (b) provide safe water to the population served, (c) provide affordable water supply, (d) increase access to water and sanitation services in neglected areas, and (e) conduct PSIA related to the sector.

During 2002–2003, the GOA undertook some very important steps, such as the transformation of water enterprises into shareholding companies. Financed by either KfW or the World Bank, the GOA has been encouraging management through private participation in some of the largest water enterprises (Durrës, Fier, Lezha, Saranda, Elbasan, Kavaja, Kuçova, and Berat) through either concession of management contracts, with the objective of improving services and achieving financial viability of the water enterprises, as well. Based on the experience with private sector participation, the GOA will take further steps to increase PSP.

ANNEX 4 – CITY PROFILES

Durrës

Type of management	Management contract
Population Growth Ratio (1989–2001)	137%
Population Growth Ratio (1989–2003)	210%
Unemployment Rate (2001)	27.05%
Families under Economic Assistance	1010
Main Economic Resource	Trade, construction, apparel manufacturing, tourism, sea and road transportation
Coverage Area	Regional
Billing System	Mixed (flat rate and metered consumption)
Collection Ratio	60%
Water Loss	68%

The region of Durrës is located in the western part of Albania, along the Adriatic coast. Its administrative center is the city of Durrës, which has an area of 433 kilometers. Durrës is the home of Albania's largest port. Major economic resources for the city include trade, construction, apparel manufacturing industry, other processing industries, tourism, sea and railroad transportation, and agriculture. The unemployment rate according to the population census of 2001 is 27.05 percent.²⁶

During transition years, there has been a significant increase in the population of Durrës because of the free movement of population, mainly from the north or rural areas. Although many people have emigrated to Italy or other countries, the population of Durrës increased from 82,700 inhabitants in 1989 to 113,465 in 2001,²⁷ with a population growth rate of 137 percent.²⁸ However, according to municipality sources, currently the municipality of Durrës counts approximately 173,542 inhabitants, and the population growth rate is calculated to be 210 percent (1989–2003). Around 1,010 families are under the economic assistance scheme.

According to the WU, the main source of potable water for Durrës is the Fushe Kuqe well field, located about 45 kilometers north of the city. Durrës has a regional water company, which supplies drinking water to four municipalities (Durrës, Shijak, Sukth, and Manxe) and six communes. There are a total of three water reservoirs and pumping stations, and for the most part, water supply depends on the electricity.

Durrës has been part of the WB-funded Water Supply Urgent Rehabilitation Project since 1994, and there have been some investments in technical improvements: approximately 40 percent of the network has been rehabilitated, while the other 60 percent of the water supply network remains in dire condition.

During winter, the ratio of water supply is 60 percent for Durrës city and 40 percent for rural Durrës. During the summer, this ratio is changed to 40 percent for Durrës city and 60

²⁶ INSTAT 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

²⁷ See Annex 6, Report on Key Informant Interviews in the Eight Target Cities.

²⁸ See Annex 6.

percent for rural Durrës. The increase in rural consumption during the summer season is due to the fact that drinking water is used for irrigation. The amount of water produced is 800–850 liters a second, which is technically enough to supply 24 hours of water to about 200,000 people. However, from the source to the city of Durrës, there are about 70 villages that have to be provided with drinking water. During the winter, the amount of water supplied to the city of Durrës is about 350–400 liters a second, while during the summer the quantity of water supplied to the city is about 270 liters a second, at a time when Durrës’ population in the summer almost doubles because of the tourists coming into the city. The duration of supply averages two to four hours per day in winter and about two hours per day in summer.

The current billing system in Durrës is based mainly on a flat rate. According to the WU, only about 7,500 customers have a water meter. Residences built recently have water meters and pay according to consumption. Unmetered consumption accounts for significant financial losses. Currently, the collection ratio is about 60 percent of the water billed and about 25 percent of the total amount of water produced. This water loss is due to leaking in the main network and service connection, as well as illegal connections. Illegal connections are estimated to be located mostly in the areas of Këneta and Porto Romano, in the outskirts of the city. These two are the areas where most of the new migrants were located and are totally lacking infrastructure. Këneta and Porto Romano are also the areas where the poverty seems to be more visible.

The sewerage system is also deteriorated. Illegal connections to the main sewerage pipes are frequent in new residential areas, while some other areas (like Këneta, Porto Romano, and the beach area) rely mainly on septic tanks. The current capacity of the sewerage system cannot support the growing water consumption. Cases of sewerage inflow into the water system were reported in some cases; specifically, in the area of Shkozë, which is one of the densest sectors of the region, especially during the summer period.

Fier

Type of management	Management contract
Population Growth Ratio (1989–2001)	177%
Population Growth Ratio (1989–2003)	255%
Unemployment Rate (2001)	20.07%
Families under Economic Assistance	1330 (5.2%)
Main Economic Resource	Construction, trade, food processing, apparel manufacturing, and services
Coverage Area	Municipal
Billing System	Mixed (flat rate and metered consumption)
Collection Ratio	40%
Water Loss	40%

Fier is located southwest of Albania, along the Adriatic coast. The district of Fier has an area of 720 square kilometers. Major economic resources include construction, trade, the food processing industry, the apparel manufacturing industry, services, and so forth. The unemployment rate according to the population census of 2001 is 20.07 percent.²⁹

²⁹ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

Like the other cities, during the transition years, the population of Fier increased from 43,100 inhabitants in 1989 to 76,166 in 2001,³⁰ with a population growth of 177 percent.³¹ Because of uncontrolled movements, this figure is considered to be even higher, and according to the municipal statistics, 109,925 inhabitants are currently living in the city, and the population growth rate is calculated to be 255 percent (1989–2003). Out of 26,000 families (or 5.1 percent), 1,330 of them are under the economic assistance program.

The main source of potable water for Fier is the Kafare well field, which comprises 11 wells along the Vjosa River. The pumping station is old and functioning according to the old scheme (of the 1960s), which leads to low pump efficiency (40 percent). The main pipeline, which connects the pumping station to the main water reservoir, is worn out, and as a result, there is water loss at a rate of approximately 40 percent.

Fier has been part of the WB-funded Water Supply Urgent Rehabilitation Project, through which the primary network was repaired. Currently, the project, financed by PHARE and the World Bank, with an estimated cost of US\$5.6 million, will rehabilitate the main pipeline from the water source of Kafare to the reservoir, which is approximately 11.4 kilometers. In addition, the distribution network will be rehabilitated, and a new chlorination process will be introduced.

On average, water is supplied for six hours every day (twice a day, three hours each time), and only 40 percent of the population (those living along the main pipelines) is supplied with water for 24 hours a day.

The billing system in Fier is based mainly on a flat rate on a per capita basis. Only 5–10 percent of the population have water meters and are billed according to their consumption at 30 Lek a cubic meter. The collection ratio is about 40 percent. Although 50 percent of water loss is due to the old network, considerable water loss is also due to the lack of a metering system. There is also water loss due to illegal connections, which are perceived to be located mostly in the illegal settlements, like Afrim, in the outskirts of the city.

According to the WU, water quality is not at the desired levels: 10 percent of the wells have a high level of chlorine and are contaminated in some areas. Seventy percent of the population drink from the tap, but it is highly recommended that the water be left out for a while before being used.

The significant changes over the past 14 years and the population growth of two to three times have led to the increased demand for drinking water and sanitation provision. However, there have been no major changes in the water distribution and sewerage network. During the past 20 years, there haven't been any capital investments in the sewerage system. According to WU, 70 percent of the sewerage system is worn out and needs to be rebuilt entirely. The existing sewerage systems are for the most part blocked. Almost 20 percent of the population has no access to the sewerage network, and there are entire zones where the system is not functioning at all. In the newly created illegal settlements, they rely on septic tanks or directly discharge into irrigation canals.

³⁰ See Annex 6.

³¹ See Annex 6.

Lezha

Type of management	Management contract
Population Growth Ratio (1989–2001)	161%
Population Growth Ratio (1989–2003)	340%
Unemployment Rate (2001)	12.88%
Families under Economic Assistance	792 (13%)
Main Economic Resource	Construction, fishing, tourism, and services
Coverage Area	Municipal
Billing System	Mixed (flat rate and metered consumption)
Collection Ratio	67%
Water Loss	55%

Lezha is an ancient town located northwest of Albania along the Adriatic coast, 69 kilometers from Tirana. Lezha has an area of 473 square kilometers. The major economic resources include construction, the fishing industry, tourism, and services. The unemployment rate according to the population census of 2001 is 12.88 percent.³² The population increased from 10,300 inhabitants in 1989 to 16,592 in 2001,³³ growing at a rate of 161 percent.³⁴

There has been a drastic increase in the population in the urban areas of the city. This figure is considered to be even higher by municipal sources, according to whom, 33,000 inhabitants are currently living in the city of Lezha, and the population growth rate is calculated to be 340 percent (1989–2003). Out of 6,076 families in the city, 792 (or 13 percent) of them are under the economic assistance program.

The main potable water source for Lezha is Barbulloja, with three main pumping stations and a capacity of 150 liters per second. Lezha has also been part of the WB-funded WSURP. There have been some investments in technical improvements of the network.

About 70 percent of the population have regular access to water supply, while about 17–18 percent have illegal connections, and the rest do not have water access at all. Most of the last two categories are located in the new illegal settlements, which also do not have proper access to the sewerage system, but rely on septic tanks. Internal migrants have created new residential areas such as Koder Marlekaj or new parts of Gurra neighborhood. Most of the newcomers illegally intrude in the water pipelines, contributing to the further deterioration of the water system. It was reported by the WU that water supply heavily relies on the power supply. Frequent interruptions, which happen without prior notice, still remain one of the biggest problems.

The amount of water currently produced is three times more than needed to provide a 24-hour supply. Water losses in the system are about 55 percent and happen because of the worn-out network and the absence of water meters. The billing system in Lezha is mainly based on a flat rate calculated on a per capita basis. Only a small number of residential customers in Lezha have water meters. In this case, households pay based on consumption, at a rate of 31 Lek a cubic meter. While 45 percent of the water produced is billed, only 67 percent of the billed amount is collected. The water loss is even higher during the summer, when drinking water is used for irrigation purposes.

³² INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

³³ See Annex 6.

³⁴ See Annex 6.

According to the WU, drinking water in Lezha is of good quality, and the water parameters are within the World Health Organization (WHO) standards.

The sewerage system is in dire condition, and it deteriorates in case of heavy rains and flooding. Wastewater is discharged into River Drin. It was reported by the WU that a project has been drafted for the construction of a wastewater treatment plant.

Saranda

Type of management	Management contract
Population Growth Ratio (1989–2001)	93%
Population Growth Ratio (1989–2003)	203%
Unemployment Rate (2001)	19.58%
Families under Economic Assistance	153
Main Economic Resource	Tourism, fishing, construction, and services
Coverage Area	Municipal
Billing System	Mixed (flat rate and metered consumption)
Collection Ratio	60%
Water Loss	60%

Saranda is located in southern Albania, along the Ionian coast and Greek border. It has an area of 149 square kilometers. Tourism is the main economic resource, while other major resources include fishing, construction, and services. The unemployment rate according to the population census of 2001 is 19.58 percent.³⁵ Family tourism and seasonal work during the summer period mitigate the unemployment rate. The population of Saranda increased from 15,700 inhabitants in 1989 to 14,553 in 2001,³⁶ with a population growth rate of 93 percent.³⁷ However, because of uncontrolled movements, especially after 1997, this figure is considered to be even higher, and according to the municipal sources, approximately 32,000 inhabitants are currently living in the city, with a population growth rate calculated to be 203 percent (1989–2003). One hundred fifty-three families in the city are living under the economic assistance program of the municipality.

Saranda is supplied with water from two main sources: the Vrioni well fields and the Navarice spring. Vrioni is the main supply source for Saranda, and it covers the city and the hill of Gjashta; Navarice supplies mainly the villages, and only an insignificant quantity flows into the city. The World Bank funded WSURP-increased capacity and pressure of the pumping station in Vrioni by adding a new pump and three new wells.

According to the WU, the amount of water produced is 140 liters per second. Water losses are estimated to be around 60 percent. Out of 4 million cubic meters of the water produced, only 700,000 cubic meters reach the consumers. Two main factors cause water losses: the worn-out system and illegal connections, especially along the illegal settlement areas built after 1996. Twenty percent of the water losses are estimated to come from about 200 illegal connections to the main pipe before the water reaches the destination. The WU believes that a large amount of

³⁵ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

³⁶ See Annex 6.

³⁷ See Annex 6.

water loss (an estimated 35 percent) is also due to the irresponsibility of the citizens, who (mainly because of the absence of meters) abuse the drinking water.

The current billing system in Saranda is based mainly on a flat rate on a per capita basis (150 Lek per capita per month). Only a small number of consumers have water meters and pay according to consumption. Currently, the collection ratio is about 60 percent of the billed water. The cause of significant financial losses is unaccounted water use.

The water supply situation improved after the completion of the PHARE project, which included improvement of the main pipes and the water reservoirs. The project created two independent pressure zones. However, the project did not include rehabilitation of the distribution network, which is old and worn out and accounts for significant water losses. The project guaranteed the quantity of water for 14,000 inhabitants, while currently there are 32,000 inhabitants. The residents currently living within the boundaries of “Traditional Saranda” are supplied with water 12 hours out of 24 hours; however, those living in the new residential areas are supplied with water 6 hours out of 24 hours. The population of Saranda almost doubles during the summer season, while the amount of water supply stays the same.

According to the WU, the condition of the sewerage system is also problematic. The sewerage system deteriorated, especially after the demographic movements and population increase. Many households, especially those living in illegal settlements, rely on septic tanks. The PHARE project included an investment in the main collector; however, there are serious problems with the secondary pipes. All wastewater is discharged into the sea without any treatment.

Korça

Type of management	Public management
Population Growth Ratio (1989–2001)	93%
Population Growth Ratio (1989–2003)	203%
Unemployment Rate (2001)	21.76%
Families under Economic Assistance	1944 (8%)
Main Economic Resource	Brewery and food processing, apparel manufacturing, services, trade, and construction
Coverage Area	Municipal
Billing System	Metered Consumption
Collection Ratio	98.83%
Water Loss	10%

Korça is located in the southeast part of Albania and near the Greek border. It has an area of 1,530 square kilometers. Main economic resources include apparel manufacturing, the brewery and food processing industry, services, trade, and construction. The unemployment rate according to the population census of 2001 is 21.76 percent.³⁸

Korça experienced population inflow from rural areas during the past 10 years; however, because of the high outflow toward Greece and Tirana, the total population figure decreased from 63,600 in 1989 to 58,911 in 2001³⁹ (or only 93 percent). According to municipality statistics,

³⁸ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

³⁹ See Annex 6.

there are 1,944 families living under social assistance in Korça, or 8.3 percent of the total population.⁴⁰

According to the WU, the water supply situation in Korça improved drastically after the implementation of the project financed by KfW. Unlike the other cities, there are no water shortages in Korça. The water pressure is according to the designed technical standards, and the quantity increased from 90–110 l/c/d to 250 l/c/d. The current production capacity is 140 Lek a second (the maximum can be 400 Lek second). The new water system also covers the areas recently developed (approximately 500 households). This was done with the intent to prevent illegal connections and damage to the water pipes by unauthorized persons.

The whole system is metered, and consumers pay according to their consumption. The tariff is 30 Lek a cubic meter. Of the water produced, 90 percent is billed, and 98.83 percent of the billed water is being collected. Water losses account for 10 percent of water produced. The quality of drinking water in Korça has also improved, and almost all residents drink water from the tap.

However, the sewerage system is still presenting problems because it is quite old. According to the WU, it needs substantial investment in the main and secondary sewerage pipes. The lack of a treatment plant is also considered a problem. Currently, the sewerage bill is collected through the water bill, with 80 percent of the total amount of the water bill belonging to the sewerage.

Gjirokastra

Type of management	Public management
Population Growth Ratio (1989–2001)	94%
Population Growth Ratio (1989–2003)	142%
Unemployment Rate (2001)	23.12%
Families under Economic Assistance	320 (3.5%)
Main Economic Resource	Construction, apparel manufacturing, food processing, and services
Coverage Area	Municipal
Billing System	Flat Rate
Collection Ratio	60%
Water Loss	55 to 60%

Gjirokastra is located in the southern part of Albania near the Greek border. It has an area of 1,137 square kilometers. Main economic resources include construction, apparel manufacturing, food processing, and services. The unemployment rate according to the population census of 2001 is 23.12 percent.⁴¹

Like most cities during the transition period, Gjirokastra experienced some population inflow from rural areas. Like Korça, Gjirokastra has mainly experienced outflow toward Greece or Tirana. There is also a Greek minority population living in Gjirokastra. The population of Gjirokastra decreased from 24,200 in 1989 to 22,866 in 2001, with a population growth rate of 94

⁴⁰ Figures are given by the municipality officials of Korça. See Annex 9.

⁴¹ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

percent.⁴² However, according to the municipality officials, today Gjirokastra accounts for 34,251 inhabitants, and the population growth rate is calculated to be 142 percent (1989–2003). Because of the population growth, there are newly developed residential areas. Out of 9,202 families, 320 (or 3.5 percent) of them are under the economic assistance scheme.

Gjirokastra receives water from two main sources: Hos and Buduk. Hos is a natural water source located 14 kilometers north of Gjirokastra, supplying the upper part of the city with a capacity of 40–60 liters a second, while Buduk is a pumping station located 3 kilometers southeast of Gjirokastra, near the Drinos river basin, supplying the lower part of the city with a capacity of 60 liters a second. This capacity would be enough to supply every resident of Gjirokastra with 300 liters a day.

While the estimated demand for water until 2010 is about 2.6 million cubic meters, the current production of water is estimated to be about 3 million cubic meters. Although overall water production is considered sufficient to meet the population demand, the losses are estimated to be 55–60 percent of the amount produced, mainly because of the worn-out inner network and abuses of water consumption. In addition, a high number of illegal connections exist along the main pipelines. On average, water is supplied for 1.3 to 1.5 hours per day, because of the dire conditions of the network and water losses.

The billing system in Gjirokastra is based on a flat rate estimated on a per capita basis. The actual tariff for residential customers is about 60 Lek per capita, and the system is not metered. The water bill collection ratio poses a very big problem for Gjirokastra; the current collection ratio is less than 60 percent.

As for quality, water from Hos is perceived to be better and safer to drink than the water coming from Buduk. The quality depends also on whether the building is above or below the water reservoir level.

The sewerage network is in extremely dire condition, and there is no coverage in some neighborhoods. The existing sewerage capacity cannot support the actual water consumption and therefore the system is overflowing, allowing the sewage to leak down the streets. Many families, both in some of the old quarters of the city and in the new residential areas, rely on septic tanks.

There has been no major investment in the WU of Gjirokastra until now. The technical director of the WU stated that there were some minor interventions during the past 13 years, which focused on the reservoirs and distribution network. Shortly, Gjirokastra will start a 5-million-Euro emergency project funded by PHARE Cross Border. The project includes the construction of two 1,000- and one 500-cubic-meter water reservoirs, rehabilitation of the Buduk pumping station, rehabilitation of a 5-kilometer-long main pipe, rehabilitation of the reservoirs, and improvements in the chlorination process. The duration of the project is expected to last about 18 months.

⁴² See Annex 6.

Vlora

Type of management	Public management
Population Growth Ratio (1989–2001)	119%
Population Growth Ratio (1989–2003)	160%
Unemployment Rate (2001)	27.23%
Families under Economic Assistance	2007
Main Economic Resource	Construction, apparel manufacturing, tourism, fishing, trade, and services
Coverage Area	Municipal
Billing System	Flat Rate
Collection Ratio	50%
Water Loss	60%

Vlora is located southwest of Albania, along the Adriatic-Ionian coast. It has an area of 1,609 square kilometers. Vlora is the second largest port in Albania. Major economic resources include construction, apparel manufacturing, tourism, fishing, trade, and services. The unemployment rate according to the population census of 2001 is 27.23 percent.⁴³

The population of Vlora increased from 71,700 inhabitants in 1989 to 85,180 in 2001,⁴⁴ growing at a rate of 119 percent. Although around 30,000 people emigrated abroad or to other parts of the country, there has been significant population increase in the urban areas of Vlora, with people coming mainly from the north or rural areas. According to municipal sources, Vlora has a population of 115,396, and the population growth rate is calculated to be 160 percent (1989–2003). There are 2,007 families under the economic assistance scheme.

According to the WU, there are three sources that provide water supply to the city, with a total of 940 liters a second for approximately 115,400 inhabitants. In addition, 12,000 cubic meters of water provision are stored in five water reservoirs within the city. Approximately 40 percent of the distribution network is worn out. The principal problem of the water supply network relates to the dire technical condition of the two main water pipes, which results in a 60 percent water loss in the system. Illegal connections directly to the main pipes further aggravate the conditions. Currently, a 2.3-million-Euro investment by the PHARE program for water and wastewater network in some areas of Vlora is under implementation.

Almost 40 percent of the population of Vlora gets running water for 24 hours, and the rest are supplied with water for an average of 6 hours out of 24 hours. Most of the population pays on a per capita basis because of the absence of meters. There are 22,000 unmetered customers in Vlora. Meters are placed only in the newly built apartment buildings and in one of the new illegal settlements, which accounts for 32 families. The current water tariff established by the Water Regulatory Entity is 72 Lek a cubic meter. The actual collection ratio is 50 percent.

Vlora water is considered among the best in the country. However, because of the worn-out network, the quality of the water deteriorates as it runs through the pipes.

⁴³ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

⁴⁴ See Annex 6.

The sewerage network is also in dire condition. The existing system is worn out. In some neighborhoods, the sewage is discharged directly into the sea; instead, the new illegal settlements rely on septic tanks. A WB project plans to upgrade the sewerage system in Vlora.

Lushnja

Type of management	Public management
Population Growth Ratio (1989–2001)	129%
Population Growth Ratio (1989–2003)	204%
Unemployment Rate (2001)	27.05%
Families under Economic Assistance	1500 (10%)
Main Economic Resource	Food processing, apparel manufacturing, construction, industry, and services
Coverage Area	Municipal
Billing System	Flat Rate
Collection Ratio	60%
Water Loss	60%

Lushnja is located in southwest Albania, approximately 80 kilometers southwest of Tirana. It has an area of 712 square kilometers. Major economic resources include food processing, apparel manufacturing, construction, industry, and services. The unemployment rate according to the population census of 2001 is 27.05 percent.⁴⁵

The population of Lushnja increased from 29,800 inhabitants in 1989 to 38,336 in 2001, growing at a rate of 129 percent.⁴⁶ However, according to municipal sources, population is around 61,000 inhabitants, and the population growth rate is calculated to be 204 percent (1989–2003). Out of 15,000 families, 1,500 (or 10 percent) of them are under the economic assistance scheme.

According to the WU, Lushnja receives water from two sources: Cerma and Konjati. The quality of Cerma is satisfactory; however, water from Konjat is of unacceptable quality. Almost 68 percent of the water supply network is worn out.

On average, Lushnja is supplied with drinking water twice a day: two to three hours in the morning and two to three hours in the evening. However, there are neighborhoods that receive water only once a day, and there are others that lack water for days and even weeks during specific periods over the year. In addition, there are new illegal settlements such as Sarava where the water system is completely absent. Some of them illegally tapped into the water main, contributing to further deterioration of the system. Water losses are estimated to be about 60 percent.

The billing system is based on a flat rate on a per capita basis, and there are no water meters in the city. Water that is unaccounted for is estimated to cause significant financial losses (around 98 percent). The billing rate is around 80 percent, while the collection ratio is only 60 percent.

⁴⁵ INSTAT. 2003. *Statistical Yearbook*. Population Census of 2001. Tirana.

⁴⁶ See Annex 6.

Only 20 percent of the population drinks water from the tap. Most inhabitants buy water from trucks. Five water trucks sell water to the population, with a reasonable price of 20 Lek for 5 liters. The water trucks take water from the source in Bogova, some 11 kilometers from Lushnja.

There are serious problems related to the wastewater system, especially the main sewers. The uncontrolled movement of the population has increased the level of problems, because many new houses are built near or right above the main sewers. Almost all the households in the new illegal settlements, especially in the neighborhood of Sarava, are not connected to the sewerage network and rely on septic tanks.

ANNEX 5 – REPORT ON KEY INFORMANT INTERVIEWS WITH CENTRAL GOVERNMENT

Mr. Fran Brahim, Decentralization Director Ministry of Local Government and Decentralization

The organic law of decentralization defines water supply as one of the municipalities' (communes') own functions, and decentralization of these functions was planned for January 2002. For different reasons, mainly objective, this didn't happen. Asset inventory, the assessment of the financial situation of the WU, and the assessment of different management models were not foreseen in the OFLG law, causing delays in implementation. Despite the delay, the decentralization process has taken important and safe steps forward. The process can be called successful and promising for the future.

What is very important is the fact that the process of assets transfer, as well as the process of transferring the exclusive functions to LG, be completed within this year.

In 2002, the policy paper was approved, and the process of transferring these functions to the LG continues by first transferring the assets. This has been the first phase and has been very problematic so far. There are a total of 53 shareholding water companies in Albania. All of them, except for two—Korça and Elbasan—have finished inventory of their assets. The transfer of assets has been done for some WUs, which are within a commune or a village.

There is an interministerial working group with MOTAT. This group has prepared a selection of the WUs according to the level of difficulty of the assets transfer process, because some WUs supply only one LG, but there are also cases when it supplies more than one LG unit, or cases when these WUs are very complex and difficult to manage. There are some other WUs, a total of seven, whose profile hasn't been defined yet, or in other words, they haven't been classified yet. The transfer process of these WUs that belong to only one LG unit is simpler.

When the water system lies in more than one LG unit, as in the case of the Durrës WU, it is quite difficult to decide on asset ownership. This has affected the pace of the transfer completion. Consequently, experts at the MOLGD state that transfer of the WU to the LG will begin with the simplest water companies. However, the first step will conclude only after the following administrative procedures are completed: (a) the line ministry sends a letter to the LGs asking whether they are willing to take over the property, (b) the local governments send an official statement stating their willingness to administer water and sanitation utilities, and (c) a Council of Ministers decision is issued based on that request.

The second step is the process of analyzing their financial situation. Decentralization strategy and the policy document anticipate that the WUs will be transferred to the LGs without any debts. These debts are the responsibility of the state up to the moment of transfer.

Another problem is the tariff management or the LG authority to decide the level of the tariff. The competencies held by the WRE will be transferred to the LG, while the WRE can approve a general structure that includes the main elements of cost. Based on these structures, the LG can decide about the tariff.

We cannot say that the LG doesn't have any capacities, but at the same time there is need for improvement. Where these capacities exist, they should be kept. Also, there is a need to train the LG because this is a new style of management; they [LG] will be the ones who will manage the service. MOLGD and other line ministries are offering training to the LG.

The LGs are very interested in getting the new competencies anticipated by the law, and they request that they become a reality not only because this is what the law says, but because everyday they are faced with different issues raised by their communities and the needs [water, electricity] of their community. The LGs are ready for the new functions and are interested in taking over these functions without delay.

Regarding privatization, in theory the best solution would be privatization of the water sector. But first, the macroeconomic situation should be stabilized. In my opinion, the future will belong to privatized water services. At the beginning, it will be difficult to have extended privatization. In addition, large-scale investments are necessary before thinking about privatization. Privatization is very closely related to community decisions. There should be a good relationship between the private operator as service provider and the community as the service receiver. When the service gets privatized, everything should be regulated based on contracts. At the beginning, it will be difficult, but we can say that privatization is the best solution. But it will be the LG who will decide if they want these services to be privatized or if they should remain public services.

Genc Gjeci

Director

CMU

The WB project, or the Municipal Water and Wastewater Project (MWWP), is a continuation of the previous WB project, Water Supply Urgent Rehabilitation, in the same cities: Lezha, Durrës, Fier, and Saranda. The MWWP is an advanced stage of credits in Albania; this is because this project introduces the concept of management contract, which means that WB not only gives credits for capital investment but also enables a management contract. The process of the MC started with a bid to select a private operator who would manage the utilities. There was a reason for introducing the MC. It happened because the previous capital investments were not living up to the expected results, thus they were seen as necessary to introduce a private operator who would manage all four water companies and bring the "know-how" in management, to strengthen possible the funds invested to achieve the highest possible sustainability.

Executive Committee

As anticipated by the MC, the PO is monitored by the Executive Committee, which was created by the decision of the Council of Ministers. The EC comprises seven members, with three members representing the line ministries—MOTAT, MOE, and MOLGD—and four members representing the local governments. Until now, these members have been two deputy mayors of Saranda and Fier, chairman of the municipality council of Lezha, and the director of public works from the region of Durrës (because the water utility is regional).

All WUs are transformed into shareholder companies. To close the gap that exists because of the Albanian legal framework, between investments approved by the EC and those approved by the SC, the WUs' decisionmaking rests with the SC. According to the existing legal

framework, the SC comprises (a) one member from MOTAT, (b) one member from MOE (as the owner of the assets of these WUs—the assets transfer have not been completed yet and is proceeding very slowly), and (c) one member from the LG.

To avoid disagreements between the EC and SC, it was decided that members of the EC who represent the LG should also be the heads of the SC of the respective city. That is, if for Fier the deputy mayor is the member of the EC, then automatically he should be the head of SC for Fier. As a result, procedures like an investment plan and so forth that need to be approved by the EC are sent from the SC to the EC. If they are approved by the EC, they are automatically approved by the SC or by the SC chairman. In other words, the EC is a political body. To also have the presence of technical people, it was seen as reasonable to establish the CMU, which is considered as a technical body. The CMU was established in cooperation with the EC and MOTAT. For continuity purposes, the World Bank assigned the PIU director the title of CMU director. The CMU operates as the secretariat of the EC, prepares all the materials needed for EC meetings, and explains to the EC measures taken by the PO. The EC is the principal decisionmaker and deals with revisions and approvals of issues such as the investment plan by the PO, the human resources plan, the cutting off of illegal connections plan, the meter installation plan, and so forth. After these plans are approved by the EC, the CMU is responsible for revising them and providing comments that are technical in nature. Consequently, the EC is aware and updated on the duties and proceedings of the PO, based on the MC. The MC foresees that the EC gathers once every trimester. The EC has held more meetings than those anticipated by the contract, considering the urgency of the issues to be discussed. The first meeting of the EC was held during the negotiations phase with the PO, and the second was held after the PO had started working to discuss the requests of the PO regarding changes in the staff.

CMU Structure

The CMU comprises the following: director, technical director, one supervisor, one procurement specialist, and a financial specialist. The supervisor is Albanian. Under the MWWP, the World Bank will bring in a foreign consultant to monitor the performance indicators because an expert has not been found locally.

PO-CMU Relations

At the beginning, there were certain difficulties between the PO and the CMU, and the necessary governmental support was lacking. Also, there seemed to be a perception by the citizens that a PO would improve service delivery overnight. It was the perception of the CMU that the PO was not serious from the start, believing the task, considered a real challenge by the CMU, was easier than it actually was. The negotiations phase of the MC lasted about three years, and the beginning of the contract was accompanied by a relatively long acquaintance phase, more than originally planned.

PO-WU Relations

The PO-WU relations were not positive at the beginning of the project. The two were working separately, and there was no coordination of work between them. The director of the CMU stated that the current attitude of the WU partly stems from an initial enthusiasm about the PO, which was then followed by disappointment. One of the difficulties that prolonged the acquaintance phase and the implementation of the MC was the malfunctioning of the managerial scheme of the PO. The general manager proved to have no adequate experience outside of Germany. Consequently, this delayed the start of the reform. However, BerlinWasser (BW)

reacted promptly and decided to replace the general manager with the manager for the north. Nevertheless, according to the director of the CMU, the relations between the WU and PO have significantly improved, and both are actively involved in the utility's decisionmaking process.

WUs feel left aside. The reason behind this attitude of the WU can be explained by the lack of WU awareness about the duties and responsibilities of the PO foreseen in the contract. Also, there is a reluctance of the WU staff to sit and read the MC to have a clear picture of respective roles and responsibilities. For this reason, intensive active communication targeted at the WU staff is the best way to increase local awareness. The resulting situation was characterized by the lack of information flow and information sharing between different stakeholders in the water sector. While the WU do not seem to be clear about the roles and responsibilities of stakeholders such as EC and CMU, knowledge has not been disseminated through workshops or small team discussions.

In five years, the PO will leave, and, as such, the current WU staff will be the one that will manage. MC has foreseen training workshops for the WU staff, where the staff will also learn the new methods of work. Trainings will be performed within the country, as well as in Germany. Staff training is seen as very important for the continuity of the WU operation.

It is very important to have a very close and continuous relationship between the PO and LG. LG should be involved in the project, especially when problems like a tariff increase or disconnection of illegal connections are involved. Even the best PO cannot implement a successful project without the support of the LG. The representatives of the managers should keep close contacts with the mayors. At the same time, mayors should be able to contact not only the director of WU (for different reasons), but they should also be able to contact directly even the PO. The PO, then, can contact the local managers that he will employ under this MC.

Employment

Like all WUs in Albania, the ones in the four cities are overstaffed. The MC will certainly be associated with a reduction of WU staff. PO has prepared an HR plan that anticipates this. In spite of that, employment of technical local staff at WUs might be seen as very positive. Also, it can be considered positive that the PO is keeping the same WU staff, the same director, technical director, and so forth. At the same time, the technical staff that is working in Durrës are engineers brought from Tirana. Improvement of water supply has a direct impact for the development of tourism and for the opening of new businesses in all four cities under MC.

Tariff and Subsidies

There is one report prepared for the four cities under MC, and it is a detailed one. For example, the proposal on the tariff increase: there is a different tariff for each of the cities, which takes into consideration the different specifications of each city. So far, the tariff has been considering only the technical factors, but we have insisted that it should also consider the social factors. WB will be implementing the lifeline tariff of 20 liters per capita. Implementation of this policy requires installation of meters. Its implementation can start for those households that already have meters. The MC anticipated installation of meters in all households, but priority will be given to the families under the economic assistance scheme, making possible in this way the implementation of the lifeline tariff. The tariff will take into consideration the social problems.

The conditions of the water and wastewater system will be improved because of the MWWP. Each city is foreseen to have an increase in the supply hours. If this increase does not

happen, then the PO will not take its payment. Or the percentage of the customers that are supplied for a very limited number of hours will be decreased. Within the same city, there will no longer be huge differences in the number of supply hours; different zones of the city will have almost the same number of supply hours.

There is also an investment in Durrës by OPEC; the pipeline that connects the resource of Fushe Kuqe to the city will be rehabilitated. If in Fushe Kuqe are produced 700–750 liters per second, only 300 liters reach Arapaj; water abuse is considered to be a critical issue. If the LG would take enforcement measures, water wouldn't be abused, and consumers of Durrës would have been supplied with more water. There has been some cooperation between the LG and WU, but this cooperation hasn't been at the desired level.

CG Support

There has been support by CG. CG subsidizes all WUs. Giving these subsidies at the right moment is an important factor which will affect the future progress of WUs. MC has defined the level of these subsidies. Subsidies will cover operational costs, emergency interventions, the electricity bill, expenses for chlorine, and the employees' social security payment. There might be concern by the CG related to the coverage of the operational costs, because the state budget does not foresee a budget activity for this. Another problem that has been noticed is that because subsidies to the WE also cover their electricity bill, there have been cases when the houses around the WE have been illegally connected to them, increasing in this way their [WU] energy bill and causing problems for the CG and state budget.

Bujar Rreme

**Director, General Directorate of Water and Wastewater System
Ministry of Territory Regulation and Tourism (MTRT)
Head of Executive Committee**

Regarding legal framework, Law No. 8652, known as organic law, and DCM 550 to the policy document, are the backbone of the whole decentralization process. Water sector decentralization reform began in 2003. Asset inventory was the first step carried out by MTRT. Then WUs were grouped into WUs (or shareholding companies) that cover the urban areas and WUs that cover rural areas.

The first step is followed by the categorization of WUs according to the service area, starting with the simplest ones (basically those supplying only one municipality or commune) and ending with more complex ones (regional companies). A profile will be prepared for each water company based on the information obtained. When the water system lies in more than one LG unit, as in the case of Durrës WU, it is quite difficult to decide on asset ownership.

The first step will be considered concluded after the following administrative procedure is completed: (a) the line ministry sends a letter to the LGs and asks them whether they are willing to take over the property; (b) official statement of local government to administer water and sanitation utilities; (c) based on that, a Council of Ministers decision is issued. So far, out of the eight study cities, only Vlora has presented the official request.

Asset inventory has been completed for all 53 WU of the country, except Korça, where the inventory has to be redone because the current asset inventory has not taken into consideration the KfW investment. The WU of Korça and Korça municipality, together with the

Ministry of Economy, as the asset owner, have to present the documentation with the new inventory at the Court. After that, necessary documentation is forwarded to the Council of Ministers.

I hope that within the first trimester of the year 2004, a small number of these requests will be transferred to the CM and, right after issuing a CMD, will start negotiations with the LG.

The Decentralization Law and Legal Framework in general is incomplete, especially when they talk about the exclusive functions of LG related to tariff approval, supervisory councils, and WRE. There has been an initiative by both line ministries (MOTAT and MOLGD) to draft bylaws that will enable the execution of the above-mentioned functions. Very soon, these bylaws will be forwarded to CM for approval. According to these bylaws, (a) tariffs will be approved by LGs and (b) LG will have the majority within the SC (two members will be representatives of LG and only one member will be representative of CG). I have raised my concern regarding this issue: that the LM or our directorate should remain a member of SC; otherwise what will enable the relationship between the LG and the CG? If the LG will be the only one to have the control over water and wastewater system, then what kind of relationship or obligations will the LG have toward the CG, especially to obtain investment funds from the CG budget, in establishing contacts with the donors, delivering technical assistance and trainings, or even in obtaining information from the WU, and later disseminating it (which are indispensable for designing the sector strategies, as well as for ensuring an efficacious administration of the WU)?

Regarding the Executive Committee, I am the representative of MOTAT in the EC, as well as the chairman of the EC. Its function, how many times it holds its meetings, and so forth, are all specified in the MC. EC was established after a CMD for the management of the WB loan. The EC consists of seven members, three of whom belong to the line ministries (MTAT, MLGD, MOE), and four other members are representatives of the LG from the four project cities. The establishment of a mixed board of representatives from the central as well as local governments was instigated by the current phase of the decentralization process, where both CG and LG have rights and competencies. All members are appointed by the CM. (a) Durrës, which has a regional water system, is thus represented by a regional authority; the other three cities are represented by municipality authorities; (b) Lezha—a member of the municipal council; the chairman of Lezha municipal council was the member of the EC, but with the new LG elections, he is no longer the chairman of the municipal election or even a member—as a result, a new member had to be elected; (c) Fier—the deputy mayor is the member of the EC; and (d) Saranda—the deputy mayor was the member of the EC and now, also because of LG elections, we have requested for a new person, and his confirmation is still pending.

EC has held more meetings than those anticipated by the contract, considering the urgency of the issues to be discussed. The first meeting of the EC was held during the negotiations phase with the PO, and the second meeting was held after the PO had started working to discuss the requests of the PO regarding changes of the staff. This year, EC has not met yet, because we have been waiting for the closure of all LG election procedures, as well as for the confirmation or legalization of the new municipal councils. After the legalization of the mayors and members of the municipal councils, we have sent a request to them to confirm the two new members of the EC.

Based on MC, EC should hold meetings every trimester. Taking into account the fact that MC has been signed in August, we have held more meetings than foreseen by the MC. This

happened because of the problems encountered. So, depending on the problems that PO and WUs will be facing, it will be impossible to wait for the trimester to be gone to hold a meeting. The meeting venue is not very important for us [EC members]; we met in Tirana and in Durrës. We do not decide to go to Saranda only because there are problems there—it will depend on the problems. If the problems are not critical and they can be solved within the city, there won't be any need for all the members to go to Saranda. This year, we will try to held meetings in each city.

Public Management versus Private Management

First, I want to explain that the first step toward privatization is already undertaken: it has been their transformation from public enterprises into commercial companies. This process forced them to analyze their financial and economic situation, making them aware of their organizational and financial weaknesses. Thus were pointed out all debts that these WUs have inherited and that are accompanying some of them even nowadays. If this step wasn't taken, then these so-called state companies weren't going to be attractive for the donors. In my opinion, private management through management contracts of concessions will change the mentality of the employees in these companies in relation to their workplace, qualifications, and relationship with the community, solving problems not only for today but also for the future. Capital investments that will be made will belong to these companies or to the city, and they will transform these companies from companies whose survival totally depends on state subsidies into independent companies that will have a higher level of service. Their economic activity will be increased, their financial and economic situation will change, and at the same time the level of state subsidies to the companies will be decreased.

Tariff policy is the competence of the WRE. It is the competent organ that analyzes financial and economic performance of the WUs to decide if there is need for a higher tariffs and if they need to be increased, what the level of this increase will be. Tariffs have changed for almost all WUs, and the level of increase differs for each of them. There's no comparison between current tariffs and the ones before the 1990s, which were 0.4 Lek per cubic meter. The increase has been drastic. While before the 1990s, it was easy for the state budget to subsidize these companies, nowadays the price difference is very high, and as a result the level of subsidies that these companies require is very high too. There's still need for the water tariffs to be increased, because all the WUs operate under cost. I am not saying that there should be an immediate drastic increase, because in this case it will hurt the consumer, and also the policy that WRE follows is the one of consumer protection. There have been cases that the tariffs have not been approved by WRE. To my opinion, each WU should have tariff increase proposals supported by in-depth analysis. Currently, the process of setting the tariff goes through these stages: the WU completes analysis and proposes a tariff, this proposed tariff is brought into attention and is discussed by the municipal council, and then it is forwarded to the WRE. Thus, this is a filtered process. To my opinion, tariff increase means the WUs' salvation. But, there are many objectives that these WUs should fulfill to make it possible. Collection ratio is not at the desired levels. I was hoping that during last year, the collection ratio countrywide could reach 90 percent, but on average, they are at the 72 to 75 percent. There are some WUs that have a high collection ratio, such as Korça, which has a collection ratio of 93 to 95 percent, or even higher, but in the meantime, there are other WUs that have collection ratios as low as 23 or 25 percent. Also, there are some WUs, such as Shkodra, whose collection ratio for water services, compared with the collection ratio for electricity supply, is much higher. For Shkodra, if the collection ratio for electricity supply is only 7 to 13 percent, the collection ratio for water services is 56 to 58 percent. This ratio has been increased compared with last year, when the collection ratio for water services in Shkodra has been only 17 percent. As a Ministry, we should increase enforcement for

the WUs, because they are requesting to be subsidized out of the state budget, and we cannot subsidize them without increasing enforcement measures first and without them working toward this. Otherwise, it will mean to them, “You lay down under the sun because I am paying for it.” Subsidizing level would be decreased, and the WUs will be turned into self-sustaining companies. They are all aware of this.

Q: Which institution do you think should be responsible for setting the tariffs, which is the role of WRE?

A: The future role and responsibility of the WRE will focus on designing models for tariff setting, as well as regulating and facilitating the decisions made by the LG. The WRE has the legal rights to monitor and apply penalties in case of law violation. It is obvious that LGs are closer to the consumer and community, they are responsible for all the activities performed in their administrative jurisdiction; this is why they should decide about the tariffs. LGs will be the ones to decide if the tariff should be low or high. WUs will depend on LG; in this way, the financial balance of these WUs will also depend on LGs’ decisions.

Q: What about the merger of water and sanitation companies? Where does this process stand?

A: Regarding the merger of water supply and sewerage enterprises, to my opinion, it is very delayed. There is a DCM since 1998 or 1999 that orders the merger of those two enterprises into one. There have been many efforts (for example, in Durrës, the merger of the enterprises was set as a condition by the WSURP). In the meantime, in the case of Vlora, there has been a resistance by the LG. Maybe now, the transfer of the responsibilities to the LG will also make possible the merger of the water supply and sewerage enterprises. It is reasonable that it be a merged company. One of the necessary legal changes to be taken into consideration is the transformation of the sewage tariff into an executive title. So far, only the water tariff is an executive title.

Regarding the decentralization matrix, we are working and coordinating efforts with the MOLGD, because both line ministries have some common objectives. The decentralization process has begun—it will become a reality in 2004 and will be finalized in 2005. This is the challenge that remains in front of the water supply system.

Q: What about the capacities of LG and WUs?

A: GTZ has organized training sessions on decentralization for mayors and for the heads of communes. Meanwhile, our ministry is in the process of preparing a technical manual on the administration of water supply systems, and I believe that it will be finished by the end of the month. Until now, the legal base of the WUs’ function has been their statute. We cannot intervene into their statute because it is a legal document, approved by SC and by the court. Training materials, capacity enhancement, as well as the assistance that will be given by GDWSS, are foreseen by the matrix—our strategies as well as by the NWSSS. Even after the transfer of responsibilities to LG, we will continue to support LG with technical assistance.

Q: Emergency projects were successful at the beginning. Do you think they still have the same impact?

A: A project, such as the project in Durrës, for example, cannot be considered an emergency project. Emergency interventions—I can call only minor interventions that can solve

minor problems—do not require much time. An investment project that continues for at least two years cannot be called an emergency project.

Q: Do you have contacts with the local WUs?

A: We have direct contact with WUs to get information on economic and financial indicators, problems facing WUs, or on their investment needs.

Q: Is it the same in your position as the head of EC?

A: We have contacts with the PO; also WUs have their contacts, because the PO and the WU are supposed to act as a single body.

Mimoza Dhemb
Director, Budget Department
Ministry of Finance

Decentralization law was approved in 2001. It started as an experiment. Then, in 2002, fiscal decentralization was carried out: some national taxes became responsibility of the LG.

Decentralization of water system was a very good idea; at the same time it was a new experience for Albania. As anticipated in the decentralization strategy, decentralization of water services, and the transfer of exclusive functions related to this sector were planned to happen in 2002. Decentralization of water sector is very difficult; the whole system is very complicated. To my opinion, decentralization of water services is very difficult. In all roundtables that I have been present, we have been talking about a gradual transfer. By gradual transfer is meant the transfer process by which the WUs are debt-free, do not require additional investments, and do not have other problems. For example, a new WU that supplies a commune will be transferred directly to that commune. Some small WUs have been already transferred to respective communes.

The transfer of the larger WUs is more complex. Larger WUs are facing more problems. The first problem that are facing all of them are the inherited debts. There are times that revenues that they are collecting cannot even cover the salaries of the employees. There is no metered system, there are no meters installed, and the billing system is based on a flat rate. There have been some attempts, such as the policy document, NWSSS.

Inherited debts that these companies have with KESH have been subsidized by the state budget. This subsidy has been given for the last two or three years, but it is noticed that the inherited debt—instead of decreasing—is increasing with new debts. For example, during year 2003, some new debts were added to the inherited ones. However, I think that this subsidy will continue this year, and maybe next year all the inherited debts will be written off. The WU should become self-sustained. We cannot transfer to the LG a service that has enormous debts. The LG cannot afford to clear the debts of such a sector out of its budget. The LG's grant is so small that it cannot cover all the debts that the WUs have. To my opinion, you cannot transfer a WU in which there are still great needs for investment. A large number of investments have been done during the last years.

In my opinion, it will need two or three more years for these enormous problems to be solved. This might happen only after the improvement of WUs' infrastructure, tariff system, and their financial management. By this time, the four cities under the MC will be able to disseminate

a positive example. The transfer of competencies to LG seems to be more a step-by-step process, which means that in those cases when it is seen to function and there is no further need for intervention by the state, it can be transferred to the LG. There is another complicated issue related to the transfer of water sector functions. This issue is the tariff decision. In my opinion, this issue was raised in 1997 to 1998, and I thought it was solved, but we are still subsidizing WUs. Tariff should cover the cost. But there is need for a gradual tariff increase during the following three to four years. When the tariff will equal cost, the WU won't need to be subsidized, and that will be the right moment for the WUs to be transferred to the LG. For the moment, the municipal council and WRE are the authorities that decide the tariff. WUs are local enterprises that have the authority to appoint the director, but not the tariffs. There hasn't been any tariff increase so far. At the same time, we are still subsidizing these WUs. The tariff issue is very important.

There should also be an action plan for the water sector, and for all WUs. For example, there is an Action Plan for KESH. This plan covers a period of three years and includes different indicators; a business plan that includes the quantity produced, imported, and so forth; and the technical and nontechnical losses, as well as losses due to illegal consumption. Any credit that will be received or any assistance out of the state budget will be given based on these indicators. The situation of KESH has changed because of this plan. Our objective is not to give subsidies to this sector after year 2005.

In regard to tariff policy, the tariffs will be increased: there will be an increase by 10 percent this year, another 10 percent next year, and so on, until it reaches the international levels. At the same time, the tariff in Albania includes also the water losses due to consumers' behavior. That's why the tariff might be calculated to be higher. This process cannot be immediate.

The World Bank has performed an in-depth analysis and a detailed action plan for all four companies under MC. There has been a problem for the state budget, because there is a need for an enormous subsidy, in the amount of 700 million Lek, out of the state budget to cover the difference between tariff and O&M costs. The action plan that WB prepared for four cities under MC should become a practice for all WUs in the country, in the sense that all WUs should have indicators, so when the ministry gives subsidies, it knows what it is giving this subsidy for. Before applying for state subsidies, WUs should monitor their indicators and achieve a certain level of issued bills, bill collection, and so forth. In this way, they know that this year the tariff is at a certain level and can foresee what level of tariffs they need in the following years. So far, there is no clear vision to where these companies are moving. There should be a clear action plan that covers at least three years, and it should include what is called the big inventory: inventory of problems and tendencies, indicators (such as bill collection), or tariff. The sector needs an action plan for 2004, the same as the one that WB has prepared for four cities under MC.

The cash flow that the ministry prepared for WB project (four MC cities) was very detailed. It included all the costs, expenses, revenues, tariff, expected increases of the tariff for the next three years, and the required amount of state subsidy for the next three years. By having this action plan, we know where these companies are going, we know that they are managed with a "fee" for success. The MC will be five years long, and at the end of this period, it is expected that these companies will no longer have a negative balance; instead, their balance will become "zero."

One problem might be raised. The cities under MC, in accordance with the WB action plan, should increase the tariff, even if they do not want this. So the tariff in one of these cities will be higher than in other cities (for example, Korça), although the quality of service might be

the same. The differences in tariffs are also because of the different geographical position or because of the nature of the water resources that each WU uses. If the difference in tariffs is only a result of the method of providing water, then the amount of subsidy needed would be low and won't be a problem for the state budget. The subsidies given to the WU out of the state budget equals 800 million Lek.

Compared with electricity or telephone, water remains the lowest expense for a family. There are no meters at all. Water is billed based on a flat rate, which is not right.

Private versus Public management

For the moment, the whole water and sanitation system is in dire conditions; almost half of the water produced is lost. I don't think any private operator would like to take the system in such conditions. The first step should be investments in the system. But to invest for the rehabilitation of the system is not easy; the cost is very high, and no one from the municipalities can afford to do such investments, the state itself cannot make such investment. For a sector that is subsidized by the state, private-state relationship would be very difficult. In the long run, the LG can get any private company to administer the service, but it will be the responsibility of the LG to decide for this. The companies will be transferred to the LGs as public companies, as they are today, then LG will decide if they want to have private management for these companies. Then, the water sector services are public services. Even in other countries, they are responsibilities of the municipalities (municipal functions are water, fire, and so forth). Municipality has also its own structures, such as municipal police.

Loss Control Program Document

A Loss Control Program is being implemented in all four project cities. Unaccounted-for water (UfW) is a major problem within all four water companies. In each city, around 65 to 70 percent of water produced is unaccounted for and is therefore the main factor regarding the financial losses of the water company.

The off-takes on the main transmission pipelines, supplying the municipalities and villages along the pipeline, have to be determined accurately by the technical department within the frame of the Loss Control Program, and it is an absolute necessity for the Billing and Collection departments on the respective water companies to coordinate closely with the Loss Control Program to have effective results. The interaction between the technical and commercial departments is necessary.

There is a clear discrepancy between the UfW figures given from the technical department and the figures given by the commercial departments. This discrepancy is equivalent to 730,722,000 Lek for all four cities. This issue has to be addressed as an urgent matter.

The first step in any review of the structure of a water supply system is to define the components of the water supply system clearly (that is, the network zoning).

Etleva Kondi
Expert on Privatization, Department of Privatization of Strategic
Sectors
Ministry of Economy

The first phase of privatization, which is the transformation of the WUs into commercial companies, has been successful. All the WUs, 54 of them, have been state-owned, and most of them have been transformed into shareholding companies. Only three or four WUs have not been transformed yet, but their transformation is in process.

The second phase has been implementation of some types of privatization, such as MC or concessions. Four cities are under MC, while under concession, we have Elbasan. There have been some problems with Elbasan, and a ministerial task force has been created to clarify what are the problems. Although privatization through concession is indispensable for the privatization of strategic sectors, one of the problems with privatization through concession might be the legal framework supporting them. It should include new terms that will regulate the relationship between concessionary and client (MOE as the representative of the GOA). Also, the obligations by the two parties should be one of the main conditions, which will change the contractual relationship. It is still early for a full privatization, and this opinion is based in experience. A partial privatization, such as transfer of shares, might be a better solution. Nevertheless, water supply service is a public service, a vital one, and should be treated very carefully. Because of this, its privatization, no matter the approach—a 100 percent privatization, privatization through shareholders, through management contracts, or through concession—should be well-studied, well-related to the legal framework for water resources and other laws, policies regarding water sector, and so forth. Therefore, a combination of all the methods should be considered to achieve the best solution. Privatization will be associated with problems, because it is a new experience, and just like any new experience, it will be accompanied by positive or negative effects. But there should be a reflection, and they should be considered when a new contract is signed or when a new approach is followed.

Although the company that has the concession contract with Elbasan is the same as the one that is managing the WU in four cities under MC—BW—the WB project is quite different from the concession contract in Elbasan. The only common factor that unites both types of contracts is the name of the company [BW]. One of the main problems that was noticed in Elbasan was the two-way obligation between KESH and the WU.

With regard to the tariff increase: a tariff increase will be necessary to equal costs. Tariff increase has also social effects: it will burden the consumer. A solution for this might be subsidies given by the LG (for example, the LG can subsidize a portion of the cost). CG support through provision of subsidy is deemed as indispensable to ensure the progress of the reform in the four cities under the MC.

With regard to the merger of water and sewerage enterprises, a Council of Ministers Decision (CMD) orders the merger of the two enterprises countrywide. Despite continuous efforts, this merger has not been completed. There have been a positive reaction by most of the companies, with some exceptions. There have been cases when the LG sees these enterprises as their own and has been fanatic about having them under their own orders. In this way, they haven't accomplished this merger yet. There are two main reasons behind this delay. The first is related to the political climate in the country and depends on whether the CG and the LG represent the same political force. The other reason, perhaps even more important, is that by

having the sewerage service under their jurisdiction, LG obtains funds that increase the amount of money the municipality can administer. Vlora still has two separate utilities that provide water and sanitation services.

With regard to the inventarization process, it has just began. There is an Inventarization Agency that is dependent on LG and is responsible for that. As anticipated by the decentralization strategy, the assets will be transferred to the LG, and to complete the transfer, their inventory should be completed. The process is very complex, especially in the cases when the network lies in a commune other than the commune covered by the WU. The process should be well studied. It still hasn't been decided if the assets will be transferred to the LG that performs the service or will be divided into different LGs.

It will be better to transfer the services to the LG. Customers complain to the LG. Although it is true that customers complain, but does the LG have the capacity to solve their problems? It is easy to respond to the problems, but it is more difficult to *solve* the problems. As a specialized sector at the ministry, it could offer assistance to the LGs in the process of privatization in any moment.

Fred Geiter Interview

The major problem is not the availability of water, but the human side, the mentality and attitude on both sides: consumer and government. If we change the attitude of people, we can reach enormous supply. The problem is the same for all four cities. Only 30 or 40 percent of water produced is reaching the city. Water loss is about 60 percent. Lavazh [car wash] water is wasted water. There are a lot of losses along the main transmission line. I do not have enough water to supply the whole town, while demand for water is high. And unless I provide water to the city, I cannot implement the metering correctly. It is crucial to make the people aware without killing the city.

The solution to this situation is to talk to people along the main transmission line, make them aware, and cut the connections. First, we have to talk to the head of the commune, and then proceed with the cutting off the connections along the main transmission line. Then, we can implement the metering program. I do not believe that cutting of these connections would cause social problems, because these people consume about 10,000 liters per capita per day.

Subsidies

For sure, some people are unable to pay because they are poor. Up to 20 liters per capita is a form of subsidy designed especially for these people. The people will pay if they get the service; it is not a problem of willingness.

It is too early for privatization; first, you have to go for a commercial approach. It is crucial that you change the mentality of the water company staff. People within the water company should be aware to save something.

Tariffs are under cost. Training of people is needed so that they become more commercial. We hope to achieve this within these five years. Privatization can be thought of later, maybe in six or seven years. This process takes time.

Increase the tariff: first, you have to cover the operational maintenance cost, and after that you should start thinking about capital cost. This cannot happen before 2007. We need subsidies to cover maintenance for at least two to three years. The Albanian government should give subsidies. Tariff increase is necessary, but it should be step by step because you need to know the ability of people to pay. You improve the service; you increase the tariff, little by little. This is important so that the level of water bill collection increases.

There is a clear linkage between water supply and employment. Over the past two or three years, the tourist business went down. Do you think that a tourist is going to that area without having water, with no proper sewerage system?

The legal framework is okay for the moment; decentralization is essential to get away from this. Any decision in Albania has been taken from the top, and the mentality hasn't changed since. I don't think it will have any social impact if it is not done well.

ANNEX 6 – REPORT ON KEY INFORMANT INTERVIEWS IN THE EIGHT TARGET CITIES

Fier – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Jani Fuli	Deputy Mayor Member of Supervisory Council	December 3, 2003
2	Rajmonda Hoxha	Deputy Mayor	December 26, 2003
3	Edmond Leka Agim Lisi Ardiana Vrekaj	Head of Public Works (municipality)	December 26, 2003
4	Agron Marginaj	Head of Social Assistance (municipality)	December 26, 2003
5	Aleksander Ruka	Office of Coordination (municipality)	December 26, 2003
6	Kastriot Ruci	Inspector, Department of Public Health	December 26, 2003
7	Dr. Andrea Valle	Pediatric Emergency Doctor Immunopathological Department, Pediatric Hospital	December 26, 2003
8	Vezir Muco	Director of Water Company	December 26, 2003
9	Pirro Ndreu	Technical Director of Water Company	December 3, 2003
10	Teuta Vasili	Head of Financial Department, Water Company	December 26, 2003
11	Shezai Cobo	Chairman, Chamber of Commerce and Industry	December 24, 2003
12	Dhimitraq Marko	Director, Agency for Regional Development	December 24, 2003

Tariffs

Billing is based mainly on a flat rate. Very few of the customers have a water meter. According to WU experts, this form of billing is not accurate because it does not reflect the real cost of the company. According to the same experts, about 40 percent of the water produced is billed for. Regarding the same issue, the deputy mayor says that billing is about 46 percent and collection ratio about 50 percent of the billed amount. There are three categories of consumers: domestic, business, and public institutions. Water tariff is different for the three categories. The company is thinking about gradually increasing the tariff and aiming for cost recovery. According to the technical director, the tariff is expected to rise about 10 percent this year. However, the same source states that in his opinion, company revenue might be increased by merely 5 percent.

As the local and WU experts perceive it, the reasons for nonpaying are mainly dissatisfaction with the service, poor water quality, and additional cost for providing water from alternative sources.

Besides tariff increase, improvement of collection ratio is perceived as another priority by the WU experts. The company is hoping to achieve this through the establishment of a computerized billing system; installation of meters; and increasing the percentage of billing, legalizing the illegal connections. There is a shared perception of the WU experts that those customers who pay now will continue to pay even in case of a tariff increase.

Access to Services

Water loss is one of the major problems that the WU of Fier is facing. The distribution network is very old and as a consequence worn out. Apart from huge water loss due to technical reasons, a lot of water is abused from consumer lack of awareness, such as using network water for irrigation purposes.

Water loss figures amount to more than 50 percent, and according to the technical director of the WU, the decrease of water loss in the network is one of the priorities of the company for the next few years.

According to the WU as well as LG experts, one of the main factors affecting the quality of access is related to the significant increase of the population size and a developed business sector, leading to an increased demand for water. According to the director of the WU, out of the 120 thousand to 130 thousand inhabitants of Lezha, only 40 percent have 24 hours of water. These are families living along the main water pipes. However, as the same source indicates, it is precisely these people who abuse water.

According to the director of the WU, the primary network was repaired through a first phase project of World Bank and, in the second phase, is financed by the PHARE program. There are 11 wells along river Vjosa that constitute the water source of Fier. According to the director of the WU, water supply is limited to twice a day, for a period of about three hours. According to the same expert, about 20 to 25 percent of the population does not have regular water supply.

The current condition of the pumping station is another factor that accounts for poor water supply through low pump efficiency. One of the reported priorities of the WU is to increase supply hours.

Water quality is not reported to be at the desired levels. According to the WU experts, a high level of chlorine is reported as a problem for about 10 percent of the wells. There are also cases of bacterial contamination due to the worn-out system. The director of the water company recognizes that the “quality is not how it should be and that there are areas where these problems are more prevalent.” According to the same source, there have been few cases of interception of drinking water with sewage. Major problems are reported about the sewerage system. The wastewater system is worn out, while about 20 percent of the population has no access at all and relies on septic tanks.

Subsidies (Lifeline Tariff)

It should be noted that there is a common agreement among experts that there are families in need that cannot afford to pay for the water. The director of the water company thinks

that the support for poor population, that cannot pay the tariff, should be sent to the water company. The deputy mayor of Fier thinks that the subsidy has to be part of a social assistance program. Meanwhile, the water company experts believe that other forms of support could include subsidizing about 30 percent of the water bill.

Employment

The interviewed experts could not mention any direct relation, or impact, of the water sector reform on employment.

Other

Land: None of the interviewed experts could mention any relation between water sector reform and value of land.

Health: Although the experts mention a few cases of water contamination, no cases of water-related or water-borne diseases are reported.

Savings: The experts do not generally believe that the water bill might have a significant impact on family savings, even if the water tariff increases further.

Institutional Issues

The water company in Fier is a shareholding company. From an institutional point of view, there are different perceptions as to who is in a better position to manage the company: a private or a public operator. The deputy mayor of Fier thinks that it is better to have a PO, believing that this type of management will prove more effective.

It is perceived that the major problems affecting the current situation of the WU are related to the poor organizational chart, low salaries, inadequate educational background, and the lack of an operation manual.

One of the changes that are expected to happen within the next five years is a 10 percent staff downsizing. Another concern raised by the WU experts regards the inadequate working appliances and tools.

The expert at the Chamber of Commerce was strongly in favor of privatization of the water sector. It is perceived that if the state continues to manage this sector, it will go even worse, and this is feared to have a negative impact on other sectors, such as domestic industries.

The general perception of the experts in Fier is that the PO will perform better and will be more accountable toward consumer demand. It should be noted that the director of the water company states that, in his view, when the WU is privatized, it would be better if the PO were an Albanian company.

Decentralization and Governance

According to the WU experts, water management should be the responsibility of local government. Nevertheless, the role of the state is still perceived as crucial for subsidizing at least

for the five-year period. The deputy mayor believes that this form of subsidy plus support for capital investment and trainings should be provided from the central government.

Legislation

According to water experts in Fier, the legal framework is not complete, and amendments are needed. According to the deputy mayor, the legal framework that supports privatization has to be completed. Another concern raised by the WU experts is related to the legal base regarding penalties for nonpayers or illegal connections.

Consumers' Behavior

According to the interviewed experts, ads on altered water supply schedule are announced through three local TV channels. The director of the water company states that in his view, the community should have its voice at the decisionmaking process. Moreover, he adds that this could be achieved through a consumer panel that can communicate directly with the water company, act as a kind of “opposition” to the company, and stand up for the interests of the community.

Some local government officials think that the community is already represented through the municipal council.

Durrës – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Besnik Kertusha	Deputy Mayor	December 15, 2003
2	Abdulla Deliallisi	Specialist of Public Works, (municipality)	December 26, 2003
3	Florian Mustafaraj	Technical Director of Water Company	December 15, 2003
4	Thanas Liti	Head of Regional Public Works	December 26, 2003
5	Thanas Liti	Durrës representative at the Executive Committee	December 26, 2003
6	Gani Buka Panajot Rusha	Executive Director and Secretary General, Chamber of Commerce and Industry	December 24, 2003
7	Dhurata Milaqi	Head of Social Assistance Unit, (municipality)	December 24, 2003
8	Skender Lala	Head of the Primary Health Care	January 16, 2004
9	Fred Geiter	General Manager of Berliner Wasser	January 16, 2004
10	Bajana Cevoli	President of Council of Social Service Association	January 16, 2004
11	HFU Representative	Head of the Finance Unit, WE	January 16, 2004
12	Business	Manager of “Adriatik” Hotel	January 16, 2004

Tariffs

The current billing system in Durrës is based mainly on a flat rate. According to the technical director of the WU, out of 200,000 customers, only about 7,500 have a water meter. Residences built recently usually have water meters and pay according to consumption. Currently, the collection ratio is about 60 percent of the water billed and about 25 percent of the total amount of water produced. Unmetered consumption accounts for significant financial losses.

The current billing system is below cost. The tariff has been increased, but it was not accompanied by an improvement in delivery. The tariff increase was also associated by the introduction of the sewage tariff.

The deputy mayor claims a maximal collection ratio of the water bill at a time when the water company figures show the opposite. The water bill that the customers receive is computerized, an improvement that was part of the WSURP.

Access to Services

Durrës has a regional water company, supplying four municipalities (Durrës, Shijak, Sukth, Manxe) and six communes with drinking water. There are three water reservoirs, and for most the part, water is dependent on electricity so that the pumping stations can function. The technical director of the WU states that during winter, the ratio of water supply is 60 percent for Durrës urban and 40 percent for Durrës rural (communes). During the summer, this ratio is changed to 40 percent for Durrës urban and 60 percent for Durrës rural. This increase in rural consumption during the summer season is due to irrigation. According to the technical director of

the WU, the amount of water produced is 800–850 liters a second, which in theory would be enough to provide 24 hours of water to about 200,000 people. However, as the same expert indicates, from the source to the city of Durrës, covering a distance of about 40 kilometers, there are about 70 villages that have to be provided with drinking water. During the winter, the amount of water entering Durrës city is about 350–400 liters a second, while during the summer, the quantity of water entering the city is about 270 liters a second, at a time when Durrës' population during the summer almost doubles because of tourists.

So far, there have been some investments in technical improvements. The water supply station at the source and the pumping station are rehabilitated. Durrës Water Company has been under a WB project since 1994.

Illegal connections at the main water pipe are an important issue: they account for significant water losses, as well as wearing out of the water supply network. Këneta and the beach areas are two of the major and most problematic new residential areas of Durrës. About three years ago, provisional contracts were signed with about 1,700 households from the Këneta area. They paid regularly only for the first two or three months. As the BerlinWasser manager sees it, it is crucial that the company talk to people, make them aware, and then proceed with cutting off of the illegal connections.

Access to water is also a crucial issue for the businesses, especially for the hotels. The latter have addressed this problem through the installation of huge water tanks or through digging wells. Most businesses are willing to contribute financially for the improvement of the infrastructure. The prefecture has decided to respond to this initiative; an aerial photo of the beach area will be taken in this respect.

The situation of the sewerage system is also deteriorating. Illegal connections along the sewage pipes are common in new residential areas, while some other areas rely on septic tanks. The current sewerage system cannot support the growing water consumption. The wastewaters are discharged into the treatment plant, otherwise the Këneta area would inundate.

Chlorination is automatically done at the source, and a second chlorination is done before the water enters Durrës. According to the head of the primary health care, there are people who take water samples from their house or neighborhood to be tested on their own initiative and on payment.

Subsidies (Lifeline Tariff)

It is generally acknowledged that there are poor families who cannot afford to pay for water. The lifeline tariff is perceived by the head of the public works unit at the region level, a member of the executive committee, as an inappropriate form of subsidy. First, it is quite impossible to deliver 20 liters per capita per day free because most households, especially the poor ones, do not have water meters. Another form, recommended by the above-mentioned expert, concerns the amount of social assistance the families in need receive from the state funds. This amount can be increased, and in this case, the state will be the ultimate recipient of this money.

However, he also believes that there are some population groups, most of whom are newcomers and belong to the Këneta area, who cannot afford to pay the water bill. This group can be subsidized through the lifeline tariff by the state. This is also confirmed by the head of the

social assistance unit at the municipality, whose data show that most of the families under the state economic assistance scheme belong to Këneta or other new residential areas.

Employment

All experts interviewed agreed that improvements in water provision have a clear impact on employment, especially in the tourism sector. Water is considered essential for development, and as a consequence, its impact on employment is perceived to be positive. The experts at the Chamber of Commerce and Industry stated that the number of tourists, and as a result, revenue from tourism, has declined during the past two to three years as a consequence of inadequate infrastructure, an integral part of which is poor water and sewerage services. Main beneficiaries of improved water and sewerage services are not only hotels but also families that rely on tourism as well.

The prefecture and the Chamber of Commerce and Industry of Durrës have drafted a program aiming at minimizing the negative impacts that inadequate infrastructure such as water supply, sewerage service, waste removal, electricity, and so forth have on the development of tourism. The same experts believe that another positive impact of the water sector reform might be felt in the food industry sector.

Other

Health: According to the technical director of the water company, there have been cases of water contamination; however, this has never resulted in water-borne or water-related diseases. However, the head of the primary health care states that people can be contaminated, even if they do not drink the contaminated water, by simply using it for washing. He further adds that there have been a few cases of typhus-abdominal diseases in isolated quarters in the city caused by the interception of drinking water and wastewater.

Savings: None of the interviewed experts believe that the water sector reform might have significant impact on family savings, considering the relatively small weight of the water bill compared with total household expenditure.

Institutional Issues

The technical director of the WU, as well as the director of the public works department at the region level, were not clear about respective roles and competencies for the water company and the private operator. According to the expert at the region level, a member of the executive committee, it has been discussed several times that municipalities and communes each take their own responsibilities and competencies, but they declined to accept this. Consequently, the region remained as the coordinator.

The municipality does not have any relations with the water company. The region is entitled to that, and it also has a representative at the supervisory council of the water company.

Privatization is seen as a solution for some of the interviewed experts, while some others perceive it as premature. Those in favor of privatization argue that the private operator will be more responsible and respect the contract with the consumers. It is generally abused with the state property (that is, when it is the state managing things). The experts at the water company and the region do not know whether the private operator has already prepared the operational program.

The technical director of the water company believes that privatization is the ultimate solution for the enterprise, which otherwise will go bankrupt.

Civil society expert states that water company employees are corrupted; if you pay them, you can have extra water. She further adds that it is necessary that a consumers' panel be established so that people have their voice in decisionmaking.

Legislative

Regarding the legal base, all of the interviewed experts state that the current water sector legislation is not complete. One of the major weaknesses of the current legal framework is perceived to be enforcement and legal penalties.

Decentralization and governance

Decentralization is generally perceived as a very positive step, assuming that the local government is in a better position to provide water and wastewater services. Local government is perceived as the main beneficiary of the decentralization reform. In the case of Durrës, the region is the main figure, which coordinates and mitigates between the decisions taken by the private operator and the potential social problems. Differing opinions are given in regard to the roles and competencies of the municipalities and communes versus the region. There are divergent attitudes regarding the functions and competencies of the municipality and the region. On the one hand, the municipality claims it is left out regarding the water sector reform and that it would prefer this be the competence of the municipality. On the other hand, experts at the water company believe that the region should be responsible for it because it administrates all municipalities and communes, and thus it is easier for the region to coordinate and manage effectively. Interestingly, experts at the municipality also state that the municipality does not have the necessary financial possibilities to take over the water company, considering the amount of debts the company has. Technical assistance for capacity building is seen as necessary for most experts.

Customers' Behavior

Water abuse by customers is a very pressing issue; water is overflowing from household tanks during the water supply hours. Some of the experts at the municipality stated that there was a lot of propaganda at the beginning of the project about the improvements that would follow, but because the rehabilitation focused on the main transmission line, the customers did not readily feel the results. This had a negative influence on their expectations from, and attitude toward, the water company. Awareness raising is a priority issue, according to some of the experts interviewed.

Vlora – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Shpetim Gjika	Mayor	December 2, 2003
2	Arqile Mishtaka	Deputy Mayor	December 2, 2003
3	Arben Beqiri	Chief of Cabinet (municipality)	December 2, 2003
4	Ardian Musta	Head of Public Works (municipality)	December 22, 2003
5	Irena Stasa	Head of Social Assistance (municipality)	December 22, 2003
6	Elton Golloci	Head, Department of Public Health (municipality)	December 22, 2003
7	Varvara Gjika	Director of Water Company	December 2, 2003
8	Anastas Bubuni	Technical Director of Water Company	December 2, 2003
9	Laureta Jatagani	Head of Financial Department, Water Company	December 22, 2003
10	Resmi Canaj	Director, Sewerage Company	December 22, 2003
11	Hiqmet Haxhaj	Head of Financial Department, Sewage Company	December 22, 2003
12	Patriot Islamaj Mirela Barjami	Chairman General Secretary Chamber of Commerce and Industry	December 22, 2003
13	Ildiz Brahimi	Director, Agency for Regional Development	December 20, 2003
14	Fatbardh Kulla	Executive Director, Association “Citizen Engagement for Charity”	December 21, 2003
15	Kastriot Sela	Association “Nature”	December 21, 2003
16	Shezai	Owner, Hotel “New York”	December 21, 2003

Tariffs

The current water tariff established by the Water Regulatory Entity is 72 Lek a cubic meter. However, most of the population pays on a per capita basis because of the absence of meters. Twenty-two thousand customers do not have water meters. The only customers who have meters and pay on a consumption basis are those living in two apartment buildings constructed after 2000, as well as 35 families living in a specific neighborhood. According to the water company director, the actual collection ratio is 50 percent, whereas according to the mayor, the collection ratio is 30 to 40 percent. It is generally acknowledged that the pensioners pay on a regular basis, despite their limited income. The collection ratio was rather satisfactory before 1997, when there were only two cashiers and the collection ratio was about 70 to 80 percent. However, after the 1997 political and social unrest, which hit Vlora very hard, the collection ratio dropped to 5 percent. To increase the collection ratio, the water company cashiers, sometimes accompanied by the police, are going to household and business customers to collect the bills. Cutting off the water connection has not proven successful because the customers would immediately reconnect. According to the officials of the water company, some of the consumers do not pay the water bill as a sign of opposition toward state policy and dissatisfaction with the incapacity of the state to help its citizens. Another fraction of customers does not pay the water bill because of their political affiliation, states the water company director.

Budget institutions seem to be the most problematic customers when it comes to paying the water bill. Figures for the first half of 2003 obtained from the head of the finance office at the water company show that 82 percent of the total water bills have not been paid by the budget institutions. Then come businesses with 74 percent unpaid bills and hospitals with 71 percent. About half of the domestic customers pay the water bill.

An important and diverging attitude emerges between the municipality and the water company regarding water tariff increase. The former believes that an increase of the tariff is necessary because the company is operating below cost. On the other hand, the water company director states that it is not absolutely her intention to increase the tariff. She confirms the company will aim at increasing only the collection ratio because an almost 100 percent collection ratio is sufficient for cost recovery. She stated, "I don't want to increase the water tariff, I want to increase the water bill collection ratio."

Currently, there is no sewage tariff, and the sewerage company is totally dependent on state subsidies. This is a major problem reported at the sewerage company. On the other hand, annual company expenditures amount to about 3.5 million Lek.

Access to Service

There are three water sources that supply with water the district of Vlora (Vlora urban and the villages of Narta, Babica, and Kanina) with a total of 940 liters a second for approximately 115,400 inhabitants of the district. The 12,000 cubic meters water provision is stored in five water reservoirs in the city. The inner water supply network belongs to the year 1940, and consequently it is worn out and in dire condition. Currently, the principal problem of the water supply network relates to the dire technical condition of the two main water pipes, which results in a 60 percent water loss in the system. According to the head of public works department, approximately 40 percent of the network is worn out. This condition is further aggravated by illegal constructions and illegal connections directly to these two main pipes. Because of the illegal constructions, sometimes built on top of the main water pipes, it is difficult to make repairs. Water company director states that an intervention is needed in the aforementioned areas. The WU has recently contracted 35 families that were illegally connected at the network.

At the moment, there is a 2.3 million Euro investment in the PHARE program for the water and wastewater service in small areas of Vlora. However, according to the director of the water company, this investment will improve something, but it is by no means sufficient.

Another major problem referred to by both municipality and water company officials relates to the absence of meters. Currently, there are 22,000 unmetered customers in Vlora. Meters are present only in the private businesses, and in this case, meter installation was done at the company's expense.

Figures obtained from the municipality show that 50 percent of the population of Vlora has 24-hour running water. Figures of the water company related to the same issue are 40 percent.

Regarding water quality, all interviewed experts stated that Vlora water is of very good quality at the source. However, because of the worn-out network, the quality of this water deteriorates as it runs through the pipes to reach the customers. The mayor revealed one case of water contamination at the castle area, where there are illegal buildings, although the director of

the water company did not mention any such case. She stated that she, personally, was drinking water from the water supply network. The physical-chemical properties of the water of Vlora are very good, the water is soft, and it is considered among the best water sources of the country. The head of the primary health care in Vlora stated that a serious issue regards chlorination, which is done in a primitive way. He further adds that the probability of water contamination increases because of the intermittent water supply of the population. Bad weather is another factor influencing the contamination of the drinking water. Nevertheless, Vlora water is considered drinkable according to the above-mentioned expert. Twenty-one samples of drinking water are tested daily at the primary health care unit. Monthly reports are sent to the water company. Until now, the head of the primary health care unit states no water-borne diseases or epidemics have happened in Vlora.

The condition of the sewerage system is also very bad. The existing system is worn out, for some neighborhoods the sewage is discharged directly into the sea, and newcomers rely on septic tanks. There are four water treatment plants in Vlora; yet they are not enough to meet the needs of the city. A WB project on the sewerage system will include the beach area, near the main entrance to Vlora.

Subsidies (Lifeline Tariff)

Vlora has 2,007 families that receive state economic assistance on a monthly basis. The categories that receive the benefits include the families in need, invalids, families with social problems, divorced women (347 women), and abandoned elderly persons (11 persons). It ranges from 2,400 Lek per month to 6,500 Lek per month, depending on family size. The scheme of economic assistance is reviewed yearly upon verification of families in need and other vulnerable groups.

The director of the WU stated that to her knowledge 30 percent of the population cannot afford to pay the water bill. Both municipality and water company believe that subsidies are needed and that they should be the responsibility of the municipality (that is, local government). The mayor added that in this regard, an office within the municipality needs to be established that will be responsible for managing the subsidy.

According to the director of the social assistance unit at the municipality, these subsidies should be in the form of economic support, handled directly from the water company. The water company should cooperate with municipality, which should be responsible to generate accurate lists of these families and vulnerable groups and should determine the amount of the subsidy. She stated that subsidies via the lifeline tariff cannot be the real solution for the families in need.

Employment

The expert at the Vlora Chamber of Commerce states that improved water supply has a direct effect on employment, especially for the soft drink and alcoholic beverage industries, as well as the development of tourism. Other experts could not mention any relation between better or worse water supply and employment.

Other

Health: So far, no single case of water-related or water-borne disease could be reported by the interviewed experts.

Savings: According to the interviewed experts, the water bill constitutes a very small amount of the total household expenses, and thus even an increase cannot have any significant impact on family savings.

Institutional Issues

The WU of Vlora is a shareholding company, whereas the sewerage enterprise is a public utility. The water company director affirms that a training is needed that will improve and strengthen institutional capacity.

Both the mayor and the director of the water company believe that the private operator is a better option because it is able to invest, install new pumps, install water meters, and thus improve service and efficiency. In addition, the private operator will provide financial assistance for technical interventions.

However, according to the experts, assets of the company, including the land, have not been assessed yet. Without this assessment, privatization would be impossible.

The head of public services states that a private operator would be a better solution. But given the conditions in which the water company is today, this privatization won't be easy. The water company has not paid the social insurance for its employees and has accumulated significant deficits over the years, which compromises the possibility of privatization. He doesn't know if the assets of the company have been assessed or not.

Another problem with Vlora is the fact that the water company and the sewage company operate as two separate entities. There have been some damages of the water and wastewater system because of operations performed from each company.

There were two diverging attitudes regarding the merger of the two companies. According to the head of the public works department, they will function better if they remain as two separate companies under the supervision of the municipality. The WU and the sewerage enterprise both believe that the merger is indispensable because it enables coordination of work.

Legislation

According to the director of the water company, the legal framework that covers the water sector is incomplete. Bylaws should be issued that support the decentralization of the water sector. For example, issuing of business licenses should be conditional on the whether the water bill is paid or not (that is, if you don't pay, you don't get the license to run your business). This conditionality can be further extended to cover several other public services offered by the municipality. According to the water company, this was successfully implemented for a one-year term, but it was discontinued because there is no legal framework to support it.

Decentralization and Governance

All interviewees were in support of the decentralization policy, stating that the municipality has to be responsible for the water management. The municipality is responsible for

both local infrastructure and proximity to people, and as such, it is in a better position to manage the water service sector. Decentralization implies cooperation between company and municipality. One of the concerns raised by the mayor was the installation of meters and the rehabilitation of the water sector condition as requisites to decentralization. Moreover, in his view, this is a step that has to be implemented by the central government. The director of the WU says that central government has to support the decentralization of water management through financing the company for technical repairs.

Consumers' Behavior

The public is informed about the main decision related to water provision (interruption hours, repair work, and so forth) through the local TV channels. The mayor adds that the community should play its role in the administration of drinking water. In his view, this function is currently made possible through the municipal council.

Saranda – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Robert Maci	Deputy Mayor	December 28, 2003
2	Frederik Derraj	Director of Water Company	December 29, 2003
3	Kristaq Kali	Technical Director of Water Company	January 21, 2004
4	Elvira Lako	Head of Finance Unit, Water Company	January 21, 2004
5	HSA Representative	Head of the Social Assistance Unit (municipality)	December 28, 2003
6	Bardhyl	National Privatization Agency, Saranda Branch	December 28, 2003
7	Aleks Prifti	Director, Primary Health Care Unit	December 29, 2003
8	Robert Piro	Specialist at Public Works Unit (municipality)	January 21, 2004
9	Altin Isufi	Director, Legal Unit (MoS)	January 21, 2004
10	Rajmonda Gjoni	Deputy Prefect, member of the SC	January 21, 2004
11	Miti Gjoni	Businessman, head of the Hotelier Association	January 21, 2004
12	Hasan Haxhi	Head of the Chamber of Commerce and Industry	January 21, 2004
13	Skender	Administrator, Lidia Foundation	January 21, 2004
14	Business	Owner of Ari Hotel	December 28, 2003

Tariffs

As the head of the financial department at the WU states, the company is currently operating below cost. The total collection ratio is 60 percent, with 62 percent for domestic customers, 70 percent for budget institutions, and 60 percent for businesses. The current water tariff for most businesses is based on metered consumption. On the other hand, very few domestic customers have a water meter. Most of them pay on a flat rate, calculated at 4 cubic meters per month. There has been a tariff increase about two years ago, and the company is planning a second tariff increase. However, according to the same expert, no tariff increase can be made unless the collection ratio is 90 percent. The WU believes that the water tariff can be perfectly decided by the local authority (that is, the municipality). The central government can put a ceiling, and each city can have its separate tariff within that ceiling. Apart from the tariff, the municipality can charge and collect a new tax for the drinking water and the sewage, as the specialist of the public works department at the municipality sees it. He further adds that there is a problem with increased tariffs in general, which is transparency. Prices go up every day, but no one tries to explain the reasons for doing so.

According to the financial manager of the WU, there exists the mentality that water comes from God, so why pay for it? The WU has also made public announcements via the radio to raise public awareness about paying the water bill.

Although there are offices where customers can pay the water bill, the company has had to make use of alternative methods of collecting the water bill, such as going door to door. This has not always had the desired effects. The WU states that the most “difficult” customers are the

businesses, which sometimes have even broken the water meters. So the WU suggests that when meters are installed, this should be done so that the meters are protected and no damage can be done to them. An analogy is made here with the electricity meters.

Access to Services

According to the technical director of the WU, the amount of water produced is 140 liters per second, and about 25 liters are lost on the way from the source to the reservoirs. The same expert indicates that total water loss is estimated to be around 60 percent. The WU believes that a large amount of water loss (an estimated 35 percent) is due to the irresponsibility of the citizens, who, mainly because of absence of meters, abuse the drinking water. The head of the financial department at the WU states that while the amount of water produced is about 4 million cubic meters, the amount collected is about 700,000 cubic meters. The difference is pure loss. According to the director of the WU in Saranda, the water supply situation improved drastically after the completion of the PHARE project. The project enabled two independent pressure zones. The extension of post-1990 new residential areas in Saranda was spontaneous and not coordinated with the extension of water and sewerage infrastructures. Because of this, the quantity of water per each household decreased. Further problems were created during 1997 when people illegally tapped into the secondary network, and massive use of water pumps started. There are a number of illegal connections, especially in the new residential areas, but the WE claims there is no legal basis to support action against these irregularities. "We have to control the illegal connections, and if it is possible, make them legal," states the technical director of the WE. In support of this, the deputy mayor explicitly states that provision of necessary infrastructure and legalization of the new residential areas are issues of priority for the municipality. About 200 illegal connections are made only at the main pipe, before the entrance to Saranda city, accounting for an estimated 20 percent in water loss. According to the director of WU, currently the residents living within the boundaries of "Traditional Saranda" are supplied 12 out of 24 hours; however, those living in the new residential areas are supplied 6 out of 24 hours. The PHARE project improved the main pipes and the water reservoirs, but it did not include the rehabilitation of the distribution network, which is old and worn out and accounts for significant water losses. As a result, it is indispensable to repair the secondary network to minimize water leakage and losses. According to the head of the national privatization agency, an alternative, such as industrial water, should be found for the car washes. Another problem raised by the WU concerns power interruptions that happen without advance notice and thus impede the proper functioning of the water pumps.

According to the head of the primary health care, water quality is good. The WU experts say the drinking water analysis is done daily, and samples are taken from five or six end points of the network, whereas the head of the primary health care that is responsible for testing the drinking water says the analysis is done three times per week. As a rule, the primary health care center reports once a month to the WU. If problems regarding the parameters are evidenced, the WU is contacted immediately. Another issue raised by the FG participants is related to the tobacco buried a couple of decades ago near the water pumps. All experts, however, denied that the buried tobacco can have any effect on the quality of the drinking water, by saying the water is tested regularly and that nothing irregular appears. In fact, drinking water analyses show no presence of any bacteria. Chlorination of water is done automatically and on a regular basis.

Saranda manifests a seasonal phenomenon. Although the population of Saranda almost doubles during the summer season, the amount of water supply stays the same, resulting in halved supply hours.

The condition of the sewerage system also seems to be problematic. The PHARE project consisted of an investment in the main collector; however, there are serious problems with the secondary pipes. The sewerage system has deteriorated, especially after the demographic movements particularly affecting Saranda. Many households rely on septic tanks. All wastewater is discharged to the sea.

Subsidies (Lifeline Tariff)

As the WU perceives it, the current water tariff is affordable to everyone. However, with another tariff increase, there will be some population groups such as the pensioners, who will not be able to pay the water bill. According to the civil society expert, some of the vulnerable people, most of whom live in the periphery, do not have the financial means to buy the water, and they provide water from the public taps. The deputy mayor believes that certain groups under the social assistance scheme need to be subsidized, and the subsidy for this category can go directly to the WU. The deputy prefect makes an interesting point by making a distinction between two possible ways of privatization. The first is total privatization, which would increase the need for subsidies, whereas the second is privatization in phases, which would let the company first improve its financial situation, and then gradually make investments and proceed until privatization is complete. In the second case, the need for subsidies would be minimal. The director of the WU believes that with the installation of meters, the amount of water losses will be drastically reduced; thus the amount of water produced will decrease, and as a result, the production cost will decrease, leaving no need for subsidies.

Employment

According to the head of the chamber of commerce and industry, about 40 percent of Saranda's income comes from tourism. However, water supply and sewerage infrastructure is not adequate for a tourist city. There is a shared belief that improved water supply, as well as improved sewerage infrastructure, will have a positive impact on tourism, and as a result, on employment in Saranda for both businesses and family tourism. The head of Saranda Chamber of Commerce and Industry believes that more businesses can run, provided adequate water supply. Businesses such as processing of fish, dairy products, and fruit are dependent on water and will be ready to flourish, provided adequate water supply. Improvement of the labor market is followed by an increase in the city's financial situation, which in turn serves to empower the municipality.

Other

Health: The WU experts report no single case of drinking water and sewage mixing together. Moreover, none of the interviewed experts mentioned any cases of water-related or water-borne diseases.

Savings: None of the interviewed experts believes that the water bill, even in case of tariff increase, will have a significant impact on family savings.

Institutional Issues

The company is a shareholding company. According to the technical director of the WU, privatization is the ultimate solution, however, in the current conditions, it is not feasible. He adds that "our legislation does not facilitate the private enterprise."

In the meantime, the company is trying to raise the salaries of its employees, which is believed to increase commitment at work. The technical director of the WU stated, "It is obvious that our employees will work elsewhere; it is nonsense to believe they will serve here eight hours per day, every day, for what they get." According to the head of the national privatization agency, privatization is the best solution, but it should come in phases. The first phase should be the privatization of the sales unit. This is believed to increase the collection ratio, and as a result, the company's revenue. This view is also shared and strongly recommended by the deputy prefect of Saranda, as well. Moreover, the head of the national privatization agency believes that the next two steps should be the privatization of the distribution network through concession and the privatization of the main network. Privatization is believed to have mainly positive effects, apart from the risk coming from a potential tariff increase. Continued public management, on the other hand, is perceived to let the situation deteriorate even more.

According to the WU experts, the SC is an unnecessary structure that plays no role. As the WU perceives it, it would be better if such a structure were established within the company, with only one or two specialists from outside the company. The WU experts also added that they were not familiar with the EC or the CMU. The deputy mayor expressed a rightful concern regarding the local government representation at the SC. The local government is represented by the deputy prefect, at a time when it should be represented by an employee of the municipality. The SC is entitled to fire the director of the WU if violations are evidenced. The director of the WU states that the status of the company has to be defined clearly.

According to the deputy mayor, the municipality should be actively involved in every project, and it should coordinate with other stakeholders for an effective intervention. There seems to be need for a police that will deal with water issues and ensure enforcement. Lack of necessary equipment to carry out the job is another major concern raised by the WU experts.

Legislation

All interviewed experts agreed that the legal basis should be changed. The main problem facing the WU is related to enforcement of water bill collection and establishing a legal basis for taking the necessary measures. Only recently, the WU has started having the support of municipal police.

Decentralization and Governance

There is a shared belief of all experts that with decentralization, the situation will improve. This is perceived as a shrinking of the bureaucratic ladder, which will prove more effective because the municipality will be directly responsible for the service. However, the WU was not very clear about the role of the local government during the five years of the management contract.

The deputy mayor believes the municipality is ready to accept the new responsibilities, adding that assistance is needed from the central government. He further adds that the relations between the WU and the municipality should be defined by a legal basis. Moreover, local authorities state they are ready to cooperate with the WU, provided the company too engages in increasing its efficiency and effectiveness.

Consumers' Behavior

As the WU experts perceive it, there is a general negative attitude toward water use. Partly because of the absence of meters, people tend to misuse water. Another point that needs adequate attention, according to the WU experts, concerns the idea that water comes from God, so why pay for it?

According to the deputy mayor, the municipality is preparing for a new organic structure, which will include the establishment of an office within the municipality and two to three telephone lines, where citizens can file their concerns. This is to overcome an existing habit of the citizens to contact the mayor, perceived as the only authority that can solve their problems.

Lushnje – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Kadri Gega	Mayor	December 3, 2003
2	Enver Begolli	Head of Public Works (municipality) Member of Supervisory Council	December 27, 2003
3	Luiza Haxhiu	Head of Social Assistance (municipality)	December 23, 2003
4	Isuf Cela	Head of Hygiene Department, Public Health	December 23, 2003
5	Ramadan Alico	Director of Water Company	December 3, 2003
6	Ferdinand Gjermeni	Technical Director of Water Company	December 3, 2003
7	HFD Representative	Head of Financial Department, Water Company	December 3, 2003
8	Nikoll Ndoni	General Secretary	December 23, 2003
9	Elena Llogoni	Coordinator Chamber of Commerce and Industry	
10	Dudie Guri	Head of Lushnja Office, Agency for Regional Development	December 23, 2003
11	Veip Qerimi	Businessman, Bread Production	December 23, 2003

Tariffs

The billing system in Lushnja is based on a flat rate. The WU experts say that 100 meters were installed a few years ago to various customers; nevertheless, at the present, all these meters are broken. According to the WU experts, there is a considerable gap between the water production cost and the tariff of water sale in Lushnja. A significant percentage of this gap is caused by lack of a metering system. According to the same experts, about 80 percent of the water produced is billed, and the collection ratio is about 60 percent of the water billed.

The water company anticipates that water tariffs will be increased gradually on an annual basis to represent the real cost. Nevertheless, all interviewed experts state they are aware that tariff increases have to be accompanied by an improvement in the quality of access. According to the mayor, those population groups who do not pay the bill are usually those who use the more water.

It should be noted that for almost all citizens of Lushnja, the real water cost is much higher than the water bill. Examples of additional costs are the cost for digging a well, which is about 100,000 Lek, or the cost for purchasing water from the water trucks. According to the mayor, the municipality is committed to take the necessary measures to improve the collection ratio, even if this means using the municipal police.

Access to Services

One of the reasons accounting for the current water supply situation in Lushnja is related to the increase in population size during the past 13 years, which has increased demand for water. Nevertheless, the experts state that the real problem does not lie in the increased population size,

but in the current, extremely dire condition of the water network. According to the experts at the WU, about 60 to 70 percent of the water network is worn out.

The director of the water company says that during the May–September period, the water is scarce because of illegal interventions in the network for irrigation purposes, and this is being systematically repeated every year. Another problem arises during the winter, however; because of the especially low voltage, the water pumps cannot function properly. Only late in the evening or at night does the voltage increase sufficiently for the water pumps to be put to work.

WU experts state that usually water supply is scheduled at two times a day: two or three hours in the morning and the same duration in the evening, but there are certain areas that receive water only once a day, and there are others that do not have access for several days in a row at certain times during the year.

Because of inadequate water supply, and mainly because of the unacceptable water quality, most of the people in Lushnja purchase water from the water trucks. According to the interviewed experts, there are five water trucks selling water to the population at a price of 20 Lek for 5 liters. These water trucks take the water from the source at Bogova, some 11 kilometers from Lushnja.

Water quality is unacceptable, according to some of the interviewed experts. Lushnja receives water from two sources: Cerma and Konjati. WU experts state that the quality of Cerma water is satisfactory and is potable, but the water from the Konjati source is of unacceptable quality. The expert at the primary health care explained that in theory, it is not feasible to mix two different water sources because of the different physical-chemical properties of water. Moreover, the main water pipeline has leakages that let the mud flow in. Also, according to the expert at the primary health care, network water is perceived to be high risk, thus not suitable for drinking.

Another major reason for concern is related to the sewerage system, especially with the collectors. Recently constructed buildings are built on top of, or very near, the collectors. According to the WU experts, there are many families that do not have access at all and rely on septic tanks.

Subsidies (Lifeline Tariff)

According to the municipality data, there are about 1,500 families that are benefiting from state economic assistance. According to interviewed experts at the LG and WU, there are certain population groups that cannot afford to pay for the water. In this regard, the mayor states that he would prefer that the subsidy for the water bill could pass through a Social Assistance Program at the municipality.

Employment

When asked about the potential impact that the water sector reform might have on employment in the city, none of the interviewed experts could mention any relation between the two factors.

Other

Health: Although the water quality is by no means at the desired level, no cases of water-related or water-borne diseases were reported by the interviewed experts. This might be due to the fact that most people do not use network water for drinking purposes.

Savings: The current water bill in Lushnja is relatively cheaper than the water bill in most other cities. Mainly for this reason, most experts do not believe that the water bill, even if the tariff increases, can have a significant impact on family savings.

Institutional Issues

The WU in Lushnja is a shareholding company. According to the mayor, asset inventory is completed, and the municipality is ready to accept the transfer.

RODECO has made a feasibility study on water supply and management in Lushnja, and a loan from Germany is expected to make possible the investment.

According to the mayor, the municipality is preparing a plan on eliminating water misuse through a series of measures: dividing the city into four distribution zones, organizing water inspections within the Municipality Police, and setting up a Supervisory board. A maintenance plan has also been prepared.

According to the mayor, the PO is a better alternative than the public operator, because, in his view, the PO will be more interested to invest and manage effectively because it is profit-oriented.

The expert at the primary health care states that the municipality receives regular reports from their institution; however, it [municipality] does not take into consideration these reports, and there is no a collaboration between the institutions.

Legislation

According to the mayor, the legal framework is complete, and it totally addresses the needs of the sector. On the other hand, the technical director of the WU believes that the legal framework has to be further completed with bylaws that help prohibit the illegal interventions in the water network and foresee legal measures about violation of law.

Decentralization and Governance

According to the mayor, the local government should be responsible for water management. In his view, the municipality is ready to take over this responsibility. However, technical assistance from the central government is deemed necessary.

The process of decentralization and its implications on the water sector were supported by almost all of the interviewees, stating that the municipality will be in better position to manage the water service because it is closer to the consumers and because it follows a more social approach.

Consumers' Behavior

The mayor says that the community should play its role in water management decisions. "I plan to do that through the zoning that I will organize in Lushnja, and I will encourage

volunteer groups to bring the voice of the community in the decisionmaking process.” Local TV stations have been used to announce issues about water supply or technical problems in various neighborhoods.

Lezha – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Arben Bejtja	Deputy mayor	December 2, 2003
2	Pashk Dragusha	Head of Public Works (municipality)	January 14, 2004
3	Llesh Doku	Head of Social Assistance (municipality)	January 14, 2004
4	David Malci	Head, Department of Primary Health Care	January 14, 2004
5	Zef Maci	Director of Water Company	December 2, 2003
6	Petrit Bardhi	Technical Director of Water Company	January 14, 2004
7	Dolor Leka	Technical Director for Wastewaters, Water Company	January 14, 2004
8	Lindita Selimaj	General secretary, Chamber of Commerce and Industry	January 15, 2004
9	Gjergj Elezi	Chairman, Association “Health, Environment, Education”	January 14, 2004
10	Businessman	Owner, Hotel	January 15, 2004

Tariffs

The director and technical director of the WU stated that only 45 percent of the water produced is billed, and the water bill collection ratio is 67 percent of the total billed amount. The director of the WU mentions some budget institutions, such as the hospital, the maternity hospital, and the police station, which do not pay the water bill, claiming that their budget does not permit that expense.

The director of the company says that although the water tariff has been increased twice, it is still two times under cost (that is, it reflects only half of the cost). He continues by saying that a study has showed that the tariff will cover the real cost only after 10 years, and this will be done gradually. On the other hand, the technical director for wastewaters states that the tariff has been increased three times, and that it should not increase further. Moreover, the deputy mayor of Lezha stated, “If the WU is under cost, we could proceed by increasing the tariff. It will be a bit painful at first, but it is a step that has to be taken.”

According to the deputy mayor, only part of Lezha has water meters. A major difficulty reported by all interviewed experts concerns the financial situation of the WU, which is currently operating under cost. The director of the WU believes this can be overcome through subsidies and tariff increase. Moreover, the director of the WU believes that “the state should make the nonpaying budget institutions pay for the water bill.”

According to the director of the WU, apart from those domestic customers that cannot afford to pay for the water bill, there are other customers who simply neglect paying because they are used to that. The director further adds that customer awareness is not at the desired level, in part because of the absence of meters. His view is also supported by experts at the municipality.

Access to Services

Lezha relies on three pumping stations, which go to a 4,500-cubic-meter water reservoir. According to the technical director of the WU, about 70 percent of the population has regular access to water supply, 17 to 18 percent have illegal connections, and still others do not have water access at all. Most of the last two categories are newcomers, and they do not have proper access to the sewerage system either, but rely on septic tanks. Experts at the municipality and at the water company unanimously agree that the main water problem related to drinking water supply is power interruption. There are three pumping stations that bring water to Lezha, and when power supply is interrupted, which happens without prior notice, the pumps cease to function. Lezha is dependent on the Shkodra power station. According to the director of the WU, two hours of power interruption result in four hours of water supply interruption. Experts at the WU state that Lezha can have 24 hours running water, provided continuous power supply.

According to the director and technical director of the WE, water loss is calculated at about 55 percent because of two factors: (a) the worn-out network and (b) the absence of meters. The technical director for wastewaters stated that the amount of water produced currently is three times more than is needed to provide a 24-hour supply. According to him, the water meters installed at apartment building entrances have made it possible to estimate that a 15-household apartment building consumes as much water as a 70-household apartment building would consume. He further affirms that the condition of the sewerage system, as well as the drainage system, is in dire condition, which deteriorates in case of rainy weather. The same expert indicates that all wastewater is discharged into river Drin. A project has been drafted that includes the construction of a wastewater treatment plant.

Internal migration has had a negative effect on the water and sewerage network. Most of the newcomers illegally intrude in the water pipes, contributing to the further deterioration of the water system.

Another issue of concern is that during the summer, drinking water is used for irrigation purposes, as the head of the public works unit at the municipality says. The same expert adds that the municipality and the WU collaborated to handle this problem.

The director of the WU stated that the drinking water is of good quality and most of the citizens drink water from the tap. The deputy mayor states that the municipality gets a monthly report from the primary health care unit regarding water quality. The head of the primary health care unit states that the water parameters are within the WHO standards.

The wastewater network is not in good condition, either. A considerable number of families do not have access to the sewerage network at all. These families rely on septic tanks. According to the director of the WU, one day the septic tanks will overflow. He also raises a concern about the lack of a well-studied plan for the sewerage system. According to LG authorities, the municipality has drafted a regulatory plan for Lezha, which will also include water and sewerage infrastructure. However, this project cannot be implemented unless necessary funding is provided.

Subsidies (Lifeline Tariff)

While the deputy mayor and the head of the social assistance unit at the municipality stated that the number of families benefiting from the state economic assistance is 792, or about 13 percent, the director of the WU states this number is 1,300, claiming that out of 4,500

domestic customers, 1,300 are under the economic assistance program. According to the technical director of the WU, about 10 percent of the population cannot pay for the water bill.

The deputy mayor believes that the recommended lifeline tariff is not an adequate solution, because it may result in polemics between the LG and the WU. According to him, the only solution is to create new jobs for the unemployed. The head of the public works unit at the municipality states that subsidies are not very effective, because there is always a room for abuses with subsidies. Moreover, as the same source indicates, subsidies are believed to shrink in the future. On the other hand, the head of the social assistance unit at the municipality states that a further increase of the water tariff will increase the number of families that will not be able to pay the water bill. He further adds that the subsidies for this category of people can go directly to the water company. According to the technical director of the WU, the lifeline tariff of 20 liters per capita per day is a very good idea, because, in his view, if you subsidize by giving money, the money might be used for other purposes.

Employment

As the head of the public works unit at the municipality sees it, water infrastructure is a crucial factor that has an impact on employment, by creating new and better opportunities for the local businesses to develop. The technical director of the WE stated that improved water supply would help develop tourism and increase municipal revenue. The civil society expert stated that the fish processing industry is very much dependent on improved water supply and better water quality. The expert at the Chamber of Commerce stated that inadequate water supply was considered a problem by the businessmen. She further added that this is particularly significant for the fish processing industry, the alcoholic beverage industry, and the wood processing industry.

Other

Land: The technical director of the WU sees a link between improved water supply and an increase in the value of the land. In his view, when water access is improved, the value of land will certainly increase.

Health: There was a reported case of water-related disease in 1992 and 1993, as the civil society expert says, which however has not been repeated. The other experts could not mention any case of water-related or water-borne diseases.

Savings: None of the interviewed experts believed that the water bill can have a significant impact on family savings. This perception is mainly based on the relatively small weight of the water bill compared with other household expenditures.

Institutional Issues

Currently, the WU of Lezha is a shareholding company, which is believed to be the first step toward the privatization of the company. Moreover, the management contract is seen as a good tool to approach privatization. The deputy mayor is in favor of privatization of the WU. The director of the WU goes further by saying that, in his view, all four WUs that are under the MC should look for and demand other (private) contracts when the five-year contract with the WB is over. The civil society expert firmly stated that he is in favor of public management for the water sector because the state, unlike the private operator, follows a more social approach. This view is

also shared by the technical director for wastewaters, who believes that it is too early to talk about privatization.

The head of the public works unit at the municipality is not very clear about the current functioning of the WU. Nevertheless, he states that decentralization of this sector is necessary.

The head of the primary health care of Lezha claims that although the law foresees that the primary health care unit has to be present at the site when any new well is dug or new pipes are installed and give the necessary confirmation, his institution has not been taken into consideration. For this reason, the expert says he has written a letter to the CMU on behalf of his institution.

Legislation

According to the director of the WU, the legal framework has to be completed to support transfer of competencies and assets, thus assisting the functioning of the LG. A clear description of the competencies regarding the water supply utility that will be transferred to the LG is needed, according to the director of the WU.

The director of the WU raises another concern regarding interregional water pipes. In his view, it is the legal base that should define how to proceed under such circumstances. Currently, the main water pipe supplying Lezha with water passes through another municipality and two communes.

According to the technical director of the WU, the legislation should also foresee how to proceed with the illegal connections and how to legalize them.

According to the director of the WU, this institution should be considered “an object of special importance” and be provided with continuous power supply.

The technical director for wastewaters states that the water bill should be an executive title and pass through the bank.

So far, there has been some cooperation between the municipal police and the WU, as the deputy mayor describes, for cutting off illegal connections and nonpaying customers.

Decentralization and Governance

The deputy mayor of Lezha believes that water supply, health, and education should be the responsibility of the local government. In his view, the municipality is ready to take over the competencies; however, assistance from the central government is deemed necessary, considering this is a whole new experience for the local government. The director of the WU also believes decentralization is an indispensable step to be taken. Municipality authorities believe that the municipality should have financial support through the budget for asset registration, which is crucial, according to the director of the WU. For the time being, the municipality does not have the necessary resources to be able to invest. For this reason, the technical director of the WU believes that the state should assist the WU through capital investment.

Consumers' Behavior

The WU has taken some measures for increasing customer awareness regarding water bill payment. These measures have focused in three main directions: (a) raising awareness through the media; (b) administrative measures, such as fines and lawsuits; and (c) water interruption measures, which have resulted in as many as 10 days of water interruption. According to the technical director of the WU, although the company has charged fines, they could not be collected.

All experts agree that the customers should be aware that water is a commodity, and as such, it has a price. The municipality is planning to prepare a booklet signing whether the customer applying for a document at the civil register has paid all the dues or not. Only if the customer proves through this booklet to have no debts to the municipality will the civil register office provides the service requested. This measure is believed to improve enforcement for paying the bills, but it can be functional only when the decentralization process is complete. The civil society expert states that the consumers should be trained and guided so that they know where and whom to approach whenever they have any problem that needs to be addressed. This might also be used as a form to consolidate the consumer panel so that it has a say in the decisionmaking process.

Korça – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Petrit Tare	Director, Water Supply Enterprise	December 26, 2003
2	Sotiraq Mitre	Head of the Technical Office, Water Supply Enterprise	December 26, 2003
3	Gjergji Duro	Former Mayor of Korça	December 26, 2003
4	Anxhelika Pllaka	Head of Sales Unit, and Relations with Consumers Office, Water Supply Enterprise	December 26, 2003
5	Mehmet Selishta	Director, Social Assistance Department (municipality)	December 26, 2003
6	Niko Paleshi	Chamber of Commerce	January 16, 2004
7	Klara Celo	NGO “Korça Woman”	January 16, 2004
8	Leonard Gjanci	Director of Public Works (municipality)	January 16, 2004
9	Mariela Trako	Administrator, Regional Development Agency	January 16, 2004
10	Alma Tresko	Specialist, Primary Health Care Unit	January 16, 2004
11	Businessman	Owner of a Bread Bakery	January 16, 2004

Tariffs

The current water tariff in Korça is 32 Lek a cubic meter. Currently, the sewerage bill is collected through the water bill, with 80 percent of the total amount of the water bill belonging to the sewerage. Every single customer has a water meter and pays based on consumption. According to the Director of the Water and Sewerage Enterprise (WSE), 90 percent of the water produced is billed, and 98.83 percent of the billed water is being collected. According to the same expert, the number of families that currently are not paying has decreased from 1,400 families some months ago to 900 families. These families, according to the head of the “Sales Unit and Relations with Consumers Office,” are living under state economic assistance and cannot afford to pay for the service. It was a common conclusion among experts interviewed that the payment rate significantly increased in 1998, the year in which the computerized water and sanitation billing system was introduced. According to the head of the selling unit, the success of this bill stands in the fact that it presents a transparent bill, clearly indicating the due amount as well as the sanitation cost and the VAT for these services. The impact of the new billing system was huge, and the payment rate drastically increased from 74 percent before 1998 to the current 98.83 percent during the past 10 months. One hundred percent of public institutions are paying for the service, which can be explained by the successful collaboration between WU and the treasury office. According to the director and the technical director of the WU and the head of the selling unit of this company, a similar mechanism should be identified in the case of nonpaying private sector consumers (for example, with the licensing office).

According to the director of the WU, the tariff should also include maintenance cost. However, the tariff increase should take into consideration the economic level of residents; otherwise, the collection ratio will decrease. It is important to mention here also that among vulnerable groups, pensioners are very educated consumers. Because their ability to pay is low, they make efforts to reduce their consumption. According to the director of the Social Assistance

in the municipality, other vulnerable groups such as the veterans and the disabled people are excluded from such kind of payments.

Access to Services

The case of Korça is quite specific. All interviewed experts reported a satisfactory situation of water supply in Korça after the implementation of the project, financed by KfW. The city is supplied without any interruptions during the 24 hours, and the water pressure is according to the designed technical standards. However, problems were reported with the sewerage system, which is quite old and needs substantial investments in the main and secondary sewerage pipes. The lack of a treatment plant is also reported as a problem.

According to the Director of the WU, the company extended the water system also to the areas with new or recent urban development (approximately 500 households) and increased the quantity of water from 90–110 l/c/d to 250 l/c/d. The inclusion of the new urban development areas in the water supply network was done with the intent to prevent illegal connections and damaging of water mains. The current production capacity is 140 liters a second (the maximum can be 400 liters a second).

All the interviewed experts reported that they drink water from the tap. However, they reported some problems related to the confidence of the consumers to the quality of water. According to the director and the head of the technical office of the WU, politicians negatively manipulate the opinion for political interests. According to the chemical engineer of the laboratory, it is very difficult to change the opinion of people because of the bad quality of water in the past (before the investments in the water system).

According to the director of the WU, the quality of the drinking water in Korça is better than that of the bottled water. Daily chemical analyses are carried out by a specialized laboratory (Directorate of Primary Health Care) directly dependent on the Ministry of Health. According to the chemical engineer of this laboratory, the mandate of this laboratory is to control the quality of water. In this respect, water samples are taken in 10 end-points of the system and in 1 free point, taken every day in a different place. In case the result of the analyses is negative, they immediately report to the WU. However, no such cases have been reported. Based on the state standard, the quantity of chlorine should not be less than 0.3 milligram a liter. However, the opinion of the WU is that the chlorine quantity should be less in Korça's case because the water system is completely new and not damaged. Even though chlorine quantity is usually below the national standard, people complain because of the high chlorine quantity in the drinking water (perceived through smell and sometimes taste). According to the expert at the Primary Health Care Directorate, the Korça municipality should officially request to the Ministry to reduce the quantity of chlorine in the water. However, besides the improved water quality, the experts at the Regional Development Agency of Korça and the Head of Public Works at the municipality added that the results of water analysis should be made public through the local TV. All physical, chemical, and bacteriological analyses of Korça's water are within the parameters. The number of infective diseases is also drastically reduced.

Subsidies (Lifeline Tariffs)

Based on the data provided by the Director of the Social Assistance Department in the Municipality of Korça, there are 1,944 families living under state economic assistance, equal to 8.3 percent of the total population. The amount of money they receive on a monthly basis is between 2,470 Lek for one-member families to 6,500 for bigger families.

It is important to mention that because of the lack of specific legislation, certain categories that are really poor cannot be subsidized by social assistance. According to the same expert, families in need often receive their subsidies in delay because of bureaucratic procedures.

According to the head of the sales unit, 900 households still do not pay for the service. These are the poorest families, living under social assistance. In this respect, the WU proposed that a lifeline tariff for these families be subsidized by the municipality, but this was rejected by the municipal council. At this point, in the opinion of the Director of Social Assistance Department, these families should be excluded from the financial obligations they have toward the WU. However, the director of the WU shares a different opinion. According to him, the company should work on a cost recovery basis, without thinking to do philanthropies, otherwise the number of nonpaying families will increase and the company will go bankrupt. The concept that water is a costless commodity coming from nature is wrong, and this should be clear to everybody.

Employment

The interviewed experts share a common opinion that there are short-term and long-term impacts of the reform. The three-year construction period had a considerable impact on employment. There were approximately 500 workers recruited from the town's population. At this point, there was a coordination of the Social Assistance Department in the municipality and the labor office, and attempts were made to employ the people under the economic assistance for unqualified jobs. From the long-term perspective, the improvement of the situation in the water sector positively influenced employment in the private sector. This is related especially to the small private businesses in the alimentary sector, such as salami and meat productions, which benefited from increased quantity of water. The head of the Chamber of Commerce believes that the improved water supply means improved infrastructure, which in turn means more possibilities for attracting new investors, both foreign and local. He adds that improved infrastructure can also attract migrants from Korça, who might come back and invest in their own city. For the present, he states that there are some businesses, such as Korça Beer Enterprise, as well as the soft drink industry, which have experienced the positive impacts of 24-hour running water.

Other

Health: The experts mentioned that after the capital investment, the quality of water has improved and the number of water-borne or water-related diseases has drastically decreased.

Savings: The interviewed experts believed that the water bill, even if it is increased, does not have a significant impact on family savings.

Institutional Issues

The water enterprise in Korça is a shareholding company. Currently, the WU is totally functioning with state capital. The board has three members that represent the Ministry of Economy, Ministry of Territorial Adjustment and Tourism, and the municipality. According to the Director of the WU, the enterprise is quite efficient from the organizational point of view and is the first one in Albania functioning according to the EU principles. Important changes were introduced to the management system, and an important role was played by the international technical assistance. Most important, thanks to this assistance, local WU staff feels confident to

continue the work according to the same principles. In this respect, a clear organizational chart and job descriptions were put in place. However, there is a further need to link better performance indicators with organizational management based on these indicators. At this stage, it will be possible to ask for more independence.

Legislation

According to the director and technical director of the WU, the current legal framework of water supply and sanitation is not sufficient, and they mention the lack of a clear water code. Misinterpretations and confusions of the mutual obligations between the WE and the client were reported during the implementation practice. Lack of enforcement mechanisms for financial obligations is another important issue. In addition, no legislative acts were enacted to enable the implementation of the organic law on the Organization and Functioning of the Local Government. According to the Director of the WU, who at the same time is the chairman of the Association of the Water Supply and Sewerage Enterprises of Albania, they presented their concerns to the representatives of four central government ministries and to the most important donors in the water sector, such as the World Bank, KfW, USAID, Italian Cooperation, and so forth. A similar attitude regarding water legislation is held by local authorities.

Decentralization and Governance

According to the Director of the WE, it is important to identify the right steps toward decentralization. Under the current Albanian conditions, it is most appropriate to transfer first the responsibility to local governments, and then each of them (municipalities or communes) decide if they want to create joint water authorities to expand the service areas. This will be especially appropriate in the case of small communes where the number of customers serviced by the water system is not attractive to the private sector.

According to the head of public works department in Korça municipality, the first concrete step toward decentralization is the transfer of assets, which is expected to begin in January 2004 with a decision of the municipal council. He further adds that it is very difficult to meet with the Supervisory Council, and it is nonsense that ministry representatives are part of a local WE. Moreover, there is an expressed need for technical assistance from the central government during the decentralization process.

Consumers' Behavior

Big efforts need to be made to change consumers' behavior in respect to the water use. The concept that water is a natural good with no cost should be replaced by the concept that water is a good that has a production cost.

According to the head of the sales unit, the new computerized billing system positively influenced consumers' behavior. Because of the improved service and the transparency of the bill, people were able to ask for clarification and pay after being convinced about the pricing logic. This improved general customer-supplier relations, which increased the willingness to pay toward more transparent and better service. On the other side, after the improvements of the water supply situation, the WU felt in a position to put more pressure on the consumers' side. The

location of the new office in the center of the city facilitated the access of people that needed clarifications. Most important, in case further verifications were needed, the WU was able to find quick solutions because the water meter readers were concentrated under the same office. Also, the flexibility shown by the WU to decrease the number of nonpaying families was an important factor. Based on direct verifications, the enterprise wrote off the nonpaid obligations of the families living on the social assistance. This way, the number of nonpaying families was reduced from 1,400 to 900.

There is a public relations office that will start a sensitization campaign through TV spots. Most important, live televised open debates with call-ins are expected to have greater impact on the large population. According to the head of the sales unit, six months of staff training and technical assistance were sufficient to increase the capacity of the sales unit of WU.

Gjirokastra – Persons Interviewed and Respective Institutions

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Albert Kasi	Deputy Mayor	January 19, 2004
2	Vangjel Mucó	Programming and Development Unit (municipality)	January 19, 2004
3	Dashamir Sejdo	Public Works Unit (municipality)	January 19, 2004
4	Dashamir Sejdo	Member of Supervisory Council	January 19, 2004
5	Arta Shajko	Head of Social Assistance Unit (municipality)	January 19, 2004
6	Gezim Muho	Director of Water Company	January 19, 2004
7	Donald Hasani	Technical Director of Water Company	January 19, 2004
8	Teuta Llukani	Head of Finance Unit, Water Company	January 19, 2004
9	Arqile Zhapa	Director of Public Health	January 20, 2004
10	Xhelo Brahimí	Director of Primary Health Care	January 20, 2004
11	Teuta Kalemi	Physician, Head of Infectious Diseases Department	January 19, 2004
12	Drago Kalemi	Businessman, Hotel Owner	January 19, 2004
13	Hulusi Kokalari	Regional Development Agency	January 20, 2004
14	Sedat Ceribashi	Coordination Office, Chamber of Commerce and Industry	January 20, 2004
15	Ylli Asllani	Chairman of Local Infrastructure Support Agency, NGO, Former Mayor of Gjirokastra	January 21, 2004

Tariffs

Currently, there are no meters in Gjirokastra, and the water tariff is established on a per capita basis for the population. The business tariff depends on the type and size of business. Budget institutions have a lower tariff. The actual tariff for domestic customers is about 60 Lek. According to the WU experts, the collection ratio poses a very big problem for Gjirokastra because it is less than 60 percent.

According to the WU of Gjirokastra, the company is operating below cost, and even if the water bill collection climbs to 100 percent, the current water tariff does not permit the company to support itself. The WU is starting the procedures for increasing the water tariff; however, the WE is aware that some improvements in water supply have to precede tariff increase. The new tariff is aimed at reflecting the real operating cost of the company.

Apart from technical losses due to the worn-out network, a significant factor influencing the revenue of the WE is water abuse by all types of customers, aggravated by the lack of meters.

There are three cashiers in the city, one of which is only for late payers (debtors). According to the heads of the financial department of the WU, budget institutions are the most regular payers of the water bill, except for the Economic Center for Education (including kindergartens, crèches, and schools), which has not paid the water bill since April 2003 because of lack of funds. The same expert indicates that there is not a single car wash paying for the

water, claiming they use water sources other than water from the water supply network. Sometimes employees of the finance department have to go to nonpaying households to collect the water bill.

WU experts believe that the current procedure for establishing the water tariff (dependent on the water regulatory entity) is effective, and no new improvements need to be made regarding water tariff decision authority. Moreover, the finance department of the WU believes that the water tariff decision authority should rest on the WRE, contrary to other decisionmaking authorities, which should be the responsibility of the local government.

According to the director of WU, there still exists the old mentality that the state is responsible for everything, and he believes that the company has to invest in changing the awareness of the population of Gjirokastra.

All interviewed experts agreed that the current water tariff is below cost and that a thorough analysis is needed for the establishment of the new water tariff, although an affordability analysis has not been conducted yet.

Access to Services

Gjirokastra receives water from two main water sources: one is Hos (natural resource) and the second is from the pumping station of Buduk (near a river basin). Each of these water sources brings an average of 60 liters a second. Hos water is perceived to be better and safer to drink than the water coming from Buduk. No clear-cut pressure zones can be defined because of the mixed relief of Gjirokastra. The quality of the drinking water supply is dependent on whether the building is above or below the level of the water reservoir.

There has been no major investment in the WU of Gjirokastra until now. The technical director of the WU states that there have been some minor interventions during the past 13 years, focusing on the reservoirs and the distribution network. Shortly, Gjirokastra will start a 5-million-Euro emergency project funded by PHARE Cross Border. The project includes the construction of two 1,000-cubic-meter and one 500-cubic-meter water reservoirs, rehabilitation of the Buduk pumping station, rehabilitation of a 5-kilometer-long outer network (source to reservoirs), rehabilitation of the reservoirs, and improvements in the chlorination process. The duration of the project is expected to last about 18 months from the beginning of the project. There is a well-acknowledged need for the rehabilitation of the distribution network, most of which dates to 1941, and the installation of meters. No spare pump is present at Buduk pumping station, which cost the city interruption of water supply for 15 days during November.

According to the Head of the Programming and Development Unit (a hydro-technical engineer and former technical director of the WU), the water reservoirs are in dire conditions and not complying with the parameters of hygiene. Although being classified as objects of special importance, most of the water reservoirs are without proper protection.

There is an estimated loss of 55–60 percent of the water. Losses are mainly due to the worn-out distribution network and abuses in water consumption. Water from the drinking water supply network is being used for car washes and irrigation purposes. Water from domestic customers' water tanks is overflowing during the hours when the city is supplied with water, which also contributes to an increase in water abuse, especially considering the vast number of water tanks in Gjirokastra.

Because of the inadequacy of water supply, many people are increasingly relying on new (illegal) connections. It is not uncommon for a household to have double connections with the water supply network. According to the WU, illegal connections provide people with more hours of running water per day. Moreover, according to the WU estimate, only 20 percent of the businesses are contracted.

Another major problem for Gjirokastra relates to the extremely dire condition of the sewerage network and the absence of the network in certain neighborhoods. The existing network capacity cannot support the actual water consumption, and as a result, the system is overflowing, letting the sewage run down the streets of the city. Many families, both in some of the old quarters of the city as well as in the new residential areas, are relying on septic tanks.

According to the WU experts, the quality of the drinking water is excellent. Daily analyses are carried out by the Primary Health Care Unit, and a weekly report is sent to the company. Only in case of any abnormalities, the Primary Health Care Unit informs the WE immediately. They report drinking water from the tap. This view of the local authorities regarding the safety of the drinking water is contradicted by the head of the infectious diseases department at the Gjirokastra hospital, as well as by the Primary Health Care specialist. Bacteriological analysis of the drinking water is done every day.

The well of Buduk is 60 meters deep. According to the head of the primary health care, if the wells are less than 30 meters deep, then the water is regarded as highly infected. The physical-chemical parameters of the water of Gjirokastra are within the standards, and the quality of Gjirokastra water is very high.

Subsidies

Although the collection ratio is relatively low in Gjirokastra, lack of economic resources does not seem to be the main reason for not paying the water bill. The technical director of the WU points to an interesting fact by saying that it is the poor who are the most regular payers of the water bill. In his view, this category, contrary to the well-off who have a richer social capital, feels powerless and consequently is afraid of the law.

According to the director of the WU, 17 percent of the people of Gjirokastra live under the poverty line (less than 1 USD a day), 20 percent live with 1–2 USD, 17 percent are very rich, and the remaining make up the middle class.

While the financial office of the water company believes the water tariff, even if increased, would not represent a major problem for the poor families, the local authorities at the social assistance department believe that subsidies for the water bill should be given directly to families in need. The lifeline tariff of 20 l/c/d is not seen as applicable by most interviewed experts in Gjirokastra because of the absence of meters.

Employment

Generally, water is not seen to have a direct visible impact on employment. Most businesses are located in the rural areas and are thus not relying on water from the municipal water supply network. However, interviews at the Chamber of Commerce and Industry, as well as at the RDA, showed that there have been some indirect comments from the businesses regarding water access and quality. Those who have raised these concerns have stated their assumptions that their businesses might be improved, provided better water supply. Nevertheless, it has to be

noted that some of the businesses are making use of alternative water sources, such as wells. Improved water supply is also perceived as connected to tourism.

Other

Health: No epidemics are reported, according to the WU and municipality authorities. The most frequently reported water-borne disease is diarrhea. There are certain neighborhoods that repeatedly have problems regarding the bacteriological parameters of the water. The primary health care unit reported a rather serious problem during the summer season, especially because of the worn-out inner network and (illegal) connections. Another perceived source of infections is the dire condition of the sewerage network, as well as the lack of the network in some quarters of the city.

Savings: The water bill in Gjirokastra is minimal, and none of the interviewed experts believes that it might have an impact on family savings even if the bill is increased.

Institutional Issues

As the present director of the WU states, currently the company is in dire conditions, mainly because of ill-management of the company for the last years. In December 2003, the WU of Gjirokastra started the procedures toward becoming a shareholding company. The WU, as well as some local authorities, are optimistic regarding this step, which they perceive to be important in strengthening the company and increasing its revenue. The shareholding company is perceived as the first step toward privatization. This stage enforces the enterprise from the institutional point of view. Moreover, this form of management increases the salaries of its employees, which in turn increases their commitment to the company. As the director of WU in Gjirokastra sees it, in the future, all WE will be privatized. The illegal connections have to be dealt with institutionally. The head of public works at the municipality also believes that privatization can have positive results, even in strategic sectors. The water police, also called water inspectors, was established in 2001 to assist institutionally the WU; however, it only started working in January 2004. During 2002, the WU underwent an institutional strengthening program, which included areas such as management, addressing issues, and computer assistance.

Decentralization and Governance

The municipality is aware of the above-mentioned problems regarding water supply. Moreover, the deputy mayor emphasizes the positive effects of decentralization, admitting the necessity for technical assistance by the central government. When the WU is transferred to the municipality, the debts of the company must be zero. At the present, the relation between the WU and the local government is minimal. Reports regarding the water supply situation are handed to the mayor regularly. Moreover, the mayor has the right to propose to the SC to fire the director of the WU. There is a general positive atmosphere regarding decentralization. Nevertheless, some local authorities familiar with water issues stressed the role of the state in the water sector, considering water a national asset. The head of the public works unit at the municipality is optimistic about decentralization and about the future role of the municipality. He further adds that it would be better if the members of the SC were specialists working at the municipality, rather than people from the central government.

As the director of the WU states, “The SC of Gjirokastra has never gathered. We do not need this structure, which only limits our space. I act based on the market law. What do I need this structure for? This only serves to increase the salaries of the Ministry employees.” The

deputy mayor makes another point by stating that the municipality should not operate through the treasury, as it is currently doing, but it should be able to take loans from, and operate through, the banks.

Legislation

Both the WE and the local authorities agree that the legal basis has to be changed. An interesting point is made by the head of the programming and development unit at the municipality, in whose opinion the most serious problem relates to the implementation of law, rather than absence of law(s) per se.

Consumers' Behavior

There exists a common perception that the state is responsible for everything. Moreover, it is a shared belief of local authorities and WU employees that people still do not perceive drinking water as a commodity that has a cost and for which you have to pay.

The director and technical director of the company raise another concern regarding the mentality of the customers to meet only with the director if you want things to be done, although there is an office where customers can file their complaints. Nevertheless, the same experts acknowledge that this procedure has its own limitations in that it takes some time until the complaint is taken to the relevant authority. Another perceived problem is related to customer dissatisfaction regarding the water bill, because most households do not even get the water bill.

Recently there were some ads on TV that focused on contract renewal. For those not renewing the contract, the penalty was to cut off water supply. Apparently, this measure proved effective, and it was marked by an increase in the number of contracts.

ANNEX 7 – REPORT ON FOCUS GROUP DISCUSSIONS HELD IN THE EIGHT TARGET CITIES

First Focus Group Discussion, Vlora

(suburban area, middle-aged, highly educated men)

Tariffs

All FG participants state that they pay the water bill based on a flat rate of 60 Lek per capita. There are no water meters in the neighborhood, and FG participants prefer to have water meters so that they can pay according to their consumption: “I am a partisan of the fact that everything that is being consumed should become measurable, and there should be an obligation by both parties, the party that sells it as well as the party that consumes it.”

However, some others seem concerned about not being able to pay the water bill in case of a tariff increase. In this case, they claim to cut down on the amount of water they consume to be able to pay the water bill. “If there will be a tariff increase and I won’t be able to afford the bill, and if I have a water meter, I will see how much water I use and will try to consume less water. I am convinced that if I control water consumption, then the bill amount won’t be that high.”

Most of the FG participants claim that they pay the water bill regularly, while there are some participants that admit that they haven’t paid it for several months, mainly for two reasons: they are not supplied with water, or no one has come to their house to collect the bill. One of the FG participants states that water is almost free. “My bill is only 50 Lek, and 50 Lek is the price for only one coffee. This means water is almost for free. But if I don’t have water, then why should I pay?”

Access

All FG participants state that they are facing problems regarding the supply with drinking water. They state that they are receiving water for only a couple of hours per day, while it is a well-known fact that Vlora has abundant water resources. They state that “it’s a pity that Vlora doesn’t have uninterrupted water supply.” The decrepit network is perceived to be their second most important concern. As one of the participants states, “The second problem is the worn-out supply system (for example, there are problems with a worn-out system that is resulting into interceptions of sewage and the drinking water).”

To have uninterrupted water at their houses, most of them have bought and installed water tanks on the roof. Most of FG participants state that the increased number of water tanks on the roofs of apartment buildings is becoming a major problem: “. . . first, because they are a source of humidity, especially for the upper floors, and second, they are adding to the weight of the building. . . . The concrete slabs are calculated for a certain weight; if you put more water tanks on the top of the roof, there will be more and more problems.”

This neighborhood is encountering problems with water pressure too. Water cannot reach into the highest floors. People in this neighborhood have water pumps, and in some cases each floor of the apartment buildings has its own water pump. “People living on the first and second floors should stop the water pumps for me to get water,” says an inhabitant living on the third floor.

Even after the WB has started to repair the system and millions of USD were spent, people are not yet aware of this, and they continue to illegally intervene into water pipes, and at the same time plenty of water is being wasted. Illegal connections are perceived as another big problem, which influence both the quantity and the quality of water and causes its further deterioration. “As I said, Vlora has good quality water, but for the moment, the situation has become such that I ponder ‘to drink, or not to drink water from the tap . . .’ ” Most of people do not drink water from the tap, and those who can afford it buy water from the vendors.

There are some parts of this neighborhood without connections to the network. This happens especially with the areas with new illegal settlements. These areas are also perceived as the ones that have been illegally connected to the main (or secondary) network. The uncontrolled or chaotic movement of people has caused many problems. If for the past six years, the distribution into the water system has been more normal, now the population increase from 80,000 to 125,785, because of uncontrolled movement, has increased the number of problems and has influenced the increased deterioration of the system (water supply and sewage).

Regarding quality, although Vlora is perceived as a city with good quality water, FG participants say that because of the worn-out system and because of the interrupted water supply, the water quality that they receive at their homes is not that good. They refer to its salty taste. “The water taste is not that good, so we are forced to buy water.” Although they mention that there have been cases that the water quality is not good, some of them drink water from the tap because they cannot afford to buy water. “In my family, we drink water from the tap It depends on the economic situation of the family.” Another factor that has influenced the quality of water is the reconstruction work done for the sewerage system, which has not been coordinated with the work done for the water supply system. The problem with the sewerage system is considered to be even bigger.

Subsidies (Lifeline Tariff)

This neighborhood has approximately 40,000 inhabitants and includes many residents who have come into the city only recently. Most of them do not have a job, and as a result, they can be considered poor, and they cannot afford to pay the water bill either. “There is a certain level of the population that even today cannot afford to pay for water.”

“For that level of population that cannot afford the water bill, this will always be a problem as long as they do not secure employment, and this is where the state policies should intervene. There is a need for the state to intervene with its social policies, employment policies, and so forth, for this level to have income to pay for the water; otherwise, this level of population always will remain a problem. You cannot disconnect the water supply from these people, because this will increase their dissatisfaction.”

Employment

Some of the FG participants believe that if their city will have better management of water supply, allowing for cleaner running water all day long, that will influence the labor market in their city.

Other

Land: None of the FG participants was able to mention any relation between water sector reform and value of land.

Health: FG participants say that in their neighborhood, there have been cases of intercept of drinking water with sewerage. Pumps continue to retrieve water even beyond the supply hours. And because of worn-out pipes, along with water they absorb also dirt, which infiltrates into the pipes, and as a result there have been cases when water comes dirty and a rusty color.

Savings: The FG participants could not mention any relation between water reform and family savings.

Decentralization

FG participants express their belief that the LG will be at a better position to solve the problems with the water system than the CG. They state that the LG is closer to their needs, and it will be easier for them to direct their requests to LG. FG participants are concerned that there are many problems with the management capacities of the WE, and that the WE management is weak.

Private versus Public Management

Most FG participants see the privatization of the water sector as a rescue from the problems they are facing today. They have lost the trust that the state will solve the problems the water sector is facing today. They also believe that if these services will continue to be managed by the state, then the politics will continue to play an important role.

Private management of the utilities is perceived to supply water during 24 hours a day, and as such even the water tanks will be gone. As one of them says, "Privatization is a necessity . . . If there is private management, then we will have uninterrupted water supply; everybody will be forced to pay their bills. There might be a negative side also, which is the higher tariff that the private company might set. In this case, the state should intervene"

The private operator is also perceived to be more responsible. If there will be any defects in the pipe's system, the private operator will be repair them quicker; also the private operator "will supply us with more water and with a higher quality. . . . In my opinion, it would be better if I do not fill the floor of my bathroom with bottles and other containers."

The government is perceived to be corrupt. "The technicians of the WE are the ones that make the illegal connections On the other hand, they go to fix your defects. If there will be private management, then the private operator will be more responsible; it won't allow anyone to break into the pipes for which it has spent so much money." A contractual relationship between the company and the client is assumed to be the solution.

“There is difference between someone that is employed by the state and someone else employed by a private company. The quality of the job performed by the latter is higher, because the private operator has higher liability. Even the package of the benefits for a person employed by the private operator will be better than by the state.”

On the other side, some of the FG participants expressed a contradictory opinion—they fear that something similar to the events in Elbasan will happen to them. According to them, the private company that is managing the WE in Elbasan was in debt with the state and had to pay a huge electricity bill. As a result, the city remained without water for three days. “We fear that something like that will happen if the water service gets privatized The private operator doesn’t care about people’s problems.”

Consumers’ Behavior and Company-Customer Relations

FG participants agree that the relation between the WE and them (as contractors) remains a problem. For instance, “As a client, I am very correct, and I pay regularly to the WE all that I owe. And I can say that most of the community act the same way, and pay their dues to the WE. But on the other side, what is WE supposed to be?”

FG participants state that they haven’t been raising their voice regarding the problems they are facing with potable water. As one of them says, “I don’t have water for 24 hours, but I don’t think we ever raised our voice.” They raise the idea of creating a network through which they can participate in the process of policy drafting. Some groups based on voluntarism are seen as one of the ways of getting organized.

FG participants raise the problem of the high politicization of the process. They state that not one of the politicians has been coming to ask them about their problems, except during the election campaign.

Second Focus Group Discussion, Vlora

(beach area, including natives and newcomers, educated, poor to average income, middle-aged men and women)

Tariffs

All FG participants state that they pay the water bill based on a flat rate per capita, at 60 Lek per capita. There is only a limited number of water meters in the neighborhood. They are located in the new apartment buildings, which are not inhabited yet. FG participants prefer to have water meters and to pay according to their consumption, but at the same time, they would like to have uninterrupted water for 24 hours. As one of them says, “It is important to have running water for 24 hours and to be able to drink it without being concerned about its quality.” Most of FG participants pay their water bill, but some of them do not pay because they think that the water they receive is not of the desired quality.

Access

There have been investments so far in the supply network, but there haven’t been any major improvements.

Mainly, their neighborhood is supplied with water for 24 hours, because it is near the main pump station. But water supply is very closely related to the electricity: if there is no electricity interruption, then the neighborhood will have an uninterrupted supply of water.

FG participants say that the network is worn out and that there are problems with water waste because of leakages in the network. They state, “You can easily see how water flows into the streets.” As they state, this happens because the system is worn out and because of the illegal connections.

There have been around 10,000 to 15,000 newcomers, mainly from the rural areas, and they have been settled in the hill area of this neighborhood. They have been illegally connected to the main network, causing problems for the other inhabitants of the neighborhood or even for the city.

Regarding quality, FG participants say that because of the worn-out system and because of the interrupted water supply, the water quality that they receive at their homes is not that good. One of them states that he gives his children boiled water. Other participants state that they should let the water run for a while before using it. Most of them do not buy water, and the reason they state is that bottled water is most of the time the same as the water from the network.

Another factor that is affecting the quality of water in this neighborhood is the fact that the new illegal settlements have been established along the hillside and all these new settlements rely on septic tanks, and this is perceived to intersect with the water supply.

Also they state that water is not chlorinated.

FG participants state that the sewerage system is in a dire condition too. The new settlements in the hill area of this neighborhood are not covered at all by the sewerage network. They rely on septic tanks. This is perceived to influence negatively the quality of the drinking water of the inhabitants who live at the bottom of the hill. They state that the sewerage network needs an immediate rehabilitation. The dire condition of the sewerage network in this neighborhood affects the level of contamination of the beach (because it is the beach area).

Subsidies (Lifeline Tariff)

All FG participants agreed that there are families that cannot afford to pay the water bill.

Employment

Most FG participants see a connection between better water services and employment. As one of them says: “If all families are connected to the sewerage network, and there are no longer septic tanks that discharge into the beach area, the beach will be much cleaner, and there will be more tourists.” Most of these families live on tourism during the summer season.

Other

Land: None of the FG participants reported any relation between water supply and land.

Health: The FG participants did not report any cases of water-borne or water-related diseases.

Savings: None of the FG participants was able to mention anything about the impact of the water sector reform on family savings.

Decentralization

FG participants express their belief that the LG will be in a better position to solve the problems with the water system than the CG. On the other hand, they want to have a role and want their voice to reach the municipality or the water company. So far, they have been complaining to the mayor or to the director of the water company, but they don't really know who is responsible for resolving their concerns.

Private versus Public Management

Most FG participants state that it is important for them to have clean water running for 24 hours, and it is not very important whether the company is a private or a public one. They link the fact of the water company becoming private with the installation of meters, a better quality of water, and a higher responsibility in supplying them with water. In any case, they perceive as a very important step the fact that the WE should be managed better than it is today. Meanwhile, one of the FG participants thinks that the main services such as water and electricity should remain the responsibility of state. "Even if the service will be privatized, the state should still remain as a shareholder, holding 49 to 51 percent of shares." The state is also the owner of the main assets. He brings examples of other countries where this method has worked. He mistrusts the private management, because of the fact that the private operator will want to make profits by increasing customers' tariffs. "In this case, the state should be the regulator; that's why the state should hold the majority of the shares." One of the FG participants raises the issue of the poor organization on the part of the billing staff. He continues, "There are other people who take advantage of this fact, going to people's doors, introducing themselves as representatives from WE, and asking them to 'pay the water bill.' "

Consumers' Behavior and Company-Customer Relations

FG participants state that they do not have a role and their voice does not reach the municipality or the water company. "So far there has been a fictitious role," says one of them. They accept the necessity of being organized within the community, by creating associations or even by getting organized within the neighborhood.

Third Focus Group Discussion, Vlorë (downtown, fairly educated, middle-aged men)

Tariffs

All FG participants state that they pay the water bill based on a flat rate at 60 Lek per capita. This neighborhood does not have any water meters installed. FG participants state that installation of water meters will solve the problems they are facing today regarding water supply. They say that installation of meters will prevent water misuse. As one of them says, "Especially during summer, everyone that has a garden uses drinking water to water it."

Most of them pay the water bill regularly, but there are also some of them who do not pay it. Sometimes this happens because they don't know where to go and pay for the services. One of them states that it would be better if someone (a billing worker) can come to their houses to

collect the bill. They state that retirees are the ones that pay the water bill regularly, while the businesses that use even more water do not pay. The other consumers that do not pay are the residents of the new settlements, who are not covered by the network.

Also, all FG participants say that they would welcome a tariff increase only if it will be accompanied by (a) an increase in the quantity of water supplied, as well as its quality, and (b) installation of water meters so they can pay for what they use. As one of the participants says, “For the moment, I pay 1,500 Lek each month for water, because I buy it.” Another one states that “right now, 8 percent of my income goes to water, since I pay the water bill regularly, I buy water, and at the same time, I have a water pump and pay the electricity needed to run the pump,” and he continues that if water was of better quality, he would have to pay less (meaning he would have to pay only for the water bill).

Access

FG participants state that they are supplied with water for only a limited number of hours, twice a day, one hour in the morning and one hour in the evening.

They state that Vlora has many water resources and should have plenty of qualitative water, and as a result, should have uninterrupted water; however, because of the worn-out supply network and intrusions into the network, the water they receive is not at the desired quantity or quality. As one of them says, “The network has experienced a massacre.”

FG states that another problem for this neighborhood is the existence of lower water pressure in the hill area. The situation gets even worse during summer. Almost all the participants have water pumps, and they state that without the pumps, it is impossible to be supplied with water. One of them says that he “lives only a couple of meters away from the network, and I still need to have a water pump.” There are also new illegal settlements in the uphill area. These residences are not covered by the network, so they have been illegally intruding into the network.

Regarding the water quality, most of the FG participants state that they do not drink water from the tap. Most of them buy water from vendors, while others obtain water through natural resources some miles away.

According to participants, the situation with the sewerage system is also bad. The network is very old and not maintained. They state that a Greek company has started to rehabilitate the sewerage network for the whole city. These new residences in the uphill area are considered to have worsened the situation, because most of the houses rely on septic tanks.

Subsidies (Lifeline Tariff)

FG participants state that the rate of almost 540 Lek per family that they have to pay nowadays would be seen as reasonable if they had uninterrupted qualitative water. However, they say that almost 80 percent of inhabitants in their neighborhood are getting paid under the state economic assistance scheme, and as such, there might be many of among them who cannot afford to pay for water. In this case, these poor families should be subsidized directly by the water company or they can be given an amount of money to cover the water bill, the same way it is done for the electricity bill. They state that the lifeline tariff would prove effective only if each household is provided with water meters. A better way to help the categories that won't be able to pay the water bill would be through employment programs. They also state that because retirees

are the ones who pay the water bill regularly, the municipality (or state) should think how to help this category.

Employment

Some of the FG participants believe that if their city will have better management of the water supply, running water all day long, and cleaner water, this will influence the labor market in their city.

Other

Land: None of the FG participants was able to mention any relation between water sector reform and value of land.

Health: FG participants mentioned that there have been some cases of water-borne diseases in their neighborhood.

Savings: The FG participants did not regard the issue of savings as being particularly affected by the water reform. They mention the fact that even the retirees, in case of tariff increases, would cut on other expenses to pay the water bill.

Decentralization

FG participants state that when it comes to problems with the water system, LG is closer to them and could solve them quicker than CG. They bring the example of a leaking pipe near one of the apartment buildings. As they say, it would have been easier if the municipality and the mayor would have had the responsibility to solve the problem.

Private versus Public Management

FG participants state that private management will be a better solution and fear that if it continues to be managed by the state, the situation will get worse. The state has lost credit in the eyes of its citizens. Privatization is seen as related to improved water supply. One of the participants states that “maybe the private company won’t supply us for 24 hours, but we will have for sure at least 15 hours per day.” They state that even if the water company will be privatized, the state or the municipality should remain as regulators: they should be the ones who set the rules.

The private operator is also seen as a better manager of the resources, as well as more powerful when it comes to investment. Also, FG participants believe that a private operator would have a higher level of responsibility. They link this with “the mentality of many Albanians who consider state assets as nobody’s property and do not take care of it.” As one of them says, “That’s why even the water pipes that are installed only recently are destroyed through illegal connections.” They also state that the reforms will be successful if the whole community will feel a sense of ownership in the system.

Consumers’ Behavior and Company-Customer Relations

FG participants state that there are no consumers’ associations who can represent them and raise their voice regarding the problems they are facing with the water system. So far, they

have been reporting their problems individually to the director of WU, but as they say, “No one has been listening to us.” They state that they should have a role in the decisionmaking process, but so far their voice is not heard. They say that getting organized through a committee of representatives would be the solution to this. This committee should have contacts with the institutions and should bring all the problems into the attention of these institutions.

Fourth Focus Group Discussion, Vlora

(urban periphery, young to middle-aged, educated, men and women)

Tariffs

All FG participants state that they pay the water bill based on a flat rate. The bill is 240 Lek for families with less than three members, and it goes up to 540 Lek for families with a larger number of persons. They state that they pay the water bill regularly. The billing workers go to their houses and receive the payment. Also, one of the groups that always pays the water bill are retirees, though they have the lowest income.

According to FG participants, there are no meters in their neighborhood. Even those meters that have been existent are not functional. They demand for water meters to be installed so that they can pay for what they consume. Some others say they want meters so that they can monitor what they consume and regulate their water use according to their income. They also see meter installation as a necessity to stop water abuse.

Regarding a possible future tariff increase, they suggest that the state should increase enforcement and should try to increase the collection rate first, and after this is accomplished, it should start thinking about the tariff increase. Meanwhile they stated that the bill would not be an issue, provided they have 24 hours drinking water. A similar attitude is reflected even regarding privatization, when most of the participants are aware of a potential tariff increase. In this case, they claim to cut on other expenses to be able to pay the water bill.

Access

FG participants state that they are supplied with water for only four hours a day, two hours in the morning and two hours in the evening. They state that the situation is worse than last year, when water was supplied four times a day. A seasonal factor is manifested when during the summer households receive less water per day and the pressure goes down to the extent that sometimes upper floors are not supplied at all. They state that normally water does not reach the upper floors, so they have installed electro-pumps. But they say, “The electro-pump is not a solution to the problem, because they make such a noise.”

One of the FG participants says, “Although new water pipes were installed in their neighborhood, many businesses, mainly bars, have intruded into the supply network, creating leakages, and other problems.”

They are aware that there is a lot of water abuse, which is a significant factor affecting adequate access to water supply, but no measures are taken to prevent this abuse.

Subsidies (Lifeline Tariff)

There were different opinions expressed by this FG regarding subsidies and the lifeline tariff in particular:

- Some of the participants considered the lifeline tariff as a solution for all poor groups. But at the same time, they raise their concern regarding the high level of corruption. All the officials' families will be declared as families in need. As one of them says, "By applying this lifeline tariff, it looks like WB is telling the officials 'come and steal.' " What should be done is that along with the application of the lifeline tariff, LG should coordinate efforts with WU, so they will have accurate lists of people in need. At the same time, LG should apply different measures to make sure that only the right persons are benefiting from this lifeline tariff.
- Some of the participants were completely in disbelief that the lifeline tariff is the right thing to apply. They stated that it would be better that an amount of money is given directly to these people in need. And they state that this can be done through the office of economic assistance.
- All FG participants state that an increased tariff would highly affect the retirees, whose income is very low, because they are the ones that right now are paying the water bill regularly. They state that lower tariffs should be applied for them.

Employment

When asked about the impact of water sector reform on employment, none of the FG participants was able to mention any relation between the two.

Other

Land: None of the FG participants was able to report any relation or impact of the water sector reform on value of land.

Health: One of the FG participants states that she "tried to drink water from the tap only once, and I ended up in the hospital." Also, another one states that because the water pipe leaks, there is always a risk that drinking water can be intercepted with sewage, causing contamination.

Savings: The FG participants did not report any relation between water sector reform and family savings.

Decentralization

FG participants state that it should be the responsibility of the municipality. They consider municipality and its officials closer to their problems and in a better position to solve them. As one of them says, "It makes no sense that the water companies are still administered by CG." Municipality has its own structures, such as the municipality police, and will be able to increase enforcement for those who do not pay the water bill.

Private versus Public Management

Some of the FG participants are of the opinion that no matter if the operator is private or public, either of them should be conscious of their responsibilities. Others express the fear that if the WU privatizes, then the tariff will increase and this will affect them and they won't be able to pay the water bill, especially if they are retirees. On the other hand, some of the other FG participants believe that the PO can certainly offer better services.

Consumers' Behavior and Company-Customer Relations

FG participants raise the issue that they and their neighbors, as well as the other citizens, need to become sensitized about water abuse. The state has to exert consistent control over all customers, making no favors. Installation of meters is seen as a solution for this problem, believing that when people pay based on metered consumption, water abuses will be dramatically reduced.

Another problem reported by the FG participants is corruption manifested by WE employees, when it comes to fixing problems. They state that "there are no doors, where we can knock on when we have problems," meaning that no one listens to them and their problems. However, as water consumers, the FG participants believe that they need to play a role in decisionmaking through a representative body from each neighborhood.

First Focus Group Discussion, Saranda (uphill area, middle-aged men and women)

Tariffs

"We do not have water meters," state the FG participants. "We pay based on a flat rate, but we want water meters. The meter takes care of everything." Newcomers stated that until August 2003, the time when they started being supplied with water from the water supply network, it would cost them about 2,500 Lek per month spent per water truck. According to the FG participants, there are households that do not pay the water bill. Some of them haven't paid since 1997. Some others do not pay because they are dissatisfied with the service. There is also another category of nonpayers: those who buy with the list.

Access

FG participants state that after the investment, there has been a marked improvement in water supply. They explain that while before the investment they used to get water supply once every two to three days, now they receive about two to three hours of daily water supply. The water pressure has increased as well, as all FG participants tell. Nevertheless, they add that the citizens as well as the WE technicians have not hesitated to tap into the main pipes.

The FG participants cannot explain the current dire condition of water supply because Saranda has abundant water resources. The newcomers also hamper the current quality of access. The FG participants stated that part of the newcomers, who are located right behind the biggest and most luxurious hotel in Saranda, have 24-hour running water, which they abuse, and consequently little water is left for the rest of the city. As one of them stated, "It is terrible that people have broken even into the new pipes." Other participants, who are newcomers themselves, state they have had difficulties in obtaining adequate water supply up until August 2003 (the end of the first phase of the investment), although they had been living there for the last 9 or 10 years. Before August 2003, they provided water supply through water trucks.

The condition of the sewerage network is shameful, as the FG participants state. The manholes will block, and all the sewage can be then seen running down the streets. “We pay to fix them, we do what the company won’t do,” state the FG participants.

Subsidies (Lifeline Tariff)

The FG participants state that there are families that cannot afford to pay for the water bill. These are families who buy with the list. The state should assist these families, as the FG participants perceive it.

Employment

No relation could be mentioned between improved water supply and employment.

Other

Land: When asked about the impact that water sector reform might have on the value of land, none of the FG participants could mention any relation between the two.

Health: All FG participants agree that the quality of the water running from their home taps cannot improve unless the tapping into the water pipes by unauthorized individuals is stopped. They say, “If you leave the water to sit still for some time, the water will show soil deposits.” For this reason, many of the FG participants confess they buy the water, which costs them an extra 150–200 Lek to their daily expenditure. The FG participants reported no cases of water-related or water-borne diseases.

Savings: None of the FG participants could mention any relation between water sector reform and family savings.

Institutional Issues

FG participants claim that WE technicians are corrupted and that they take bribes to establish new water connections, even illegal. Consequently, the FG participants believe that unless the WE employees become aware, the situation of water supply cannot improve. They also add that the WE should not allow these illegal works going on. “The WE will have to discipline the customers,” states one of the FG participants. The FG participants perceive that the problem lies in the public management of the enterprise. “It took the WE engineers three days to locate the problem. This is because they do not even have network maps,” states one of the FG participants. “The WE does not even respond in case of problems. We fix them privately, we pay for the service,” explain the FG participants.

Decentralization and Governance

The FG participants believe that the municipality has to be responsible for providing the water supply service. “The state cannot manage it anymore. The municipality has to be responsible for whatever happens in Saranda,” state the FG participants.

Customers’ Behavior

As all FG participants state, it is obvious that there is a lot of water abuse. This is explained by the lack of meters, as they all believe. They further add: “The people are not aware about water abuse. The state needs to discipline them. People water their gardens and use it [drinking water] for car washes and for their cattle. Enforcement is almost lacking. There is no control at all; the roofs are almost crashing down. The water running down the streets is bad for the foundations of the buildings as well.” The FG participants say that going to the WE to complain will serve nothing.

Second Focus Group Discussion, Saranda

(urban periphery, young and middle-aged, working class men and women)

Tariffs

All FG participants state that they pay based on a flat rate because of the absence of meters, which they find nonsense. Currently, they pay about 500 Lek per month.

Tariff increase is seen as a problem only in the case of privatization. Even in this case, the state is perceived to act as a regulator for maintaining a stable water price. The collection ratio is believed to increase when there is 24-hour running water.

Access

Access to water supply is not seen as adequate for the FG participants, despite the vast amount of water running down the streets during the supply hours. According to them, there are areas in the upper part of the town that are not within the network and provide water through horses and donkeys. The participants state that at the beginning of the investment, it was said that Saranda would be supplied with 24 hours of water. To this day, they say that water supply is limited to 5 hours in the winter and 3 hours in the summer. Moreover, the FG participants say that gravity flow water would be the best choice, instead of the pumping stations.

Another factor that is perceived to have a negative impact on water supply is power interruption. The FG participants suggest that the pumping station be independent from the power supply of Saranda.

The participants complain that during the early part of the summer, they used seawater to flush their toilets, because the water supply from the water supply network was not adequate. Access to the sewerage system is not adequate. Not only is the existent system worn out, but there are also families in the new residential areas that depend on septic tanks, which are not even cleaned regularly, as the FG participants confess.

Adequate access is also perceived to be negatively affected by the “terrible interventions in infrastructure” (that is, as soon as one intervention is over, the next starts over without building on or following the previous intervention).

Subsidies (Lifeline Tariff)

It is believed that there are families that cannot afford to pay for the water bill. It is also believed that the municipality should be responsible for assisting these families. For this reason, it is perceived that the solution would be to increase municipality funds.

Employment

“Saranda depends on tourism, and as such, it must have 24-hour running water,” state the FG participants. Special impact is perceived to be relevant for family tourism.

Other

Land: None of the FG participants were able to make a link between water supply and land value.

Health: “Water quality is not very good. If you look at the water in the buckets we have at home, you will see the water is not clean. Those who can afford it, buy the water,” state the FG participants. Another preoccupying factor to the FG participants is that some years ago, tons of X-rayed tobacco were deposited near the water wells. This, they believe, spoiled the water quality and would have long-lasting effects on consumers’ health. All FG participants state that Saranda could use other water sources, specifically mentioning the “Syri i Kalter” source. They further add that they do not know whether this water is tested, and if it is, what the results of this water test are. People say, “An epidemic will erupt from the sewerage system, and nobody seems to do anything about it.”

Savings: Savings is not perceived to be directly related to the water sector reform, according to the FG participants.

Institutional Issues

The FG participants say they are not satisfied with the water contract. They say there is no direct relation between customers’ obligation to pay the water bill and the company’s obligation to provide water.

The FG participants complain that there is no office where they can file their concerns, that nobody will listen to them. Everything is resolved through a private technician, as they explain.

There is a general perception that the destination of the investment money is not clear. Corruption is seen as prevalent. Privatization is seen as the ultimate solution, which will act as an incentive for the WE and its employees.

Decentralization and Governance

The FG participants believe that the municipality has to take care of everything or, as they say, “to organize and arrange every investment and intervention.” They further add, “Nowadays, the municipality is completely out of the water issue. It only intervenes when the situation is alarming. The municipality has to take its own responsibilities.”

The limits between where does the state’s obligations end and where does our own begin are not clear. The FG participants believe that with decentralization the situation will improve. “The closer to the community, the better,” say the participants, adding that “it is no good that for any problem we go to Tirana. On the contrary, the doors of the municipality are known to us.”

Customers' Behavior

Water abuse is a well-known issue, as the FG participants say. Nevertheless, they perceive that the amount of water loss due to technical reasons is much higher than water loss due to lack of customer awareness.

All FG participants perceive that they do not have a say as consumers of water. Nevertheless, they hope that with the inclusion of Saranda WE in the MC, their voice will be heard better. The participants claim they are not informed in case of prolonged water interruptions.

“There is no consumers’ panel; we believe that such a panel will form when the time is right,” say the FG participants.

Third Focus Group Discussion, Saranda

(uphill new residential areas, included in the WB investment, middle- and advanced-age men)

Tariffs

The FG participants say that they currently pay 600 Lek per month. Some of the participants confess they have a garden plot and they use water from the network to water their gardens. Nevertheless, they say that when the meters are installed, they would be more careful and not abuse the water. However, they are quick to add that water meters can only become functional when there is 24-hour running water. In general, tariff is not perceived to be a problem, provided 24-hour water supply.

Access

Although all of the FG participants acknowledge that there has been some improvement from the last summer, when they received water once every two to three days, the present situation is not perceived as adequate to the FG participants. They say that they have addressed the issue of 24-hour water supply through water tanks and buckets. Current water supply is about five hours, from 6 p.m. to 11 p.m., and there is enough pressure, as the FG participants perceive it. Nevertheless, they report using water pumps. One of the participants explains he is aware that the current investment cannot meet the demands of the city, which has grown drastically after the 1990s.

Access to water supply is also hampered by the construction firms that use water from the water supply network. Hotels with their big water pumps are also perceived as a factor limiting water supply for the households.

“Water, as well as sewerage network, is very old, and consequently worn out. It cannot meet our daily needs,” explain the participants. “This situation is further aggravated by the numerous interventions in the water pipes,” add the FG participants. There is a general perception that the water trucks get water from the water reservoirs. Consequently, the FG participants believe that the company is [implicitly] charging them for this water.

Subsidies (Lifeline Tariff)

The FG participants believe that the current water tariff is very reasonable, and as such, it is affordable to almost everyone.

Employment

Interestingly, the participants were not able to report any relation or impact of the water sector reform on employment.

Other

Land: None of the FG participants was able to state any relation between water supply and land.

Health: Water quality is not perceived to be at the desired level. Some of the participants say they buy the water because they do not trust the water from the network. “We have not tested the water, but it isn’t necessary. You can easily tell that the water is not clean from the gravel that comes with it and from its color as well,” say the FG participants. Another one adds, “The water tanks have to be removed. They store a lot of bacteria.” Some others say that they cannot always afford to buy the water. Consequently, they drink tap water, but only after having boiled it first. Another problem perceived as very important by the FG participants is the tobacco that has been deposited several years ago near the existent water wells. This, according to the participants, has probably contaminated the water as well. Bistrica water is perceived to be better than the current water source. Nevertheless, the FG participants report no cases of water-related diseases.

Savings: None of the FG participants believes that family savings is affected by the water sector reform.

Institutional Issues

The FG participants believe that the company has to take measures for preventing water abuses.

One of the participants states that he has been complaining about the sewerage system to both WE and the municipality for two years and has not heard any response from them. Finally, he had decided to resolve the situation himself by opening a channel so that the sewage could pass through.

Some of the FG participants believe that privatization would be the best choice, because the private operator would act more responsible because it is profit-oriented and it will provide better services. Some others have doubts about privatization, believing that it can create opportunity for abuses. For this reason, this latter group believes a partial privatization would be better and safer. Although there are doubts about the efficiency of the state to manage the WEs, the state is still seen to be deeply involved in the water supply issue, water being a natural resource. The FG participants state, “The problem here is the water management, not the quantity of water. Since they [the WE] do not respect the contract, why should we? We were told that after the investment, we would have 24 hours of water. That didn’t happen.”

Decentralization and Governance

It is believed that it is better if the municipality is responsible for water supply. Being responsible will mean, according to the FG participants, that their problems will be addressed more accurately. With decentralization, they all believe that their voice will be heard more than before. “It is better with the municipality,” states one of the participants, adding “we cannot go to Tirana for every problem we have in our city.” According to the participants, the municipality will also have to establish an office where all complaints are filed.

Customers’ Behavior

The FG participants explain that the water tanks fill in about an hour, and the next hours of water supply, the water is simply overflowing from the water tanks. Consequently, there is a lot of water abuse. The ground floors of the apartment buildings are very humid. This, as the FG participants perceive it, also creates social problems with the neighbors.

One of the FG participants tells that he and his neighbors had once gathered with the deputy mayor and the director of the WE, but they had not been able to offer any solution to the existent water and sewage situation.

Fourth Focus Group Discussion, Saranda

(downtown, middle-aged, educated, state employees, men and women)

Tariffs

The FG participants state that none of them has a water meter and they all pay based on a flat rate. They add, “We have heard the meters will be installed. If we have water, it is better if we pay based on consumption.”

One of the participants explains how he perceives the tariff increase: “Tariff is not a problem. I believe the state too will raise the tariff. The private operator too will have a ceiling.”

Access

Although all FG participants report that the water supply situation has improved when the investment was over, access is not at the desired level. One of the participants stated, “We can feel the improvement. However, we should not make this kind of comparison; instead, we should try and compare with Europe.” Improvement was mostly felt in the summer. This summer water supply was two hours per day, compared with previous summers, when the participants reported having water only once every two days and being thus obliged to buy water from the water trucks.

Inadequate access is mainly perceived to result from the poor management of the company. “Apart from illegal connections, which are numerous, the construction firms use water from the network. This is not fair. Car washes too use water from the network. Everybody does how it pleases them.”

The sewerage network is more problematic to the FG participants. They say, “The sewage is everywhere. We practically walk on it. When the situation gets really bad, the *kryeplak*

collects money from the entire neighborhood, and we hire a private plumber. The company never responds. The situation has deteriorated, especially with the new constructions.”

Subsidies (Lifeline Tariff)

There is a shared belief that there are no families that cannot afford to pay the water bill. However, the FG participants add that there are families that cannot afford to purchase bottled water. Even if subsidies are given to the families in need, there is a general perception that the subsidy will reach the target.

Employment

Improved water supply is perceived to be directly related to tourism, according to the FG participants. A direct impact is seen for family tourism, as opposed to hotels, which have already addressed the issue of inadequate water supply through huge water tanks.

Other

Land: When asked about the impact of the water sector reform on land, none of the FG participants was able to mention any relation between the two.

Health: The FG participants report being dissatisfied with the quality of the drinking water. “Sand and gravel come out of the tap, together with the water,” explain the FG participants, adding “for this reason, we do not feel confident to drink water from the tap. Only those who cannot afford to buy the water drink it from the tap. We do not know whether the water is tested or not.” Despite all reported water impurities, no cases of water-related diseases were reported.

Savings: Savings was another asset that was not perceived to be directly related to the water sector reform.

Decentralization and Governance

“It is better if the municipality is responsible for it, so that we know where we are heading to,” explain the FG participants.

Private versus Public Management

Privatization is seen as a better option, believing that the private operator will be more interested in managing the system the right way.

Customers’ Behavior and Company-Customer Relations

All FG participants show to be aware of the existence of water abuses. One of them tells, “Water is overflowing from the water tanks. The roofs of the building are thus worn out. We are becoming enemies to our neighbors.”

“The company has a big problem. It is even less responsible than the customers themselves. They do not even respond in case of problems. They cannot address the problems,” explain the FG participants.

One of the participants tells about his experience: “I have gone to complain at the municipality and at the WE. We did not have running water from the network for almost two months. Meantime, there were also difficulties to purchase water, since even the water trucks were scarce. Nobody did anything to resolve my situation. Only after June did the situation improve.”

Having acquaintances at the municipality is believed to be related to getting problems resolved.

First Focus Group Discussion, Lushnja

(Uphill area, inside the coverage area of the network, not receiving water for the past seven years, fairly educated, middle to advanced age, men and women)

Tariffs

“The water tariff is fixed; 600 Lek per month,” explains one of the FG participants. Some of the FG participants confess not paying the water bill: “If we had water even for one hour per day, we would pay the bill. Why should we pay when we don’t have water at all?” Others say that the water bill is not being sent to them. When asked about the meters, they respond that installing meters now is nonsense, considering the scarce water supply in their neighborhood. When the FG participants were asked about the tariff increase, they all replied, “If the WE would provide us adequate water supply, we would be willing to pay more than what we are paying now. Nowadays, the water is costing us much more than the water bill, considering we buy it from the vendors.”

Access

“Water access is terrible.” This is how the FG participants start the discussion. One of the participants says, “Sometimes we have water, some other times we don’t. Even when we have water, there is no set schedule. Water supply is about one hour, one and a half hour at the most. I have a water pump; every family has one. Only this way the water tanks are filled with water. There are tanks on every roof.” Another participant states that he has no water access at all. “We all buy water from the water trucks,” says another one, adding, “I consume at least two bottles for drinking during the winter. But in the summer, I need much more.”

Access during summer is much worse, according to the FG participants. “We were left without water for a whole week,” explains one of the participants. Another group of participants states that they have not had water supply for the past 12 years. An old man explains how he and his neighbors have dealt with this situation: “None of the single-floor houses in our area has water access. It has been like this for the last seven years or even more. The water pipes have decayed. We have dug wells; this is where we get the water from. The wells are usually about 10 meters deep. Sometimes the sewage is filtered through the soil and as a result mixes with well water. You have to dig very deep if you want to get quality water, but the cost is very high.” There is a shared perception that the sanitary condition at the water reservoirs is below the required parameters.

“Water access is dependent on power supply,” say the FG participants. “No electricity, no water. The pumps cannot work without energy.” Moreover, upper-floor participants state, “Water cannot make it to the upper floors unless the first and second floor families turn off their water pumps.”

The sewerage system infrastructure is no better than water supply,” state the FG participants. They also add, “When the sewage pipes in our neighborhood overflow, you cannot even pass by because of the bad smell.”

Subsidies (Lifeline Tariff)

The FG participants state that there are people in their neighborhood who are under the state economic assistance scheme. These families are perceived to be unable to afford the water bill. However, the participants are not clear about the type of assistance that can be provided to these families.

Employment

The participants cannot mention any relation between improved water supply and employment.

Other

Land: Water supply is not perceived to have an impact on land value by any of the participants.

Health: “The water from the network is not drinkable; we don’t even use it for cooking. Network water is only used for washing and hygiene. Even well water is safer to drink,” states one of the FG participants. They have heard of sporadic cases of children getting sick from the bad water quality. However, no grave diseases were reported, because most of the people do not drink water from the tap. Almost all FG participants buy water from the vendors, even though they are not sure about the quality of this water, either.

Savings: None of the FG participants could mention any relation between water sector reform and savings.

Decentralization

Considering the prolonged dire condition of the water supply in their neighborhood and unsuccessful attempts to raise this concern to local authorities, the FG participants do not believe that the municipality can improve the situation.

Private versus Public Management

Although there is a general perception that the private operator would increase the tariff, the FG participants state that they are willing to accept this, provided adequate water supply. They say, “The state has died. The PO will certainly be a better manager of the water.”

Customers’ Behavior and Company-Customer Relations

FG participants state that they have contacted municipality authorities regarding their water supply situation, but the latter have only told them that capital investments are needed. Some of the participants say, “We have even signed a petition, but the municipality did not respond. This is corruption.”

Second Focus Group Discussion, Lushnja

(downtown, young to middle-aged, educated men and women)

Tariffs

“There are no water meters in Lushnja,” says one of the participants. There is a fixed tariff based on a per capita basis. “I pay 600 Lek per month. If I had more water, I would rather pay based on consumption,” says one of the participants. Some of the participants say they pay the water bill regularly; some others firmly state they do not pay and do not intend to pay until they are provided with adequate water supply.

Access

Some of the FG participants say that they do not have water access at all, although they are connected to the network. Another group of participants says that they have water access once a day for about one hour. They say that every household has its own water pump and tank. All FG participants link poor access to the worn-out condition of the network, as well as to the illegal connections by the newcomers.

Access to sewerage system is also poor, as the FG participants perceive it. New constructions are believed to have contributed to the further deterioration of the network.

Subsidies (Lifeline Tariff)

The FG participants believe that there are families who are very poor and thus cannot afford to pay for the water or for any other service. According to the participants, these families boil tap water before drinking it.

Employment

The participants cannot mention any relation between water supply and employment.

Other

Land: The FG participants report no impact on land value.

Health: None of the participants reports drinking water from the tap. The water is believed to be mixed with sewage. All FG participants state that they buy water from the vendor, although they are not sure about the safety of this water either. The participants say they have heard cases of diseases, especially among children, stemming from the poor water quality. “We have also heard that the daily water tests done by the primary health care have sometimes resulted with a rust compound,” tells one of the FG participants.

Savings: Water sector reform is not perceived to have a direct impact on savings.

Decentralization

The FG participants are almost hopeless that the municipality can do anything to improve their water supply situation.

Private versus Public Management

There is a general perception that the private operator, unlike the public operator, will be able to provide more water to the customers. “Poor us who are living here,” describes one of the participants his perception regarding the functioning of the state.

Consumers’ Behavior and Company-Customer Relations

The FG participants state that the water bill is sent to their homes and that they pay at the sales office of the WE. They say that no TV announcements are made regarding water supply. The participants state that even if they complain, the company cannot do anything because it doesn’t have enough funding to invest.

Third Focus Group Discussion, Lushnja

(downtown, poorly educated, middle- to advanced-age men)

Tariffs

The FG participants state that none of them has water meters and that the water bill is a fixed amount of 600 Lek per month. Nevertheless, all FG participants tell that it is better to have meters because one hour of water they currently receive is not worth 600 Lek. When asked about tariff increase, they respond that they are willing to pay more provided their water supply situation improves. All FG participants say they pay the water bills regularly.

Access

The FG participants state they only have 0.5 to 1 hour of water access per day, and this happens about 5 a.m. The participants state that they can barely get water even though they use water pumps. According to the FG participants, the principal cause of such poor access is the worn-out inner network. FG participants tell they all buy water from the vendors. Water access is also dependent on the availability of power supply, which, as the participants say, is interrupted for up to eight hours sometimes.

One of the participants explained that the existent distribution pipes were connected to the upper part of the main pipe. Because of very low pressure, the water from the main pipe cannot make it to the distribution pipe. So the new illegal connections are made at the bottom of the main pipe, which allows the water to flow even if the pressure is low. Another participant explains, “We wake up at 5 a.m. to fill up whatever containers and buckets we have. I use the bathtub to store water, which I use when there is no water from the network. Usually the bottom of the tub will fill with mud; the pipes are really worn out.” Participants say that the worst period of water supply is the summer season, when they have been left without water even for a week.

The sewerage system is also a major problem, which the FG participants say they are facing everyday.

Subsidies (Lifeline Tariff)

The participants are generally supportive to the idea of having a water subsidy for the families in need.

Employment

The participants cannot mention any relation between improved water supply and employment.

Other

Land: None of the FG participants could mention any relation between water supply and land value.

Health: None of the FG participants reports drinking water from the tap. They say that water from the network is unsafe, and consequently they all consume water they buy from the water trucks. The participants are not confident about the quality of this water source either. One of the FG participants had suffered from diarrhea for a whole year, before the physicians could figure out it was because of the water.

Savings: None of the FG participants can see any direct impact of water sector reform on their savings.

Decentralization

There is a general perception that none of the municipality authorities will listen to their complaints. As a consequence, decentralization is not believed to help improve their situation.

Private versus Public Management

FG participants believe that the private operator will certainly do a better job than the public operator. They explain it this way: “Now we pay the water bill, but we don’t now where the money goes since we have no water. With the PO, it will be better, even if we pay more. We have lost faith in the state.”

Consumers’ Behavior and Company-Customer Relations

The FG participants do not believe that their voice can ever be raised or their concerns addressed properly. For this reason, they do not trust the establishment of a consumer panel.

Fourth Focus Group Discussion, Lushnja

(new residential areas, outside of the coverage area of the network, middle to advanced age, poorly educated men and women)

Tariffs

All FG participants who have a regular contract with the WE state they always pay the water bill, which is based on a flat rate of 600 Lek per month. Only those who have no access at all do not pay the water bill. Nevertheless, they all are in favor of the meter, so that they can pay for what they consume.

Access

The participants of this FG discussion are all post-1990 newcomers. Most of them do have water connection because they have tapped into the main water pipe, which passes near the neighborhood. Others, far away from the main pipe, are relying exclusively on wells. Those who have a water connection have regular contracts with the WE. The participants state that without the water pumps they cannot get water at all. Most FG participants state they have been buying water from the water trucks for the past year. This adds an additional cost to the total water bill.

None of the FG participants is connected to the sewerage system. They all have septic tanks. Another major issue for the FG participants is the drainage system as well. Especially in case of heavy rains, the participants report flooding of the area.

Subsidies (Lifeline Tariff)

The participants do not make any statement regarding the proposed form of subsidy. Considering the inadequate water supply these households are currently receiving, the 20 liters per capita per day does not make much sense to these households.

Employment

The participants cannot mention any relation between improved water supply and employment.

Other

Land: The FG participants could not mention any relation between land and water supply.

Health: “We buy water for drinking, but we cook with tap water. Most of us cook the bread ourselves at home with tap water. We cannot afford it otherwise,” state the FG participants. They also explain that if tap water is left still, sand will precipitate at the bottom of the water container. No cases of water-borne or water-related diseases were reported by the FG participants.

Savings: The FG participants could not mention any relation between land and water sector reform.

Decentralization

The FG participants are generally supportive to decentralization. They perceive that the municipality should be responsible for providing water service.

Private versus Public Management

Even though the participants fear a higher tariff, they believe that the private operator would be a better choice for improving the water supply situation. One of the FG participants states, “We have no state. A PO is better.”

Consumers' Behavior and Company-Customer Relations

The FG participants state they have once protested in front of the municipality about power supply, but it had never occurred to them to complain about the water supply situation,

even though it is in very dire conditions. There is a general perception that nobody listens to their concerns and addresses their problems.

First Focus Group Discussion, Lezha

(characteristics: existent neighborhood, highly affected by post-1990 internal migration, poor, fairly educated, middle-aged men and women)

Tariffs

None of the FG participants has a water meter. They all pay on flat rate. However, they are all aware that their monthly water cost is not limited to the water bill alone, but also includes the electricity used for the pumps. All FG participants believe that the current water tariff is high, and what is more important, not fair. As they explain, “It is the same if you are a 2-member family or a 10-member one.” One of the FG participants states, “I have gone to the WU to propose the installation of water meters. First floors are washing their cars with [network] water, while upper floors cannot even get enough to drink.”

Another one adds, “Most of the time, we do not receive the water bill. Nevertheless, we go to the company to pay the bill.” Another FG participant opposes and says, “I haven’t paid the water bill for over a year now. They [WU employees] came over to my house once, but I told them I had paid 5,000 Lek for the water pump. Nobody came after that.”

Access

Focus group participants state that their water supply situation is in dire conditions. They all complain of irregular and unreliable water supply, as well as extremely low pressure. Some of the participants say they do not have access to the water network at all and have dug wells. They also point out that there are marked differences between water supply in the winter and water supply in the summer. Related to this, they add, “We haven’t had water during the summer for the past three years.” The FG participants say that service delivery has gotten worse because a new connection was made from Shengjin. They explain that water supply is limited to at most four hours, once a day, usually in the evening. Even during the supply time, the participants say, “The use of water pumps is indispensable. The pressure is so low that upper floors can hardly fill their buckets and basins.” However, as the FG participants perceive it, the problem lies in the absence of the necessary funding to be able to provide enough water to meet Lezha’s increased population. “The current water reservoir supplying our neighborhood was designed to meet the needs of about 500 inhabitants. Today our neighborhood adds up to about 3,000–3,500 inhabitants. The water pipes are also very thin. A whole new network is needed so that we can have 24 hours water,” states one of the participants.

Access and quality are also hampered because of unsupervised well digging. According to the participants, these wells are dug near the (Artesian) well field. This is perceived to interfere with the purity and quality of network water. The participants say they have raised their voice through a representative group, but a deaf ear was turned on their complaints.

Regarding water quality, the FG participants say they drink tap water. Exception is made sometimes for infants and children.

Subsidies (Lifeline Tariff)

The municipality is perceived to have an important role in providing subsidy. According to the participants, “The municipality is closer to people and knows who cannot pay for the water service.”

Employment

There is a perceived link between improved water supply and employment among women. The FG participants state that nowadays women are forced to stay at home, but if water supply would improve, women could quit being merely housewives and start looking for employment outside the house.

As the FG participants perceive it, business development is another positive impact that improved water supply could bring.

Other

Land: The participants were not able to mention any relation between water supply and value of land.

Health: Perceptions regarding water quality are generally positive. The FG participants reported no cases of water-related or water-borne diseases.

Savings: The FG participants could not mention any relation between water sector reform and family savings.

Decentralization

The FG participants explicitly state that with decentralization, their situation will improve. They say that at the present, “when we go to the municipality, they tell us it is the prefecture you should address your issues to. We go to the prefecture, it says ‘it is not my responsibility,’ and so on.”

Private versus Public Management

The private operator is perceived as a better alternative for most FG participants. They base their statement in a shared belief that the PO will know how to better manage the water supply and reduce water losses and abuses. It is also perceived that in case of a PO, consumer complaints and requests will be considered more carefully, because “a contract with the PO is mutual, whereas a contract with a public operator is unilateral.” One of the participants added, “The PO might increase the tariff, but if water supply is not improved, I can hold it accountable for it.” The only positive side of having a public operator is perceived to be its social approach.

Second Focus Group Discussion, Lezha

(downtown, highly educated, employed, young to middle-aged women)

Tariffs

Billing for most of the participants is based on a flat rate; only very few of them report having meters. Moreover, regarding this issue, they add, “Nobody asked us, to take our opinion whether we wanted meters or not. They simply came and installed them.”

Some of the FG participants state they are regular payers of the water bill; some others state they haven't paid the bill for years. They tell about a case when 4 out of the 15 families living in an apartment building had not paid the water, and the company cut off the water for all the building. Another participant states, "In my apartment building, I am the only one who pays the bill." All of the participants perceived this as unfair and stated they had complained to the WU, individually. When asked whether they would like to have water meters, some of the participants answered "yes," because only with a meter could they control the amount of water consumed. On the other hand, some other participants answered they were against meter installation. This group explained that the reason why they did not want a meter was because they were using network water for their garden plots.

Some of the FG participants state, "I know I am paying for the sewage, but I can't see any kind of investment for the sewerage system."

Access

Water access in this neighborhood is perceived to be much better, compared with other parts of Lezha. The major problem reported by the FG participants, though, is related to power interruptions, which hamper water supply. As they report, "No prior notice is given for power interruptions. So it is sometimes difficult to combine the two."

All participants are aware that if water were not abused the way it is being abused now, water supply would improve. Still, many FG participants state that they use network water for their garden plots during the summer.

Although the participants are to an extent satisfied with the current water supply situation in their neighborhood, they are not satisfied with the quality of water they receive. Most of them say that water is sometimes mixed with sewage, and even gravel has sometimes been found in it. One of the FG participants states that she boils the water to drink it, while another one says she buys water from the vendor.

Subsidies (Lifeline Tariff)

All FG participants believe that there are certain population groups, such as those under state economic assistance and the retirees, who cannot afford to pay for the water service. Some of the FG participants perceive that the state should subsidize these families, and the subsidy money should go directly to the WU. If the subsidy is given through the municipality, the participants fear that there would be room for abuses.

The lifeline tariff is perceived as a good idea; however, they believe that cash subsidy to the WU would be more effective. One of the participants states, "The bill might be reduced to half for these families."

However, the FG participants state that any type of subsidy would be welcomed and would be interpreted as a sign that means "the state is doing something for its citizens."

Employment

The FG participants state that adequate water and sewerage infrastructure are necessary for the development of the tourism industry in Lezha, which is poorly developed despite Lezha's beautiful beach area.

One of the FG participants states that it would be interesting to run a business by river Drin, which is the longest river in the country, by offering boat tours. However, the same participant states that this cannot be achieved at a time when sewage is flowing to the river.

Other

Land: None of the FG participants was able to mention any relation between water supply and land.

Health: Although the FG participants are not satisfied with the current water quality, they report no cases of water-related or water-borne diseases, apart from a perception that most people in Lezha suffer from kidney diseases.

Savings: The FG participants were not able to mention any relation between water reform and family savings.

Decentralization

All FG participants believe that decentralization is necessary and that it has to be the responsibility of the LG to provide services such as water and sewerage.

The participants believe that it is about time that consumers get together and have a say in decisionmaking. This is perceived to be especially important “when the municipality will be accountable for the water sector.” However, they add that those who do not pay the bill cannot and should not complain.

Private versus Public Management

Divergent views are held regarding this issue. The FG participants assume that a PO will be more efficient and thus improve the service. On the other hand, they fear that it might set the tariff at unacceptable and unaffordable levels. The state is believed to adopt a more social approach and not charge too much. For this reason, the FG participants perceive that a PO could still provide the service, but under the supervision of municipal authority, which will serve as a regulator between the PO and the consumers.

Third Focus Group Discussion, Lezha

(uphill area, affected by internal migration, educated, middle- to advanced-age men)

Tariffs

All FG participants pay on a flat rate of 840 Lek per month. Some of them state they pay the water bill regularly, while some others confess they do not pay the bill. One of them said, “I don’t pay the bill. Nobody comes to force me to pay.” Despite this attitude toward nonpayment, many of the participants are aware that they are consuming more than they are paying for. One of them explains, “We are used to not having a meter, and I don’t know whether it would be good to have one. Some of us use tap water for cleaning the streets, watering. We leave the tap open, even if we don’t use the water.” Another one though holds a different view: “When there were no electricity meters, you’d wake up in the middle of the night and see all the lights turned on. This situation changed as soon as the meters were installed. For this reason, I believe that the most

effective way to prevent water abuse is to install meters. They [meters] are necessary.” The FG participants state they would not welcome another tariff increase.

Access

Access to water is perceived to be better than in some other parts of the city by the FG participants. However, they raise some concerns about the lack of a fixed water schedule and its dependency on power supply. One of the participants explains that “when there is water, we don’t have power supply, and vice versa: when we have power supply, there is no water.”

The FG participants state that some improvement has been felt regarding the sewerage system, after a partial investment in their neighborhood about 1½ years ago. However, one of the participants stated, “After the technical intervention to the sewerage network, water supply to my apartment was interrupted. I informed the Director of the WU, and he sent for the technicians. They tried something, but I still do not have water. Currently, I use a hose to get water from my neighbor.”

Regarding water quality, people say that they drink water from the tap, although they are not confident about its quality. One of the participants adds, “I drink tap water because I cannot afford to buy it.” Another participant stated, “During the 2002 flood, there was an interception of drinking water and sewage. However, there was a TV announcement about it.”

Subsidies (Lifeline Tariff)

All the FG participants agree that there are families that cannot afford to pay the water bill. They believe that families under the state economic assistance should be subsidized for the water bill, as well as for other bills. The lifeline tariff is perceived as an adequate solution, and 20 liters per capita is believed to be sufficient.

Employment

None of the FG participants can see or mention any relation between water supply and employment.

Other

Land: None of the FG participants could mention any relation between water supply and value of land.

Health: FG participants state sporadic cases of minor water-related diseases.

Savings: The FG participants could not mention any relation between water supply and family savings.

Decentralization

The FG participants stated they knew that water supply was not under the administration of the LG. All of them believed that it is the municipality that should be accountable for this service; however, they also believe that this might be very costly.

Private versus Public Management

When asked about what type of management they would prefer for the water service, most of them said that private management would be better than public management.

Fourth Focus Group Discussion, Lezha

(new residential area, low land, affected by continuous flooding, middle-aged, educated men)

Tariffs

Almost none of the FG participants paid the water bill. One of them explained, “The technicians of the company came once to disconnect us. Then we connected again. After that the company contracted us, but we still do not pay the bill.” The participants do not feel that they should pay for the water because to start with, they do not even have proper access to the service.

Access

The FG participants state that most of them have connected illegally to the main water pipes that pass by their neighborhood. One of the participants explains, “The water pipes are in the open. Anyone can intrude in the pipes.”

They state that their water access is limited to about two hours daily, which is perceived as totally inadequate. Some other participants, less lucky, who have not been able to connect to the network, say they use public taps. One of the participants states, “The public tap I use is about 200 meters away from where I live. When I go there, I have to wait in line for a long time, because there are other people like me waiting in line.”

The participants say that the municipality has just approved an urban plan for this area, and the FG participants are waiting and hoping that the law for the legalization of the illegal buildings to be approved.

None of them has access to the sewerage system and consequently rely on septic tanks. The FG participants state they are not satisfied with the water quality and that they drink network water because they cannot afford to buy it. Another participant explains, “I fill a plastic bottle and put it in the freezer. Freezing kills the bacteria.” The most important improvement these people would like to see is coverage by the water network.

Subsidies (Lifeline Tariff)

All FG participants believe that there are families that cannot afford to pay the water bill. In this case, they believe that these families should be subsidized. Moreover, they believe that it is better if the subsidy goes directly to the WU. When asked about the lifeline tariff, all of the participants reacted positively and perceived this as a positive and necessary step.

Employment

None of the FG participants could mention any relation between water supply and employment.

Other

Land: The FG participants do not see any relation between water supply and land.

Health: The FG participants state they have experienced cases of diseases, which they perceive to be related to poor water quality.

Savings: The FG participants reported no link between water reform and family savings.

Decentralization

Usually, participants believe that it is better if the municipality is accountable for water service, because “we vote for the municipality, so it has to be responsible for it.”

Private versus Public Management

The FG participants hold diverging attitudes regarding privatization. Some of them fear that a PO will disconnect them, or force them to pay the bills. This group believes that the state would be more accountable toward their rights and would follow a more social approach. On the other hand, some others believe that a PO would be better because it would have more opportunities to invest and thus improve delivery. Those who are in favor of privatization say that the state does not have the necessary financial means to contribute in the sector.

First Focus Group Discussion, Korça

(urban periphery, working class, middle-aged, fairly educated, men and women)

Tariffs

Every customer in Korça has water meters and pays based on consumption. The present tariff is not acceptable and affordable to some of the FG participants. This group of participants report paying about 700–800 Lek per month, compared with the previous tariff of 100 Lek per capita. For this group, the tariff is almost doubled. Other FG participants do not perceive the current tariff to be a problem.

All FG participants state they have always paid the water bill. In their view, it is only the Roma and the Evgjit who do not pay.

Access

All FG participants are satisfied with the current quality of access. They report having 24-hour running water in their home taps and very high pressure. The situation has drastically improved since the KfW investment. Before the investment, the participants report having had only about four hours of daily supply, twice a day. Now, as the FG participants report, there are no illegal connections. The participants perceive the investment to be “of European standards.”

While the FG participants do not have much to say about water access, they complain about the sewerage network, which is very old and worn out. Sewage would flow from the pipes from time to time, as the participants tell.

Subsidies (Lifeline Tariff)

All FG participants believe that there are families that cannot afford to pay the water bill. In their opinion, the state has to take care of these groups in need. According to the FG participants, the only way to help these families is to provide new job opportunities.

Employment

No positive effects can be seen between employment and improved water supply. The FG participants report that the labor market in Korça has not changed, despite the drastic improvement in water supply.

Other

Land: None of the FG participants could see any relation between water supply and land value.

Health: The quality of water is very good, as the FG participants perceive it. They all report drinking water from the tap. The only minor problem is related to chlorine in water. Especially in the morning, the participants report that the drinking water smells of chlorine and they have to leave the tap running for some minutes. The FG participants tell that with the previous network, there had been cases of water-related diseases, especially related to the digestive tract. Now they are all over.

Savings: When asked about the impact of the water sector reform on savings, the participants were not able to mention any such relation between the two factors.

Decentralization

Decentralization is perceived as a better alternative. People believe that when the WE is transferred to the local government, their voice will be heard more accurately.

Private versus Public Management

The group is divided into two regarding this issue. While some of the participants believe that privatization always leads to better service provision, others fear that the private operator will further increase the tariff, which would be unaffordable to them. One of the participants expresses his doubts that the director of the WE is corrupted.

Customers' Behavior and Company-Customer Relations

The FG participants say they have never complained regarding the tariff, although they find it rather high. The reason for not complaining, either individually or collectively, is the perception of not being heard.

The participants say that the company does not even respond when there are problems with the sewerage network. They also state that they hire a plumber working at the WE, who then puts the money in his pocket.

FG participants perceive that it is difficult to organize and form a consumer panel, although the idea was appealing to them.

Second Focus Group Discussion, Korça
(downtown, working- and middle-class men)

Tariffs

Some of the participants state that the current water tariff is 42 Lek per cubic meter, which is perceived to be high by most of them. One of the participants states, “My family pays about 1,300 Lek per month. This is expensive.” Another participant, who lives in a recently constructed building, complains that not all of the families at his apartment building have water meters and consequently pay based on a flat rate.

Some of the participants say that the tariff increase has caused them to consume less water. Despite perceived expensiveness, all participants state they have always paid the water bill regularly.

Access

Water access is perceived to be very good by all FG participants. They describe the investment as “European.” Now they have 24-hour running water, and the pressure is very good.

The only problem regards access to the sewerage system, which is very old and worn out. People say that the sewage pipes and the manholes are continuously blocked.

Subsidies (Lifeline Tariff)

The FG participants believe that there are families that are in need and have to be subsidized by the state. These families are perceived to be those under the economic assistance and the pensioner families. The participants believe that the amount of money these groups receive should be increased to cover for the increased water bill.

Employment

Effects on employment are invisible to the FG participants. The businesses, in their view, had resolved the water supply issue with tanks, thus 24-hour water did not have any significant effect.

Other

Land: No relation could be seen by the FG participants between land value and water reform.

Health: No cases of water-related diseases are reported by the FG participants. All participants report drinking water from the tap. Nevertheless, they state that drinking water has color sometimes. They do not know whether the water is tested and what the results of this testing are. So they suggest that the transparency regarding water quality should improve.

Savings: None of the FG participants could mention any relation between water sector reform and family savings.

Decentralization

Decentralization is generally perceived as a positive step. The FG participants believe that it is better if the municipality is responsible for this service, because it can be held directly accountable for it.

Private versus Public Management

There is a general perception that the private operator will increase the tariff even further, thus making it very difficult to afford the water bill. The FG participants say that the PO is a good choice only when there is fair competition. All participants are satisfied with the current management of the WE.

Customers' Behavior and Company-Customer Relations

One of the customers states that water abuses have not been eliminated, despite the presence of meters.

Some of the FG participants complain about the attitude of the WU billing workers. All FG participants are satisfied with the new computerized water bill. People are also satisfied with the service at the sales office, stating that earlier they had to wait in line much longer. Satisfaction is also reported regarding the attitude of the director of the WE, who is the contact person for all FG participants whenever they face any problem. The FG participants believe that it is difficult to get people together into a consumer panel, because of a perceived passivity of the Korça citizens.

Third Focus Group Discussion, Korça

(downtown, middle class, middle and advanced age men)

Tariffs

All of the FG participants state they have water meters, and as they report, the average water tariff for a four-member family is about 700–800 Lek per month. Most of the participants say, “It is true that some of us now pay more, compared with the per capita tariff that prevailed until some time ago. However, we feel more confident this way, as we know we pay for what we consume. Moreover, with the meter, we can consume less, if we want to.” Tariff increase has caused more controlled consumption and less water abuse by the customers, as the FG participants report. “Water meters have also eliminated the possibility for corruption,” says one of the participants. They all agree that the water tariff completely justifies the quality of water supply.

Access

All FG participants are very satisfied with the current water access. They all report having 24-hour running water, high pressure, and good quality water. “Now we do not have any fear that the drinking water is mixed with the sewage,” states one of the FG participants. Another one adds, “We have water even when the power is off. What more can we ask for?”

Problems are reported only with the current sewerage system. Participants report recurrent problems with the sewage pipes, as well as the drainage system. They suggest that the only choice is to construct a new network.

Subsidies (Lifeline Tariff)

All FG participants believe that there are families that cannot afford to pay the water bill. They link this perception to the high unemployment rate in Korça. “There are a lot of people who buy with the list,” explain the FG participants. They believe that subsidizing these families should be the responsibility of the central government. The local government is not perceived to have the adequate funding to support such subsidy, and to cover for the subsidy money would charge more on users.

Employment

It is the FG participants’ perception that there are more water-related businesses running now, as compared with the preinvestment period. Examples of these businesses are carpet washes and car washes. However, the FG participants do not know whether these businesses use water from the water supply network.

Other

Land: None of the FG participants could mention any relation between water supply and land.

Health: All FG participants report being satisfied with the water quality, and state that they drink water from the tap, although some of them report that the drinking water smells too much of chlorine. No cases of water-related diseases are reported by the participants.

Savings: Family savings were not perceived to be directly related to the water sector reform.

Decentralization

The local government is perceived to be directly accountable to the citizens. For this reason, the FG participants believe that it is the municipality that has to be responsible for provision of water.

Private versus Public Management

All FG participants are satisfied with the current management of the WE. They fear that privatization will increase the tariff to unaffordable levels, because it is profit-oriented.

Customers’ Behavior and Company-Customer Relations

The FG participants say they are satisfied with the billing workers, as well as with the computerized water bill. They report satisfaction regarding the contract they have with the company as well. Nevertheless, they believe that the company should also fulfill its obligations regarding the sewerage system.

The FG participants believe that the company's response in case of problems related to the sewerage network is not at the desired level. They report hiring a plumber, who usually is a WE employee, and paying him in person for the service. The FG participants state that they do not know whether they are paying for the sewerage, although the water bill is itemized. The participants also believe that someone should have explained why the tariff increased.

Some of the FG participants tell that they have heard about people breaking the meters. They have also heard that if one is caught having an illegal connection, there is fine of about 100,000 Lek.

Fourth Focus Group Discussion, Korça

(new residential area, recently included in the network, middle class, educated men and women)

Tariffs

All FG participants are satisfied with the presence of meters, which makes possible payment based on consumption. One of the participants, a young to middle-aged woman says, "I pay about 1,000 [Lek] per month, and I use water freely. This is not much. Those who cannot afford it, such as the pensioners, can as well consume less." Others state that the current tariff is high and that they face difficulty in paying it. Nevertheless, none of the FG participants reports having missed even one month of payment. Although all participants are satisfied with the transparency of the current water bill, none of them knows whether the sewage tariff is inclusive.

Access

All FG participants are satisfied with the current quality of water access with regard to supply hours and pressure. Some of the participants are even complaining about the pressure being higher than their inner pipes and home taps can support.

Access to the sewerage system is perceived to be very problematic. The network is very old and worn out and cannot meet the present water consumption. The FG participants suggest that a new sewerage network should be built so that it can match the increased consumption resulting from the improved water supply and increased water pressure.

Subsidies (Lifeline Tariff)

There are families who cannot afford to pay the water bill, state the FG participants. "These families are mainly those under the economic assistance scheme. The state should take care of these families. The state can increase the amount of monthly assistance they receive. However, the best thing would be to arrange jobs for these families," explains one of the FG participants.

Employment

Improved water supply is perceived to have had a slight effect on employment, as evidenced by the opening of some new businesses, such as fast foods, plumber shops, and so forth.

Other

Land: When asked about the impact that water sector reform might have on land value, none of the FG participants could mention any such relation.

Health: Only one of the FG participants reports buying bottled water; the rest drink water from the tap. Regarding water quality, people report that tap water is hard. The FG participants express interest in knowing the water parameters resulting from the bacteriological analysis of water.

Savings: No participant could mention any relation between water sector reform and family savings.

Decentralization

FG participants believe that central government is the most appropriate authority to decide the water tariff.

Private versus Public Management

The private operator is perceived to be better than the public operator, because the PO will be more interested in his profit, and thus it would improve the service and invest more. Nevertheless, the PO is perceived to increase the tariff, which seems unreasonable to the FG participants.

Customers' Behavior and Company-Customer Relations

The FG participants point to meter reading as a problem that has to be addressed. They explain, "The water meters are installed inside the house. When the WE employee comes to read the meter, what will happen when nobody's home? She will write something based on common sense, not on real consumption. I have raised this concern with the WE authorities, but I was told that I could as well take the meter outside of the house, but on my own expenses."

The FG participants are satisfied with the computerized water bill, as well as the service at the sales office. They say that the water tariff also includes a phone number made available to the customers to call and report any kind of problem. One of the participants says, "The company arrived three days after my phone call, when I had already resolved the situation through a private plumber."

None of the participants reports having tried to gather and establish a consumer panel to address their concerns and increase their participation in the decisionmaking process. The participants explain this by the low organizational capacity of the citizens. "The company does not respond in case of problems. We do everything by hiring a plumber and paying him in cash," state the FG participants.

First Focus Group Discussion, Gjirokastra

(uphill area, advanced age men (pensioners), low-income group)

Tariffs

All FG participants state that they pay regularly the water bill and that they pay based on a flat rate of 60 Lek per capita.

All focus group participants firmly stated that the bill would not be an issue, provided they have 24-hour drinking water. Similar attitudes are held even in case of privatization, when most of the participants are aware of a potential tariff increase. In this case, they claim to cut down on other expenses to be able to pay the water bill. As one participant states, “Water is more important than food.” However, some others seem preoccupied with not being able to pay the water bill in case of privatization. The water bill is not sent to the home—the customers pay at the sales office of the WE.

Access

All FG participants state they have been having water problems for the past two or three years. Currently, the participants state they get one to two hours of water supply per day.

Irregular supply hours are another major problem reported by all FG participants. One of the participants states that “I have to know when the water is coming; I cannot stay awake all night long. They supply us with water whenever it pleases them [WE employees].” Another one adds, “If you come and see our bathrooms, all you’ll find are buckets and basins.” Even within the same neighborhood, differences emerge in the quality of water supply. Some households report having problems with water supply because they live on the upper floors of the apartment building, as opposed to someone living on the ground floor that gets better water supply.

There was a major crisis of about 15 days of total lack of water somewhere around the end of September or beginning of October. The FG participants showed the tendency to link this to the local elections. Meantime, all households were provided water through water trucks. At this point, the FG participants say that it is the obligation of the WE to have a spare electro-pump.

On the other hand, all FG participants are aware that there is a lot of water abuse, which is a significant factor affecting adequate access to water supply. People said that a few days ago, there were some TV ads, according to which every water abuse would be punished. However, notwithstanding significant abuses, no such measure was taken.

A seasonal factor is manifested: during the summer, households receive less water per day, and the pressure goes down to the extent that sometimes upper floors are not supplied at all.

Another factor affecting the quality of water supply are the car washes, which, according to the FG participants, “can use alternative water sources, and not water from the water supply network.”

Access to adequate water supply is also hampered by the first-floor dwellers, who often have a garden plot for which they usually use water from the water supply network. One of the participants even tells about his neighbor living on the first floor who keeps a cow and a goat in the apartment and obviously uses plenty of water.

Major problems are reported also regarding the sewerage system. The sewage is running down the roads. The people believe that this is due to the worn-out sewerage network, part of which belongs to the King Zog era, as they called it in the early 1930s.

Subsidies (Lifeline Tariff)

All FG participants agreed that there are families that cannot afford to pay the water bill. They also added that the municipality knows who these families are.

Employment

The FG participants cannot see a clear link between improved water supply and employment in Gjirokastra. They say that businesses are relying on water tanks to get through inadequate water supply from the water supply network.

Other

Land: The FG participants could not mention any relation between changes in water supply and land as a physical asset.

Health: All participants agreed, "Water quality is not very good because of the worn-out network. The water is mixed with gravel; it is unfiltered. The water is probably tested, but we think it is not potable. We are not satisfied with the current water source. Gjirokastra has better water sources." Nevertheless, no cases of water-related diseases were reported. Some of the participants stated that the one who can afford it buys the water. According to them, "Sewage running down the roads can be more threatening than inadequate water supply, when it comes to health issues."

Savings: The FG participants who were pensioners did not regard the issue of savings as being particularly affected by the water reform. Even in case of tariff increase, they say to cut down on other expenses to pay the water bill.

Institutional Issues

Privatization is seen as related to improved water supply. The state has lost credit in the eyes of its citizens. One of the participants declares that "privatization of the trade and commerce sector proved successful, so it will probably work for the water sector as well. The state does not have enough money to invest, whereas the private operator can."

Another problem reported by the FG participants is corruption manifested by WE employees, when it comes to fixing problems.

There is some improvement in company's response when there are problems, compared with a few months ago. The FG participants believe this comes because of the attitude of the new director of the WE.

One of the participants says, "To my knowledge, the WE does not have updated network maps. So how can it fix problems when it can't even locate the problem?" As for the drinking water, participants believe that the state has to take care of the situation regarding the sewerage network.

Decentralization

All FG participants expressed a common concern regarding the water tariff decision authority. They all believe that the local government (LG) is the most appropriate institution to do so and that it should be given more competencies.

Customers' Behavior

All FG participants are aware that the people need to become sensitized about water abuse. "Only if every single customer becomes aware about this can we have more water supply," states one of the participants. The state has to exert consistent control over all customers, making no favors for kin or friends. Installation of meters is seen as a solution for this problem, believing that when people pay based on metered consumption, water abuses will be dramatically reduced.

All participants state that there is no customers' office at the WE and that everyone goes to meet the director whenever they are facing any problem. So far, the complaints have been individual.

Second Focus Group Discussion, Gjirokastra

(urban periphery, low- to middle-income group, middle-aged men and women, cases of water-borne diseases)

Tariffs

The current water tariff is based on a flat rate of 60 Lek per capita. However, all FG participants express dissatisfaction with this tariff structure. Being one of the most problematic neighborhoods of Gjirokastra with regard to water supply, they demand for water meters to be installed so that they can pay for what they consume. Some others say they want meters so that they can monitor what they consume and regulate their water use in relation to their income.

Some of the FG participants who are in favor of the private operator stated that the tariff would not be an issue, provided the water supply improves significantly.

None of the FG participants knows whether they are paying for the sewerage service. The water bill is not sent to the households, and payment is made at the sales offices of the WE.

Access

There are marked differences in this neighborhood between those families living in the upper part versus those families living in the lower part of the neighborhood. The former, because of the high altitude, do not have adequate access with regard to supply hours and water pressure. While this group is supplied with water about 1.5 hours per day during the winter, the families living in the lower part can sometimes have 24-hour running water. To cope with this problem, some of the upper-part families have tapped into the water pipes and installed pumps to improve their water access, this time causing problems for their lower-part neighbors. Some of the water pumps are located within 2 meters from the main pipe. Most households have two or three water connections and two or three water pumps. As one of the participants explains, "The first pump serves to get water from the main pipe to the water tank, and the second pump is needed to give pressure to water so that it runs from the tank to the household tap." Another FG participant, an

elderly man, told about his wife of about 70 years old who had tried to tap into the water pipe by herself in an attempt to improve the water supply condition. The installation of meters is seen as the best solution for preventing water abuse.

The FG participants state that during the time of water supply (1.5 hours), the taps should be left open for about an hour so that the water can run through the pipes and clean them.

Similar to other parts of Gjirokastra, this neighborhood also has marked water insufficiency during the summer, when water supply is 1 hour every 48 hours, as the FG participants confess. Even during the intermittent supply hours in the summer, participants say the water is mixed with sewage.

According to the FG participants, the water and sewage pipes in their neighborhood are the oldest in Gjirokastra. As a result, people say it is indispensable to renew the whole network.

The sewerage infrastructure in this neighborhood is even worse than the water supply. The system is very old, and it cannot meet the needs of the present day. As one of the participants states, “The sewerage pipes were made in another time, for another time,” referring to the pre-1990 period. Some of the families are not connected to the central sewerage system at all, but rely on septic tanks.

Subsidies (Lifeline Tariff)

Subsidies are seen as indispensable for some of the FG participants. As they say, “There are families in this neighborhood who buy with the list.” Instead of a direct subsidy, the participants believe the municipality should provide better jobs for this category. “If employment is impossible, the state has to think of alternative ways to help these people, who face difficulties with all the bills,” state the FG participants.

Employment

Improved water supply is not believed to have a direct effect on employment. In their opinion, the quality of water supply is not a significant factor affecting the opening of new businesses or the development of the existing ones.

Other

Land: None of the FG participants could mention any relation between land and water supply.

Health: Most of the FG participants state they cannot afford to buy the water. As a result, especially at times when the drinking water is not safe because of smell, color, and so forth, they travel to other neighborhoods where drinking water is perceived to be safer. There have been cases of people, usually children, who have been hospitalized after consuming unsafe drinking water from the water supply network. During the period of July–August 2003, major problems were reported with the quality of the drinking water, and as a result, the primary health care unit, after repeated tests of the drinking water, made public announcements, which recommended that people in this neighborhood do not use the water from the water supply network. This crisis lasted three weeks.

Savings: None of the FG participants could mention any direct relation between savings and water supply.

Institutional Issues

Some of the FG participants firmly stated that the WE should remain a public enterprise. In their opinion, services such as water supply, sewerage, power supply, and telecommunications, should be the responsibility of the state, not the private operator. On the other hand, some of the other FG participants believe that the PO can certainly offer better services.

Decentralization

The FG participants are generally supportive to decentralization. They believe that it is the municipality that should be responsible for their needs and concerns.

Customers' Behavior

All FG participants express dissatisfaction regarding the WE and its attitude toward the customers. According to the participants, there is no point in going to the WE to complain because the director of the WE will do nothing. The FG participants declared to have written a petition to the mayor regarding the water quality and making public of the drinking water test results.

The FG participants state that they have tried to gather and go to the local authorities and the WE to present their complaints; however, in their view, even this group effort did not have any result. There is a general perception that if you go one by one, chances are that they (referring mostly to WE) will ask for a bribe.

Third Focus Group Discussion, Gjirokastra (fairly educated, middle to advanced age women)

Tariffs

Currently, all FG participants are paying on a flat rate of 60 Lek per capita. However, they do not find this fair and ask for water meters to be installed so that they can pay for what they consume. Also, the water bill does not go to the households. All FG participants state they have always paid the water bill. The water bill is not sent to their homes, and the customers pay at the sales offices of the WE.

Access

The participants state that currently they are supplied with running water from 11:30 p.m. to 6:00 a.m. This, they say, is very inconvenient. As one lady states: "I want to have running water twice a day, in the morning and in the evening. Why should I wake up in the middle of the night to wash the clothes, or even wash myself?" She further adds, "The water tank will not fill as the pressure is very low and the water will not go to the upper floors." The situation has deteriorated since the water pump was broken down. Before that, most participants reported having even 24-hour water supply.

Another reported dissatisfaction relates to the water source. This neighborhood is supplied with water from the Buduk source, which is a well dug near a river basin. The participants stated, "It's a shame that we are supplied with well water, at a time when Gjirokastra has abundant water resources." Participants even give names of several alternative water sources that can be exploited to provide 24-hour running water for Gjirokastra.

Moreover, according to the participants, not everyone can afford to install a pump, and as a result, not all get the same quality of access to water. This difference becomes even more pronounced during the summer season. Some of the FG participants stated they could even make a financial contribution if this is necessary to improve the water infrastructure. Access is hampered also by the new, sometimes illegal constructions, which do not comply with the construction criteria for drinking water and sewerage infrastructure.

Subsidies (Lifeline Tariff)

All FG participants agree that there are people who cannot pay for the water bill. People state that it is difficult to make a living even for those who have a regular job. They agreed that the municipality should be responsible for the subsidy for the categories in need, such as the disabled, those under the social assistance scheme, and so forth.

Employment

None of the participants can mention any relation between improved water supply and employment.

Other

Land: None of the FG participants could mention any relation between land and water supply.

Health: The FG participants say they do not have any idea regarding when and how the water is tested for its bacteriological parameters. In addition, they say an individual had taken a water sample to the laboratory to be analyzed, and that the test showed that the water was potable.

Savings: None of the FG participants could mention any relation between savings and water sector reform.

Institutional Issues

The FG participants say there were rumors that the owner of a car wash in Gjirokastra, who uses drinking water for its business, had beaten the WE employee who was trying to disconnect the connection.

Diverging views arise when it comes to privatization. According to some of the participants, it is indispensable. They add, "If the WE continues to be a public enterprise, there are little chance that the service will improve." On the other hand, others state they prefer that services such as water supply, sewerage, education, and health remain the responsibility of the state. As it is later explained, the more social approach of the state as compared with the private operator lies behind this choice. Even this last group, however, believes that privatization is the ultimate choice. The private operator will not permit any illegal connections.

Another issue of concern for the FG participants is corruption of the WE employees. According to them, “They (WE employees) take bribes to make extra connections, which not only is illegal, but it also hampers our access.”

Decentralization

Most FG participants did not know that the WE is independent from the municipality. They are even surprised why, when they go to complain at the municipality, the authority there tells them to head for the WE and that the municipality has nothing to do with water supply.

Customers’ Behavior

All FG participants are aware that despite an existent inadequacy in water supply, water is actually running down the roads because of water abuse and lack of awareness of all customers. There is a common perception that unless all customers become aware of the water abuse, the water supply situation cannot improve.

Fourth Focus Group Discussion, Gjirokastra

(downtown, highly educated, middle class, middle-aged men and women)

Tariffs

None of the FG participants has a water meter. All of the participants say they are regular payers of the water bill. Nevertheless, they state they would feel more confident if they would pay based on metered consumption. One of the participants states, “We pay on a flat rate, just like in the Skenderbeg⁴⁷ era.” Another participant adds, “If the water tariff is increased, I will buy milk instead of water.”

Access to Services

The FG participants explain that they are supplied with Buduk water, which is a well dug nearby a riverbed. One of the FG participants narrates, “In my apartment building, we have only one hour of water supply per day since 1992. Even during this hour, the pressure is not enough for the upper floors. Consequently, we have addressed this problem through water pumps and water tanks. This way we pay a triple bill for the water.” Other participants say that water supply is unreliable. Sometimes they have about eight hours of water supply, some other times they barely receive one hour of water. Usually every family has its own water pump. This way, the families enter into competition with each other regarding who owns the biggest pump, meaning who will get more water. One of the participants makes an analogy to the pre-1990 period: “The water tanks have replaced bunkers.”

Some of the FG participants also complain about the supply hour, 10 p.m., which is inconvenient to them.

⁴⁷ Skenderbeg is Albania’s national hero, who fought the conquering Ottomans during the early 15th century.

As the FG participants report, access is also hampered by the absence of a spare water pump at the pumping station. “In case of pump deficiency, the city is left without water until the existent pump is fixed,” explain the participants.

The situation is especially alarming during the summer. Most participants confess to buying water from the water trucks during the hot season. “Meantime, the car washes use drinking water,” complains one of the participants.

Access to the sewerage system is even worse than drinking water. “The condition of the sewerage network is terrible, the sewage is everywhere. It is freely running down the streets. We don’t understand how the WE employees do their work. There is also the problem of the new constructions, which are built on top of the existent sewerage network. This is done without thinking of the consequences,” explain the FG participants.

The FG participants make an interesting point, which is worth noting, though it is not the direct focus of our study: “You ask about sewage at a time when we don’t even have a public toilet.” Regarding access, the participants can only see one possible solution—complete rehabilitation of the water and sewerage system.

Subsidies

According to the FG participants, there are families in need that have to be subsidized by the state. They suggest that when the monthly economic assistance is distributed to the families that are under the state economic assistance, an extra payment be made to compensate for the water bill.

Employment

Improved water supply is seen as directly connected to the employment of women. As the FG participants explain, “Now the women have to stay home and wait for the water whenever it comes. They cannot go out of the house. But if the water supply situation is improved, women can seek employment.” Employment is also seen to be related to those businesses that depend directly on water.

Other

Land: The FG participants could not mention any relation between land and water supply.

Health: The FG participants are not satisfied with the quality of the water they receive. They state that in the first place, it is not spring water. Moreover, they add that the water that comes out of the tap is not clean, but it is muddy. They do not report any mixing of the drinking water and sewage. Some of the participants say they buy bottled water, some others confess they used to go to public taps from the Hos source, but at some point they got tired of this and simply started drinking tap water.

Savings: The FG participants could not see any close link between water sector reform and savings.

Decentralization

All FG participants believe that it would be better if the company were within the responsibility of the municipality. The same holds for the water tariff decision authority. On the other hand, the participants who are tired of the prevailing situation have little hope that even with decentralization their water supply will improve. One of the FG participants has his own doubts about the capacity of the municipality to manage the WE, in addition to other services.

Private versus Public Operator

Mixed feelings are also shown regarding the management of the WE, whether public or private. The participants say they fear both. Even the private operator is seen as corruptible, especially considering the perceived absence of a “rule of law” in the country. Their mixed feelings can be illustrated by the following depiction: “The PO might offer us more water, but what about the price? On the other hand, the state cannot offer us water. Which way to go?” Another one adds, “The state is jealous of the private operator. Private management is a mere bourgeois undertaking, while public management is prone to corruption.”

Customers’ Behavior and Company-Customer Relations

The FG participants report dissatisfaction regarding the contract they have with the WE. They say that the contract should endorse rights and responsibilities from both sides. According to the FG participants, the company should also update its contracts. One of the participants explains: “Families of 2 members pay the same water bill as a 10-member family. There are even cases when the entire family has been living abroad for years. Nevertheless, they still have to pay, since the WU does not update the customers.”

The FG participants say they have not complained regarding the water supply and sewage conditions. There is a shared belief that nobody will listen, or even if they do, nobody will do anything about it.

First Focus Group Discussion, Fier

(downtown, middle-aged, fairly educated, men and women)

Tariffs

The FG participants say that the water bill is 200 Lek per month. Nevertheless, most FG participants say that they do not pay the water bill because they get no water from the network. When asked about the water meters, they simply answer, “What are we going to do with the meters when we have no water at all?” All FG participants firmly state they are willing to accept an increased water tariff, provided they have water. One of them states, “I will eat only bread and tomatoes, or I will give up drinking the coffee at the coffeehouse, but I will pay the bill if I have water.”

Access

The FG participants say that water access in their neighborhood has worsened considerably since 1990. They say that they have made illegal connections by themselves. Many of the participants say they have dug wells because water supply from the network is unreliable. They explain that the cost for digging one well is about 100,000 Lek. “We fill our water tanks with well water. We use tap water only for washing, even though it is awful to think we use this

water, which is mixed with sewage, for our personal hygiene,” explain the FG participants. They say that the sewage pipes are above the water pipes, and this causes the sewage to pass freely through the worn-out water pipes. Another participant says that even when there is water from the network, the pressure is so low that not even the ground floors can get water. According to the FG participants, a new pipe was installed some time ago, which, however, did not resolve the water supply situation in their neighborhood.

Access to water during the summer is almost absent. Some of the participants, who own a car, say they go to public taps to get water.

Subsidies (Lifeline Tariff)

Because the FG participants do not pay the water bill, they do not see this as an issue that needs to be addressed at the moment.

Employment

None of the FG participants can mention any relation between improved water supply and employment.

Other

Land: When asked about the impact on land, none of the FG participants could mention any relation between the two.

Health: All FG participants say that network water is absolutely undrinkable. “It smells bad, it is rusty, and the color is not normal. Even the livestock will die if it drinks this water,” explain the participants. Although none of the participants knows the parameters of the water tests, they all perceive that the water is full of bacteria. For this reason, they all buy water from the vendor, though they are not confident about the safety of this water either. The FG participants report one case of water-borne disease.

Savings: None of the FG participants could mention any relation between water sector reform and family savings.

Decentralization

The FG participants state that the municipality has never taken an interest in their water supply situation. For this reason, they are not very optimistic about the decentralization of this sector.

Private versus Public Operator

The FG participants believe that the private operator is more able to provide water to them. They say, “We are willing to pay more if the PO will ask us, provided we have water at home.” They also believe that in case of a PO, they will have a bilateral contractual relation that will permit them to raise their voice and address their concerns.

Customers' Behavior and Company-Customer Relations

There is a general belief that complaints never will serve any purpose and that a deaf ear will be turned on their requests. For this reason, they have never complained about their water supply situation. They also have doubts about how effective the consumer panel will be.

Second Focus Group Discussion, Fier

(new residential areas, outside of the coverage area of the network, middle-aged, middle class, educated men)

Tariffs

Some of the participants say that they do not pay the water bill, because they do not get adequate access. They also add that they are making additional expenditures for the water, such as buying water pumps and tanks.

When asked about their attitude regarding the installation of meters, some of the participants responded that the presence of the meter implies an obligation for water provision. “For this reason,” they state, “there is no point in having a meter at the current condition of water supply.” Meter installation is seen as a prerequisite for the elimination of water abuses.

Access

Newcomers populate part of this area. Consequently, some of the FG participants do not have a water connection at all. Some of them have invested and connected by themselves to the network. Those who have a water connection say that water supply is intermittent. Part of them says they get water from the network only once a day about one hour, whereas some other participants say water is provided twice a day about 1.5 hours. Even during supply time, the FG participants say that the pressure is very low.

Post-1990 demographic changes—resulting in numerous legal and illegal connections—and the worn-out distribution network are perceived to be the two main factors affecting adequate water supply. One of the participants reports that he uses well water for washing and hygiene.

The participants tell that during the election campaign the politicians promised to provide water to the area, but this promised investment turned out to be a mere rubber pipe that could not solve their water supply issue.

The sewerage infrastructure is in dire conditions as well. Most of the FG participants are not connected to the sewerage network and rely on septic tanks.

Subsidies (Lifeline Tariff)

The FG participants do not believe that there are population groups that cannot afford to pay for the water bill, considering the present water tariff. Even in case of a tariff increase, the participants say they will all pay, provided the tariff increase is accompanied by service improvement.

Employment

The FG participants cannot mention any relation between improved water supply and employment.

Other

Land: No direct link could be seen between water reform and the value of land in their neighborhood or city.

Health: There is a shared belief that network water is not safe to drink. Regarding water quality, one of the participants remarks, "It has been for over two years now that I buy the drinking water. Tap water is undrinkable."

Savings: When asked about the impact of the water sector reform on savings, none of the FG participants could mention any relation between the two.

Decentralization

The FG participants believe that it is not the issue of within what body lies the responsibility of the WE. The problem, as they perceive it, lies in the absence of necessary and sufficient funding.

Private versus Public Operator

All FG participants report that there is a shared belief that "whatever belongs to the state is subject to being stolen." On the other hand, the private operator is perceived to endorse a more demanding attitude and will not allow any abuses. This, they believe, will improve their water supply situation. One of the participants holds a divergent attitude when probing for public management by saying, "If the necessary measures are taken to increase customer awareness regarding water abuse, the public management is a better option."

Overall, the participants say it is enough for them that they have water, regardless of the operator.

Customers' Behavior and Company-Customer Relations

The participants say they have complained to the communal authorities, but they are not confident about the solutions.

Despite the intermittent water supply, the FG participants are aware that there is a lot of water abuse, which is believed to be minimized only through law enforcement. All FG participants state they are willing to make a financial contribution to improve the water supply situation.

Third Focus Group Discussion, Fier

(downtown, young to middle-aged, educated, working class men)

Tariffs

Most of the FG participants do not pay the water bill, because, as they explain it, they do not have adequate access. One of the participants says, "To pay the water bill, I must have water in the first place." None of the participants has water meters. The water tariff has increased, and they pay based on a flat rate of 720 Lek per month. However, the FG participants state that meters are needed in the first place, so each customer is confident about the amount of water consumed.

When asked about tariff increase, the participants respond, “If the tariff increase justifies the duration of water supply and water quality, we will pay the bill.”

Access

All FG participants say that water access has drastically deteriorated since 1990. Nevertheless, the participants say that the water supply situation has somewhat improved during the past 2.5 years because of the installation of a new pipe. The participants explain that water supply is twice a day, in the morning from 5 to 7 a.m. and in the evening from 5 to 7 p.m. Participants say that during the supply hours, the use of water pumps is indispensable, because not even the ground floors can get water because of low pressure. Almost every household has its own water pump and tank. The participants explain that many of them are supplied with water through the water trucks. The situation of the sewerage system is also very dire.

Subsidies (Lifeline Tariff)

The FG participants say that in their view, there are families that cannot afford to pay for the water. This is related to the high unemployment rate in Fier in general, and in their neighborhood in particular.

Employment

When asked about the impact of improved water supply on employment, the participants respond that the businesses had resolved the inadequate water supply situation through digging wells. Considering this, they all believe that if water supply would improve, the businesses, such as beer production, will certainly benefit from this.

Other

Land: No direct relation could be seen between water supply and land.

Health: Regarding drinking water quality, the FG participants firmly state, “Network water is not drinkable. It has a bad smell, the color is not normal, and it is mixed with sewage and other impurities.” One of the participants says, “Tap water cannot be even used for cooking. The water tank is filled with mud. I travel to Vlora every 10 days to get water.” Few cases of water-borne or water-related diseases are reported by the participants.

Savings: None of the FG participants was able to mention any relation between water reform and family savings.

Decentralization

The FG participants do not see decentralization as linked to improved water supply. They cannot assert any positive effect of decentralization on water supply.

Private versus Public Operator

The FG participants hold divergent attitudes regarding the management option. Some of them are not in favor of the private operator. The rationale behind this, as the participants explain it, lies in the potential tariff increase, which will cause many households to be unable to afford the

water bill. Other participants state they are willing to pay double the price if this would be necessary, provided the PO will improve the water supply situation.

Customers' Behavior And Company-Customer Relations

The FG participants state that their voice is not heard at all. However, as water consumers, the FG participants believe that they need to play a role in decisionmaking through a representative body from each neighborhood.

Moreover, the participants say they are willing to make a financial contribution if this is necessary to improve their water supply situation.

Fourth Focus Group Discussion, Fier

(urban periphery, middle to advanced age, fairly educated men)

Tariffs

The FG participants state that they have no water meters and that the current water tariff is based on a flat rate of 710 Lek per month. The FG participants state they are aware that the sewage tariff is included in the water bill; however, they do not know the amount they are paying for it.

Access

FG participants state that water access is intermittent and not enough to meet their daily needs. Participants say they get water twice a day, once early in the morning and then late in the evening. Even during supply hours, the pressure is very low. Consequently, the participants explain that they have had to install water pumps. "Almost every family has a pump and a tank," state the participants.

As the participants perceive it, access to water is limited because of the worn-out network, which results in water losses, as well as interception of the drinking water with sewage. For this reason, some of the participants say they travel to natural sources to get water for drinking and cooking. One of the participants states, "We know that at this stage it would be nonsense to ask for 24-hour water. We would be satisfied even with 10 hours of water per day, provided it has a fixed schedule."

The sewerage system is also reported to be in very dire condition. The sewage is running down the streets, as the FG participants tell.

Subsidies (Lifeline Tariff)

All FG participants believe that there are population groups that cannot afford to pay for the water. One of the FG participants stated, "The lifeline tariff is nonsense. Twenty liters is just one toilet flush."

Employment

None of the FG participants can mention any relation between improved water supply and employment. Moreover, this lifeline tariff cannot be executed since there are no meters: "How are you going to measure the 20 liters?"

Other

Land: No relation could be mentioned between water reform and value of land.

Health: All FG participants have serious complaints regarding water quality. They all state, “Network water is not drinkable. It is mixed with sewage. It has a terrible smell and color as well. You cannot use it even for cooking.”

Savings: None of the FG participants could mention any relation between water sector reform and family savings.

Decentralization

Regarding decentralization, the FG participants do not believe that it would be the solution to their water supply situation. However, they see a role of the municipality in eliminating illegal connections through the municipal police.

Private versus Public Operator

Some of the FG participants state that it is not important whether the operator is public or private. They add, “Any provider is good if it supplies us with water.” On the other hand, another group of participants state that the global experience has shown that privatization is the best and ultimate solution and that it is risky if the WE remains in public management.

Customers’ Behavior and Company-Customer Relations

The participants state that they have tried to raise their voice and have actually complained to the WE authorities. The response they had gotten in return was that “the network is worn out. There is nothing we can do about it.” There is a general perception that the consumer panel or any other organization or association will not serve much.

First Focus Group Discussion, Durrës

(urban periphery, middle-aged, middle class, men and women)

Tariffs

“We pay for the water based on a flat rate. There are no meters in our neighborhood,” state the FG participants. The current water bill for a four-member family is 840 Lek per month. It is the participants’ perception that those that have meters pay less. “We also pay for the sewage, at a time when we have almost no sewerage system at all,” complain the FG participants. In their opinion, there are nonpayers, especially those living in the new residential areas. Some of the participants say that they are ready to pay even more in case of privatization of the WE, provided water supply improves significantly.

Access

“If you open the tap, no water will run from it.” This is how the FG participants open the discussion. “All the rain water and sewage will mix with the drinking water pipes, that’s how

worn out they are,” adds another FG participant. Another one adds, “We have water from the network once a day or once every two days. There is no fixed time, so if we happen to be out of the house, we remain without water, even our water tanks will not fill with water. Even during supply hours, water has no pressure unless we use the water pumps. Some of us go to the water reservoirs to get water. But then, the police will threaten us. At the beginning of the summer, we were supplied with water only once a week and even then we carried the water, it wouldn’t make it to the indoor taps. Later, we started having water once every two days. Sometimes, there is no power during the water supply hour, and we cannot use the water pumps, without which the water cannot make it to the water tanks.” Another participant makes a claim that “it is not in the best interest of certain people to provide water, so they can sell water.”

The participants have heard that some rehabilitation work has been undertaken recently, but they are quick to add that their neighborhood has seen no improvements from this project. On the contrary, the water supply situation has worsened this year.

The FG participants also say that the state has to take care of the newcomers. They [newcomers] have tapped in the water pipes and further aggravated the physical condition of the network. One of the participants describes the current condition of the network as a “spider’s web.” In their opinion, the WE has to legalize their connections and turn them into regular water payers.

Subsidies (Lifeline Tariff)

There is a shared belief that there are certain population groups that cannot afford to pay for the water. This inability to pay is perceived to be directly related to the high unemployment rate in Durrës, in general, and in their neighborhood in particular. However, some of the participants believe that the poor are more aware than those who have the financial means to pay and consequently are more regular payers.

Employment

The FG participants see a link between improved water supply and employment of women. According to the FG participants, women have to stay home and wait for the water, at a time when they could employ themselves with other things.

Other

Land: The FG participants could not see any link between water supply and land.

Health: “The water has a terrible smell and color also. Even the primary health care doesn’t care,” explain the participants about their perceptions regarding water quality. “We do not drink tap water, but we cook with it, and we also use it for washing,” add the participants. All FG participants say that water-related diseases, especially diarrhea, are recurrent. There are several cases of hospitalized children. “Sometimes the water has milk-like color. The water doesn’t even seem to contain chlorine,” states one of the participants.

Savings: The FG participants could not see any link between water supply and savings.

Decentralization

According to the FG participants, the municipality is too weak to be able to take over this responsibility. “The municipality is poor,” state the participants. Nevertheless, there is also a general perception that the municipality is closer to the people and more responsible for minimizing water loss. “When it is transferred to the municipality, then we know whom to contact for any problem we have,” state the participants.

Private versus Public Management

“Every private enterprise is better than any public counterpart,” state the FG participants. For this reason, they believe that the PO will be more interested in improving the water supply service. Contrary to the public operator, the PO is believed to act based on the law.

Customers’ Behavior and Company-Customer Relations

Despite the inadequate water supply, the FG participants also say they are aware that there is a lot of water abuse. One of the participants explains, “The water is overflowing from the water tanks. The company is doing nothing about this. Villas use network water to water their garden plots.”

There is a general perception that the company will not listen to their complaints, so “what is the point of going to the WE?” adds one of the participants. Later they confess they have gathered once to go to the WE, but the security guard hadn’t allowed them to get in. “Considering our terrible water supply conditions, it is indispensable that we get together and raise our voice,” says one of the FG participants. The participants state that the service at the sales office of the WE is adequate.

The FG participants state they whenever they have any technical problem, they hire a plumber and pay him in cash. They claim that this technician is a WE employee, and consequently they perceive him as corrupted.

Second Focus Group Discussion, Durrës

(suburban new residential area, outside of the coverage area of the network, extremely poor, unemployed, poorly educated women)

Tariffs

None of the FG participants has a legal connection, and consequently, no contract with the WE. None of the participants has to pay a water bill. “My family has seven members, and only my husband works, and he doesn’t have a permanent job, but relies on casual jobs,” states one of the participants. Nevertheless, they say that if they would be provided with running water at home, they would be willing to pay the current water tariff, preferably based on metered consumption, so that they can control consumption. A further tariff increase is seen as unaffordable to the FG participants.

Access

None of the FG participants has water access. They are all newcomers, mostly from northern Albania. The participants say, “We do not have water access. We carry water with wheel carts from neighbors that do have water access. Some of them allow us to get water, some others don’t. Even our neighbors who have water access have managed to get this through illegal

connections. Sometimes the police would come and disconnect their water connections. Then we are left without water at all. Our men are out of the house most of the day looking for casual jobs, so we have to carry water ourselves. All of us that are here today suffer from some kind of kidney disease from carrying such heavy weights every day. We have to walk at least about 40 minutes to get to the water connection.” They report having tried to dig wells, but considering Durrës’ and Kënetë’s geological make up, the water is salty and therefore not drinkable.

Regarding sewerage system, they all say that septic tanks are the only solution they have found for this problem. “We clean the septic tanks ourselves. We do this usually once every five months. We use the sewage as a fertilizer for our garden plots,” explain the FG participants. “Connection to the sewerage network is my priority,” states one of the women.

Subsidies (Lifeline Tariff)

All FG participants belong to the very poor group. Most of them state they have applied for the state economic assistance, but have not received any response so far.

Employment

The FG participants could not mention any relation between water supply and employment in their neighborhood or city.

Other

Land: The FG could not see any link between land and water supply.

Health: All FG participants report very poor health, especially asthma for children, as well as kidney diseases. The perceived causes of poor health are the general poor living conditions, as well as the bad water quality. FG participants report that usually they drink water they have provided one or two days ago and which is stored in reused plastic bottles. “Sometimes we boil the water, but we cannot do this every time,” explains one of the women. “We have tried to raise some agricultural produce in our gardens and water it with stale water, since we do not have running water, but we have had diseases such as dysentery or hepatitis from eating them,” explains one of the participants.

Savings: None of the FG participants could see any link between savings and water sector reform.

Decentralization

The FG participants perceive that they are neglected. For this reason, they are not very optimistic about decentralization and cannot foresee any positive effect of decentralization.

Private versus Public Management

According to the FG participants, it does not matter who is providing the service, a public or a private operator. One of them states, “What really matters is that we have water at home.”

Customer Behavior and Company-Customer Relations

The FG participants report that they have never gone to the WE to complain. Apart from MPs' promises during election campaigns, they say that nobody has ever taken interest in their living conditions. There is no consumer panel or association to represent their concerns and complaints.

“When we go the municipality to complain about something and raise our concerns, the officials there will tell us that we didn't ask you to come here, so we can't be responsible for you.”

All FG participants say, “We are ready to make a financial contribution if it is necessary, provided the WE brings water to our houses.”

Third Focus Group Discussion, Durrës

(beach area, including natives and newcomers, middle class, men and women)

Tariffs

The FG participants know that the current water bill includes the sewerage tariff as well, although they do not know the exact amounts they pay for each. One of the participants states that she pays a water bill of about 1,000 Lek per month, which is based on a flat rate. All FG participants report regularly paying the water bill, despite persistent complaints and dissatisfaction regarding water supply. “However, the water bill is not the most expensive expense to us, considering we drink bottled water, which costs us much more than the monthly water bill.” Those FG participants who have septic tanks say that a septic tank cleaning costs 500 Lek per ton of sewage. All FG participants report they would like to have water meters, so that “we can control our consumption.”

Access

The FG participants are very dissatisfied with the current water access. One of the FG participants, a middle to advanced age woman, states that “we have running water once every four days. Even when there is water, it has a terrible smell, and it has color. Once we did not have water for 25 days; we bought water from the trucks. I have asked the driver of the water truck where they got the water from, and he told me they get the water from the reservoirs of the WE. One thousand liters of water cost us 700 Lek. I buy the water for drinking and cooking. I consume about 5 liters of bottled water per day. Previously, I used to boil the water, but now even boiling won't take away its smell.” Another participant states, “Even during supply time, there is no more than 45 minutes of water running from our taps. Even this much is due to the pumps; without the pumps, we would have no water at all. Obviously this implies that if there is no electricity, the pumps do not work and we get no water.” One of the participants explains that “water supply does not have any set schedule. There have cases when we had water at 3 a.m. in the morning.” Despite promises of improved water supply, the FG participants report worsening of the situation. One of the participants states, “The construction of new apartment buildings have worsened the water supply situation. These buildings have large water pumps that interfere with our supply.”

Some of the participants are not connected with the sewerage system and rely on septic tanks. One of the participants says, “All new apartment buildings in the beach area are not connected to the sewerage network. Sometimes the septic tank is so small that after a short time the sewage will erupt and then you can see it everywhere.”

Subsidies (Lifeline Tariff)

There is a shared perception that the newcomers are among the poorest families and consequently make up the group that cannot afford to pay the water bill. As a result, the participants believe that these families should be subsidized in a form other than the lifeline tariff. “Even we payers do not get 20 liters per capita per day. So, another form of subsidy should be found,” states one of the FG participants.

Employment

Improved water supply is linked to the development of tourism in Durrës. “This way, we can recover the tourists we have lost during these last years,” states one of the participants.

Other

Land: The FG participants could not see any link between water supply and land value.

Health: The tap water is not drinkable, according to the FG participants. They do not report any water-related diseases because they use bottled water. None of the FG participants knows the water parameters resulting from the water tests.

Savings: None of the FG participants could see any close link between water reform and savings.

Private versus Public Management

Privatization is perceived as the only and the ultimate choice. The FG participants do not fear a potential tariff increase in case of privatization. They explain, “Our monthly water expenses are not limited to the water bill; we spend a lot more than that.”

Customers’ Behavior and Company-Customer Relations

The FG participants’ state, “We pay for the sewage, but nobody seems to care since our sewerage network is dilapidated.”

“We have tried to raise our complaints to the WE, but the security guard will not let us in. We have also heard that there is a lot of corruption at the WE,” states one of the FG participants. Anticipating a similar response at the municipality, the FG participants say they haven’t even tried to complain there.

Fourth Focus Group Discussion, Durrës

(downtown, middle-aged, middle class, highly educated women)

Tariffs

Some of the FG participants have a water meter and thus pay according on consumption. “There are four members in my family, and we pay about 300–400 Lek per month,” states one of the women. The other participants, though, have no meters and pay with a flat rate. When asked about the impact of tariff increase, the FG participants stated that the tariff increase was not significant and consequently it did not have any effect on household expenditures. None of the

FG participants know whether they are paying for the sewage or not. All participants say they are regular payers of the water bill.

Access

One of the participants states, “We were told that a new network was to be constructed and that we would have 24-hour water. Nothing like that happened. We did not feel any difference. At my neighborhood, we have water supply for about two hours once a day, and that is in the evening. We use water pumps to give pressure to the water so that our tanks are filled.” Another participant gives another picture for water supply situation: “I can say that in my neighborhood, the investment showed a slight improvement in water supply. During previous summers, we only had intermittent access to water. This summer instead, we have water every evening. It does not have a fixed schedule, though. The water tanks are our salvation.”

Access to wastewater services is perceived to be very bad. All FG participants state that the sewerage system is very old and worn out. There are leakages from the sewage pipes, and from time to time the sewage will overflow. “Manholes are also a problem. Their lids are removed, and as a result, they have turned into garbage bins. Then, especially in case of rain, they will overflow,” states one of the participants. The post-1990 demographic changes are seen as a factor that further deteriorated the sewerage infrastructure. Although the participants say that the newcomers are illegal, they are quick to add that it is the government’s responsibility to act based on the law and take steps to connect these people to the network.

Subsidies (Lifeline Tariff)

According to the FG participants, there are families that cannot afford to pay for the water tariff. These categories are perceived to include those families under the state economic assistance program, as well as pensioner households. Consequently, the participants believe that the state should subsidize these families by providing a certain amount of water for free (that is, the recommended lifeline tariff). According to the FG participants, they believe that the families under the economic assistance program have not been paying the water bill for several years.

Employment

None of the FG participants could mention any relation between employment and water sector reform in their neighborhood or city.

Other

Land: No direct link is perceived to exist between water supply and land value.

Health: Some of the participants say that the water is clean and they usually drink from the tap, while others say that the water is not safe to drink because of sewage smell and they buy bottled water. However, the participants state that when they have to give the water to infants, they first boil the water. There have been no cases of water-borne diseases. Whereas for cooking, all FG participants state that they use tap water because boiling kills bacteria. Nevertheless, the participants say that nobody informs them on the results of water testing. They suggest that the WE and the primary health care unit coordinate their efforts and decide on informing the customers on this issue.

Savings: The FG participants could not mention any relation between water reform and savings.

Decentralization

Decentralization is seen as a positive step. “This way the problem is localized and the distance is cut down. It is more pragmatic that the region has the responsibility for the water service.”

Private versus Public Management

The FG participants are in favor of the private operator for the WE. However, they say that a ceiling must be set for the water price. The PO is perceived to be more responsive toward the customer.

Customers' Behavior and Company-Customer Relations

There are marked dissatisfactions regarding the transparency of the company and the way the company interacts with its customers. One of the participants explains, “When water meters were installed, nobody told us we would have to pay \$90 for them. I know that the average price is about 2,500 Lek per meter, and not \$90. I call this corruption. The meter bill is being paid over time: we are paying 200 Lek per month, in addition to the water bill.” The same person adds, “I am the head of the labor union, and I went to complain to the WE on the behalf of the organization I represent. Nobody would listen. A consumer panel would never work, considering that the labor union, which is far more important, couldn't make it. Moreover, people are afraid to raise their voice.”

The FG participants explain that for whatever problem they have, they hire a private technician, because the company will not respond. The technicians are sometimes WE employees.

The participants state that they pay the water bill at the sales office of the WE and that they have no complaints in this regard. Despite the intermittent water access, most FG participants believe that water abuse, especially from broken water tanks, is a prevalent issue that needs to be addressed. The FG participants state that there have been TV ads to inform the customers of anticipated prolonged water interruptions.

ANNEX 8 – TABLES AND DESCRIPTIVE STATISTICS OBTAINED FROM HHQS

Table 1. Does the price justify the service you receive?

	Yes	No
Durres	34.9%	65.1%
Lezha	11.4%	88.6%
Fier	8.1%	91.9%
Saranda	40.3%	59.7%
Lushnja	34.9%	65.1%
Vlora	65.9%	34.1%
Gjirokastra	74.7%	25.3%
Korca	61.8%	38.2%

Table 2. Do you think the price justifies the service?

	yes	no
MC cities	26.1%	73.9%
Counterfactual cities	60.7%	39.3%

Table 3: Do you think the company should improve enforcement?

	yes	no
MC cities	74.9%	25.1%
Counterfactual cities	76.0%	24.0%

Table 4. Average Summer and Winter Hours of Supply (by City)

city	hours of supply, summer	hours of supply, winter
Durres	1.407	1.736
Lezha	11.70	14.42
Fier	3.455	5.627
Saranda	3.377	4.664
Lushnja	1.336	1.385
Vlora	6.704	8.717
Gjirokastra	1.816	2.749
Korca	24.00	24.00

Table 5. Number of Respondents Who Say the Bill Has Increased within the Last Year

City	Frequency
Durrës	67
Lezha	37
Fier	40
Saranda	49
Lushnja	50
Vlora	22
Gjirokastra	7
Korça	30

Table 6. Reasons for Not Paying the Water Bill

	MC cities	Counterfactual cities
	water should be free	13 21.0%
lack of financial means	16 25.8%	19 30.6%
dissatisfaction with the service	13 21.0%	11 17.7%
we did not receive the bill	3 4.8%	8 12.9%
we have to wait for hours	1 1.6%	1 1.6%
inconvenient opening hours	1 1.6%	0 .0%
no enforcement	7 11.3%	0 .0%
other	8 12.9%	22 35.5%

Table 7. Reasons for Not Paying the Water Bill (by Poverty Group)

		POVERTY			
		very poor	poor	nonpoor	relatively prosperous
MC cities	water should be free	25.0%	30.0%	.0%	0
	lack of financial means	45.8%	25.0%	.0%	0
	dissatisfaction with the service	16.7%	10.0%	43.8%	0
	we did not receive the bill	.0%	5.0%	12.5%	0
	we have to wait for hours	.0%	.0%	6.3%	0
	inconvenient opening	.0%	.0%	6.3%	0
	no enforcement	4.2%	10.0%	18.8%	0
	other	8.3%	20.0%	12.5%	0
Counterfactual cities	water should be free	4.2%	.0%	.0%	0
	lack of financial means	66.7%	8.0%	8.3%	0
	dissatisfaction with the service	4.2%	20.0%	41.7%	0
	we did not receive the bill	.0%	32.0%	.0%	0
	we have to wait for hours	.0%	.0%	8.3%	0
	other	25.0%	40.0%	41.7%	0

Note: The percentages given for the relatively prosperous group should be interpreted with caution because the sample is very small.

Table 8. Hours of Daily Water Supply for the MC Cities (Winter)

Valid	Valid percent	Cumulative percent
.0	1.4	1.4
.3	.4	1.8
.5	1.4	3.3
.8	.4	3.6
1.0	20.7	24.3
1.5	1.4	25.7
2.0	15.2	40.9
2.5	.7	41.7
3.0	7.2	48.9
3.5	.4	49.3
4.0	8.3	57.6
5.0	8.7	66.3
6.0	4.3	70.7
7.0	1.4	72.1
8.0	3.6	75.7
9.0	.7	76.4
10.0	6.2	82.6
11.0	1.1	83.7
12.0	4.3	88.0
13.0	1.4	89.5
14.0	1.4	90.9
15.0	.7	91.7
16.0	1.4	93.1
18.0	.7	93.8
20.0	4.0	97.8
22.0	.4	98.2
24.0	1.8	100.0
Total	100.0	

Table 9. Hours of Daily Water Supply for the MC Cities (Summer)

Valid	Valid percent	Cumulative percent
.0	4.4	4.4
.2	.4	4.7
.3	.4	5.1
.5	2.9	8.0
1.0	22.2	30.2
1.5	1.8	32.0
2.0	23.6	55.6
2.5	.4	56.0
3.0	10.9	66.9
4.0	4.7	71.6
5.0	2.2	73.8
6.0	4.7	78.5
6.5	.4	78.9
7.0	1.5	80.4
7.5	.4	80.7
8.0	2.9	83.6
9.0	.4	84.0
10.0	4.4	88.4
11.0	.4	88.7
12.0	5.1	93.8
14.0	.4	94.2
15.0	.4	94.5
16.0	2.5	97.1
18.0	1.1	98.2
20.0	1.1	99.3
24.0	.7	100.0
Total	100.0	

Table 10. Hours of Daily Water Supply for the Counterfactual Cities (Summer)

Valid	Valid percent	Cumulative percent
.0	5.7	5.7
.2	.6	6.3
.3	.3	6.7
.3	.6	7.3
.5	4.1	11.4
.6	.3	11.7
.8	.3	12.1
1.0	21.9	34.0
1.5	3.5	37.5
2.0	14.0	51.4
2.5	.6	52.1
3.0	3.5	55.6
4.0	5.4	61.0
5.0	4.1	65.1
6.0	4.4	69.5
8.0	.3	69.8
10.0	1.3	71.1
15.0	.3	71.4
19.0	.3	71.7
20.0	1.0	72.7
21.0	.3	73.0
22.0	.3	73.3
24.0	26.7	100.0
Total	100.0	

Table 11. Hours of Daily Water Supply for the Counterfactual Cities (Winter)

Valid	Valid percent	Cumulative percent
.0	5.4	5.4
.0	.3	5.7
.2	.3	6.0
.5	1.9	7.9
.8	.3	8.2
1.0	14.2	22.5
1.5	3.5	25.9
2.0	13.9	39.9
2.5	.6	40.5
3.0	4.4	44.9
3.5	.3	45.3
4.0	5.4	50.6
4.5	.3	50.9
5.0	7.3	58.2
5.5	.3	58.5
5.6	.3	58.9
6.0	3.5	62.3
7.0	1.3	63.6
7.5	.3	63.9
8.0	4.4	68.4
9.0	.3	68.7
10.0	1.9	70.6
14.0	.3	70.9
15.0	.6	71.5
19.0	.3	71.8
22.0	.3	72.2
24.0	27.8	100.0
Total	100.0	

Table 12. Percentage of Surveyed Households That Report Having Water Every Day

		Yes	No
	Durres	42.0%	58.0%
	Lezha	31.1%	68.9%
	Fier	43.3%	56.7%
	Saranda	60.3%	39.7%
	Lushnja	35.9%	64.1%
	Vlora	46.9%	53.1%
	Gjirokastra	60.0%	40.0%
	Korca	100.0%	.0%

Table 13. Days of Supply

	days of supply, summer	days of supply, winter
MC cities	16.66	24.52
Counterfactual cities	13.98	19.73

Note: Only households that do not have daily access are included here.

Table 14. Access to the Sewerage Network (by Poverty Group)

			yes	no
MC cities	POVERTY	very poor	50.8%	49.2%
		poor	64.7%	35.3%
		non poor	69.8%	30.2%
		relatively prosperous	100.0	.0%
Counterfactual cities	POVERTY	very poor	75.4%	24.6%
		poor	79.2%	20.8%
		non poor	91.9%	8.1%
		relatively prosperous	100.0	.0%

Table 15. Presence of Septic Tanks (by Poverty Group)

			yes	no
MC cities	POVERTY	very poor	50.8%	49.2%
		poor	33.6%	66.4%
		non poor	23.1%	76.9%
		relatively prosperous	.0%	100.0
Counterfactual cities	POVERTY	very poor	23.0%	77.0%
		poor	18.3%	81.7%
		non poor	10.4%	89.6%
		relatively prosperous	.0%	100.0

Table 16. Presence of Illegal Connections (by City)

		0	1	2
	Durres	89.7%	10.3%	.0%
	Lezha	57.1%	40.8%	2.0%
	Fier	67.6%	30.9%	1.5%
	Saranda	97.2%	2.8%	.0%
	Lushnja	90.9%	9.1%	.0%
	Vlora	89.0%	11.0%	.0%
	Gjirokastra	83.8%	13.8%	2.5%
	Korça	100.0%	.0%	.0%

Note: Zero (0) refers to “no illegal connection,” one (1) refers to “presence of one illegal connection,” and two (2) refers to “presence of two illegal connections.”

Table 17. Presence of Illegal Connections (by Poverty Group)

			0	1	2
MC cities	POVERTY	very poor	44.2%	53.5%	2.3%
		poor	84.4%	15.6%	.0%
		nonpoor	88.9%	10.4%	.7%
		relatively prosperous	100.0%	.0%	.0%
Counterfactual cities	POVERTY	very poor	85.2%	14.8%	.0%
		poor	90.5%	8.6%	.9%
		nonpoor	93.2%	6.1%	.8%
		relatively prosperous	100.0%	.0%	.0%

Note: Zero (0) refers to “no illegal connection,” one (1) refers to “presence of one illegal connection,” and two (2) refers to “presence of two illegal connections.”

Table 18. Percentage of Households That Use Network Water for Their Garden Plots

		yes	no
MC cities		54 87.1%	8 12.9%
Counterfactual cities		45 72.6%	17 27.4%

Table 19. Percentage of Households That Believe the Company Should Improve Enforcement (by City)

		yes	no
Durres		60.6%	39.4%
Lezha		68.8%	31.3%
Fier		86.3%	13.8%
Saranda		87.5%	12.5%
Lushnja		86.7%	13.3%
Vlora		88.3%	11.7%
Gjirokastra		55.6%	44.4%
Korça		74.7%	25.3%

Table 20. Household Perceptions on Which Structure Should Be Responsible for Providing the Services

		Central government	Local government	Region
MC cities	Durres	17.0%	78.0%	5.0%
	Lezha	34.2%	64.6%	1.3%
	Fier	18.2%	81.8%	.0%
	Saranda	3.8%	95.0%	1.3%
Counterfactual cities	Lushnje	5.0%	92.5%	2.5%
	Vlora	.0%	98.8%	1.2%
	Gjirokastra	22.2%	77.8%	.0%
	Korça	13.8%	76.3%	10.0%

Table 21. Reported Poverty Levels (by City)

	POVERTY			
	very poor	poor	non poor	relatively prosperous
Durres	10.0%	38.0%	52.0%	.0%
Lezha	24.1%	31.6%	44.3%	.0%
Fier	37.5%	30.0%	31.3%	1.3%
Saranda	2.5%	37.5%	60.0%	.0%
Lushnja	33.3%	44.4%	22.2%	.0%
Vlora	12.2%	42.7%	39.0%	6.1%
Gjirokastra	21.0%	35.8%	42.0%	1.2%
Korca	8.8%	25.0%	65.0%	1.3%

Table 22. Reported Sources of Drinking Water for MC and Counterfactual Cities (by Poverty Group)

		POVERTY			
		very poor	poor	non poor	relatively prosperous
MC cities	indoor tap	13.8%	39.2%	47.1%	.0%
	well in the backyard	75.0%	25.0%	.0%	.0%
	outdoor tap	50.0%	25.0%	25.0%	.0%
	neighbor's indoor tap	.0%	100.0	.0%	.0%
	neighbor's outdoor tap	37.5%	50.0%	12.5%	.0%
	public tap/natural	27.3%	27.3%	45.5%	.0%
	vendor	20.3%	25.4%	53.4%	.8%
Counterfactual cities	indoor tap	17.6%	36.9%	44.9%	.5%
	well in the backyard	.0%	100.0	.0%	.0%
	outdoor tap	25.0%	.0%	75.0%	.0%
	neighbor's outdoor tap	50.0%	50.0%	.0%	.0%
	public tap/natural	.0%	100.0	.0%	.0%
	vendor	20.2%	35.5%	39.5%	4.8%

Note: Data on relatively prosperous group should be interpreted with caution because of the small sample size.

Table 23. Reported Sources of Water Used for Cooking in MC and Counterfactual Cities (by Poverty Group)

		POVERTY			
		very poor	poor	non poor	relatively prosperous
MC cities	indoor tap	14.9%	36.7%	48.4%	.0%
	well in the backyard	66.7%	8.3%	25.0%	.0%
	outdoor tap	50.0%	25.0%	25.0%	.0%
	neighbor's indoor tap	.0%	100.0	.0%	.0%
	neighbor's outdoor tap	37.5%	50.0%	12.5%	.0%
	public tap/natural	36.4%	27.3%	36.4%	.0%
	vendor	12.5%	16.7%	66.7%	4.2%
Counterfactual cities	indoor tap	14.4%	34.7%	48.7%	2.1%
	well in the backyard	20.0%	80.0%	.0%	.0%
	outdoor tap	25.0%	25.0%	50.0%	.0%
	neighbor's outdoor tap	50.0%	50.0%	.0%	.0%
	public tap/natural	33.3%	66.7%	.0%	.0%
	vendor	30.6%	40.3%	26.4%	2.8%

Note: Data on relatively prosperous group should be interpreted with caution because of the small sample size.

Table 24. Presence of Water Pumps (by Poverty Group)

			yes	no
MC cities	POVERTY	very poor	56.4%	43.6%
		poor	65.7%	34.3%
		non poor	66.5%	33.5%
		relatively prosperous	100.0	.0%
Counterfactual cities	POVERTY	very poor	44.4%	55.6%
		poor	44.0%	56.0%
		non poor	63.9%	36.1%
		relatively prosperous	66.7%	33.3%

Notes:

1. Korça is taken out of the analysis because pressure is adequate and there is no need for pumps.
2. Data for the relatively prosperous group should be interpreted with caution because of the small sample size.

Table 25. Presence of Water Tanks (by Poverty Group)

			yes	no
MC cities	POVERTY	very poor	62.3%	37.7%
		poor	74.4%	25.6%
		non poor	79.2%	20.8%
		relatively prosperous	100.0	.0%
Counterfactual cities	POVERTY	very poor	63.0%	37.0%
		poor	72.0%	28.0%
		non poor	89.3%	10.7%
		relatively prosperous	66.7%	33.3%

Notes:

1. Korça is taken out of the analysis because there is 24 hour water supply and there is no need for tanks.
2. Data for the relatively prosperous group should be interpreted with caution because of the small sample size.

Table 26. Percentage of Surveyed Households That Buy with the List

		yes	no
	Durres	7.0%	93.0%
	Lezha	13.8%	86.3%
	Fier	28.8%	71.3%
	Saranda	7.5%	92.5%
	Lushnja	6.2%	93.8%
	Vlora	7.3%	92.7%
	Gjirokastra	6.2%	93.8%
	Korca	2.5%	97.5%

Table 27. Do you have a contract with the water company?

		yes	no
MC cities	Durres	81.0%	19.0%
	Lezha	70.0%	30.0%
	Fier	76.3%	23.8%
	Saranda	88.8%	11.3%
Counterfactual cities	Lushnja	85.2%	14.8%
	Vlora	96.3%	3.7%
	Gjirokastra	96.3%	3.7%
	Korca	100.0	.0%

Table 28. Percentage of Households That Are Satisfied with the Contract (by City)

		yes	no
MC cities	Durres	37.0%	63.0%
	Lezha	35.7%	64.3%
	Fier	9.8%	90.2%
	Saranda	40.8%	59.2%
Counterfactual cities	Lushnja	15.9%	84.1%
	Vlora	39.2%	60.8%
	Gjirokastra	60.3%	39.7%
	Korca	89.7%	10.3%

ANNEX 9 – FINAL PROGRESS REPORT

PSIA Decentralization and Water Sector Privatization in Albania

Final Progress Report

February 9, 2004

Completion of Fieldwork

Fieldwork was completed at the beginning of February. At least 10 experts were interviewed at the local government level for each of the eight project cities. Depending on the peculiar characteristics of the city, additional interviews were conducted to be able to provide a full picture.

Seven expert interviews, one more than scheduled, were conducted at the central government level. The rationale behind this was to further explore some issues raised in the meetings with the first six central governmental experts.

Four focus groups were conducted for each city with people from different pressure zones, residences, gender, socioeconomic background, education level, and so forth.

Expert Interviews at Central Government Level

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Genc Gjeci	Director of CMU	January 30, 2004
2	Bujar Rreme	Director of General Directorate of Water and Sewerage, Ministry of Territory Adjustment and Tourism	January 28, 2004
3	Bujar Rreme	Director of the Executive Committee	January 28, 2004
4	Mimoza Dhembli	Director of the Budget Department at the Ministry of Finance	January 27, 2004
5	Fran Brahimi	Director of Decentralization Department, Ministry of Local Government and Decentralization	January 29, 2004
6	Petrit Tare	Director of the Association of Water Supply and Sewerage	December 26, 2003

		Enterprises of Albania	
7	Semiha Loca	Member, Executive Committee, Director of Juridical Department, Ministry of Economy	January 30, 2004
8	Etleva Kondi	Expert on Privatization, Department of Privatization of Strategic Sectors, Ministry of Economy	January 30, 2004
9	Fred Geiter	General Manager of BerlinWasser	January 16, 2004
10. No interview could be held with experts from the Water Regulatory Entity. After several attempts, they refused to be interviewed.			

Expert Interviews at Local Government Level – Durrës

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Besnik Kertusha	Deputy Mayor	December 15, 2003
2	Abdulla Deliallisi	Specialist of Public Works, Municipality	December 26, 2003
3	Florian Mustafaraj	Technical Director of Water Company	December 15, 2003
4	Thanas Liti	Head of Regional Public Works,	December 26, 2003
5	Thanas Liti	Durrës representative at the Executive Committee	December 26, 2003
6	Gani Buka Panajot Rusha	Executive Director and Secretary General, Chamber of Commerce and Industry	December 24, 2003
7	Dhurata Milaqi	Head of Social Assistance Unit, municipality	December 24, 2003
8	Skender Lala	Head of the Primary Health Care	January 16, 2004
9	Fred Geiter	General Manager of BerlinWasser	January 16, 2004
10	Bajana Cevoli	President of “Council of Social Service Association”	January 16, 2004
11	HFU Representative	Head of the Finance Unit, WE	January 16, 2004
12	Business	Manager of “Adriatik” Hotel	January 16, 2004

Note: The director of the Water Company of Durrës refused to be interviewed.

Expert Interviews at Local Government Level – Saranda

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Robert Maci	Deputy Mayor	December 28, 2003
2	Frederik Derraj	Director of Water Company	December 29, 2003
3	Kristaq Kali	Technical Director of Water Company	January 21, 2004
4	Elvira Lako	Head of Finance Unit, Water Company	January 21, 2004
5	Valentina Marku	Head of the Social Assistance Unit (municipality)	December 28, 2003
6	Bardhyl	National Privatization Agency, Saranda branch	December 28, 2003
7	Aleks Prifti	Director, Primary Health Care Unit	December 29, 2003
8	Robert Piro	Specialist at Public Works Unit (municipality)	January 21, 2004
9	Altin Isufi	Director, Legal Unit (MoS)	January 21, 2004
10	Rajmonda Gjoni	Deputy Prefect, member of the SC	January 21, 2004
11	Miti Gjoni	Businessman, head of the Hotelier Association	January 21, 2004
12	Hasan Haxhi	Head of the Chamber of Commerce and Industry	January 21, 2004
13	Skender Rama	Administrator, Lidia Foundation	January 21, 2004
14	Business	Owner of Ari Hotel	December 28, 2003

Expert Interviews at Local Government Level – Vlora

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Shpetim Gjika	Mayor	December 2, 2003
2	Arqile Mishtaka	Deputy Mayor	December 2, 2003
3	Arben Beqiri	Chief of Cabinet (municipality)	December 2, 2003
4	Ardian Musta	Head of Public Works (municipality)	December 22, 2003
5	Irena Stasa	Head of Social Assistance (municipality)	December 22, 2003
6	Elton Golloci	Head, Department of Public Health (municipality)	December 22, 2003
7	Varvara Gjika	Director of Water Company	December 2, 2003
8	Anastas Bubuni	Technical Director of Water Company	December 2, 2003
9	Laureta Jatagani	Head of Financial Department, Water Company	December 22, 2003
10	Resmi Canaj	Director, Sewerage Company	December 22, 2003
11	Hiqmet Haxhaj	Head of Financial Department, Sewage Company	December 22, 2003
12	Patriot Islamaj Mirela Barjami	Chairman, Chamber of Commerce and Industry General Secretary, Chamber of Commerce and Industry	December 22, 2003
13	Ildiz Brahimi	Director, Agency for Regional Development	December 20, 2003

14	Fatbardh Kulla Aleksander Bardhi	Executive Director, Association “Citizen Engagement for Charity”	December 21, 2003
15	Kastriot Sela	Association “Nature”	December 21, 2003
16	Business	Owner, Hotel New York	December 21, 2003

Expert Interviews at Local Government Level – Fier

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Jani Fuli	Deputy Mayor, Member of Supervisory Council	December 3, 2003
2	Rajmonda Hoxha	Deputy Mayor	December 26, 2003
3	Edmond Leka Agim Lisi Ardiana Vrekaj	Head of Public Works (municipality)	December 26, 2003
4	Agron Marginaj	Head of Social Assistance (municipality)	December 26, 2003
5	Aleksander Ruka	Office of Coordination (municipality)	December 26, 2003
6	Kastriot Ruci	Inspector, Department of Public Health	December 26, 2003
7	Dr. Andrea Valle	Pediatric Hospital, Immunopathological Department	December 26, 2003
8	---	Pediatric Emergency Doctor	
9	Vezir Muco	Director of Water Company	December 26, 2003
10	Pirro Ndreu	Technical Director of Water Company	December 3, 2003
11	Teuta Vasili	Head of Financial Department, Water Company	December 26, 2003
12	Shezai Cobo	Chairman, Chamber of Commerce and Industry	December 24, 2003
13	Dhimitraq Marko	Director, Agency for Regional Development	December 26, 2003

Expert Interviews at Local Government Level – Gjirokastra

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Albert Kasi	Deputy Mayor	December 27, 2003
2	Vangjel Muco	Head of Programming and Development Unit (municipality)	December 28, 2003
3	Dashamir Sejdo	Head of Public Works Unit, (municipality)	January 19, 2004
4	Dashamir Sejdo	Local Government representative at the Supervisory Council	January 19, 2004
5	Arta Shajko	Head of the Social Assistance Unit (municipality)	January 19, 2004
6	Gezim Muho	Director of Water Company	December 27, 2003
7	Donald Hasani	Technical Director of Water Company	December 27, 2003
8	Teuta Llukani	Head of Finance Unit, Water Company	January 19, 2004
9	Arqile Zhapa	Director of Public Health	January 20, 2004
10	Xhelo Brahimi	Director of Primary Health Care	January 20, 2004
11	Teuta Kalemi	Physician, Head of Infectious Diseases Department	January 19, 2004
12	Drago Kalemi	Businessman, Hotel Owner	January 19, 2004
13	Hulusi Kokalari	Regional Development Agency	January 20, 2004
14	Sedat Ceribashi	Coordination Office, Chamber of Commerce and Industry	January 20, 2004
15	Ylli Asllani	Chairman of Local Infrastructure Support Agency NGO, and Former Mayor of Gjirokastra	January 21, 2004

Expert Interviews at Local Government Level – Korça

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Petrit Tare	Director, Water Supply Enterprise	December 26, 2003
2	Sotiraq Mitre	Head of the Technical Office, Water Supply Enterprise	December 26, 2003
3	Gjergji Duro	Former Mayor of Korça	December 25, 2003
4	Anxhelika Pllaka	Head of the sales unit, and Relations with Consumers Office, Water Supply Enterprise	December 26, 2003
5	Mehmet Selishta	Director, Social Assistance Department, Municipality of Korça	December 26, 2003
6	Niko Peleshi	Chamber of Commerce	December 25, 2003
7	Klara Celo	NGO “Korça Woman”	December 25, 2003
8	Leonard Gjanci	Director of Public Works, Municipality of Korça	January 16, 2004
9	Mariela Trako	Administrator, Regional Development Agency	January 16, 2004

10	Alma Tresko	Specialist, Primary Health Care Unit	January 16, 2004
11	Businessman	Owner of a Bread Bakery	January 16, 2004

Expert Interviews at Local Government Level – Lushnja

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Kadri Gega	Mayor	December 3, 2003
2	Enver Begolli	Head of Public Works (municipality) Member of Supervisory Council	December 27, 2003
3	Luiza Haxhiu	Head of Social Assistance (municipality)	December 23, 2003
4	Isuf Cela	Head of Hygiene Department, Public Health	December 23, 2003
5	Ramadan Alico	Director of Water Company	December 3, 2003
6	Ferdinand Gjermeni	Technical Director of Water Company	December 3, 2003
7	HFD representative	Head of Financial Department, Water Company	December 3, 2003
8	Nikoll Ndoni	General Secretary, Chamber of Commerce and Industry	December 23, 2003
9	Elena Llogoni	Coordinator, Chamber of Commerce and Industry	December 23, 2003
10	Dudie Guri	Head of Lushnja Office, Agency for Regional Development	December 23, 2003
11	Veip Qerimi	Businessman, Bread Production	December 23, 2003

Expert Interviews at Local Government Level – Lezha

Interview Number	Interviewee	Position of Interviewee	Date of Interview
1	Arben Bejtja	Deputy Mayor	December 2, 2003
2	Pashk Dragusha	Head of Public Works (municipality)	January 14, 2004
3	Llesh Doku	Head of Social Assistance (municipality)	January 14, 2004
4	David Malci	Head, Department of Primary Health Care	January 14, 2004
5	Zef Maci	Director of Water Company	December 2, 2003
6	Petrit Bardhi	Technical Director of Water Company	January 14, 2004
7	Dolor Leka	Technical Director for Wastewaters, Water Company	January 14, 2004
8	Lindita Selimaj	General secretary, Chamber of Commerce and Industry	January 15, 2004
9	Gjergj Elezi	Chairman, Association “Health, Environment, Education”	January 14, 2004
10	Businessman	Owner, Hotel	January 15, 2004

Focus Group Discussions

No.	City	Focus group participants
		FG 1 ----- urban periphery, middle-aged, middle class, men and women
1	<i>Durrës</i>	FG 2 ----- suburban new residential area (outside of the network coverage area), extremely poor, unemployed, poorly educated women FG 3 ----- beach area (including natives and newcomers), middle class, men and women FG 4 ----- downtown, middle-aged, middle class, highly educated women
2	<i>Fier</i>	FG 1 ----- downtown, middle-aged, fairly educated, men and women FG 2 ----- new residential areas (outside of the network coverage area), middle-aged, middle class, educated men FG 3 ----- downtown, young to middle-aged, educated, working class men FG 4 ----- urban periphery, middle to advanced age, fairly educated men
3	<i>Korça</i>	FG 1 ----- urban periphery, working class, middle-aged, fairly educated, men and women FG 2 ----- downtown, working and middle class men FG 3 ----- downtown, middle class, middle and advanced age men FG 4 ----- new residential area (recently included in the network) middle class, educated men and women

No.	City	Focus group participants
4	<i>Lushnja</i>	FG 1 ---- uphill area (inside the network coverage area, not receiving water for the last seven years), fairly educated, middle to advanced age, men and women
		FG 2 ---- downtown, young to middle-aged, educated men and women
		FG 3 ---- downtown, poorly educated, middle to advanced age men
		FG 4 ---- new residential areas (outside of the network coverage area), middle to advanced age, poorly educated men and women
5	<i>Saranda</i>	FG 1 ----- uphill area, middle-aged men and women
		FG 2 ----- urban periphery, young and middle-aged, working class men and women
		FG 3 ----- uphill new residential areas (included in the WB investment), middle and advanced age men
		FG 4 ----- downtown, middle-aged, educated, state employees, men and women
6	<i>Vlora</i>	FG 1 ----- suburban, middle-aged, highly educated men
		FG 2 ----- beach area (including natives and newcomers), educated, poor to average income, middle-aged men and women
		FG 3 ----- downtown, fairly educated, middle-aged men
		FG 4 ----- urban periphery, young to middle-aged, educated, men and women

No.	City	Focus group participants
7	<i>Gjirokastra</i>	FG 1 ----- uphill area, advanced age men (pensioners), low income group
		FG 2 ----- urban periphery, low to middle income group, middle-aged men and women, cases of water-borne diseases
		FG 3 ----- fairly educated, middle to advanced age women
		FG 4 ----- downtown, highly educated, middle class, middle-aged men and women
8	<i>Lezha</i>	FG 1 ----- new residential area, poor, fairly educated, middle-aged men and women
		FG 2 ----- downtown, highly educated, employed, young to middle-aged women
		FG 3 ----- uphill area, educated, middle to advanced age men
		FG 4 ----- low land, affected by continuous flooding, middle-aged, educated men

Statistical Analysis

Data entry process has already been completed. There have been a total of 663 HHQs conducted in all eight project cities. Data processing has begun, with an overview of some preliminary descriptive output and basic correlations. The following tables present a tabulated overview of the basic descriptive data.

Table 1. Do you have water connection?

		Percentage
1	Yes	90
2	No	10

Table 2. The Percentage of Families That Have Water Connection and a Regular Contract with the Water Company

		Percentage
1	Yes	89.9
2	No	10.1

Table 3. Distribution of Households by Reported Poverty Groups

		Percentage
1	We do not have enough money to buy food.	18.5
2	We have enough money to buy food, but it is difficult for us to buy clothes or shoes.	35.7
3	We have enough money for food and clothes, and we are able to save some money, but we can't afford expensive goods such as a refrigerator or television.	26.8
4	We can buy expensive goods, but not everything we want.	17.9
5	We can afford anything we want.	1.2

Table 4. Perceived Comparative Household Welfare

		Percentage
1	Much below average	9.8
2	Below average	28.9
3	Average	53
4	Above average	7.7
5	Much above average	0.6

Table 5. Distribution of Surveyed Households by Location

		Percentage
1	Urban	83.5
2	Periurban	13.9
3	Rural	2.6

Meanwhile, transcription of qualitative data has been finished. A total of 50 tapes were recorded, equivalent to about 50 hours of expert interviews and focus group discussions.

Outline Report

A draft outline report is in progress and will be sent shortly to the WB team. All expert interviews at the local government level have been synthesized for each city and analyzed according to the five transmission channels.

All 32 FG discussions have been synthesized for each city and analyzed according to the five transmission channels.

All expert interviews at the central government level have been transcribed and elaborated.

ANNEX 10 – SOCIOECONOMIC HOUSEHOLD QUESTIONNAIRE

Household Questionnaire

Poverty and Social Impact Analysis

for the

Decentralization and Water Sector Privatization in Albania

Interviewer ID number:

Interview date:

Household ID number:

Household Questionnaire

The purpose of this questionnaire is to assess the consumer perceptions of, and satisfaction with, the water supply and sanitation service delivery as part of the poverty and social impact analysis of decentralization and water sector reforms in Albania. This information will be used for two main purposes: (a) to set a baseline for water supply and sanitation service delivery against which consumer satisfaction can be measured in the future, and (b) to provide a broader understanding of household conditions. The survey is being conducted in eight municipalities: Durrës, Saranda, Lezha, Fier, Gjirokastra, Vlora, Lushnja and Korça. All respondents will be anonymous. Survey results will be analyzed and used in an aggregate form only. The full confidentiality of this discussion is guaranteed.

Background information on households*

(Households is defined as all individuals living in this dwelling and are part of the same economic unit)

q1) City ID number:

q2) District name:

q3) Address of the respondent:

q4) Settlement type:

- 1) Urban
- 2) Periurban
- 3) Rural

q5) Gender of the respondent:

- 1) Male
- 2) Female

q6) What is your ethnicity?

- | | | |
|------------------------|-------------------------|-----------------------|
| 1) Albanian | 5) Albanian Montenegrin | 9) Albanian of Kosovo |
| 2) Albanian-Greek | 6) Albanian Vlach | |
| 3) Albanian Macedonian | 7) Albanian Roma | |
| 4) Other ethnic group | 8) Albania Evgjit | |

General household information

1. How many adult members (16 and above) live in your household? _____
2. How many children under the age of 6 live in your household? _____
3. How many children between the ages of 6 and 15 live in your household? _____
4. How many members of your household are retired? _____
5. How many of those retired households receive a pension? _____
6. How many families are there in your household? _____
7. How many adult members (16 and above) are employed in your household? _____

8. Information on respondent (List household head first)

Family member	1. Member Code 1=Household head 2=spouse 3=children 4=bride/groom 5=parents/in-laws 6=grandchildren 7=distant relatives 8=nonkin	2. Sex 1 = male 2 = female	3. Age 1= up to 16 1=16-25 2=26-35 3=36-45 4=46-55 5=56-65 6=65+	4. Level of Education 1=none 2=elementary (1-4) 3=elementary (5-8) 4=incomplete secondary 5=complete secondary 6=technical/vocational 7=university	5. Health Status 1=Good health 2=Relatively good health 3= Declined health	6. Main Job (please see the codes below)	7. Previous Job (please see the codes below)
member 1							
member 2							
member 3							
member 4							
member 5							
member 6							
member 7							
member 8							

Codes for Q. 6 and Q. 7:

1=State employee, 2=Private employee, 3=Military service, 4=Own business, 5=Casual/manual work, 6=Pensioner, 7=Unemployed, 8=Housewife, 9=Temporary emigrant, 10=Other (specify)

9. What is your marital status?

		Select
1	Married	
2	Divorced	
3	Never married	
4	Widow/widower	

Does your house/apartment have the following?

		Yes	No
1	Connection to the electricity grid		
2	Coverage by the water supply system/network		
3	Connection to sewerage system/network		
4	Connection to septic tank		
5	Connection to water supply system/network		
6	Indoor shower/bath		
7	Shower/bath outside house		
8	Indoor toilet		
9	Toilet outside house		
10	Toilet "eastern-style" (squat plate)		
11	Toilet "western-style"		
12	Indoor tap		
13	Outdoor tap		
14	Water tank		

10. Which of the following do you have in your household?

11. Which of the following do you use regularly (provided that it is functional)?

Item	11. Availability	12. Use regularly
	1=yes 2=no	1=yes 2=no
Washing machine		
Dish Washer		
Refrigerator		
Telephone		
Television		
Satellite dish		

12. How do you flush your toilet in the house?

	Select
1	No flushing
2	Flush by bucket
3	Flush by reservoir
4	Other (specify)

13. Do you run a business on your property that consumes water? 1 = yes 2=no

14. Do you have a garden plot where you grow some produce for household consumption?
1=yes 2=no (go to Q18)

15. Do you use the water from the drinking water supply network to water your garden?
1=yes 2=no

If no, where does this water come from? (Collected rain water, river, well, and so forth.)

16. What is the area of your household plot? _____

Main needs and problems

17. What are the most important problems, which you are facing in every day life?
(Please rank five of them in the following table)

		Ranking
1	Shortage of money for buying principal food products	
2	Shortage of money in satisfying nonfood needs	
3	Poor housing conditions	
4	No connection to the water supply network	
5	Potable water is unsafe / unclean	
6	Insufficient drinking water supply	
7	Insufficient quantity and pressure of water	
8	Lack of sewerage	
9	Worn-out sewage network	
10	Poor response of water company in case of water, sanitation problems	
11	Inadequate power supply	
12	Poor public health services	
13	Health	
14	Poor public transportation	
15	Unemployment	
16	Lack of business opportunities	
17	Shortage of agricultural land	
18	Don't know/hard to say	
19	Other (specify)	

18. What in your opinion is the most serious problems confronting your city? (Please rank five of them in the following table)

	Problem	Ranking
1	Bad roads/inadequate access	
2	Inadequate health care	
3	Inadequate schools	
4	Inadequate child care services	
5	Poor drinking water supply	
6	Insufficient coverage of the sewerage network	
9	Worn-out sewage network	
7	Unsafe sanitation	
8	Poor drainage (flooding)	
11	Inadequate power supply	
9	Poor telecommunications	
10	Poor housing conditions	
11	Crime	
12	Administration corruption	
14	Poor response of local government in case of water, sanitation problems	
13	Insufficient coverage of the water supply network	
15	Weak local government capacity to provide public services (specify which services)	
16	Problems of having to pay bribes to a specific (organized) interest group/ individual (corruption, elite capture)	
17	Problems with public order & security	
18	Land conflicts	
19	No money	
20	Other (specify)	

Household income and expenditures, and employment

19. What is the total household monthly income from

		Lek/month
A	Wages	
B	Pensions	
C	Unemployment benefits	
D	Social assistance from Ndihma Ekonomike	
E	Money received from relatives working in Albania	
F	Money received from relatives working abroad	
G	Other gifts/donations	
H	Income from business operated by the household	
I	Income from the property	
J	Income earned from other sources (specify)	
K	Total Household Income	

20. Please look at this card and indicate which one from the statements is the most appropriate in accordance with the financial situation of your household? [SHOW CARD]

		Select one
1	We do not have enough money to buy food	
2	We have enough money to buy food, but it is difficult for us to buy clothes or shoes	
3	We have enough money for food and clothes, and we are able to save some money, but we can't afford expensive goods such as a refrigerator or television	
4	We can buy expensive goods, but not everything we want	
5	We can afford anything we want	

21. How would you evaluate the financial situation of your family in comparison with the average financial situation of the residents of your city-as you perceive it? [SHOW CARD]

		Select one
1	Much below average	
2	Below average	
3	Average	
4	Above average	
5	Much above average	

22. How much does your household spend per month on:

		Lek/month (fill each cell)	Which of the listed items do you pay regularly?	Please rank your five priority bills?
1	Food			
2	Transport			
3	Rent			
4	Education			
5	Health and medical services			
6	Clothing and shoes			
7	Heating (other than electricity)			
8	Electricity (summer)			
9	Electricity (winter)			
10	Water (summer)			
11	Water (winter)			
13	Telephone			
14	Entertainment, vacations, celebrations			
15	Total expenditure			

23. Which do you think is the most expensive bill?

24. Do you buy with the “list”? 1=yes 2=no

25. During the last three years, has there been any change in the employment structure of your family in the formal sector?

- 1 = more family members are employed
- 2 = less family members are employed
- 3 = no change

26. During the last three years, has there been any change in the employment structure of your family in the informal sector?

- 1 = more family members are employed
- 2 = less family members are employed
- 3 = no change

27. Is there any change in your family income during the last three years?

- 1 = increase in family income
- 2 = decrease in family income
- 3 = no change

28. What do you think are the main factors causing this change?

- 1 = age
- 2 = changes in the labor market
- 3 = changes in education
- 4 = changes in social capital
- 5 = local government has promoted effective employment policies
- 6 = other (specify) _____

Water usage and problems

29. What percentage of the water you receive is used for the following purposes?

Purpose	Percentage of Total Water Used
Drinking, cooking, washing, sanitation	
Gardening	
Car washing	
Street cleaning	
Other (specify)	

30. What is the main water resource you use for drinking and cooking?

Water source	Use for drinking (A)	Use for cooking (B)
1=indoor tap		
2=well		
3=outdoor tap		
4=neighbor's indoor tap		
5=neighbor's outdoor tap		
6=public taps/ natural resources		
7=vendor		

31. Are you satisfied with this source of drinking water? 1=yes 2=no.
 If no, explain why: _____

32. When your main source of drinking water is not available, how do you obtain water?
 (Select all that apply)

	Select
1 Water stored in or outside the house in a tank	
2 Piped water from the neighbors	
3 Hand pump in the backyard	
4 Install a hand pump	
5 Dig out a well	
6 Buy water from vendors	
7 Other (specify)	

33. If water provision is through “public taps/resources” or through “vendor,” please specify:

	Quantity in liters/day	Time spent	Price (day)
Public taps/resources			
Vendor			

(IF THE PERSON IS NOT CONNECTED, GO DIRECTLY TO QUESTION 38)

34. Who connected you to the water supply network/system?

	Select
1 Yourself	
2 A friend	
3 The water company technician	
4 A private technician	
5 Other (specify)	

35. What type of water connections do you have in your household and how many?

A=legal _____ (number)
 B=illegal _____ (number)
 C=total connections _____ (number)

36. If you have a/several illegal connection(s), has your household been threatened with disconnection or has your household actually been disconnected last year?

1=threatened 2= disconnected 3=neither

37. For each category, please choose the most important problem in your water system according to their perceived importance?

		Select one for each category
	Technical	
1	Leaking pipes	
2	Lack of coverage of water supply network	
3	Low pressure	
4	Insufficient water supply (quantity)	
5	Other (specify)	
	Qualitative	
6	Perception that water is unsafe (lack of trust, taste, color, smell)	
7	The water is unsafe (health reasons)	
8	Other (specify)	
	Service	
9	Unreliable water supply (unavailable for hours/day, or days/week)	
10	Water company technician take bribes (are corrupted)	
11	Poor service by the water company	
12	Poor provider-customer relations	
13	Other (specify)	
	Operational	
14	The price per cubic meter is too high	
15	Dissatisfaction with the tariff structure (flat rate)	
16	Too much water is used or misused	
17	Other (specify)	

45. In your household, did you notice any improvement in water supply services in the last three years? (Multiple answers allowed)

		Select
1	Improved taste/smell	
2	Improved safety of drinking water	
3	Increased coverage of water supply network	
4	Increased hours of water availability	
5	Improved pressure/quantity	
6	Reduce the amount of monthly water bill	
7	Improve clarity of water bill (payment for water consumed and water units billed for – transparency of bill)	
8	Introduce meters to pay for the amounts of water consumed (consumption of water units)	
9	There were no improvements	

46. Do you have a contract with the water supply company? 1=yes 2=no

47. Are you satisfied with this contract? 1=yes 2=no

48. Do you have a domestic water meter? 1=yes 2=no

49. Would you like to have a domestic water meter? 1=yes 2=no

Why yes/why no? _____

50. What kind of meter do you prefer?

		Select only one
1	One meter for the entire building	
2	Household meter	

Sanitation/wastewater

51. Where is wastewater from your toilet discharged?

		Select only one
1	Central sewerage system	
2	Septic tank in the yard or near your house/apartment	
3	Garden	
4	drainage canal	
5	Don't know	
6	Other (specify)	

52. Do you experience any problems associated with your sanitation system?

		Select
1	Odors from the sewerage network	
2	The toilet is clogged because of insufficient network capacity	
3	There are leaks in the sewerage pipes	
4	The sewage is discharged directly into the street, a well, a canal/river	
5	Blocked manholes	
6	Other (specify)	

53. What type of improvement in the wastewater services would you like to see

		Select one
1	Connection to sewerage system / network	
2	Rehabilitation of the system / network	
3	Regular septic tank cleaning	
4	Regular manhole cleaning	
5	Other (specify) _____	

Public awareness and willingness to pay

54. What do you know about the government policy about water?

1= nothing 2= not much 3= something 4= enough 5= a lot

55. What is the source of information about government policy?

		Select
1	National TV	
2	Local TV	
3	Radio	
4	Newspapers	
5	Magazines	
6	Posters/ billboards	
7	Direct marketing (someone made a home call or you received a leaflet at home)	
8	Other (specify) _____	

56. In your opinion, who is responsible for water supply in your city? (Cut off option 3 and 5)

1= central government
2= municipality
3= regional government

57. In your opinion, who should be responsible for water supply in your city? (Cut off option 3 and 5)

1= central government
2= municipality
3= regional government

58. Is the water supply and sanitation company publicly or privately managed? (Changed order)

1=public 2=private 3=don't know

59. What is the name of this water supply and sanitation company? (changed order)

60. How much is your household supposed to pay for water? _____ Lek per month
[WRITE "DK" IF THE RESPONDENT DOES NOT KNOW]
61. How much is your household supposed to pay for sanitation? _____ Lek per month
[WRITE "DK" IF THE RESPONDENT DOES NOT KNOW]
62. If you have a water meter, how much is the price per cubic meter for water from the water supply network? _____ Lek per month
[WRITE "DK" IF THE RESPONDENT DOES NOT KNOW]
63. Do you know how much water your household consumes from the water supply network? _____ units per month
[WRITE "DK" IF THE RESPONDENT DOES NOT KNOW]
64. Are you part of an organized group/ association that helps you when there are problems?

1=yes 2=no

65. What is the name and the main function of this group / associations?

Name: _____
Function: _____

66. Is there an office within the water company where you can direct your concerns?

1=yes 2=no 3=don't know

67. When you want to:

	Who do you contact? (Write name of organization / agency)	State whether this contact is: 1=public body (local government) 2=private organization (business association) 3=civil society organization (NGO). 4=facilitator (private technician)
Report water/wastewater problems (for example, blockages, leakages, contamination, and so forth.)		
Ask for repairs		
Complain regarding water/wastewater services		

68. How quick does the company fix problems (such as blockages, leakages, contamination and so forth)?

		Select one
1	Within one (1) day	
2	In two (2) days	
3	In three (3) to five (5) days	
4	In one week	
5	More than one week	
6	No response from the water company	

69. How do you pay your water bill?

	Select one
Going to the water company and paying in person?	
When the water company representative comes to collect bills?	
Other (specify)	

70. In the last year, was there a time when you did not pay your water bill?

1=yes 2=no. If yes, why?

	Select one
Water should be free	
Were not able to? (Lack of money)	
Are not satisfied with the service?	
Did not receive any water bill?	
Have to wait in line to pay for too long	
Opening hours of water office are not convenient?	
No collection enforcement	

71. Has there been any increase in the water bill during the last year? 1=yes 2=no (go to question 77)

72. How much has the water bill increased? _____Lek (or estimates : bill doubled, tripled)

73. What was the impact of this increase on your household income?

- 1=no significant impact
- 2=unable to afford the bill
- 3=restrict other expenses to be able to pay the bill
- 4=reduce consumption top afford the bill
- 5=switch to other means to access water

80. On what basis do you think each household should pay for its water?

		Select
1	According to consumption	
2	According to household income	
3	According to number of people in the household	
4	According to size of flat or house (including the garden)	
5	Other (specify)	

81. How often would you like to pay your water bill?

		Select one
1	Weekly	
2	Bi-monthly	
3	Monthly	
4	Quarterly	
5	Annually	

82. Do you have a bank account? 1=yes 2=no

If yes, would you be interested to pay your water bills directly through your bank account?

1=yes 2=no

[INTERVIEWER: FORMULATE QUESTION 84 ACCORDING TO THE WATER MANAGEMENT OF THE CITY]

83. How do you think **private** management/**public** management of water and sanitation services affects you and your household?

	Are these effects positive or negative?	Are these effects short-term or long-term ?
1=Tariffs (higher / lower)		
Access is improved regarding		
2a=Quantity / pressure of water		
2b=More hours of available drinking water per day / days per week		
2c=Connection to water system / network		
2d=water quality		
3=Subsidies via economic support, first 20 liters per capita per day are free, and so forth.		
4=Employment (increase / loss)		
5=Others:		
5a=land		
5b=health		
5c=savings		

Health

84. Were any members of your family ill in the past month?

		1=yes 2=no	How many?
A	Adults		
B	Children		

85. If yes, what type of illness?

		Adult		Child under 6 years old		Child between 6 and 15	
		1=yes 2=no	How many?	1=yes 2=no	How many?	1=yes 2=no	How many?
1	Respiratory						
2	Stomach/intestinal						
3	Cardiovascular						
4	Injury-related						
5	Dental diseases						
6	Other (specify)						

ANNEX 11 – TERMS OF REFERENCE FOR LOCAL CONSULTANT

Poverty and Social Impact Analysis for the Water Sector Reform in Albania

Background

The Government of Albania (GOA) formulated and approved a National Strategy for Social and Economic Development (NSSED), Albania's name for the Poverty Reduction Strategy Paper. The NSSED includes reforms that aim to improve efficiency and effectiveness of service provision, ensure access to basic infrastructure services, and improve targeting of low-income population. To translate these goals into concrete actions, the GOA has defined nine NSSED priority actions. After consultations with the GOA, the following two priority actions, out of the nine priorities, were determined to be most important and should therefore be the focus of a poverty and social impact analysis (PSIA):

- Facilitation and encouragement of participation of the private sector through various forms, such as management contracts
- Decentralization/local governance.

The GOA has started to implement the first priority action by awarding management contracts (financed by KfW and the World Bank) to the private sector in different cities. The management contracts include provisions to ensure benefits to the poor. Another important pillar of the NSSED strategy is the implementation of the decentralization strategy and of the decentralization laws. In Albania, decentralization reform has advanced at two different speeds. While progress has been made toward the creation of a good legal framework for fiscal decentralization, implementation has fallen behind. This has been hampered by several institutional and administrative constraints such as lack of local absorptive capacity and political and bureaucratic obstacles toward reforms. The PSIA will result in a better understanding of the distributional impacts of decentralization and privatization of water sector management that the government has put into place to reform the sector.

The water sector reform includes development of a public communication program in the Ministry of Territorial Adjustment and Tourism and creation of water consumer panels at city level. The PSIA results will feed back these instruments to communicate with the broader public audience and make the beneficiaries active actors for proper reform implementation. NSSED implementation would benefit from the results of this analysis to better define policies and implementation measures.

During May and June 2003, the PSIA methodology was developed and piloted in four selected cities (two under private and two under public utility management), providing important findings on the perception and behaviors of the customers and institutions vis-à-vis private sector participation and decentralization reforms in the water sector. During FY 2004, the pilot will be scaled up to cover a total of eight cities.

I. Objectives

PSIA analyzes distributional impacts of policy reform on the well-being or welfare of different stakeholder groups, with particular focus on the poor and vulnerable. PSIA promotes evidence-based policy choices and fosters debate on policy reform options. It assists to better understand the intended and unintended consequences of operational interventions that aim to implement the borrowers' poverty reduction strategies.

More concretely, the PSIA will set baselines in eight cities to measure the distributional impacts of the water sector reform against those baselines about one year after the private operator came into place. The study will assess the distributional impacts of four cities with privately managed utilities under the PRSP reform program and four counterfactual cities with publicly managed utilities. The PSIA is carried out at the start-up stage of the private operator's engagement in the operation and management of the four water companies under the project.

The study will benefit the implementation of the NSSD, stakeholders of water sector reform, and beneficiaries and existing customers, particularly the poor.

II. Focus of the Work

The study will set baselines in eight cities to assess consumers' and beneficiaries' perceptions of, and satisfaction with, the public and private sector delivery of services—particularly to the urban poor—regarding the following:

- Tariff increases
- Access to water and wastewater services through public and private provision
- Support for the poor via a lifeline of 20 liters per capita per day free and the connection and meter installation, which are either free or charges included in bills over time
- Transfer of property rights of water company shares to the local governments
- Changes in employment for different groups.

Special attention will be given to the level of decentralization in the water sector in each of the study cities in regard to the type of utility management encountered—public or private management—and the degree of international support (investment and technical assistance) provided to the municipal water and wastewater companies.

The study will build on the PSIA pilot and expand existing material and information to scale up the exercise during FY 2004.

III. Methodology

The PSIA methodology comprises quantitative and qualitative methods:

- Data collection tools include a desk review of relevant material, expert and key-informant interviews, focus group discussions, and commune profiles.
- Site selection: The PSIA will focus on the four project cities of Durrës, Fier, Lezha, and Saranda and the four counterfactual cities of Vlora, Gjirokastra, Korça, and Lushnja.

IV. Scope of Work and Responsibility of Local Consultant

The work entails (a) preliminary work in preparation of the study (including site profiles), (b) preparation of the fieldwork, (c) fieldwork, and (d) data analysis and report writing. In each of these components, the main tasks to be carried out by the consultant include, but are not limited to, the following.

Preliminary Work

The consultant should carry out a desk review of existing documents related to the subject; for example:

- The Municipal Water and Wastewater Project Appraisal Document
- Social Assessment of the Municipal Water and Wastewater Project
- The National Strategy for Social and Economic Development (Albanian PRSP)
- The Qualitative Poverty Assessment
- The report from the PSIA pilot for the Water Sector

Preparation of the Fieldwork

The fieldwork comprises the socioeconomic household survey, focus group discussions, and expert and key-informant interviews in each of the eight cities. The consultant should review and eventually propose revisions of the household questionnaire, focus group discussions, and key-informant interview questionnaires developed during the pilot.

In each of the eight cities, the consultant should prepare the sample for the socioeconomic household survey in accordance with the criteria agreed upon during the PSIA training. In particular, while preparing the sample, the consultant should focus on (a) the distribution of the households within the network, in relation to the service area maps; (b) the inclusion of participants in the metering program implemented during the Water Supply Urgent Rehabilitation Project; (c) the income distribution estimations; and (d) the inclusion of households located outside of each service area.

While preparing the focus group discussions, the consultant should sample the participants according to gender, ethnic, and socioeconomic diversity in each of the cities. Concerning the in-depth expert and key-informant interviews, the consultant will identify and list the stakeholders to be considered in the water sector and decentralization process, in the public and private sector (both at the central and local levels), and in the civil society.

Fieldwork

The fieldwork will be carried out in the eight specified sites of Durrës, Fier, Lezha, Saranda, Vlora, Gjirokastra, Korça, and Lushnja and will comprise:

- A total of 640 socioeconomic household questionnaires
- A total of 32 focus groups

- A total of 86 expert and key-informant interviews
- A total of eight community profiles.

Socioeconomic Household Survey

The household survey will cover eight municipalities: Durrës (and project villages around Durrës), Fier, Lezha, Saranda, Vlora, Korça, Lushnja, and Gjiorkastra. The survey will be carried out on a representative sample of about 80 households in each of the eight cities. It will provide statistics regarding population, education, employment, income, and health status. It will then focus on people's perceptions regarding their water supply and sanitation conditions, priority problems with their water supply and sanitation service and institutions, and willingness and ability to pay for improvements in their water supply and sanitation conditions.

Expert and Key-Informant Interviews

Ten expert interviews will be carried out in each of the eight cities with representatives of the public and private sectors and civil society related to water supply, sanitation, and public works to evaluate and understand their perceptions, views, and institutional positions concerning water supply and sanitation conditions, policies, and institutions' roles in each city. Expert interviews will help to understand institutional bottlenecks related to inadequate water and wastewater use and identify expert perceptions on organizational changes to take place because of privatization and decentralization of the management and government of the water supply system. Among the 10 interviews, 2 will be conducted with the water company, 2 with local governments and head of public services, 2 with the Supervisory Council of each water company, 2 with local Chambers of Commerce or other business associations, and 2 with representatives of local NGOs dealing with water, socioeconomic, environment, and gender issues. In addition, 6 interviews will be conducted with experts from the central government: the Ministry of Finance, the Ministry of Territorial Adjustment and Tourism, the Ministry of Local Government and Decentralization, the Water Regulatory Entity, the Association of Water Supply and Sewerage Enterprises of Albania, and the Executive Committee.

Focus Group Discussions

Four focus group discussions (8–10 people) will be conducted in each city to get qualitative feedback from the population on the distributional impact regarding, but not limited to, tariffs, quality, employment, access, and transfers of taxes. More specifically, discussions will provide feedback on the nature of water supply and sanitation services, people's willingness and ability to pay for water supply and sanitation improvements, perceptions of environmental and health issues associated with existing conditions, and willingness to pay for water service quality improvements and installation of metering. Focus discussions will help to understand both individual and collective perceptions on the proposed improvements, willingness to share responsibilities in rehabilitation (for example, participation in community works and perhaps labor contributions). It will also contribute to our understanding of the social organization of communities and their ability and readiness to participate in project implementation and monitoring and evaluation.

Community Profiles

For each city, the consultant should prepare a community profile describing the water situation and the socioeconomic situation per se and in regard to water and wastewater issues—including issues of access to, and assets of, water and wastewater goods and services, the institutional and organizational setup of the water sector, and private and public service provision of water and wastewater.

Data Analysis and Report Writing

The consultant will be responsible for the data entry, the data analysis, and the writing of a report in excellent English presenting the main findings, drawing conclusions, and making recommendations to the government. Data analysis should include, but not be limited to, areas such as statistics regarding population, education, employment, income, and health status. It will then focus on people's perceptions regarding their water supply and sanitation conditions, priority problems with their water supply and sanitation service and institutions, and their willingness and ability to pay for improvements in their water supply and sanitation conditions.

V. Payment

The lump sum will be paid in four tranches:

- The first tranche of 10 percent of the lump sum amount will be paid upon signing the contract.
- The second tranche of 40 percent of the lump sum amount will be paid upon the beginning of the fieldwork.
- The third tranche of 30 percent of the lump sum amount will be paid upon reception of the Draft Final Report by the World Bank PSIA team.
- The fourth tranche of 20 percent of the lump sum amount will be paid upon approval of the Final Report by the World Bank PSIA team.

VI. Timetable

It is expected that the assignment will commence in November 2003. The duration of the assignment is expected to be about four months:

- December 1 to December 15, 2003: preliminary work and preparation of the fieldwork
- December 16, 2003 to February 15, 2004: fieldwork
- February 16 to March 15, 2004: data processing and analyzing
- March 16 to April 15, 2004: report writing
- April 16, 2004: Deadline for submission of the draft report to the World Bank
- May 15, 2004: Deadline to deliver the final report to the Bank

VII. Outputs and Reporting Requirements

The consultant should report to the PSIA team: Hermine de Soto, Sabine Beddies (Social Scientists) Andreas Rohde, Arben Bakllamaja, and Xavier Chauvot de Beauchene (Water Sector

Experts). All documents shall be submitted in English. Electronic versions of each document should be available in MS WORD format and as PDF files.

Once ready and before the launching of the fieldwork, the commented and revised socioeconomic household questionnaires, key-informant interviews, and focus group discussion questionnaires shall be sent to the World Bank for review. A few questions relating to public communication issues will be added to the household questionnaire.

During the fieldwork, the consultant will submit three progress reports of no more than two pages each. The first one will be submitted two weeks after the starting of the fieldwork, the second one in the middle of the fieldwork, and the third one at the end of the fieldwork. These progress reports should state the number of interviews carried out, eventually the problems identified, and the solution developed to deal with them. After completing fieldwork and quantitative data entry into a database, an extract of this database containing the answers to the aforementioned questions should be provided to the Bank electronically.

After the data analysis and no later than two weeks after the end of the fieldwork, the consultant will submit a draft outline of the report for comments. Upon agreement on the outline, the consultant will submit draft chapters for review and comments, in accordance with the agreed timeline. Two weeks before the deadline for the submission of the final report, the consultant will submit a full draft report, including all comments received for each of the draft chapters. The final report will be submitted to the World Bank for approval. The final report will be submitted electronically.

Two weeks before the stakeholder workshop, the consultant should submit to the Bank the list of participants.

ANNEX 12 – TABLE OF BASELINE INDICATORS

		Households having access to water network (%)	Households having access to sewerage system (%)	Households having septic tanks (%)	Duration of water supply in summer (hours)	Duration of water supply in winter (hours)	Households having water tanks (%)
MC cities							
	Durrës	88	69	18	1.4	1.7	91.9
	Lezha	62	3.67	62.5	11.7	14.4	45
	Fier	85	86.3	13.9	3.5	5.6	63.8
	Saranda	92.4	64.6	35	3.3	4.6	92.5
Counterfactual cities							
	Lushnja	96.3	77.8	9.9	1.3	1.4	77.8
	Vlora	100	87.8	11	6.7	8.7	75.6
	Gjirokastra	100	76.5	36.3	1.9	2.9	74.1
	Korça	100	95	5	24	24	0

		Households having water pumps (%)	Households having illegal connection(s) (%)	Households having indoor tap (%)	Contracted households (%)	Households reporting satisfaction with the contract (%)	Households with nonregular payers (%)	Households believing in improved enforcement (%)	Households reporting indoor tap as main source of drinking water (%)
MC cities									
	Durrës	78.8	9.1	96.6	81	37	3.8	60.6	53
	Lezha	29.9	31.5	93.9	70	35.7	44.4	68.8	94.9
	Fier	87.3	28.8	95.6	76.3	9.8	31	86.3	15
	Saranda	52.6	2.6	95.9	88.8	40.8	8.7	87.5	64.1
Counterfactual cities									
	Lushnja	75	8.8	94.9	85.2	15.9	26.5	86.7	3.7
	Vlora	51.2	11	100	96.3	39.2	30.8	88.3	58.5
	Gjirokastra	28.4	16.1	97.5	96.3	60.3	13	55.6	75.3
	Korça	2.5	0	96.1	100	89.7	2.6	74.7	93.8