

AGGREGATION EXPERIENCE IN WATER SECTOR OF ALBANIA

Berat - Kuçove Water Supply and Sewerage Company

Currently, there is only one example in Albania of a **pro-active aggregation** in the Water Supply and Sewerage Sector. This was the aggregation of the Kuçova Water Supply and Sewerage Company with the Berat Water Supply and Sewerage Company.

Like the vast majority of water supply and sewerage companies in Albania, both the Berat Water Supply and Sewerage Company and the Kuçova Water Supply and Sewerage Company were transformed into commercial companies, with the legal status of a Joint Stock Company, respectively with Court Decision No.24148 dated 17.07.2000 and Court Decision No.26008 dated 21.06.2001. The shares and ownership rights in these Joint Stock Companies, at the time of transformation, remained with the State, under the administration of the Ministry of Economy, Energy and Trade, as sole owner, until the transfer of ownership to local government took place on 1 January 2008, based on the Council of Ministers Decision No.660 dated 12.09.2007.

The Merger of Berat and Kuçova former municipal water companies has been formalized, in a legal, binding agreement negotiated between the shareholders of those two companies, and has been registered in the Court of Tirana.

The main driver for this aggregation was the requirement of the German Development Bank (KfW) that it would only fund the gravity transmission line from the Berat system to the Kuçova system, if the two companies were merged together.

The investment allowed the Kuçova system to realize a significant savings on energy cost, while investment in network infrastructure and equipment, such as water meters and piping for networks renovation, will allow the aggregated company to sustainably improve its service performance.

As shown in Table 3-2, the aggregation involved six (6) local government units covering a total service area population of around 100,000 people, 85% of which will be served by the aggregated utility.

**Table 3-2
Aggregated Berat-Kuçova LGUs and Populations***

Aggregating Utility	LGU's Concerned	LGU Population	Population Served	Population Served (%)
Berat WS	City of Berat	41,000		
Berat WS	Commune of Otlak	10,275		
Berat WS	Commune of Vërtop	4,100		
Total Berat		55,275	49,667	89,8 %
Kuçova WS	City of Kuçova	30,000		
Kuçova WS	Commune of Perondi	7,100		
Kuçova WS	Commune of Kozare	6,150		
Total Kuçova		43,212	34,234	79,2%
Grand Total		98,487	83,901	85,2%

The services that were aggregated cover both water supply and sewerage services, with water supply starting at their respective water supply sources. All functions of the respective utilities were aggregated with a merging of assets and staff. The process is still ongoing, with the Company seeking a new head office to relocate management and administrative functions to a single office location.

To simplify the process, the aggregation was undertaken as the merging of the Kucova Company into the Berat Company, thereby causing the Kucova Company to be dissolved and the Berat Company to continue in an expanded form. This approach eliminated the need and lengthy procedures required to create a new company. The aggregation is intended to be a permanent initiative.

The Mayors of Berat and Kuçova Municipalities were the ones that took the first step to initiate the cooperation, supported also by the Ministry of Public Works, Transport and Telecommunication and representatives of the German Bank for Development (KfW). Initiatives from the Mayors were then confirmed by Municipal Councils approval of the 'Memorandum of Cooperation' for the joining of enterprises. Based on the memorandum an agreement was drafted where both parties agreed to establish this joint structure, to join the financial tools to increase performance and to advance the investments from both foreign and local investors in the sector.

The Supervisory Council of the aggregated structure comprises 9 members distributed among participating local government units as follows: Berat (5 members); Kucove (2 members), Otlak (1 member); Perondi (1 member).

The Kucova assets were merged into those of the Berat Company, and they are now shown on the balance sheet of the Berat Company. The shareholder ownership of the aggregated company is as shown in the Table 3-3.

Table 3-3
Shareholder Ownership of Berat - Kucova
Water Supply and Sewerage Company

LGU	Shares
Municipality of Berat	56.9%
Municipality of Kucova	15.2%
Commune of Vertop	6.4%
Commune of Otlak	11.9%
Commune of Perondi	4.0%
Commune of Kozare	5.3%

In the Business Plan for the period 2008-2012 of the aggregated company, the management team of the Berat-Kucova Water Supply and Sewerage Company adopted a tariff strategy starting with different tariffs for the two main served areas (Berat and Kucova served populations) until the end of the year 2010. The tariffs started to be unified in 2012, with the approval of Water Regulatory Commission.

The unified pricing strategy foresees fixed and variable price elements. The fixed fee applied to every registered customer will represent the "readiness-to-serve" fee that is increasingly common in more developed countries. The variable price element for water supply and

sewerage services will be based on volume to reflect “consumption” unit prices for different categories of customers.

The Berat-Kucove Company`s Mission Statement is defined as follows:

- To provide a sustainable, reliable, and secure water supply, in sufficient quantity and proper quality, in compliance with the laws applicable in the Republic of Albania, at a reasonable price to all connected and potential urban and rural customers.
- To provide quality sewage collection, treatment and disposal services to safeguard public health, and in compliance with standards to protect public health and the environment.
- To serve as a model, in Albania, of a regional company aiming at the improvement of service delivery to all customers, given the benefits of realizing economies of scale and optimal use of water resources.
- To invest in building the capacity of the employees of the Company, and in providing them a fair compensation to motivate their interest in providing quality services to the customers of the Company.

Recently the Water Supply and Sewerage Utility of Berat-Kucove and the water utilities of Ura Vajurore and Polican, along with the respective Local Governments, have indicated an interest to aggregate, selecting Berat – Kucove as the leading company.