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Annual Report 2011

Central Publicly-Owned Enterprise Performance

2012

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List of Abbreviations

AC	Audit Committee
Ac.	Acting
BE	Business Entity
BoD	Board of Directors
BP	Business Plan
EA	External Auditor
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ERO	Energy Regulatory Office
EU	European Union
FS	Financial Statements
HS	Hydro-System (Iber-Lepenc)
IA	Internal Auditor
IC	Irrigation Company
ICAO	International Civil Aviation Office
IFC	International Finance Corporation
KEK	Kosovo Energy Corporation
KfW	German Bank for Development
KLMC	Kosovo Landfill Management Company
KR	Kosovo Railways
KTA	Kosovo Trust Agency
LPOE	Law on POEs
MED	Ministry of Economic Development
MF	Ministry of Finance
MTEF	Medium-term Expenditure Framework
MTI	Ministry of Trade and Industry
OU	Operational Unit
PIA	Prishtina International Airport – Control Tower
PMU	Public Enterprise Policy and Monitoring Unit
POE	Publicly-Owned Enterprise
PPP	Public-Private Partnership
PTK	Post and Telecommunications of Kosovo
RTK	Radio-Television of Kosovo
RWC	Regional Water Company
RWCC	Regional Waste Collection Company
SWOT	Strengths, Weaknesses, Opportunities and Threats
TiK	Telecom of Kosovo
TRA	Telecommunications Regulatory Authority
TSO (KOSTT)	Transmission System and Market Operator
USAID	United States Agency for International Development
WB	World Bank
WWRO	Water and Waste Regulatory Office

1. Foreword

The improvement of the corporate governance system and transparency in Publicly-Owned Enterprises, improvement of public services, improvement of public finance management, and increased transparency in Publicly-Owned Enterprises in Kosovo, are considered to be important segments in providing quality services for all citizens in the country.

On 13th of June 2008, the Assembly of the Republic of Kosovo approved the Law on Publicly-Owned Enterprises. The ownership interests of the Republic of Kosovo, the people of Kosovo, in a public enterprise, are represented by shares, and are monitored by the Public Enterprise Monitoring and Policy Unit, part of the Ministry of Economic Development. This unit is the protector of physical certificates representing such shares. As one may imply from the title, a “publicly-owned enterprise” is a commercial enterprise owned by the public, meaning it is property of all citizens of Kosovo.

The Law on Publicly-Owned Enterprises of the Republic of Kosovo, precisely Article 8, binds the Government to report on annual basis to the Assembly on the performance of Publicly-Owned Enterprises, and this is the 2011 Report.

The report is drafted based upon data of Publicly-Owned Enterprises, regulatory offices and reports of external auditors, in presenting a clear overview of performance and perspective in the Publicly-Owned Enterprises’ sector. Also, the report is compiled to present to the Assembly of the Republic of Kosovo, and the public overall, the issues faced by the current utilities and developments planned in improving corporate governance in the sector.

Therefore, the PMU/Ministry of Economic Development, which is legally mandated to monitor and report on individual and sector performance of POE-s, has prepared the following report, which is focused on:

- Operational performance by sector, and by Central Publicly-Owned Enterprises;
- Financial performance by sector, and by Central Publicly-Owned Enterprises;
- Functioning of Corporate Governance;
- Vision, mission, objectives and projects of Central Publicly-Owned Enterprises.

In sum, we wish to emphasize that this document represents our constant commitment to the improvement of corporate governance in Publicly-Owned Enterprises. Also, it mirrors our full confidence in realizing the primary goal, which is to create an efficient and effective utility system serving the interests of all citizens in the country.

2. Corporate Governance

Since 2006, all Publicly-Owned Enterprises were incorporated and operate pursuant to principles of corporate governance as per OECD (Organization for Economic Cooperation and Development) principles of Corporate Governance.

Corporate Governance means that an enterprise must be lead by an effective board, which is collectively responsible for the success of an enterprise. In the case of a public enterprise, the Government mandates the Board with its responsibilities and respects its independence pursuant to the legal framework, meaning that the Government cannot get involved in management of Publicly-Owned Enterprises, but only in monitoring, and must allow for full operational autonomy in achieving their preset objectives. This is also provided upon by the Law on Business Organizations, Article 133, according to which, after a joint stock company is registered and exists as a legal person, any person or organization that has served as a founder of the company shall have no further authority or role in the company's management or governance.

2.1 Public Enterprise Monitoring and Policy Unit

The Public Enterprise Monitoring and Policy Unit was established pursuant to Article 37 of the Law no. 03/L-087 on Publicly-Owned Enterprises, with a view of supporting the Government and the Minister in exercising responsibilities provided upon by the Law on Publicly-Owned Enterprises.

2.1.1 Vision

Enhancing Corporate Governance to the goal of attaining the main objectives of the Shareholder: improving the quality of public services rendered to the Kosovo citizens, and increasing the value of POE assets as assets of the state of Kosovo.

2.1.2 Mission

Support to the Government and Minister in exercising responsibilities to Publicly-Owned Enterprises as Shareholder of Publicly-Owned Enterprises on behalf of the Republic of Kosovo, providing assistance in compiling ownership policies and monitoring performance of Boards of Directors and central Publicly-Owned Enterprises generally.

2.1.3 PMU Responsibilities and Duties

Responsibilities and duties of the POE Monitoring Unit derive from the Article 37 of the Law no. 03/L-087 on Publicly-Owned Enterprises. This unit has a key role in the oversight of publicly-owned enterprises, their assessment, including the Boards of the POE-s, and formulating policies. Some of the duties of this Unit include the following:

- Drafting analysis and recommendations on issues of Central Publicly-Owned Enterprises, and submission thereof to the Minister, for further proceeding with the Government;
- Preparation of suggested procedures for oversight of Central POEs, and monitoring of their compliance with the law and other important laws, and submission to the Minister for approval;
- Collection of data on POEs and provision of needed support to the POEs;
- Cooperation with the Budget Division on all aspects of the Kosovo Budget related to the POEs;
- Cooperation with the Office for European Integration in providing POE data;
- Collaboration with donors willing to assist POEs in developing and improving performance, by various grants/donations;
- Development of the Unit’s website and publication of relevant documents from the POEs, such as: reports, financial statements, POE statute and regulations, business plans, Government decisions on POEs, reimbursement of senior officers, large value procurement contracts, conflicts of interest, the ten largest suppliers by value of supply, number of employees, and other important documents, laws or bylaws related to POEs. Such data are to be kept by the PMUs website for a period of 5 years;
- Strengthening regular reporting;
- Advice to POE directors and secretaries;
- Participation in POE board meetings in the capacity of observer, on behalf of the Shareholder;
- Preparation and proceeding of subsidies and capital grants;
- Compilation and dissemination of guidelines for POE directors;
- Compilation and dissemination of a model Code of Conduct and Corporate Governance upon approval of the Shareholder;
- Monitoring of the Board of Directors and other committees;
- Review of compliance of Board decisions with the applicable regulations.

2.1.4 Organizational Structure

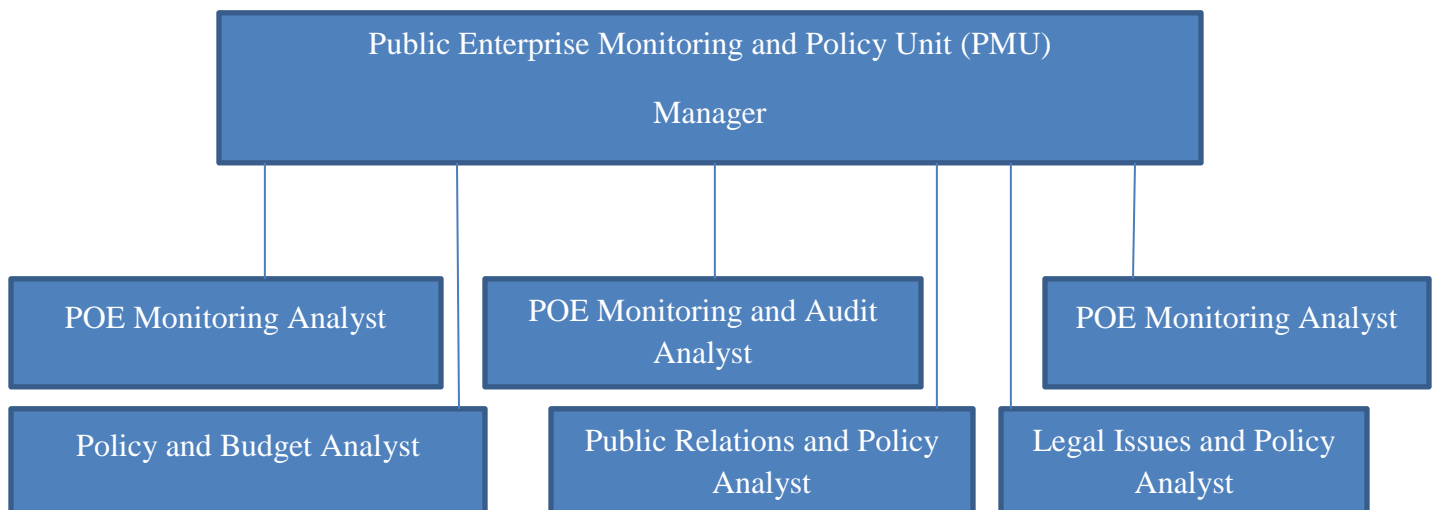


Figure 1 – Organizational Structure of the PMU

2.1.5 PMU Achievements

During 2011, with a view of fulfilling responsibilities as provided upon by the Law, the PMU has been able to fulfil the following duties:

- Monitoring Boards of Directors' performance by reviewing minutes of the meetings of Board of Directors, Audit committees and other committees. During 2011, sixteen central Publicly-Owned Enterprises held 185 meetings of Board of Directors, 130 meetings of Audit Committees, and 73 meetings of other provisional committees;
- PMU analysts have taken part as observers on behalf of the Shareholder have taken part in 37 meetings of Board of Directors of Central Publicly-Owned Enterprises;
- Receipt, processing and proceeding for payment of 53 requests of Publicly-Owned Enterprises, thereby realizing 94% of the budget approved by the Law on Budget Allocations 2011 for projects;
- Receipt, processing and proceeding for payment of 17 requests of Publicly-Owned Enterprises for subsidizing energy imports, exemption of social cases from electricity bill, purchase of heavy oil for heating, water and waste services for areas north of Iber river, and operational costs of the Free Train for citizens, thereby realizing 99% of the budget approved by the Law;
- Organization and preparation of meetings of the Ministerial Commission for POEs;
- Website updates with Central POE data;
- Receipt and processing of quarterly and annual reports for Central POEs;
- Evaluation of performance of BoDs of Central POEs for 2010;
- Drafting of the annual report on Central POE performance for 2010, and submission to the Government for endorsement, and further approval of the Assembly of the Republic of Kosovo;
- Provision of training workshops to Central POE Boards of Directors;
- Preparation of replies for parliamentary and media queries on Central POE issues.
- Return for revision of three decisions of Board of Directors for compliance with the law.

2.2 Legal framework

Upon approval of the Constitution of Kosovo in June 2008, the basic legal framework was approved on ownership and operations of corporate governance, such as the Law no. 03/L-087 on Publicly-Owned Enterprises, and further the amendment of the same Law, by Law 04/L-111, which provides on details of POE audits, better communication between POEs and local governments, establishment of new POEs, and transfer of Publicly-Owned Enterprises which were earlier under the PAK management.

Other secondary legislation acts approved include:

- Ownership policies of Publicly-Owned Enterprises;

- Administrative Instruction on Participation of Municipalities in Boards of Regional Waste Collection Companies;
- Model-Statute of Central POEs;
- Model-Code of Conduct and Corporate Governance;
- Rules of Procedure of the Ministerial Commission for Publicly-Owned Enterprises, etc.

2.2.1 Government Ownership on behalf of the Republic of Kosovo

Corporate Governance is the framework which ensures each enterprise is managed and lead properly and efficiently, by applying good laws and practices, and in due time, maximising returns to shareholders' investment. In a POE, the business objectives may be different from a private company, since a public entity is expected to serve policies set by the Government, which may not directly connect to maximizing investment return rates, but more to economic and social development objectives.

2.2.2 Ownership Policies

The main principle of good corporate governance is for the enterprise to be lead by an effective board, which is collectively responsible for the success of the enterprise. In the case of a publicly-owned enterprise, the Government mandates the Board with its responsibilities and respects its independence. The Government cannot get involved in management of Publicly-Owned Enterprises, but only in monitoring, and must allow for full operational autonomy in achieving their preset objectives. For the Government to have this “hands-off” position, it has developed a policy defining the general objectives of state ownership, the role of the state in POE corporate governance, and its manner of implementing such policies.

The general Government policy on Enterprise Ownership consists of eight components:

- Corporate objectives and business activities;
- Recruitment and appointment of Directors;
- General Annual Meetings;
- Capital Structure;
- Enterprise Performance;
- Dividends;
- State Subsidies; and
- Involvement of the private sector.

The general policies mentioned above apply to all POEs. Except for these, there may also be additional policies specific for a sector or territory.

For the business performance of each POE, debates have been organized in general annual meetings with the Shareholder in each of the Central POEs, held in June 2012.

2.2.3 Code of Conduct and Corporate Governance

Article 35.4 of the POE Law requires from the Minister to “promulgate a model code of ethics and corporate governance for use by POEs, and each POE shall ensure that its code is consistent

with such model code”. A Model-Code of Conduct was prepared and used as basis for ensuring the commitment of new POE directors in implementing such code, all other regulations and existing legislation. All directors have timely signed on their commitment to observe the Code, and for all those failing to respect this Code, the Shareholder will have an assessment and thereby a decision during its performance assessment.

Nevertheless, there was a need for a more comprehensive and modern code, and therefore, the PMU drafted a new Model-Code. The new Model-Code of Conduct and Corporate Governance was published by the Ministry of Economic Development, and distributed to all POEs.

Pursuant to Article 35.1 of the Law on Publicly-Owned Enterprises, this new Model-Code:

- Binds publicly-owned enterprises to higher standards of corporate behaviour and business practices;
- It is necessarily detailed in providing clear guidance on behaviour expected from all directors, officials, employees and professional consultants to a public enterprise.

2.3 Conflict of Interests

A conflict of interests occurs when personal interests and enterprise interests clash between each other. This an important and delicate issue in any business.

The elimination of this conflict is provided upon by the Law, and the present Code of Conduct. The Code provides on cases of occurrence of such conflict, and the ways of avoiding or preventing such conflict.

During 2011, the failure to observe such documents has taken to legal measures, such as the dismissal of non-executive directors at KEK and RWC HidroDrini-Peja. Decisions on such dismissals were approved by the Government after verification of existence of conflict of interests.

2.4 Dividends

Dividends are payments which are made by the companies which report profit by the end of the year, and may divide a part of that amount for dividends. In due consideration of management guidance, the Board of Directors is the authority determining the amount of profit which is allocated for re-investment and further for dividends. During 2011, the PTK was the central public enterprise which declared and paid dividends at the amount of €55 M, while PIA “Adem Jashari” paid 5 million from the statement of 2010.

2.5 Subsidies

The Government must commit to providing subsidies to enterprises, in specific circumstances, if allowed by the Law on Budgetary Allocations. The following are examples:

- The Government requires from the enterprise to provide services or a level of services which in a normal business flow would not be rendered by the enterprise. Depending on the type and duration of such special services, the Government shall determine whether such subsidies shall be paid as “pro rata” (proportional) services, or as lump sum;
- The enterprise provides services and is meeting objectives of operational efficiency, but revenues do not match the costs. If the enterprise wishes to increase its fees to cover such costs, but the Regulatory Authority decides to not allow the increase of such fees to the level desired by the enterprise, the Government may provide subsidies to meet the “gap”; or
- The capital grant would be needed in funding major investments, in cases when: (i) existing physical assets are approaching their economic life expectancy; or (ii) the use of new technology would sensibly reduce the operation costs; or (iii) the existing capacities are insufficient and requires investment in expanding capacities.

During 2011, based on the Law on Budget Allocations, the Government, through the MED, has supported the central and local Publicly-Owned Enterprises with a total amount of €47.8 M, of which:

- €35.5 M in subsidies for energy imports, central heating, railways, and water and waste;
- €12.3 M in capital projects.

2.6 Involvement of the private sector and restructuring of the POEs

Pursuant to the Constitution of the Kosovo, Article 60, Kosovo has a free market economy, and as a result, the active involvement of the private sector is encouraged with a view of providing general benefits to the people of Kosovo, in considering:

- Efficiency and quality of services provided by the enterprises;
- General economic impact of alternative ownership structures;
- Capacity of the Government budget to invest in enterprises which are needed to provide services in the future; and
- Nature of competition in the sector which the enterprise operates in.

The legal basis for the privatization of publicly-owned enterprises and introduction of the private capitals through the PPPs, is guaranteed by the Article 160 of the Constitution of the Republic of Kosovo, and is provided further by Article 9 of the Law no. 03/L-087 for Publicly-Owned Enterprises and the Law no. 03/L-090 on Public-Private Partnerships.

Restructuring of enterprises in implementing ownership policies on state enterprises with a view of improving the quality of public services rendered to the citizens of Kosovo has been an ongoing process, including:

- The Kosovo Railways JSC., which based on the Law on Kosovo Railways no. 03/L-076 and the Government Decision 05/110, was divided into two companies, one for Operations (Trainkos JSC) and the other for infrastructure (Infrakos JSC)
- The Prishtina International Airport (Adem Jashari) was further divided into two companies, one dealing with operating flights and passenger services, conceded to Limak-Lyon for 20 years, pursuant to the PPP Law no. 04/L-045, and another company working with Air Control, remaining under state ownership.
- The Kosovo Electricity Distribution and Supply company (KEDS) was divided from the Kosovo Energy Corporation (KEK). By the end of 2011, the KEDS was in the final stage of privatization, a process which was concluded by 2012.
- The Post and Telecommunications of Kosovo (PTK) had begun its unbundling by the end of 2011, as per Decision of the Government, with a view of establishing the Post of Kosovo.

According to the PTK privatization strategy, the Post of Kosovo shall remain ownership of the state, and the PTK, including the landline telephony, mobile telephony and internet, shall issue 75% of its shares for privatization. The unbundling process in the PTK was finalized, and since 1 August 2012, there are two separate business units: PTK and the Post of Kosovo.

- The Kosovo Landfill Management Company (KLMC) is now subject to the option study phase by a Transaction Advisor-IFC on the manner of its restructuring. The study is considering the option of investing for establishment and modernization of landfills in Kosovo (4 landfills and one transfer station), which in total make a capacity of 180,000 tons of waste. IFC was selected as Transaction Advisor to compile a Feasibility Study and Contract Options. In May 2011, an Investor Conference was held in Prishtina. Within the reporting period, the IFC has submitted a Report of Strategic Options for PPPs in the KLMC. The project has halted for the moment, due to the Draft Law on Waste and a comprehensive strategy on waste management.

2.7 Management in Publicly-Owned Enterprises

2.7.1 Board of Directors

a) Duties and responsibilities

The Board must exercise continuous and strict oversight on the performance of its senior officials in the enterprise, excluding the Internal Auditor, a position under the exclusive competency of the Audit Committee.

The Board must exert due care in disallowing its responsibilities in monitoring current performance from overshadowing the responsibility of providing long-term and strategic guidance in business. Whenever there is an appeal for strategic change, the role of the Board is to get involved, lead and monitor such performance as a team.

The Board must always reach objective decisions having in mind the best interests of the enterprise and its shareholders. The Directors are primarily responsible for undertaking and fulfilling its objectives. They must do everything in an ethical manner, within the bounds of law and bylaws governing the management of enterprises.

Other responsibilities of the Board include:

- determine the mission and the objectives of the enterprise;
- have sufficient meetings in regular periods to efficiently complete its duties, and provide an official schedule of decisions to be taken;
- receive accurate, clear and timely information, while the management provides such information, and directors require any explanation needed;
- review and approve enterprise business plans, thereby setting specific and measurable goals, and monitor implementation of such business plans;
- review main business risks, and ensure risk management and control are in place, and regularly review such risks in the light of changes and strategic objectives of the enterprise;
- provide sufficient resources for enterprise operations;
- encourage and maintain open communication lines;
- recruit, appoint and dismiss senior POE officials, and monitor and assess performance of such POE Senior Officials;
- hold the management to account, by using mechanisms such as compensation and permanent employment;
- improve the image of the Enterprise, and assess its performance;
- report to shareholders on performance of enterprise, and compliance with legal and regulatory requirements; and
- when concerns of Directors on managing the Enterprise, or actions proposed cannot be resolved, recording of such concerns in the minutes of Board meetings.

b) Selection Process

For each POE, the Secretary-General of the Prime Minister's Office shall appoint a Recommending Commission of seven (7) persons to identify and recommend the Government candidates for the position of a Chairperson of the Board of Director.

A central POEs Board of Directors shall consist of five or seven directors. All directors, except one, shall be appointed by the Government, with the exception of Regional Water Companies, the boards of which consist of 50% of the members from the municipalities, and each director appointed in that manner shall have an office term of three (3) years. The remaining director shall be the CEO of the POE, and is selected by the Board of Directors of the POE, in accordance with the Article 21 of the law.

In selecting chairpersons of the Board of Directors in a central POE, the Government may only appoint persons recommended by the respective Recommending Commission, and nominated persons by municipalities for Regional Water Companies. In selecting directors, the Government must make sure that at least two (2) directors are experts, or at least have adequate knowledge on accounting, as required by the Article 17.4 of the present Law.

c) Compensation

Directors shall be paid a basic honorary, as determined by a Decision of the Government, for the time spent in Board meetings.

Directors shall also be entitled to performance incentives, in compliance with the statement on compensation policy, prepared by the Audit Committee of the Board of Directors.

The failure to respect the Government Decision and the statement on compensation policy shall negatively reflect in the assessment of the relevant Board, and other measures may ensue.

d) BoD Assessment/Self-Assessment

Every board of a Public Enterprise is bound to engage in a self-assessment of performance during the previous year. To assist this recently established self-assessment process, the PMU has drafted a questionnaire with different questions, based on which the POE Boards have prepared their self-assessment reports, and timely submitted them to the PMU.

Also, the PMU has prepared an assessment report for every POE Board of Directors on operational and financial performance, namely the attainment of operational and financial goals from the Business Plan, also including the compliance with legal requirements on their reporting, financial and operational statements, meetings and performance at work. This report is there to present an assessment of BoD performance, a report published with the PMU link in the MED website. The Shareholder shall have in consideration the assessment report on existing members of the Board when selecting new Board members .

2.7.2 Management

a) POE Officials

POE officials are appointed by the POE Board of Directors. Officials work for the Board, and the Board may at any time terminate their contracts by majority vote, with or without a justification. Independently of the above, the Audit Committee has an exclusive competency to appoint and dismiss the Internal Auditor, who reports to the Audit Committee, which may at any time terminate this official by majority vote, with or without stating the reason. This Article 21.1 overrules on any contractual provision established by contract or Law, and should be reflected in POE regulations. Rules approved by the Board of Directors, according to Article 34, amongst others, shall determine the title, duties and responsibilities of each POE.

Each POE shall have the four following officials: Chief Executive Officer, Chief Financial Officer, General Advisor/Corporate Secretary, and an Internal Auditor. If needed due to size and/or diversity of activities, a POE may, if approved by the Board of Directors, and provided upon by the Rules, have one or two Deputy CEOs.

2.7.3 Reporting

As in any business or institution, Publicly-Owned Enterprises must also prepare various reports, which must be rendered available to the member Directors of the BoD, and the PMU, as necessary.

The Law on POEs is the legal framework requiring all POEs to report on specific items on specific dates. Some of the reports are listed in the following table.

Reporting	Law on Publicly-Owned Enterprises
First Quarterly Report	Until 31 May
Second Quarterly Report	Until 31 August
Third Quarterly Report	Until 30 November
Annual Report	Until 17 March
Business Plan	Until 31 October
Consumer Satisfaction Report	Until 31 March
Internal Audit Report	Until 30 May
External Audit Report	Reported to the Audit Committee

Table 1 – Reporting pursuant to the Law on POEs

a) Quarterly and Annual Reports

During 2011, all POEs have submitted these reports. Some of the enterprises have used the formats set by themselves, while others have used the format set by the PMU (for the annual report), and have applied the Article 31 of the Law on Publicly-Owned Enterprises. The third section of the present report provides a more detailed explanation of reports of each enterprise.

b) Business Plan

According to the Law on Publicly-Owned Enterprises, officials of each public enterprise must draft their business plans until the 31st of October of each calendar year for the next year. This business plan may be reviewed by the enterprise after the first half of the year. In 2011, all POEs have prepared their Business Plans for 2011.

c) Consumer Satisfaction Report

Each enterprise is bound to test the satisfaction rate of its consumers with the services provided, according to Article 29 of the Law no. 03/L-087 on POEs. Based on such a test, the enterprise

compiles a report to be submitted to the PMU. Apart from four POEs that have not submitted such a report, all other POEs have submitted such reports in due time.

d) External Audit

Upon the end of each year, all Publicly-Owned Enterprises are subject to an external audit by an external, independent and qualified auditor. The external audit process is undertaken by the Office of Auditor General, or is outsourced by the public enterprise, in accordance with a selection process pursuant to the criteria and conditions set forth by the Law on Public Procurement. This auditor is bound to prepare a realistic and professional assessment of financial statements of enterprises, and its performance in all aspects. The External Audit Report shall be submitted to the Board of Directors for information and approval, and be sent to the Policy and Monitoring Unit for the POEs.

All enterprises have concluded their external audit activities for 2011, and the last audit report, the PTK report, was received by the end of July 2012.

The reports conclude with opinions on Compliance and Regularity of Financial Statements and Internal Control Processes with standards and legal requirements, and we have the following opinions: ten have Unqualified Opinions, one has a Qualified Opinion, and six of them have been qualified with an emphasis of issues. In comparison with the previous year, this shows progress in opinions of external audits.

The Office of Auditor General has undertaken management performance audits in water companies and the Kosovo Landfill Management Company. The Audit Reports have provided several recommendations on findings. All findings have been taken rather seriously, and a Recommendation Implementation Plan was drafted, implemented almost fully now.

e) Internal Auditor

The POE Law provides on the internal auditor as one of the most important senior officials of a POE.

The selection and appointment of the Internal Auditor is competency of the Audit Committee, as is the approval of the Action Plan and approval of Internal Audit Reports.

All Publicly-Owned Enterprises have internal auditors, while larger POEs such as KEK and PTK, have Audit teams, which provide important inputs to an increased level of internal control.

3 Publicly-Owned Enterprises

The Publicly-Owned Enterprises in Kosovo, in terms of ownership, are divided into Central POEs with the Government of Kosovo as Shareholder, and Local Publicly-Owned Enterprises under the ownership of Municipalities.

In terms of coverage and organization, there are also Regional Publicly-Owned Enterprises, which may combine central and local ownership, such as Regional Water Companies and Regional Waste Collection Companies.

Central POEs are enterprises under the ownership of the Government on behalf of the Republic of Kosovo, and are monitored by the Ministry of Economic Development, namely the Public Enterprise Policy and Monitoring Unit. This Unit, based on the Law on Publicly-Owned Enterprises, monitors the Publicly-Owned Enterprises on behalf of the Shareholder. On the other hand, local enterprises are owned by respective municipalities, and are monitored by the Municipalities' Shareholders Committees.

3.1 Publicly-Owned Enterprises' Sectors

Central Publicly-Owned Enterprises render services in the following sectors:

- **Energy Sector:**
 - Kosovo Energy Corporation (KEK)
 - Transmission System and Market Operator (KOSTT)
- **Communications Sector:**
 - Post and Telecommunications of Kosovo (PTK)
- **Transport Sector:**
 - Prishtina International Airport "Adem Jashari" (PIA)
 - Kosovo Railways (KR)
 - Infrakos
 - Trainkos
- **Water Supply Sector:**
 - Regional Water Company Prishtina
 - Regional Water Company Radoniqi
 - Regional Water Company Hidromorava
 - Regional Water Company Hidroregjioni Jugor
 - Regional Water Company Hidrodrini
 - Regional Water Company Mitrovica
 - Regional Irrigation Company Radoniqi-Dukagjini
 - Regional Irrigation Company Drini i Bardhë
 - Hydro-Economic Enterprise Ibër Lepenc
- **Waste Collection Sector:**
 - Kosovo Landfill Management Company (KLMC)

3.2 Public Enterprise Development Policies, Monitoring and Oversight

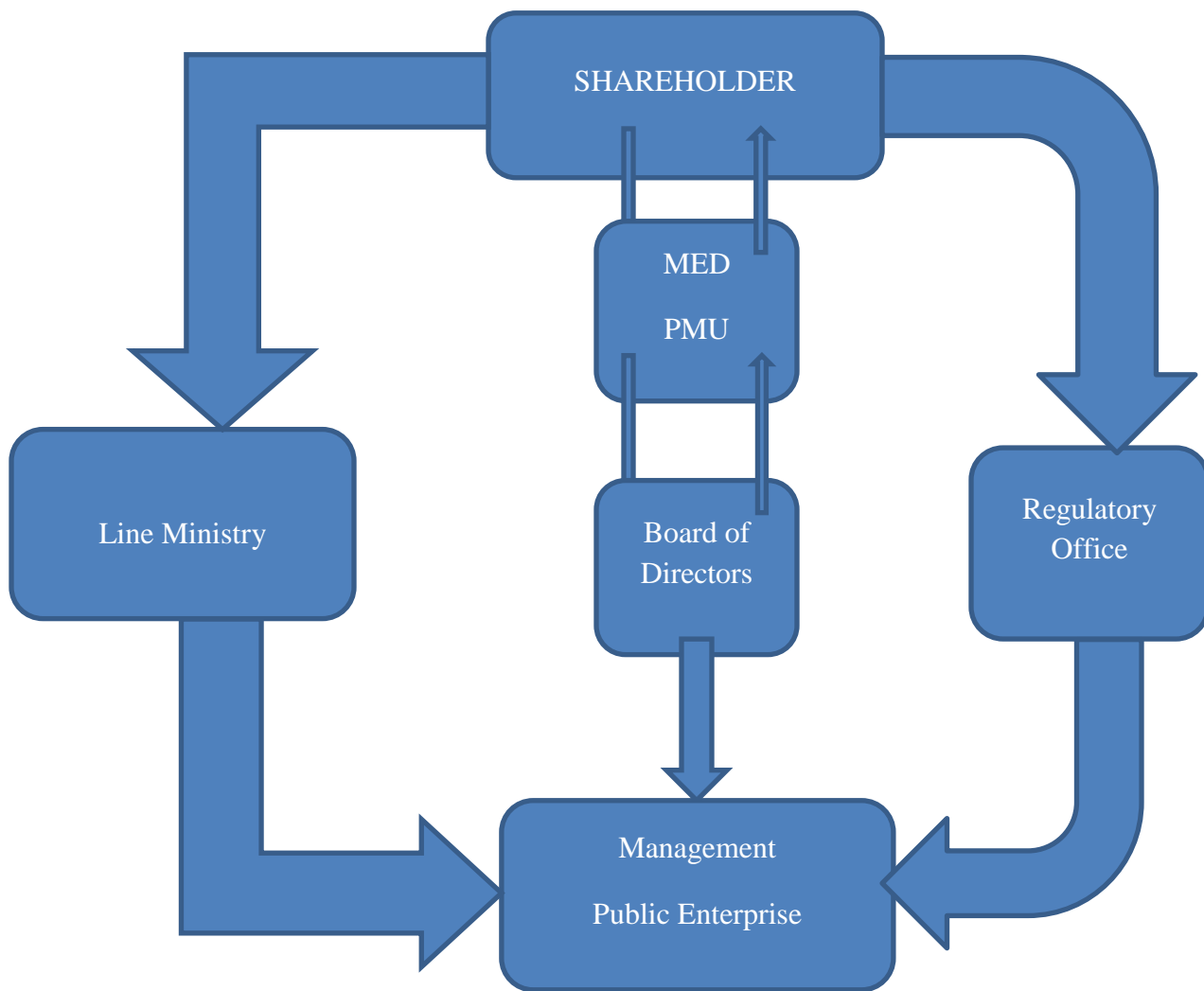


Figure 2 – POE Administration

Figure 2 shows the functioning scheme of the POEs in relation to the Shareholder, line ministries making development policies of the sector, Regulator and citizens to whom Publicly-Owned Enterprises are offered.

POEs are business entities working for profit, but since they are established by the public, it is their responsibility to provide services to citizens. Development policies are set by the line ministries, policies enshrined within the Business Plan, which is in turn monitored by the Board of Directors, and on top of it, the PMU/MED monitors the Board's performance. On the other hand, Regulatory Offices set the tariffs, license the POEs, and oversee the POE service quality.

3.3 Financial Support by the Government

Central and Local Publicly-Owned Enterprises	2011		2010	
	Capital Investment (000)	Subsidies (000)	Capital Investment (000)	Subsidies (000)
PTK	0	0	0	0
RTK	0	0	0	10,464
KEK ¹	0	31,833	0	33,520
KOSTT	7,385	0	8,339	0
PIA	0	0	0	0
Kosovo Railways	0	0	2,682	500
Infrakos	603	0	0	0
Trainkos	1,198	500	0	0
Iber Lepenc	0	0	0	0
Water and Waste Enterprises	2,667	1,266	2,651	587
Central Heating	474	1,948	449	1,403
Total by Category	12,327	35,547	14,121	46,474
Total Central and Local POEs	47,874		60,595	

Table 2 – Funds allocated by the Government to the POEs

Table 2 shows that in accordance with the MTEF, and in coordination with the IMF, the Government has reduced the subsidies for 26.5% in comparison with the previous year.

During 2011, the Government of the Republic of Kosovo, with its new projects, has invested Euro 12.3 M in Publicly-Owned Enterprises, such as the KOSTT, Railways and the Waste and Water POEs.

Also, the Government has subsidized Publicly-Owned Enterprises such as KEK, Trainkos, and Water and Waste Enterprises and District Heating companies at a total amount of Eur 35.5 M. This has been financial assistance given by the Government with a view of securing sufficient supply of electricity, covering operational costs for free movement of trains for citizens, ensuring central heating, and covering costs for water and waste services.

¹ The subsidies for 2010 and 2011 include the electricity subsidies for social cases, at the amount of 4,500,000 (2010) and 4,483,493 (2011).

3.4 POE Financial Performance

Central Publicly-Owned Enterprises	2011			2010		
	Revenues ² (000€)	Costs ³ (000€)	Profit/Loss ⁴ (000€)	Revenues (000€)	Costs (000€)	Profit/Loss (000€)
PIA “Adem Jashari”	8,958	-8,562	396	28,064	-21,886	6,178
KEK	257,496	-240,979	16,517	239,013	-224,865	14,148
KOSTT	18,792	-17,509	1,283	22,725	-18,257	3,468
PTK	164,297	-118,181	46,116	154,049	-120,653	33,396
Kosovo Railways ⁵	5,896	-8,196	-2,300	7,927	-7,992	-65
Infrakos ⁶	1,337	-1,420	-83			
Trainkos ⁷	2,364	-2,016	348			
KLMC	1,187	-2,098	-911	1,116	-2,077	-961
Iber Lepenc	3,810	-7,800	-3,990	5,379	-7,713	-2,334
RWC Drini i Bardhë	227	-244	-17	170	-244	-74
RWC Radoniqi-Dukagjini	887	-885	2	810	-839	-29
RWC Prishtina	12,941	-13,265	-324	11,611	-13,550	-1,939
RWC Mitrovica	3,775	-3,713	62	3,248	-3,630	-382
RWC Hidromorava	1,716	-2,068	-352	1,719	-2,105	-386
RWC Hidrodrini	3,067	-3,220	-153	3,003	-3,239	-236
RWC Radoniqi	2,924	3,601	-677	2,729	-3,435	-706
RWC Hidroregjioni Jugor	3,579	-4,075	-496	2,908	-3,441	-533
TOTAL	493,253	-437,832	55,421	484,471	-434,926	49,545

Table 3 – POE Financial Performance, according to External Audit Reports

Table 3 shows some progress when compared to the previous year, because as a result of revenue increase, the general annual profits in 2011 are for 11.8% larger than previous year.

Individually, enterprises have clearly progressed: two companies have considerably increased their financial profits; two others have transformed into profitable companies, while seven enterprises have reduced their losses in comparison with the previous year.

???

Better performance would be required also from companies such as the PIA, KOSTT and Iber-Lepenc.

Nevertheless, this is not due to objective reasons, since the PIA has been conceded, and does not have its operations any more, while KOSTT has claims on KEK, while the Iber-Lepenc could not create more revenues from HPP electricity generation due to unfavourable climate conditions.

² Revenues include income and grants

³ Including depreciation, bad debts, etc.

⁴ Profit/Loss after taxes

⁵ Year 2011 covers the period 01/01/2011-31/08/2011

⁶ Data for the period 01/09/2011-31/12/2011

⁷ Data for the period 01/09/2011-31/12/2011

3.5 Operational Performance in Sectors

- **Energy Sector**

Operational Indicators	Coal Production in t (000)	Electricity generation (GWh)	Technical losses (%)	Commercial losses (%)	Billed available energy for sale (%)	Collection of bills (%)	Transmission losses		Transformer Capacities (MVA)
							MWh	%	
2010	7,958	5,037	17.2	24.02	80	88.6	131	2.38	1500
2011	8,212	5,167	16.78	21.37	74.35	91.08	115	2.06	1800

Table 4 – Operational Performance in the Energy Sector⁸

Table 4 shows also that the energy sector has marked considerable progress in operations with the previous year.

As one may see, this year, in comparison with the previous year, 3.2% more coal has been produced, 2.6% more energy was generated, 2.48% was the increase rate in billing, while total energy losses (technical and commercial) at KEK were reduced for 3.07%.

Also, KOSTT has reduced its transmission losses for 0.32%, while the transformer capacity was increased from 1500 MVA to 1800 MVA.

- **Telecommunications Sector**

The telecommunications sector in Kosovo generates a total of Eur 250 M, the vast majority of which, or 80% is generated by mobile telephony, while the remaining parts are injected by landline telephony and internet.

In Kosovo, the PTK generates 70% of the revenues in mobile telephony, 95% of landline telephony, and only 25% of internet.

Operational Indicators	Landline Telephony (telecom)		Mobile Telephony (Vala)		Internet	
	Number of Subscribers	Market Coverage (%)	Number of Subscribers	Market Coverage (%)	Number of Subscribers	Market Coverage (%)
2010	82,805	93.7	1,018,400	70.15	42,981	34
2011	82,238	94.4	992,963	67.14	36,427	25.43

Table 5 – Operational Performance of the Telecommunications Sector⁹ - PTK

⁸ Data from the Annual Report 2011 of the ERO

⁹ Data from the TRA Annual Report 2011

Table 5 shows progress only in market coverage by landline telephony, but even there, there is a reduction in the number of subscribers.

Meanwhile, all other indicators only show a decline in numbers of subscribers and market coverage in percentages, both in the case of Vala and Internet. This decline may have been a result of competition with other market operators.

Declining subscribers numbers in mobile telephony are often explained by the PTK officials as a result of re-registration of subscribers, and clean-up of passive numbers from the register.

- **Water Sector**

Water and sewage services provided by public utilities are the main services in Kosovo. Presently, the population covered by the RWCs is around 1.375.000, or around 70% of the population using water supply services, while only 50% of the Kosovo population use sewage services.

Operational Indicators	2011	2010
Water production (m3)	139,424,837	133,304,780
Water Supply Billing (%)	39	40
Water Bill Collection (%)	68	65
Unbilled water supply (%)	61	60
Consumer/Metering devices ratio (%)	79	80
No. of Consumers	238,852	223,446

Table 6 – Operational Performance of the Water Sector¹⁰

Table 6 data show that there is progress in water supply companies in terms of water production, marking an increase of 4.5% compared with 2010. Also, 3% is the increase in collection rates, while the number of consumers has increased for 15.406 new consumers. Nevertheless, much is to be done in achieving greater progress, since in 2011, there were declining indicators such as the percentages of billing, or water losses, which increased for 1%.

¹⁰ Data from the WWRO Annual Report 2011

3.6 Number of employees of POEs

Central Publicly-Owned Enterprises	Number of employees	
	2011	2010
PIA "Adem Jashari"	159	821
KEK	7714	7705
KOSTT	242	239
PTK	3349	3357
Kosovo Railways		468
Infrakos	291	
Trainkos	203	
KLMC	52	46
Iber Lepenc	273 ¹¹	238
RWC Drini i Bardhë	56 ¹²	45
RWC Radoniqi-Dukagjini	64	66
RWC Prishtina	536	504
RWC Mitrovica	229	220
RWC Hidromorava	153	142
RWC Hidrodrini	180	179
RWC Radoniqi	228	220
RWC Hidroregjioni Jugor	237	220
Total	13,966	14,470

Table 7 – Number of employees in POEs

The data from Table 7 show that the total number of employees has fallen for 504 employees, which is a result of the concessioning of the PIA, and the transfer of employees to the private operator, based on the agreement between the state and the operator for preserving three-year contracts of employees, while the number of employees in other individual POEs is a result of implementing Business Plans and finalization of new projects.

¹¹ Number of employees increased due to employment of seasonal workers

¹² Number of employees increased due to employment of seasonal workers

4 Individual Performance of Central Publicly-Owned Enterprises

4.1 KEK

Name of Company	Kosovo Energy Corporation JSC (KEK)
Registration No.	70325399
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Fadil Citaku (Chairman) Izet Ibrahim Mujë Rugova Ismail Jonuzi Flamur Keqa Agim Nika
Chief Executive Officer	Arben Gjukaj
Corporate Secretary	Nexhat Podrimaj
Financial Manager	Salih Bytyqi
Internal Auditor	Mentor Hyseni

Table 8 – General Data on KEK

The Kosovo Energy Corporation JSC (KEK) is the only energy enterprise in the Republic of Kosovo. It was incorporated by the end of 2005. KEK operates with two open-pit mines (MIRash and Bardh), two power plants (Kosovo A and Kosovo B), and a distribution network at a length of 18.898.43 km, spreading throughout the territory of our country. It also has a sector of supply, which includes the electricity sale sector.

Primary functions of KEK are coal generation, electricity generation and distribution, electricity sale and consumer care. In performing all functions, this enterprise is divided into four key divisions as the following:

- Mining Division (Coal Production);
- Generation Division (electricity generation);
- Distribution Division (electricity distribution); and
- Supply Division (electricity supply).

The functions of the Corporation are devised by the policies of the Energy Regulatory Office of the Republic of Kosovo.

Vision

To provide sufficient electricity supply services for end-users, at affordable prices, in observation of environmental standards.

Mission

Provision of reliable and cost-based energy services for all paying consumers, in due application of safety and health regulations, in respect of environmental standards, by attracting investments at a view of maintaining financial sustainability and development. All these serve the function of preserving the company assets, through proper maintenance and support for the core values of the company, such as transparency and ethical conduct.

Objectives

The objectives of this enterprise are set upon ensuring readiness to face any challenge in the future, as an effective organization. Some of the objectives are listed below:

- Improvement of financial performance by achieving a 100% collection rate for Energy Available for Sale;
- Efficient management and operation of assets;
- Preparation of functionally and legally unbundled assets (mines, generation, network and supply) for attraction of investments and potential privatization;
- Increased investment in environmental protection;
- Improvement of financial sustainability;
- Increased responsibility to consumers and society;
- Increased productivity;
- Capacity building of the labour force;
- Maintenance of relations with the Public and the Government.

Projects

The key projects in 2011 are listed by divisions:

Mining Division

- Opening and operation of the Sibovc SW mine (funding source: Government loan);
- Spreaders SD II&III, P3&P4M (funding source: KEK);

Generation Division

- Capital repair of generators at TPP Kosovo B (funding source: KEK);
- Repair of thermal insulation at TPP Kosovo B. (funding source: KEK);

Network Division

- Reconstruction of Palaj SS, and transfer of transformer and placement at TS 110/35 kV – Prizren 1 (funding source: KEK);
- Expansion and strengthening of the KEK distribution network (funding source: KEK).

Meeting legal requirements

Quarterly and annual reports, and the Business Plans, are only some of the reports required according to the Law on Publicly-Owned Enterprises. The Board of Directors of KEK has approved these reports timely.

The Business plan was prepared in time, thereby presenting the corporate and division plans of the Corporation during 2011. The Plan has identified the objectives the Corporation aims to realize in improving financial and operational performance of the company.

Quarterly reports are reviewed by the Audit Committee, and timely approved by the Board of Directors. The Management has included various elements in these reports, such as the organizational structure, different activities, completed and pending projects, achievements of divisions, financial and operational performance, and their comparisons with respective quarters of past year.

The Annual Report 2011 was prepared by the management, and approved by the Board in due time. This report is drafted in a narrative and tabular manner, in presenting operational and financial data of Divisions, thereby comparing them with the past year and the Business Plan, in an effort of presenting plans realized fully and partially.

Board of Directors, Audit Committee and other Committees

The Board of Directors has held numerous meetings in 2011 (14 meetings), where it discussed and approved important issues and many activities of the Enterprise. Before almost every Board meeting, Audit Committee meetings were held as well, or precisely 10 meetings. Based on the needs of the Enterprise, the Board of Directors has established several other committees on as-needed basis. The committees established are: Sibovc SW Mine Committee, Environmental Projects Oversight Committee, and the Committee for Assessment of Consumer Supply Agreement with non-regulated tariffs.

The Unit has monitored the activities of the Board, and has assessed its performance, and such assessment report by the PMU has been published in the MED website.

Operational Performance

Operational Indicators	Coal Production in t (000)	Electricity generation (GWh)	Technical losses (%)	Commercial losses(%)	Billed available energy for sale (%)	Collection of bills (%)
2010	7,958	5,037	17.2	24.02	80	88.6
2011	8,212	5,167	16.78	21.37	74.35	91.08

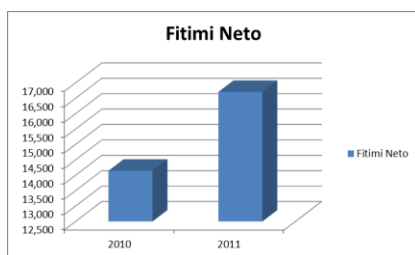
Table 9 – KEK Operational Performance

As one may see in Table 9, divisions have marked considerable progress in all Key Performance Indicators (KPI). In comparison with 2010, performance has improved in coal and electricity generation, collection has increased, while technical and commercial losses have decreased.

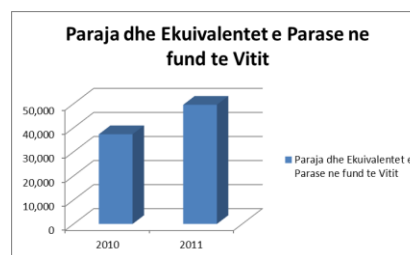
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	257,496	239,013
Expenditure	-184,910	-173,617
Operational Profit/Loss	72,586	65,396
Depreciation and Amortization	-37,711	-29,163
Non-Performing Debts	-18,358	-22,085
Financial Profit/Loss	16,517	14,148
Year-End Money	49,561	37,320

Table 10 – KEK Financial Performance



Graph 1 – Financial profit/loss, KEK



Graph 2 – Cash at the end of the year, KEK

Table 10 shows that KEK revenues in 2011 have increased for 7.7% in comparison with the previous year, while the annual financial profit has increased 16.7%, while costs of non-performing debts have reduced for 20.30%.

4.2 KOSTT

Name of Company	Transmission System and Market Operator JSC (KOSTT)
Registration No.	70325350
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Ramadan Pacarada (Acting Chairperson) Faton Deda Nazmi Mikullovc Fatos Ukaj Lutfi Maxhuni
Chief Executive Officer	Fadil Ismajli
Corporate Secretary	Merita Kostari
Financial Manager	Nebih Haziri
Internal Auditor	Shaqir Rexhepi

Table 11 – General Data on KOSTT

The KOSTT was established as a result of the restructuring process of the energy sector, as required by the Energy Community Treaty for South-Eastern Europe, in which Kosovo is a fully-fledged member.

Nominated by the Government of the Republic of Kosovo, and licensed by the Energy Regulatory Office, pursuant to primary and secondary legislation provisions, KOSTT JSC was licensed in October 2006 as Electricity Transmission System and Market Operator. The Transmission System and Market Operator in Kosovo, the KOSTT, has a strategic position in the regional and international electricity markets, since it is interconnected to four other systems, namely those of Albania, Macedonia, Montenegro and Serbia.

The KOSTT, as Transmission System Operator (TSO) is responsible for efficient, economic and coordinated operation of the electricity transmission system, and is responsible for management energy flows in interconnection lines.

On the other hand, as an Electricity Market Operator, the KOSTT is also responsible for organizing and administering the electricity market, and management of the final balancing process.

Vision

To provide reliable and safe services for transmission system users, responsibility in social and environmental aspects, integrated with European mechanisms of electricity transmission, and ensuring profitability of the company.

Mission

The Mission of the KOSTT is to ensure:

- Quality services by implementing technical – technological innovations in developing the transmission system;
- Transparency and non-discrimination in a competitive electricity market;
- Advancement of the Company's position in regional and European levels, by continuous enhancement of human resources.

Future Objectives

Objectives of this Enterprise are set upon ensuring an effective and ready organization to tackle any future challenge. Some of the key objectives are listed below:

- Ensure an effective development of the transmission network;
- Increase performance of the transmission system;
- Enhance planning and development of system capacities;
- Ensure financial sustainability;
- Be an attractive employer, and provide an environment investing in professional development of employees;
- Establish effective relations with interested parties;
- Membership in the ENTSO-E and other international mechanisms;
- Have active participation in processes of regional market development;
- Ensure a safe working environment;
- Be responsible in social and environmental aspects.

Projects

Based on its development plans, the KOSTT has made numerous investments, thereby improving the transmission network. Finances for these projects have been allocated in collaboration between KOSTT and the Government of Kosovo, and various donors such as KfW, ECLO, or own revenues. During 2011, several projects were concluded, other projects started implementing, while other projects are ongoing, and expected to conclude in the coming years.

Some of the most important projects of 2011 are presented below:

- Project Package SS 400/110 kV – Ferizaj 2, 400kV and 110 kV interconnection lines and Consultancy Services – (funded by the EC and the Kosovo Budget);
- Consultancy Services for the Construction Project LP 400kV, Kosovo – Albania (funded by the KfW);
- Consultancy Services for the SCADA/EMS Project and Telecom (funded by the Kosovo Budget);
- Project Package SCADA/EMS and Telecom LOT-1:SCADA/EMS – (funded by the Kosovo Budget);
- LOT 1 and LOT 2 – Supply, installation and commissioning of ATR3 150 MVA at SS Prishtina 4 - (funded by the KOSTT);
- Replacement of High Voltage Equipment at SS Prizren 2 and installation of ATR3, 150 MVA (LOT1) – (funded by the EC);
- Market Operation IT (LOT2) – (funded by the ECLO);
- Replacement of High Voltage Equipment at SS Kosovo B, 400 kV level – (funded by the KOSTT);

- Connection of SS Lipjan at line LP 212 (Kosovo A - Ferizaj 2) - (funded by the KOSTT)
- Replacement of Relay Protectors at SS 110/35kV Prishtina 2 and Prishtina 3 - (funded by the KOSTT);
- Reallocation of 110 kV line, no. 1806 SS Gjakova 1 - Gjakova 2, and rehabilitation of HV equipment at SS Gjakova 1 - (funded by the KOSTT);
- Rehabilitation of own-consumption equipment at SS 400/220kV, Kosovo B - (funded by the KOSTT).

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports required according to the Law on Publicly-Owned Enterprises. These reports were approved within due time by the Board of Directors of KOSTT, and are compiled pursuant to requirements of the Law on Publicly-Owned Enterprises.

The Business Plan is a rather detailed plan. This plan consists of the organizational structure, development of the energy market locally and in the region, legal and regulatory framework, social and environmental aspects and challenges, including strengths, weaknesses, opportunities and threats (SWOT Analysis), investment plans, and revenue and expenditure balances.

Quarterly reports have pursued a standard report, starting with the organizational structure, a description of key financial and operational indicators, with a comparison with 2010, and the respective budget for 2011. Also, part of the reports was dedicated to the description of capital projects and their implementation, legal and regulatory issues, financial statements, and financial and operational analysis.

The Annual Report had a different format, but the data are approximately similar, including a presentation of corporate governance functioning within the enterprise.

Board of Directors, Audit Committee and other committees

Amongst many other duties, the Board of Directors has the duty to establish other committees, based on the needs of the company. The KOSTT Board has deemed necessary to establish the following committees: Committee for Capital Projects, the Committee for Division of Assets between KEK and KOSTT, and the 400 kV Line Kosovo-Albania Committee. During 2011, the Board of Directors has held 10 meetings, the Audit Committee held 8 meetings, while other committees have held meetings based on the need for such meetings. These meetings have discussed and approved important matters of enterprise activities.

The Unit has monitored the activities of the Board, and has assessed its performance, and such assessment by the PMU has been published in the MED website.

Operational Performance

Operational Indicators	Transmission Losses		Transformer Capacity (MVA)	Line Capacity (MVA)	No. of Complaints
	MWh	%			
2010	131.043	2.38	1500	1050	8
2011	115.315	2.06	1800	1350	2

Table 12- Operational Performance of KOSTT

Table 12 shows that investments made in different years have reduced transmission losses from year to year. In 2011, electricity losses in transmission have been 0.32% smaller than previous year.

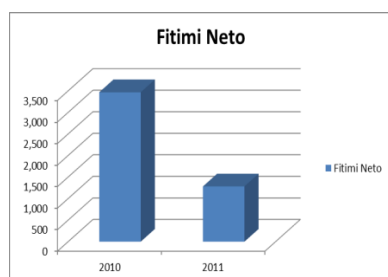
KOSTT has made investments in transformers, thereby increasing for around 20% the performance of transformers, or an increase from 1500 MVA in 2010 to 1800 MVA in 2011. Also, the line capacities have increased from 1050 to 1350 MVA, or 28.57%.

8 complaints have been filed for voltage in 2010, while in 2011, only 2 complaints have been filed for voltage.

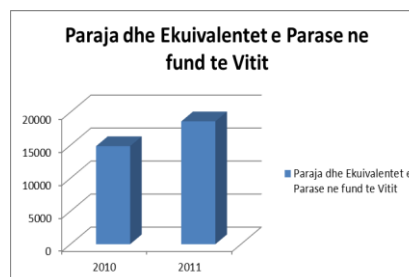
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	18,792	22,725
Expenditure	-8,770	-11,626
Operational Profit/Loss	10,022	11,099
Depreciation and Ammortization	-6,349	-4,866
Bad Debts	-2,390	-2,765
Financial Profit/Loss	1,283	3,468
End-Year Money	18,605	14,850

Table 13 - Financial Performance of KOSTT



Graph 3 – Financial profit/loss, KOSTT



Graph 4 – Cash at the end of the year, KOSTT

As one may see in the table, the KOSTT has performed in positive business during 2011. In comparison with 2010, this positive progress is smaller, but this is only a result of provisioning of the claims, which KEK refuses to pay. Furthermore, the timely performance on its obligations to clients and institutions of the state makes this company a financially stable one.

Continuation of capital expenditures in 2011 has ranked the electro-energy system to a satisfactory level of security and performance, thereby increasing the value of KOSTT values.

4.3 PTK

Name of Company	Post and Telecommunications of Kosovo JSC (PTK)
Registration No.	70280741
Ownership	Republic of Kosovo (100%)
Charter Equity	5,000,000 €
Board Members	Rexhë Gjonbalaj (Chairman) Qamil Buzhala Nuhi Ahmeti Elmaze Pireva Gani Sylaj Sahit Surdulli
Chief Executive Officer	Shyqyri Haxha
Corporate Secretary	Sebahedin Ramaxhiku
Financial Manager	Nuredin Krasniqi
Internal Auditor	Genc Rraci

Table 14 – General data of the PTK

On 29 June 2005, the PTK was incorporated and transformed into a Joint Stock Company, with the new title PTK JSC, organized into three business entities: Post of Kosovo, Telecom of Kosovo, and the Mobile Telephony Operator Vala. All three business units of the PTK are licensed by the Telecommunications Regulatory Authority of Kosovo.

The mobile telephony operator Vala has extended its coverage through the whole territory, and for a long time now it has been offering the most advanced services of mobile telephony for all its subscribers, within and outside the operator.

The Telecom of Kosovo has migrated its analogue network to the Next Generation Network (NGN), thereby enabling provision of telephony services, internet and television through the internet protocol (IPTV).

The Post of Kosovo has also advanced its services by automating its branches, which offer products of all business units.

The year 2011 was closed with a geographical coverage of 84% by telecommunications services. VALA has improved its roaming services with 350 networks throughout the world, in over 130 countries. The objective remains to extend GPRS services to countries most visited by our subscribers.

The beginning of 2011 was characterized by the implementation of the IPTV service, thereby creating possibilities for the subscribers to enjoy the triple-play services, meaning sound, internet and video. The focus of Telecom has always been to offer service packs suitable for family settings. In accordance with this concept, we have generated our most suitable packages for subscribers.

Despite difficulties in supply, activities have been undertaken in extending optical fibre to interconnect presence points with fibre. Year 2011 is also characterized by an increase of applications for internet services, especially in modifying packages, adding voice packs the internet.

Six new postal offices were open in 2011, and today, the Post of Kosovo, with its wide office network (155 Pos) has created favourable conditions for Kosovo citizens in realizing their requests for PTK services and products, even in the most remote areas and in education institutions.

Vision

Provision of quality services in Post and Telecommunications by advanced technology, for its subscribers, and increased value of public assets of the PTK, as assets of the state of Kosovo.

Mission

Always a leader in offering superior communications services, improving livelihoods of all Kosovars, by professionalism in its staff, and in using the most innovative and proven technology.

Future Objectives

The PTK has continuously set its working objectives based on development and enhancement of products or services, in accordance with its vision and mission, in the manner of being successful and having a positive result in the future. Albeit, the primary objective of the PTK remains the consumer, and fulfilment of their requirements by offering new products and services, while the plan for expanding capacities for new subscribers remains in force. The PTK net profit increase, reduction of operational expenditure and increasing the number of subscribers, have and continue to be strategic goals of the Company Executive Management.

Projects

The main projects in the TK, completed throughout 2011, are:

- Hybrid Post Project;
- Postal Offices Automation Project;
- Distance Management System for BTS Locations;
- Connecting boundary points with Optic Fibre;
- Expansion of infrastructure for placement of new presence points;
- Increased coverage to 100% of inhabited territories – Phase VI;
- Layout of optical fibre at LS Veternik -PTK Hajvali -Lot 1;
- Channelling and optical telephony fibre network for neighbourhood Suhodoll -Mitrovica, Stage One;
- Supply of ADSL Modems Lot 1;
- Supply of ADSL wireline Modems Lot 2.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the PTK Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in 2011. It identifies the goals the Corporation wishes to achieve in every business entity, and the key indicators showing completion or improvement of financial and operational performance of the Company. According to the PTK Statute, and in accordance with the privatization process ongoing, it has been determined that the Shareholder shall review and approve the Business Plan as submitted by the Board of Directors. Therefore, the Shareholder's Ministerial Commission for POEs has suggested in November 2011 that the 2012 Business Plan includes a reduction of salary costs, so as to cover not more than 20-22% of general revenues, while the same line was 30.2% of general revenues.

Quarterly reports for Q1 and Q2 were not reviewed by the Audit Committee, and this is one of the facts taken into account in assessing performance of the Board, although they were timely approved by the Board of Directors. The management has included various elements in drafting these reports, such as the organizational structure, various activities, completed or pending projects, achievements of various divisions, financial and operational performance, all in comparison with the respective quarter of past year.

The 2011 Annual Report was prepared by the management, and was timely approved by the Board. This report used narrative and tabular forms in presenting operational and financial data, but failing to meet the requirements of the PMU according to the guidelines disseminated.

It is worth mentioning that the delay of the Board in taking rapid steps in approving the Code of Conduct and Corporate Governance was one of the indicators influencing the assessment of the performance of the PTK Board.

Board of Directors, Audit Committee and other committees

The Board of Directors, appointed by the Shareholder, is responsible for managing the company, in compliance with Shareholder's policies and in accordance with the law. In 2011, the Board held 16 meetings, thereby discussing and approving important items of various enterprise activities. The Audit Committee held 9 meetings. Based on the needs of the Company, the Board of Directors has established several other committees, such as: Committee for Monitoring of Executive Implementation of Capital Projects and BP, Committee for Monitoring New Marketing Services and Consumer Satisfaction, Committee for Monitoring Corporate Governance and Compliance, and Committee for Human Resources and Compensation. These Committees have not shown satisfactory activities and functions, and the PMU has requested in 2012 that the necessity for such committees be reviewed.

Based on the above, the Unit has assessed the performance of the Board, and such report was published in the MED website.

Operational Performance

Operational Indicators	Landline (Telecom)		Mobile Telephony (Vala)		Internet	
	Subscribers	Market Coverage (%)	Subscribers	Market Coverage (%)	Subscribers	Market Coverage (%)
2010	82,805	93.7	1,018,400	70.15	42,981	34
2011	82,238	94.4	992,963	67.14	36,427	25.43

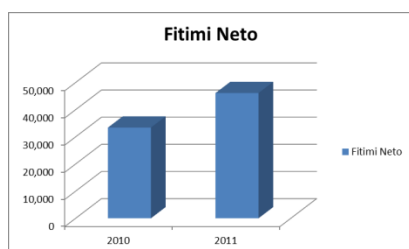
Table 15 - Operational Performance of PTK

The data in Table 15 are coordinated with the TRA report, and one may see that operational indicators are not satisfactory, since there is a continuous decrease of subscribers population in landlines, and there is also a decrease of subscribers population with Vala, and again with the Internet. Progress is only visible in market coverage in the Telecom sector, with a 0.7% improvement rate in comparison with the past year.

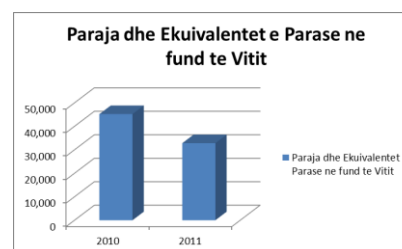
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	164,297	154,049
Expenditure	-94,156	-95,960
Operational Profit/Loss	70,141	58,089
Depreciation and Ammortization	-24,025	-24,693
Bad debts	0	0
Financial Profit/Loss	46,116	33,396
End-year money	32,804	45,195

Table 16 - Financial Performance of PTK



Graph 5 – Financial profit/loss, PTK



Graph 6 – Cash at the end of the year, PTK

Table 16 shows that operational revenues of the PTK JSC in 2011 have marked a 6.6% decrease in comparison to previous year, and a reduction of expenditure for 2%, thereby resulting into an annual financial profit increase rate of 38% in comparison with past year.

4.4 PIA

Name of Company	Prishtina International Airport “Adem Jashari” – Air Control JSC (PIA)
Registration No.	70280980
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Bekim Jashari (Chairman) Naser Canolli Fejzullah Krasniqi Besnik Krasniqi Bislim Zogaj Hanefi Muharremi
Chief Executive Officer	Acting, Bahri Nuredini
Corporate Secretary	Acting Njomza Gashi
Financial Manager	Valon Grabovci
Internal Auditor	Fetije Uka ¹³

Table 17 – General data of the PIA

The Prishtina International Airport – Air Control is a public enterprise, the activities of which include civil and military flights. The Prishtina International Airport “Adem Jashari” – Air Control enables flights from Kosovo to many countries of the world, and vice versa, for all citizens of Kosovo and other countries.

The Prishtina International Airport “Adem Jashari” – Air Control is a strategic public asset, bearing great importance for the Kosovo citizens and development of the country overall.

The year 2011 may be considered to be the year of transfer from a publicly-owned enterprise to a Public-Private Partnership for the Prishtina International Airport “Adem Jashari” – Air Control, due to the fact that in April 2011, the Airport was transferred to the Operator – the awardee of the PPP Contract – the Turkish-French Consortium Limak - Aeroports de Lyon.

It is worth mentioning that the Concession Contract does not include the Control Tower and Air Control, which is property of the Government and functions normally as a public enterprise.

Vision

International certification as provider of Air Navigation Services, according to requirements set forth by the Kosovo Civil Aviation Authority, and pursuant to international standards of Eurocontrol and ICAO.

Mission

The Mission of the PIA “Adem Jashari” is to provide quality services in compliance with international standards of air traffic, and security of flights in the air space of the Republic of Kosovo, maintaining high quality, environmental protection, and contributing to high security in the air space of Kosovo.

¹³ Exercised this position, prior to PIA concessioning.

Future Objectives

- Certification as an Air Navigation Service Agency;
- Coordination of components of providing air navigation services, in offering effective Air Traffic Control services, surveillance services, communication, navigation, Aeronautical Information and Meteorology;
- Effective management of factors involved in providing air navigation services.
- Opening of high air space of the Republic of Kosovo;
- Creation of stability in human resources, focusing on the number and quality of air traffic controllers;
- Financial control of air navigation services provision, to ensure that costs are efficiently and effectively used.

Projects

The PIA “Adem Jashari” own resources have covered all financing costs.

There have been major projects initiated in 2011. The majority of such projects have been a consequence of relocation of the current radar (PSSR/MSSR), DVOR/DME. As a result of these changes, the procurement process for acquiring new equipment was initiated to include a new MODE-S SSR and new VOR/DME. These major changes need to be supported by changes in existing procedures, and by introduction of new procedures to operate with the new equipment.

- Education for new Air Traffic Controllers, for a 3-year period;
- Supply and installation of ATIS equipment;
- Procurement and implementation of financial application.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the PIA Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in 2011. It identifies the goals the Corporation wishes to achieve in every business entity, and the key indicators showing completion or improvement of financial and operational performance of the Company.

The Annual Report 2011 was prepared by the management, and approved by the Board, also with a delay, and these are some of the facts taken into account in assessing performance of the Board, although they were approved in time by the Board of Directors.

Board of Directors, Audit Committee and other committees

The Board of Directors, appointed by the Shareholder, is responsible for managing the company, in compliance with Shareholder’s policies and in accordance with the law. In 2011, the Board held 11 meetings, thereby discussing and approving important items of various enterprise activities. Based on the needs of the Company, the Board of Directors has established several

other committees, but which resulted in poor activity as well. These committees include: Committee for Human Resources, Committee for Preparation and Allocation of DOSHNA, and Committee for Oversight of Capital Projects.

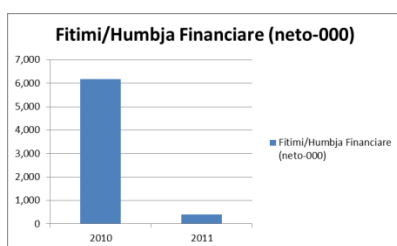
Based on the above, the Unit has assessed the performance of the Board, and such report was published in the MED website.

Financial Performance

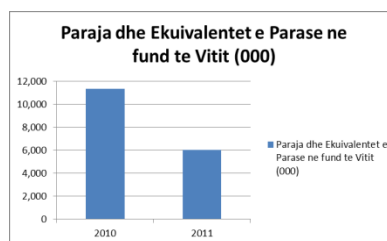
	2011 (000€)
Revenues	8,958
Expenditure	-6,874
Operational profit/Loss	2,084
Depreciation and amortization	-1,688
Bad Debts	0
Financial Profit/Loss	396
End-year money	6,015

Table 18 - Financial Performance of the PIA

Comparison of data between the two calendar years is almost senseless, since in 2011, in the month of April, the remaining part has been subject to major changes in functions, assets and staff, which directly influence the financial indicators, and resulting into a financial profit rate of 396 thousand Euros in 2011.



Graph 7 – Financial profit/loss, PIA



Graph 8 – Cash at the end of the year, PIA

4.5 Kosovo Railways

(01.01.2011 – 31.08.2011)

Name of Company	Kosovo Railways JSC (HK)
Registration No.	70325327
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Sejdi Hoxha (Chairman) Halim Peci Hysen Fazliu Halil Kika Fadil Krasniqi
Chief Executive Officer	Acting, Xhevat Ramosaj
Corporate Secretary	Ruzhdi Morina
Financial Manager	Acting, Sefedin Sefaj
Internal Auditor	Avni Murati

Table 19 - Të dhënat e përgjithshme të HK

The Kosovo Railways, the only enterprise licensed to provide railway traffic services for passenger and freight transport, possesses 333,451 km of open railway lines, 105,784 km of stationary lines, and 03 km of industrial lines. Its network has 23 tunnels with a total length of 9,020 meters, and 155 bridges, at a total length of 2,9 km. Nevertheless, the infrastructure is quite outworn, and in desperate need for renovating investment. In 1999, the railway system, after years of poor investment and the war period, had almost ceased to function.

With the support of various donors and the Government, the HK has been able to repair a major part of its infrastructure, and almost all lines are operational today, apart from the lines Xërxë-Prizren (27km) and Prishtinë – Podujevë (37km). Today, the HK operate 6 daily passenger routes :

- Railway Freedom of Movement (Fushë Kosovë – Skopje, and vice versa, although until March 2008, this line had been operating up to Leshak). This service, twice a day, is fully subsidized by the Ministry of Infrastructure.
- Prishtina- Peja- Prishtina, twice a day; and
- The services rendered by the HK are the following:
 - Conventional Freight Transport
 - Container transport
 - Passenger Transport
 - Coach Maintenance

Within this framework, a Government strategy on Transport Modes was drafted and approved in November 2009, thereby presenting the HK future until 2030. It also includes a plan for dividing the railway infrastructure, which is ongoing now, and is expected to encourage the involvement of private operators.

Intensive capital investment shall be required for the implementation of such a plan, since it is estimated that around 252 km of the present railway network (Line 10) need investment. All these railway lines are mono-railed and need electrification.

This company operated until August 31, 2011, thereby unbundling into InfraKos JSC and TrainKos JSC.

Vision

Provision of railway services at the best quality, high safety and competitive prices, using railway infrastructure with a view of providing passenger and freight transport services according to European standards.

Mission

Provision of competitive, sustainable and successful railway transport and services, in accordance with the demands of Kosovo's society and economy, by fulfilling safety, environmental and economic requirements.

Future Objectives

In achieving the desired level of railway infrastructure maintenance, the following are some of our objectives for the years to come:

- Allowing access to 333 km of railway lines, meeting new requirements of passenger and freight mobility, with a view of providing safe, reliable, attractive and affordable transport services by rail operation companies;
- Optimization of infrastructure usage;
- Ensuring financial sustainability for the railway infrastructure in Kosovo;
- Potential development of new railway lines for the future, which is needed to cope with long-term demands for mobility in the future;
- Timely and correct provision of all services to transport operators in accessing the railway network;
- Successful management of properties and increased revenue collection;
- Improvement of railway and industrial rail maintenance;
- Improved safety in rail traffic;
- Professional advancement and renewal of staff.

Projects

Similar to past years, in 2011, the Kosovo Railways JSC has completed a number of development projects funded by the Kosovo Budget. Capital projects funded by the Kosovo Budget include the following:

- Locomotive repairs;
- Passenger car repairs;
- Reparation of the Gajre Tunnel, and
- Supply of infrastructure parts.

From many projects implemented with the HK budget, we would distinguish the following projects of a larger cost:

- Supply of aggregate diesel for stations at railway line 10;
- Reparation of traction motors of locomotive 004 and 007, and replacement of wheels in locomotive 009;
- Supply of oils and lubricifiers;
- Supply of ballast for railway lines;
- Supply of high voltage cables for the Fushe-Kosova node.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the HK Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in the period between 1 January and 31 August 2011, the time it ceased to operate. It identifies the goals and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports have been reviewed initially by the Audit Committee, and were approved timely by the Board of Directors. The Report of External Auditor, and the Consumer Satisfaction Report, were also approved and submitted timely.

The 2011 Annual Report was prepared by the management, and was timely approved by the Board. This report used narrative and tabular forms according to the guidelines disseminated by the PMU, in presenting operational and financial data.

Board of Directors, Audit Committee and other committees

The Board of Directors is appointed by the Government of Kosovo, with a priority duty of exercising strict and constant oversight on the activities of the Enterprise officials. During this period, the Board has held 9 meetings, while the Audit Committee held 8 meetings. Also, this body established a Committee for Capital Investment, Human Resource Committee, and the Traffic Safety Committee.

The PMU has assessed the performance of the BoD, which has ensured a solid functioning of the company, and such assessment is published in the MED website.

Operational Performance

Operational indicators	1 January 2011 – 31 August 2011	31 December 2010
Freight Transport (ton)	675,114	1,128,658
Number of containers at Terminal	644	492
Passenger Number	249,033	376,770

Table 20 - Operational Performance of HK

As one may see in the Table 20, there is an increase of 31.16% in the number of containers, and naturally the achievements in eight months in terms of freight and passenger transport.

The failure to realize the goal of freight transport in 2010 was conditioned by the reduction of loads by the key clients such as “New Co Ferronikeli”, minus 83212 ton and “Standard Plin”, minus 8821 ton. According to the statements of these clients, this reduction was a result of external and internal factors, but which are not connected and not dependent on the HK.

Financial Performance

	1 January 2011 – 31 August 2011 (000€)	2010 (000€)
Revenues	5,896	7,927
Expenditure	-6,391	-4,982
Operational profit/Loss	-495	2,945
Depreciation and amortization	-1,749	-2,515
Bad Debts	-56	-497
Financial Profit/Loss	-2,300	-65
End-year money	779	2,872

Table 21 - Financial Performance of KR

These indicators cannot correspond with respective comparative periods, since in 2011, there is no operation for four months, and a reduction of revenues for 2.1 Million Euros, directly affecting the financial outcome of the eight months.

4.6 Kosovo Railways – Infrakos

(01.09.2011 – 31.12.2011)

Name of Company	Kosovo Railways Infrastructure JSC (Infrakos)
Registration No.	70325327
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Sejdi Hoxha (Chairman) Halim Peci Hysen Fazliu Halil Kika Fadil Krasniqi
Chief Executive Officer	Agron Thaqi
Corporate Secretary	Refet Citaku
Financial Manager	Zymer Zekaj
Internal Auditor	Avni Murati

Table 22 – General Data of Infrakos

The Kosovo Railways Infrastructure JSC - INFRAKOS was established according to a decision of the Government of the Republic of Kosovo no. 05/110, of 26.02.2010 on unbundling of Kosovo Railways JSC into two companies:

- Kosovo Railways Infrastructure JSC (INFRAKOS); and
- Kosovo Railways Train Operations JSC (TRAINKOS).

INFRAKOS, as a company which mainly operates in infrastructure service provision for railway transport enterprises, was established as a separate company since 01.09.2011.

INFRAKOS, as one of the successors of the Kosovo Railways JSC is fully publicly-owned, a public company owned by the state, and offers railway infrastructure services.

INFRAKOS manages 333,451 km of existing open railway lines, 105,784 km of stationary lines, and 103,4 km industrial lines. All these lines are mono-tracked and unelectrified. INFRAKOS maintains the rails, signalling systems, communication systems, and 34 stations, 115 bridges, 23 tunnels and other facilities.

Vision

Providing the highest quality, highest safety and competitively priced railway infrastructure services, offering operators realization of freight and passenger transport in accordance with European standards.

Mission

Provision of competitive, sustainable and successful railway infrastructure services, in accordance with the demands of Kosovo's society and economy, by fulfilling safety, environmental and economic requirements.

Future Objectives

In achieving the desired level of railway infrastructure maintenance, the following are some of our objectives for the years to come:

- Allowing access to 333 km of railway lines, meeting new requirements of passenger and freight mobility, with a view of providing safe, reliable, attractive and affordable transport services by rail operation companies;
- Optimization of infrastructure usage;
- Ensuring financial sustainability for the railway infrastructure in Kosovo;
- Potential development of new railway lines for the future, which are needed to cope with long-term demands for mobility in the future;
- Timely and correct provision of all services to transport operators in accessing the railway network;
- Successful management of properties and increased revenue collection;
- Improvement of railway and industrial rail maintenance;
- Improved safety in rail traffic;
- Professional advancement and renewal of staff.

Projects

Similar to past years, in 2011, the InfraKos JSC, the new company, has completed a number of development projects funded by the Kosovo Budget, projects transferred from the parent company, the former Kosovo Railways JSC. Capital projects funded by the Kosovo Budget include the following:

- Reparation of the Gajre Tunnel, and
- Supply of infrastructure parts.

From many projects implemented with the HK budget, we would distinguish the following projects of a larger cost:

- Supply of ballast for railway lines;
- Supply of high voltage cables for the Fushe-Kosova node.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the InfraKos JSC Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in the period between 1 January and 31 August 2011, the time it ceased to operate. It identifies the goals and the key indicators showing completion or improvement of financial and operational performance of the Company.

The Q4 report, together with the Annual Report, was reviewed initially by the Audit Committee, and was approved timely by the Board of Directors. The Report of External Auditor, and the Consumer Satisfaction Report, were also approved and submitted timely.

Board of Directors, Audit Committee and other committees

The Board of Directors is appointed by the Government of Kosovo, as a successor of the Board of the Kosovo Railways, and the same board extended its activities. During this period, the Board has held 5 meetings, while the Audit Committee held 4 meetings. Also, this body approved the continuation of the Committee for Capital Investment, Human Resource Committee, and the Traffic Safety Committee.

The PMU has assessed the performance of the BoD, which has ensured a solid functioning of the company. The assessment of the PMU on the 4-months performance of the Board is published in the MED website.

Financial Performance

	1 September 2011 – 31 December 2011 (000€)
Revenues	1,337
Expenditure	-1,056
Operational profit/Loss	281
Depreciation and amortization	-364
Bad Debts	0
Financial Profit/Loss	-83
End-year money	280

Table 23 - Financial Performance e Infrakos-it

The data in the table above show that InfraKos has resulted in 83 thousand Euros of loss in its four months of operation.

4.7 Trainkos

(01.09.2011 – 31.12.2011)

Name of Company	Kosovo Railways Trains Operation JSC (Trainkos)
Registration No.	70773120
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Hasan Ibraj (Chairman) Heset Cakolli Labinot Halilaj Shkumbin Hyseni
Chief Executive Officer	Ruzhdi Morina
Corporate Secretary	Afrim Kuleta
Financial Manager	Zair Imeri
Internal Auditor	Remzi Jashari

Table 24 – General Data of Trainkos

By decision of the Government of Kosovo, the Kosovo Railways was unbundled into two companies: INFRAKOS JSC (Kosovo Railways Infrastructure) and TRAINKOS JSC (Kosovo Railways Trains Operation).

With this division, and performance of the TRAINKOS JSC in approximating and completing the legal infrastructure, this company is operating and performing successfully, and as a newly established company in September 2011, it begun its work with incomplete staff, but has been able to meet the most optimistic expectations for the last quarter of 2011.

The completion of staff and meeting objectives for 2012 are challenges to be tackled with successful performance and by attaining the objective of enabling positive performance.

Vision

Provision of freight and passenger transport services at the best quality, high safety and competitive prices, using railway infrastructure according to European standards.

Mission

Provision of competitive, sustainable and successful passenger and freight transport, in accordance with the demands of Kosovo's society and economy, by fulfilling safety, environmental and economic requirements. These can be achieved by financial sustainability and continuous development, and our performance being a source of clients' trust and pride.

Future Objectives

- The objective in passenger transport is to provide safe and comfortable transport;
- The objective in cart maintenance market is to mark an increase of 5 %;
- Another objective is to maintain a bill collection rate over 85%; while the rate of collecting previous debts (payable) to be over 40%;
- Higher efficiency in implementing projects;

- Improvement of the condition of moving stock in accordance with fulfilling operational demands for moving stock;

Projects

The Trainkos JSC has inherited several projects from the former Kosovo Railways, in different stages of implementation. Also, as per budget approved upon establishment of the Trainkos JSC, the management has initiated several other projects in various figures, which are also in different stages of implementation. Below are some of the main capital projects realized in 2011, funded by the Kosovo Budget, and the value of projects funded by the Company budget.

The Kosovo Budget has funded capital projects for moving stock;

- Medium repairs to passenger cars – funded by the Kosovo budget;
- General repair of locomotive 645-033 - funded by the Kosovo budget;
- Equipment for locomotives and cars, and other projects - funded by the Kosovo budget.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the TrainKos JSC Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in the period between 1 September and 31 December 2011.

The Q4 report, together with the Annual Report, was reviewed initially by the Audit Committee, and was approved timely by the Board of Directors. The Report of External Auditor was also approved and submitted timely.

Board of Directors, Audit Committee and other committees

The Board of Directors is appointed by the Government of Kosovo. During this period, the Board has held 12 meetings, while the Audit Committee held 3 meetings.

The Board of Directors has also established several committees, which held meetings as needed. These committees are: Committee for Research and Technology, Committee for Finance, and Committee for Staff and Rewards.

The PMU has assessed the performance of the BoD, which has ensured a solid functioning of the company in train traffic operation. The assessment of the PMU on the 4-months performance of the Board is published in the MED website.

Operational Performance

Operational Indicators	1 September 2011 – 31 December 2011
Freight transport (ton)	358,170
No of passengers	108,692

Table 25 - Operational Performance of Trainkos

As is shown in Table 25, during the period of four months, in the item of freight transport, which is of primary relevance for the company, we have transported 358.000 tons of goods, and provided transport for 108.6 thousand passengers.

Financial Performance

	1 September 2011 – 31 December 2011 (000€)
Revenues	2,364
Expenditure	-1,588
Operational profit/Loss	776
Depreciation and amortization	-428
Bad Debts	0
Financial Profit/Loss	348
End-year money	420

Table 26 - Financial Performance of Trainkos

For the period September-December 2011, this company has recorded a financial profit of 348 thousand Euros, which is a result of revenues of 2.3 Million Euros, and expenditure of 1.58 Million Euros, from which only depreciation made 428 thousand Euros.

4.8 RWC Prishtina

Name of Company	RWC Prishtina, JSC
Registration No.	70433736
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Ejup Hashani (Chairman) Adem Duriqi Bajram Jashari Kujtim Xhelili
Chief Executive Officer	Gjelosh Vataj ¹⁴
Corporate Secretary	Enes Mehmeti
Financial Manager	Selatin Retkoceri ¹⁵
Internal Auditor	Gjelosh Gojani

Table 27 – General Data of RWC Prishtina

The Regional Water Company “Prishtina” is the largest water supply company in Kosovo. the coverage of drinking water supply services is 90%, and 79% in waste water collection services for the population of the RWC region. The Regional Water Company (RWC) “Prishtina” JSC provides its services to the central part of Kosovo, including the following municipalities: Prishtina, Fushë-Kosova, Obiliq, Shtime, Lipjan, Drenas, Podujeva and Gracanica.

The population served in the area covered by the RWC “Prishtina” JSC operations is estimated to be around 450.000. The current production capacities (possible under the assumption of existence of sufficient water resources in accumulations) is around $Q=1400$ l/s or minimally 43.000.000 up to 45.000.000 m³ annually.

RWC “PRISHTINA” JSC operates with two water treatment plants located in Albanik and Badovc. The raw water is absorbed from artificial accumulation lakes of Batllava and Badovc.

Vision

Provision of quality and uninterrupted water supply and sewage services, at the most affordable prices, and quality and healthy water for the population, and increasing public assets in the ownership of the State of Kosovo.

Mission

A consumer-oriented performance, providing equal treatment and access to services: no racial, religious, national or gender discrimination. In realizing this mission, self-sustainability shall be ensured, ultimately aiming at providing quality water supply services in accordance with the standards of the World Health Organization, by a financially stable public enterprise ready to cope with challenges.

Future Objectives

¹⁴ Gjelosh Vataj was appointed CEO in November 2011, following resignation of Skender Bublaku in June. Until November, Gjelosh Vataj was acting in the position

¹⁵ Selatin Ratkoceri was appointed Chief Financial Officer in November 2011 after resignation of Naim Mujaj

- Increased total collection rates to 73% in 2012, and 78% in 2013, 79% in 2014, and 80% in 2015, to reach an optimal average rate of 84% by the end of 2016.
- Technical and commercial losses, namely unbilled water supply, shall take a declining trend as the following: 49 % in 2012, 47% in 2013, 44 % in 2014, 41% in 2015 and an approximate rate of 38% by the end of 2016.
- Within the period 2012-2016, a projection of the Drinking Water and Waste Water Balance shall be aimed at, and the implementation of the Long-Term Strategic Development Plan 2015-2040, for the region covered by the RWC “Prishtina” JSC. The compilation of these two important projects are to be assisted on the basis of solid partnership with the Consultancy partner selected by the German Bank for Development (KfW).
- In cooperation with the Ministry and Municipalities, consolidation of activities in protecting ground and surface springs used as drinking water sources by the RWC “Prishtina” JSC, in due consideration of results achieved in the previous period.
- The plan has been prepared in consideration of the existing condition of the Company, water sector development trends in and outside of Kosovo, in adopting the best practices for a sustainable development of the Company. Also, the economic and social realities in the Republic of Kosovo are taken into account.

Projects

- The Water Factory Shkabaj co-funded by the KfW, EC, the Government of Kosovo and the Municipality of Prishtina (initial stage);
- Continued technical implementation (field) of the main regional pipeline Mirditë-Park, funded by the European Commission;
- Construction of water supply pipeline network in Prishtina, project funded by the KfW;
- Support to water supply systems in Lipjan and Drenas, funded by USAID, RWC “Prishtina” JSC, and municipalities of Lipjan and Drenas;
- Expansion of generation-processing capacities of water supply system in Fushe-Kosova, funded by the RWC Prishtina, MTI and the Municipality of Fushe-Kosova;
- Extension of household and commercial consumer base. The project has a cost of around 1.400.000 €.
- Feasibility study for new sources for the Prishtina region, funded by the European Commission.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC Prishtina Board of Directors.

The business plan was timely prepared, thereby presenting the corporative level in 2011. It identifies the goals the Corporation wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors. The management has included various elements in these reports, such as the organizational structure, various activities, projects completed or pending, financial and operational performance, in comparison with respective quarter of past year.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (14), thereby discussing and approving important issues on various activities of the enterprise. The Audit Committee has held a meeting almost before every meeting of the board, meaning 14 meetings. Based on the needs of this enterprise, the Board of Directors has established several other committees, which have not had any worth-mentioning activities. These committees include: Committee for Capital Investments, Committee for Finances, Committee for Staff and Remuneration, Committee for Research and Technology, and the Risk Management Committee.

The PMU has assessed the performance of the BoD, and such assessment of the PMU is published in the MED website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	45,940,658	45,606,153
Water billed (%)	46	45
Bills collected (%)	70	70
Unbilled water (%)	54	55
Failed Water tests (%)	1.9	0.8
Consumer/Metering Rate (%)	84	83
No of Consumers	99,216	92,525

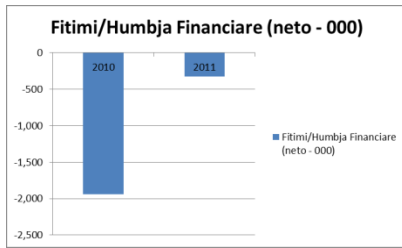
Table 28 - Operational Performance of RWC Prishtina

Table 28 shows progressing indicators in comparison with past year in items of water production, water billed, water losses, and increased numbers of consumers. While there is a decline in water quality, one would argue that it is still within the allowed limits for failed water tests, which may go up to 3%.

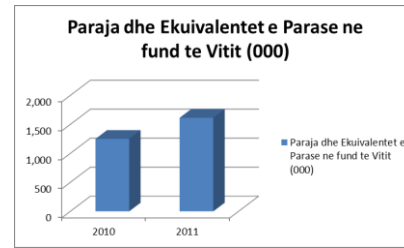
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	12,941	11,611
Expenditure	-7,661	-6,415
Operational profit/Loss	5,280	5,196
Depreciation and amortization	-3,960	-3,846
Bad Debts	-1,644	-3,289
Financial Profit/Loss	-324	-1,939
End-year money	1,614	1,251

Table 29 - Financial Performance RWC Prishtina



Graph 9 – Financial profit/loss, RWC PRishtina



Graph 10 – Cash at the end of the year, RWC PRishtina

Table 29 shows that RWC Prishtina ended 2011 with 83% less losses in comparison with past year, and revenues have increased, while bad debt costs have reduced.

4.9 RWC Radoniqi

Name of Company	RWC Radoniqi JSC
Registration No.	70433554
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Ruzhdi Këpuska (Chairman) ¹⁶ Leonard Shehu (Acting Chairman) ¹⁷ Hajdar Grezda Agim Gjoshi ¹⁸
Chief Executive Officer	Ismet Ahmeti ¹⁹
Corporate Secretary	Saranda Vehapi
Financial Manager	Kastriot Zhaveli
Internal Auditor	Mehmet Shehu

Table 30 – General Data of RWC Radoniqi

The enterprise RWC Radoniqi JSC deals with producing and distribution of drinking water and removal of wastewater for the region including Gjakova, Rahovec, and a part of the Municipality of Prizren. The regional water company (RWC) Radoniqi, by the end of 2011, had 28.859 consumers, or 3% more than the previous year, thereby covering a territory of around 230.000 inhabitants using our services. The water supply and sewage system is managed by the RWC “Radoniqi” headquartered in Gjakova, geographically south-west of Kosovo, under the ownership of the Republic of Kosovo, under the monitoring of the Ministry of Economic Development, and the WWRO as a regulator of water supply companies, and also under the supervision of the Board of Directors. The water is taken from the Radoniqi lake. The capacity at first stage was designed at 500l/sec, while currently, production reaches up to 730l/sec.

RWC Radoniqi JSC network extends from the village of Skivjan to the village of Zym, with around 220.000 population, thereby including the Municipality of Gjakova with 41 villages, the Municipality of Rahovec with 8 villages, and 13 villages of the Municipality of Prizren, at an annual production rate of 20.377.470 m³ in 2011. Meanwhile, in the sector of waste water collection, incorporated in 2006, the services include the Gjakova town and Rahovec. The lake is supplied by the Lumbardh river sourcing in Deçan, through a channel from the village of Lluca e Epërme, down to Lajthijat, and further through a natural channel – a canyon flowing to the accumulation Lake. The lake’s capacity is 119.000.000 m³. The company has a waste processing plant in the village of Zhdrellë, with a production capacity of around 600 l/sec.

Vision

To provide drinking water supply services for our consumers, according to norms and standards of the World Health Organization, and increase the value of public assets under the property of the State of Kosovo.

Mission

¹⁶ Ruzhdi Këpuska resigned in October 2011

¹⁷ After the resignation of the Chairman, Leonard Shehu was appointed as Acting Chairperson

¹⁸ Agim Gjoshi has resigned in December 2011

¹⁹ Ismet Ahmeti came to the CEO position after resignation of Albert Zajmi

The Mission of RWC Radoniqi JSC is to supply drinking water to all its consumers, without any discrimination on racial, religious, national or any other grounds, in their supply region, in ensuring a self-sustainable and long-term company.

The approach of company business is to be transparent and ethical, pursuant to legal provisions. This shall be achieved in collaboration with the Ministry of Economic Development, the Water and Waste Regulatory Office, municipalities, consumers, etc. The company shall impose price tariffs as set forth by the Water and Waste Regulatory Office, the sole competent authority for tariff setting.

The company shall also aim at developing a waste water treatment plant for processing waste waters in the future.

Future Objectives

The RWC Radoniqi has set itself strategic objectives for the period covered by the Business Plan 2012-2014. These objectives are listed below:

- Increase billing rates;
- Increase collection rates to 72%;
- Progress in increasing collection rates in sectors of households, businesses and institutions;
- Reduction of water losses to 63%;
- Uninterrupted supply of drinking water;
- Drinking water quality control, in accordance with instructions and regulations;
- Maintenance of drinking water network;
- Maintenance of sewage network;
- Detection of losses;
- Compilation and implementation of development plans;
- Strengthening activities in relation with financial institutions and various donors for obtaining financial means to be guided towards reducing losses, expanding capacities, and treatment of drinking water.

Projects

Some of the projects in 2011 include:

- Construction facilities – funding source – own revenues;
- Electro-mechanic equipment – own revenues;
- Trucks and excavators – donated by the MED;
- Vehicles – own sources.

The Investment plan is based mainly on own revenues and the Government budget, nevertheless, a number of major projects require external funding and detailed study. Capital investments on infrastructure are expected to be realized through Government grants and donations.

The main achievements upon investment shall be:

- Reduction of network water losses;

- Expansion of new settlement networks;
- Increased working security of water supply systems, necessity of telemetric equipment, new working means;
- Improvement of water metering in the system and at consumer level.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC Radoniqi Board of Directors.

The business plan was timely prepared, and includes detailed content, by identifying goals the Corporation wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (15), thereby discussing and approving important issues on various activities of the enterprise, while the Audit Committee has held 10 meetings.

The PMU has monitored the performance of the BoD, especially in terms of functionalization of Corporate Governance, and such assessment of the PMU is published in the MED website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	20,377,470	17,598,576
Water billed (%)	30	39
Bills collected (%)	71	67
Unbilled water (%)	70	61
Failed Water tests (%)	0.1	0.7
Consumer/Metering Rate (%)	91	92
No of Consumers	27,345	28,018

Table 31 - Operational Performance RWC Radoniqi

The water production has increased in comparison with 2010, and such production is accurately metered with the installation of the new metering device, thereby increasing the production rates, and simultaneously showing clearly the water losses, as seen in the table presented above.

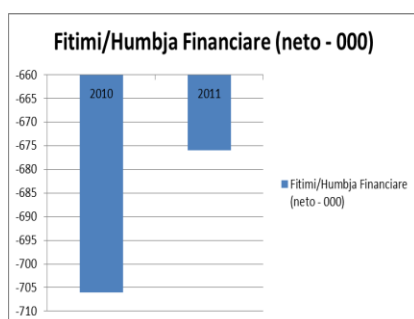
The number of consumers has declined in comparison with 2010, since in 2011 the Company cleared the consumer database from doubled records and kiosks.

The consumer/meter rate is the same, but the Technical Department has begun installing water meters in consumers without water meters.

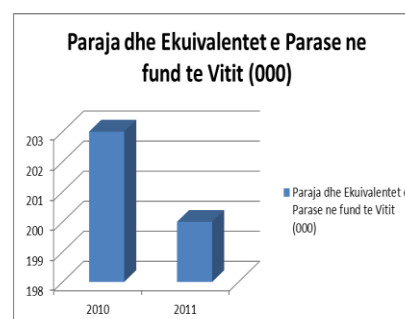
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	2,924	2,729
Expenditure	-1,884	-1,829
Operational profit/Loss	1,040	900
Depreciation and amortization	-1,717	-1,606
Bad Debts	0	0
Financial Profit/Loss	-677	-706
Assets	36,010	36,676
End-year money	200	203

Table 32 - Financial Performance RWC Radoniqi



Graph 11 – Financial profit/loss, RWC Radoniqi



Graph 12 – Cash at the end of the year, RWC Radoniqi

In 2011, revenues have been larger for 7% in comparison with past year, and this increase is a result of increased billing and higher water price.

The category of expenditure has increased in comparison with 2010, while Depreciation has increased as well, resulting therefore in a loss bearing statement. This means that only this position takes the company to losses, since before Depreciation, the company would operate in profit.

Losses in 2011 are smaller for 4.2% in comparison with 2010.

4.10 RWC Hidromorava

Name of Company	RWC Hidromorava JSC
Registration No.	70433937
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Avdyl Hasani (Chairman) Azem Mujku Xhelal Selmani Elhame Shefkiu
Chief Executive Officer	Myrvete Hoti
Corporate Secretary	Rozelita Hasani
Financial Manager	Xhelal Shabani
Internal Auditor	Seniha Hajrullahu

Table 33 – General data on RWC Hidromorava

The Regional Water and Sewage Company Hidromorava JSC is a public enterprise providing drinking water supply and waste water collection services in the south-eastern part of Kosovo, namely the municipalities of Gjilan, Viti and Kamenica.

The Company is licensed for its functions by the Water and Waste Regulatory Office. Drinking water production and sale, and waste water collection are the main activities of the enterprise. The basic values of the company are the commitment to providing quality services to consumers, achieving financial self-sustainability, and being transparent to all relevant stakeholders of the water sector in Kosovo.

Vision

To provide drinking water supply services for the consumers of the Gjilan region, according to norms and standards of the World Health Organization, and increase the value of public assets as property of the state of Kosovo in the region.

Mission

The Mission of the RWC HidroMorava is supply of drinking water, removal of waste waters, maintenance of drinking water network, and sewage water network.

Working activities shall be oriented towards the consumer. All consumers shall enjoy equal treatment and access to services, without any discrimination in religious, nationality, gender, or any other grounds.

The company shall also provide its consumers with services of collection and removal of waste waters. The company shall be committed to expanding the water supply and sewage networks, and potentially also construction of a waste water treatment plant using external funding sources.

Future Objectives

The key objectives of the company for the period 2013-2016 are the following:

- Supply of water to all consumers, including those in the most remote areas;
- Improvement of drinking water quality, in accordance with the standards set by the NPHI;

- Achievement of financial self-sustainability, by increasing the collection rates;
- Promotion of good relations with consumers;
- Adoption of WWRO tariff policies with a view of obtaining sufficient revenues to cover operational costs and necessary investments;
- Ensuring rational use of water sources;
- Reduction of unbilled water and reduction of costs per production unit.

Projects

Important ongoing projects implemented by the RWC Hidromorava are:

- Construction of the Administrative Building for the RWC “Hidromorava” JSC Gjilan, funded by the Government of the Republic of Kosovo - MED;
- Construction and planning of the Administrative Building yard at RWC “Hidromorava” JSC Gjilan, funded by own revenues of the RWC Hidromorava in Gjilan;
- Development of a basin V= 3000 m³, “Kodra e Dëshmoreve” Gjilan;
- Development of the water pipeline in the road Mulla Idrizi- Gjilan, funded by the Government of the Republic of Kosovo - MED;
- Construction of water pipeline in streets Halim Orana and Fehmi Agani - Gjilan, funded by the Municipality of Gjilan;
- Construction of the water pipeline at Fehmi Agani Street in Kamenica, funded by own revenues of the Hidromorava Company in Gjilan.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC Hidromorava Board of Directors.

The business plan was timely prepared, and includes detailed content, by identifying goals the company wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (11), thereby discussing and approving important issues on various activities of the enterprise, while the Audit Committee has held 6 meetings.

The PMU has monitored the performance of the BoD, and has found that the Board has performed well, positively affecting the Company performance.

Therefore, the PMU has assessed the performance of the company, and the assessment report is published in the MED website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	7,181,811	7,462,760
Water billed (%)	41	40
Bills collected (%)	78	68
Unbilled water (%)	59	60
Failed Water tests (%)	1.9	1.3
Consumer/Metering Rate (%)	81	81
No of Consumers	19,110	18,200

Table 34 - Operational Performance RWC Hidromorava

Table 34 shows that achievements for 2011 have been: 4% less water production than past year, which is explained as the following:

- Transfer of consumers from flat fees to metered consumers, thereby reducing the water demand and ;
- the town had sufficient supply, and there was no need for more production.

In 2011, the collection rate was increased for 10%, in comparison with 2010, precisely from 68% to 78%. The increase in the collection rate was conditioned by the activities of the company in increasing the efficiency in collection, and collaboration with local authorities.

Financial Performance

	2011 (000€)	2010 (000€)
Revenues	1,716	1,719
Expenditure	-1,113	-1,015
Operational profit/Loss	603	704
Depreciation and amortization	-674	-684
Bad Debts	-281	-406
Financial Profit/Loss	-352	-386
End-year money	147	89

Table 35 - Financial Performance RWC Hidromorava

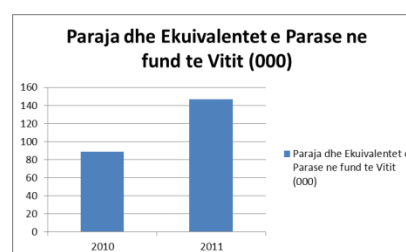
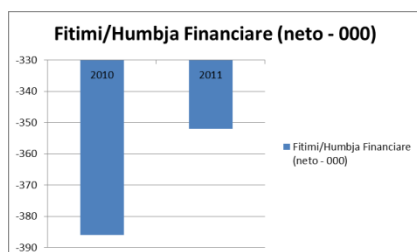


Table 35 shows that the company has reduced the financial losses at a modest percentage, although it has been proven that the company operates in operational profit, and its existence is not endangered.

4.11 RWC Hidroregjioni Jugor

Name of Company	RWC Hidroregjioni Jugor JSC
Registration No.	70433702
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Naser Bajraktari (Chairman) Galip Hoda Bujar Hasani Drita Grazhda Sahit Ukaj
Chief Executive Officer	Besim Baraliu
Corporate Secretary	Ajshe Cikaqi
Financial Manager	Liman Gashi
Internal Auditor	Ymredin Sylejmani

Table 36 – General data of RWC Hidroregjioni Jugor

Since July 2007, the RWC Hidroregjioni Jugor has operated as a Joint Stock Company. This company offers its services in the southern part of Kosovo, covering the following municipalities:

- Prizreni
- Suhareka
- Dragash
- Malisheva and
- Mamusha

Water is supplied from own ground sources. The company also supplies 22 villages connected to the Regional company network in Prizren, Suharekë and Malishevë.

The population covered by the Regional Water Company in Prizren is estimated to be around 200.000.

Vision

To provide drinking water supply services for the consumers, according to norms and standards of the World Health Organization, and increase the value of public assets as property of the state of Kosovo in the region.

Mission

The Mission of the RWC Hidroregjioni Jugor is supply of drinking water, removal of waste waters, maintenance of drinking water network, and sewage water network.

Working activities shall be oriented towards the consumer. All consumers shall enjoy equal treatment and access to services, without any discrimination in religious, nationality, gender, or any other grounds.

The company shall also provide its consumers with services of collection and removal of waste waters. The company shall be committed to expanding the water supply and sewage networks, and potentially also construction of a waste water treatment plant using external funding sources.

Future Objectives

- Financial sustainability (increased operational coverage over 1.2, collection over 75%);
- Uninterrupted supply (reduction of unbilled water under 50%);
- Increased standards of service to 100%;
- 100% coverage of servicing areas;
- entering data into the Geographic Information System;
- training staff in fields such as modern technologies of drinking and waste water treatment, economics, finance, etc.

Projects

Some of the 2011 Projects are listed below:

- rehabilitation of the water supply network in Pejë and Prizren – Program "Kosova VI", Stage 2 – funded by the KfW;
- network rehabilitation and development program of the Company – Funded by the USAID;
- Expansion of water capacities, improvement of water supply systems – funded by the region companies;
- Water supply network infrastructure, increased production of water – funded by the Government of the Republic of Kosovo;
- Water supply network infrastructure, increased production of water – funded by own revenues.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC HidroRegjioni Jugor Board of Directors.

The business plan was timely prepared, and includes detailed content, by identifying goals the company wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (9), thereby discussing and approving important issues on various activities of the enterprise, while the Audit Committee has held 4 meetings. The PMU has monitored the performance of the BoD, and has found that the Board has performed well, positively affecting the Company performance. Based on the needs of the company, the Board of Directors has established several other committees, which have not had any major activity worth mentioning. These committees are: Committee for Research and Technology, Committee for Finance, and the Committee for Staff and Rewards.

Therefore, the PMU has assessed the performance of the company, and the assessment report is published in the MED website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	20,439,596	16,122,451
Water billed (%)	37	42
Bills collected (%)	72	69
Unbilled water (%)	63	58
Failed Water tests (%)	5.3	9
Consumer/Metering Rate (%)	82	81
No of Consumers	33,490	29,522

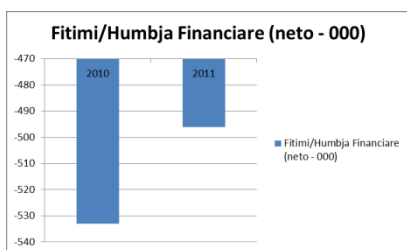
Table 37 - Operational Performance RWC Hidroregjioni Jugor

After the supply with zone metering devices, and after a more accurate monitoring of water produced, the company found that the amount reported for 2010 was not entirely measured. Another factor causing this change was the small amount of water given by sources, especially in the second part of 2010. All these, based on a comparison of data reported, result in an increase of water losses in the item of unbilled water, but there is progress on the number of consumers for 14% in comparison with the past year, and increased collection of bills for 3%, or from 69% to 72%.

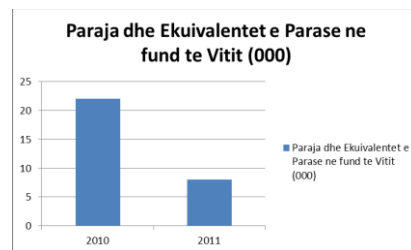
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	3,579	2,908
Expenditure	-2,428	-2,092
Operational profit/Loss	1,151	816
Depreciation and amortization	-1,021	-935
Bad Debts	-626	-414
Financial Profit/Loss	-496	-533
End-year money	8	22

Table 38 - Financial Performance RWC Hidroregjioni Jugor



Graph 15 – Financial profit/loss, RWC Hidroregjioni Jugor



Graph 16 – Cash at the end of the year, RWC Hidroregjioni Jugor

Table 38 shows that the Company has reduced the financial losses, but operates in operational profit, due to Depreciation costs and bad debts, which take the company to financial losses. The increase of operational costs also is caused in increasing activities of maintenance teams, especially those in control beyond working hours, always aiming to identify and eliminate abuses of drinking water. Control teams have contributed to collecting accrued debts in consumers.

These activities have also caused an increase in fuel expenditure both for maintenance and repairs, especially in new service areas.

4.12 RWC Hidrodrini

Name of Company	RWC Hidrodrini, Sh.A.
Registration No.	70433918
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Shkelzen Hyseni (Chairman) Rexhë Abazi Gjelosh Gojani Elez Hajdaraj
Chief Executive Officer	Agron Tigani
Corporate Secretary	Vjollca Imami
Financial Manager	Rasim Maloku
Internal Auditor	Sebahate Hasanaj

Table 39 – General data of RWC Hidrodrini

The Regional Water and Sewage Company HidroDrini was established as Joint Stock Company in May 2007, in compliance with Article 35.5 of the UNMIK Regulation no. 2001/6 on Business Associations (Regulation) for an indefinite period of time. The RWC “Hidrodrini” JSC is a public institution, licensed by the Water and Waste Regulatory Office for providing basic services of drinking water supply and sewage services.

The population that RWC “HidroDrini” covers with drinking water supply services is estimated to be around 185.000, while sewage services cover around 60,000. The current production capacities are 2.300.000 m³/month.

The headquarters of the company are in Peja, structured with 5 business entities in Peja, Istog, Klinë and Junik. A specific case is with the Operational Unit in Deçan, in which the Municipal Assembly had decided to divide from the Company in June 2006; nevertheless, with the amendments of the POE Law, this issue is to be clarified.

Vision

To provide drinking water supply services for the consumers, according to norms and standards of the World Health Organization, and increase the value of public assets as property of the state of Kosovo in the region.

Mission

The Mission of the RWC HidroDrini JSC is to ensure drinking water supply in sufficient amounts, without interruption, for all its consumers, without any difference in race or religion. Water sources shall be used rationally, in providing unlimited supply according to standards set forth.

Future Objectives

Reduction of unbilled water is to be achieved through the attainment of the following objectives:

- Larger commitment and engagement of field employees, and correct metering of consumption;

- Reparation of surface leaks and identification of ground leakages, within the initiative of loss management;
- Identification of unauthorized users (water theft);
- Increased numbers of consumers, increased billing and increased collection rates;
- Improved efficiency in staff;
- Timely and immediate elimination of all visual leakages in the system, and implementation of DMA zones, for reducing technical losses;
- Reduction of administrative losses; elimination of flaws in collection systems;
- Implementation of donor projects with KfW and USAID, and implementation of projects as identified by the MTEF, and attainment of criteria for future donations;
- More effective organization of internal control for all departments and sectors of the company, and performance assessment on quarterly basis;

Projects

Some of the most important projects of the year are listed below:

- Rehabilitation of water pipelines in Peja, Istog, construction of basins, construction of the new pump station funded by the KfW;
- Rehabilitation of the Watch-Tower area (Sahat Kulla), Zatra Project funded by USAID;
- Rehabilitation of the network “Istog - Gurakoc”, funded by USAID;
- Extension project for villages Llabjan, Ramun and Lutoglav, funded by UAID-IRD;
- Water supply system in Vitimirica, funded by the Government of Kosovo.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises, and the company has met all these requirements.

The annual report is a comprehensive report on activities and performance of the Enterprise during the previous year. It must provide the Government and other groups of interest with balanced and comprehensive assessment of Enterprise performance by the end of year, and its perspective for the future.

The Business Plan of the Enterprise must be prepared by the executive management team, based on the vision and objectives of the Enterprise, and be approved by the Board.

Board of Directors, Audit Committee and other committees

The Board of Directors is entitled to establish other committees as required by the company. The Board has not deemed necessary to establish any specific committee. During 2011, the Board of Directors has held 14 meetings, which was the same number of meetings of the Audit Committee. These meetings have discussed and approved important activities of the enterprise. Although the Company is not sustainably performing, due to large losses in finance and water, the Board could have been more effective in decision-making and monitoring implementation of the Business Plan.

The Unit has assessed the performance of the Board, and such assessment is published at the MED website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	27,714,364	28,847,678
Water billed (%)	30	28
Bills collected (%)	62	59
Unbilled water (%)	70	72
Failed Water tests (%)	7.8	8.4
Consumer/Metering Rate (%)	86	87
No of Consumers	34,719	33,384

Table 40 - Operational Performance RWC Hidrodrini

The water production in 2011 has decreased as a result of investments being implemented by the German Bank and USAID, and the fact of replacement of outworn pipelines with new pipes has directly reduced the demand of water production.

The company has increased the billing rate for 2%, as a result of a larger commitment of readers in metering devices.

The collection rate increased for 3%, mainly in households, while the situation in bill collection with commercial and institutional consumers is rather poor.

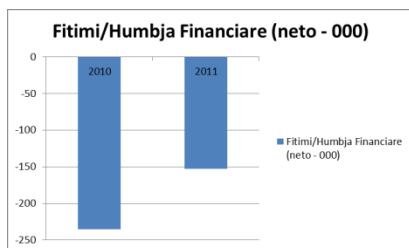
The Number of consumers has decreased for 1335 in comparison with past year, as a result of expanding the network in several villages.

Water losses have been reduced at a low pace, at a rate of 2%. Losses are expected to decrease further after the implementation of investments pledged by external investors.

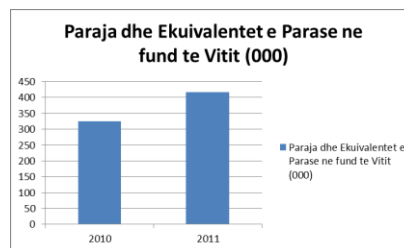
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	3,067	3,003
Expenditure	-1,576	-1,538
Operational profit/Loss	1,491	1,465
Depreciation and amortization	-1,142	-1,101
Bad Debts	-502	-599
Financial Profit/Loss	-153	-235
End-year money	417	324

Table 41 - Financial Performance RWC Hidrodrini



Graph 17 – Financial profit/loss, RWC Hidrodrini



Graph 18 – Cash at the end of the year, RWC Hidrodrini

Total revenues have increased in comparison with past year, due to a larger engagement of the company.

Operational costs have been kept at planned level, but there is an increase in comparison with previous year.

Depreciation and bad debts are costs which depend on capital investments, and they increase with capital investment, and obviously the lack of capital investments reduce the cost, because the cost calculation base reduces.

This enterprise ended the year with lower losses than last year, due to the increased revenue collection.

4.13 RWC Mitrovica

Name of Company	RWC Mitrovica JSC
Registration No.	70433740
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Fehmi Kajtazi (Chairman) Nusret Gërxhaliu Remzi Sylejmani Haki Maxhuni
Chief Executive Officer	Faruk Hajrizi
Corporate Secretary	Zejnullah Mehaj
Financial Manager	Muhamet Salihu
Internal Auditor	Xhevat Bekteshi

Table 42 – General data of RWC Mitrovica

The Regional Water Company “Mitrovica” JSC provides drinking water supply and maintenance of wastewater sewage services to the northern part of Kosovo, covering the following municipalities: Mitrovica, Vushtrri, Skenderaj and Mitrovica north of Iber river. The population covered is estimated to be around 170.000. The RWC “Mitrovica” operates also with the Water Treatment Plant in the surroundings of the city, with a production capacity of 520 l/s. In 2011, the first large capacity waste water treatment plant in Skenderaj. Around 39 % of the produced water is distributed north of the river, without any collection from the users, but the Government of Kosovo covers the consumption with subsidies in % of average collected bills in the region.

Vision

Provision of quality and uninterrupted services of drinking water supply, and sewage services in the Mitrovica region, at affordable prices and quality and healthy water for the population, and increasing the value of public assets of the State of Kosovo.

Mission

The services shall be consumer-oriented and shall provide equal treatment and access to services: no racial, religious, national or gender discrimination. In accomplishing such mission, the self-sustainability shall be achieved, with a final aim of providing quality drinking water services, in accordance with the standards of the World Health Organization, and a public company, financially stable and ready to cope with the challenges.

Future Objectives

Increased collection rates on billing, which is to be achieved by providing stronger support for the Collection Service, with the operations in all units as an internal factor, and resolution of the problem in the north, and social cases as external factors. Through these activities, in the future, favourable conditions for covering expenditure from own revenues and collection shall be created.

Projects

- Construction of a new Water Production factory in Mitrovica, at a capacity of 700 l/s, funded by the European Commission;
- Construction of a new Water Production factory in Vushtrri, at a capacity of 350 l/s, funded by the Government of Kosovo;
- Construction of water supply network in Mitrovica, funded by the Government of Luxembourg;
- Completion of the project of wastewater treatment plant in Skenderaj, funded by the European Commission.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC Mitrovica Board of Directors.

The business plan was timely prepared, but it does not include any detailed content, or any identification of key objectives and indicators the company wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (15), thereby discussing and approving important activities of the enterprise, while the Audit Committee has held 9 meetings. Based on the needs of the enterprise, the Board of Directors have established other committees, which have not had any activity worth mentioning. These include the Committee for Network Control and Technical Loss Reduction, and the Committee for Water Distribution Oversight.

The Unit has monitored the activities of the Board, and has concluded that the Board was informed on many issues presented in the reports of the external auditor, but no energetic decision-making has been recorded. Therefore, the unit has assessed its performance, and published the report in the website.

Operational Performance

Operational indicators	2011	2010
Water production (m3)	17,770,938	17,667,162
Water billed (%)	48	47
Bills collected (%)	57	54
Unbilled water (%)	52	53
Failed Water tests (%)	4.3	2.4
Consumer/Metering Rate (%)	51	56
No of Consumers	24,972	21,797

Table 43 - Operational Performance e RWC Mitrovica

The table 43 shows that in 2011 the RWC ‘Mitrovica’ JSC has recorded almost identical performance in key indicators with the year of 2010.

Changes in water production amounts are a result of intensified production, and lack of problems in production and new network layouts.

The collection rates in 2011 have increased for 3% in comparison with 2010, while the billing rates have remained the same, with only a minor change in improvement.

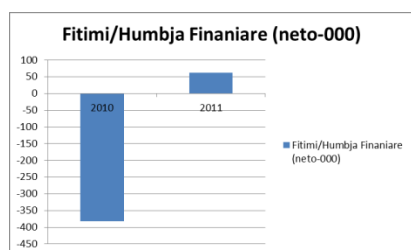
The item of water losses in unbilled water, the RWC ‘Mitrovica’ has improved for 1%, which is mainly related with the reduction of water produced, and increased efficiency in billing consumed water.

The quality of drinking water supplied by the RWC “Mitrovica” in 2011 can be improved, in comparison with 2010, especially in operational units in Vushtrri and Skenderaj.

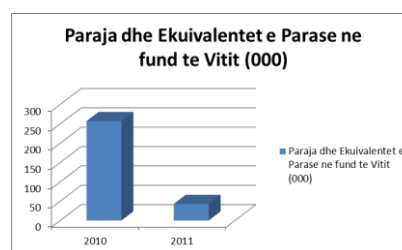
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	3,775	3,248
Expenditure	-1,874	-1,849
Operational profit/Loss	1,901	1,399
Depreciation and amortization	-1,839	-1,781
Bad Debts	0	0
Financial Profit/Loss	62	-382
End-year money	43	257

Table 44 - Financial Performance RWC Mitrovica



Graph 19 – Financial profit/loss, RWC Mitrovica



Graph 20 – Cash at the end of the year, RWC Mitrovica

The data in Table 44 show that the company has transformed the losses in past year into financial profits, due to an increase of revenues for 16% in comparison with previous year.

4.14 IC Radoniqi – Dukagjini

Name of Company	RWC Radoniq-Dukagjini, JSC
Registration No.	70465161
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Canë Delija (Chairman) Avdullah Kryeziu Artan Nimani Ismet Neziri
Chief Executive Officer	Jahja Kadriu
Corporate Secretary	Lumnije Këpuska
Financial Manager	Luljeta Morina
Internal Auditor	Fidan Qufaj

Table 45 – General data on RWC Radoniqi - Dukagjini

The Irrigation Company “Radoniqi – Dukagjini”, JSC Gjakova is a central public enterprise, owned solely by the Republic of Kosovo, with 100% of shares.

This company is located in Gjakova, and has three working units in the village of Lugbunar (Municipality of Gjakova), in Xerxe (Municipality of Rahovec) and in Prizren.

The irrigation system possessed by this company covers the most fertile area of the Dukagjini Plain. The IC “Radoniqi – Dukagjini” JSC is responsible for irrigation of agricultural lands (primary activity) in municipalities of Gjakova, Rahovec and Prizren, while secondary activities include provision raw water and construction of water supply and irrigation networks, etc. the amounts planned for irrigation depend on the areas irrigated, the types of cultures, and precipitation rates during the vegetation season.

Vision

Provision of quality irrigation services for agricultural cultures, and increasing the value of public assets of the irrigation company Radoniqi-Dukagjini, as public assets of the Kosovo State.

Mission

To provide water supply services, with a view of irrigating lands and using accumulation water resources, with a view of increasing agricultural production, by cultivating intensive plants at a high agricultural yield.

Future Objectives

The objectives of this company are mainly focused on the following areas:

- Expansion of service areas;
- Increasing the number of clients;
- Engagement in constant improvement of quality and efficiency of services ;
- Realization of client demands;
- Engagement in increasing the collection rates;
- Necessary investment, from donors or own revenues.

Projects

IC “Radoniqi – Dukagjini” JSC has invested in the following projects in 2011:

- Rehabilitation of the Marmulle Channel;
- Reparation of coverage at G-1, Lumbardh of Prizren; and
- Replacement parts for GRP pipes.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the IC Radoniqi – Dukagjini Board of Directors.

The business plan was timely prepared, and includes detailed content, by identifying goals the Corporation wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors. The external auditor report and the Consumer Care Report were approved and timely submitted.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors is appointed by the Government of Kosovo, with a priority duty of exercising continuous and rigorous oversight of activities of the enterprise officials. The Board of Directors has held numerous meetings in 2011 (11), while the Audit Committee has held 10 meetings. Also, this body has established a committee for collaboration and lobbying and performance.

The PMU has monitored the performance of the BoD, which has pushed the company towards financial profits from the losses in the past year. Therefore, the Board performance report is published by the PMU in the MED website.

Operational Performance

Operational Indicators	2011	2010
Supplied water (m3)	36,926,192	37,299,691
Agricultural Land irrigation(ha)	5,216	5,012
Billing (ha)	567,728	533,476
Collection/Billed(%)	56	55

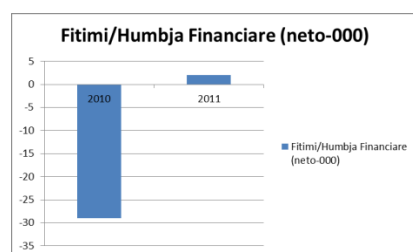
Table 46 - Operational Performance of IC Radoniqi - Dukagjini

Table 46 shows that water supply in m3 for irrigation has declined for 1%, while the irrigated agricultural land has increased for 204 Ha, together with the increased percentage of collected billes.

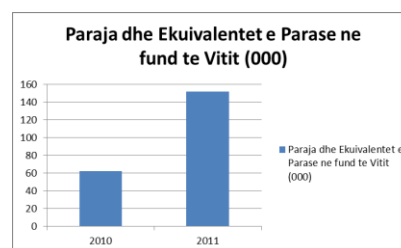
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	887	810
Expenditure	-356	-344
Operational profit/Loss	531	466
Depreciation and amortization	-261	-257
Bad Debts	-268	-238
Financial Profit/Loss	2	-29
End-year money	152	62

Table 47 - Financial Performance of IC KU Radoniqi - Dukagjini



Graph 21 – Financial profit/loss, IC Radoniqi-Dukagjini



Graph 21 – Cash at the end of the year, IC Radoniqi-Dukagjini

Table 47 shows that IC Radoniqi-Dukagjini has ended the year of 2011 with a modest progress, due to the increased revenues, turning the losses into financial profit in comparison with previous year, due to increased revenues, which overall is a promising indicator for the future.

4.15 IC Drini i Bardhë

Name of Company	RWC Drini i Bardhë JSC
Registration No.	70465032
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Ali Sefaj (Chairman) Shkodran Gaxherri Fadil Kabashi Beqir Metaj
Chief Executive Officer	Milazim Shatri
Corporate Secretary	Gjergj Gjokaj
Financial Manager	Leonora Bajraktari
Internal Auditor	

Table 48 – General Data on RWC Drini i Bardhë

The IC “Drini i Bardhe” is a central public enterprise, owned solely by the Republic of Kosovo, with 100% of the shares. This company is located in Peja, and has three working units:

- Working Unit – Peja;
- Working Unit – Gurakoc;
- Working Unit – Deçan.

The IC “Drini i Bardhe” JSC is responsible for the irrigation of agricultural lands in the municipalities of Peja, Istog and Deçan.

Vision

Provision of quality services in irrigation of agricultural lands, and increase of value of public assets of the company Drini i Bardhë-Peja, as public assets of the State of Kosovo.

Mission

To provide water supply services, with a view of irrigating lands and using accumulation water resources, with a view of increasing agricultural production, by cultivating intensive plants at a high agricultural yield.

Future Objectives

The objectives of this company are mainly focused on the following areas:

- Satisfactory services for the consumers;
- Long term financial stability;
- Maintenance of irrigation systems in accordance with consumer demands.

Projects

RWC “Drini i Bardhe” JSC has invested in the following projects in 2011 :

- Kastrati Channel works, funded by the Government of Kosovo;
- Terbuhoç Channel works, funded by the Government of Kosovo;
- Pobergja Channel works, funded by the Government of Kosovo.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the IC Drini i Bardhe Board of Directors.

The business plan was timely prepared. Nevertheless, it fails in clearly identifying goals the Corporation wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors, but the willingness of the Board to reach effective decisions to improve performance has been lacking.

The Annual Report 2011 was prepared by the management, and approved timely by the Board, but it has not used the narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of the enterprise has held 9 meetings in 2011, while the Audit Committee has held 6 meetings in the same period. Almost all decisions approved by the Board have not been fruitful and executable. No effect was reached by the Board in performance of the company, since it has still recorded financial losses.

For all these, the Unit has assessed the performance of the Board, and this has been published in the website.

Operational Performance

Operational Indicator	2011	2010
Supplied water (m3)	27,126	31,104
Agricultural land irrigation (ha)	918	750
Billing (%)	100	100
Collection (%)	23	31

Table 49 - Operational Performance of RWC Drini i Bardhë

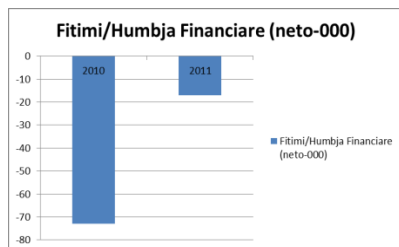
The data from the Table 49 show that the company has reduced the water supplied, although it expanded the irrigated areas for 232 ha, but unfortunately, the farmers are not paying for the service, and the company has only been able to collect 23% of bills.

Financial Performance

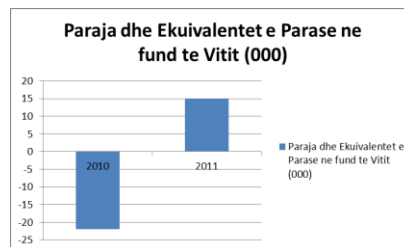
	2011 (000€)	2010 (000€)
Revenues	227	170

Expenditure	-180	-165
Operational profit/Loss	47	5
Depreciation and amortization	-64	-79
Bad Debts	0	0
Financial Profit/Loss	-17	-73
End-year money	16	1

Table 50 - Financial Performance of RWC Drini i Bardhë



Graph 22 – Financial profit/loss, IC Drini i Bardhe



Graph 23 – Cash at the end of the year, IC Drini i Bardhe

Table 50 shows that although the company reduced the financial losses at a modest percentage, it is still in a financial crisis, since with a collection rate of only 23%, the company cannot even cover its own operational costs.

4.16 HS Ibër - Lepenci

Name of Company	HS Ibër – Lepenci JSC
Registration No.	70465157
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Nazmi Zenelaj (Chairman) Murat Meha Faton Gjyshinca Ilmi Ahmeti Bajram Mustafa Gjelosh Vataj
Chief Executive Officer	Hajdar Beqa
Corporate Secretary	Bajram Jashari
Financial Manager	Sheremet Smakolli
Internal Auditor	Bahri Hyseni

Table 51 – General data on RWC Ibër - Lepenci

This is a public enterprise dealing in the usage and maintenance of a multi-functional water supply system. This company has two working units:

- Commercial Entity “Water and Power Plant”;
- Commercial Entity “Irrigation”.

The infrastructure of the enterprise extends through the northern and central areas of Kosovo, namely the following municipalities: Zubin Potok, Mitrovica, Vushtrri, Kastriot, Fushe-Kosova, Prishtina and Drenas.

The HS “Ibër-Lepenc” JSC is a joint stock company, and deals in usage and maintenance of a multi-functional water supply system, irrigation, and electricity generation.

The water dam in Ujman – enables accumulation of 375 Million m³ of water, the capacities of which are used for:

- Electricity generation at HPP Ujman, 2 x 17.5 MW - 82GWh/year;
- Supply of industrial raw water to :
 - KEK
 - Ferronikeli
- Supply of regional water networks with crude water:
 - Regional Water Company of Mitrovica,
 - Regional Water Company of Prishtina (for Drenas)
- Supply of irrigation water for agriculture.

Infrastructure of the enterprise

The facilities of the enterprise cover territories of 8 municipalities, including Zubin Potok, Mitrovica, Vushtrri, Obiliq, Prishtina, Fushë Kosova, Drenas and Gracanica.

The Ujman Dam, height h=107.5 m

Ujman Lake 375 Million m³

Ujman HPP 2 x 17.5 MW

Pridvorica Dam, h=10 m
Pridvorica Accumulation lake 480,000 m³
Main Channels 146 km
Main Channel “Pridvoricë – Obiliq” 50 km, capacity 22.2 m³/sec.
Pumping stations for irrigation: 14
Deranging facilities: 4
UNdeground irrigation network: 766 km
Around 120 km of high voltage lines

Vision

Provision of quality services in supplying industrial water, irrigation water for agriculture, and electricity generation through the Ujman HPP, for its consumers, and increasing the value of public assets of the RWC Ibër Lepenc, as public assets of the state of Kosovo.

Mission

Provide services of supply of water to agriculture and industry, with a view of enabling operations in power plants, smelters, irrigation systems, and use of water accumulation lakes for generation of electricity.

Future Objectives

The goals and objectives of the enterprise are oriented towards maintenance and operation of existing infrastructure, modernization of systems, rehabilitation and expansion of capacities. A goal of the company is also to increase the value of assets, maximising revenues through an efficient use of assets, and expansion of irrigated agricultural lands.

Additional objectives for water supply in the future from the Ujman Dam are the following:

- KEK – TPP “Kosovo B+” 380 l/sec plus 380 l/sec;
- Expansion of RWC “Prishtina”, factory in Shkabaj (two stages) 700+500 l/sec;
- Expansion of RWC “Mitrovica” capacities to 700 l/sec;
- New water supply system in Vushtrri, with 350 l/sec/;
- Expansion of irrigation areas.

Projects

In 2011, the Commercial Unit “Ujitja” (Irrigation) has invested in the following projects :

- Rehabilitation of irrigation channels from the exit at Rudine, to PS Gilobar;
- Rehabilitation of PS Pantina with high voltage lines;
- Study of Options on construction of Mini HPPs along the Ujman dam, and along the main channel “Pridvoricë – Obiliq”;
- Review of option of re-pumping from the Pridvorica dam to the Ujman lake;
- Ujman control and monitoring system, and accumulation in Ujman Dam;
- Modernization of existing HPP – command and signalling, options of increasing generation capacities;
- Modernization of facilities along the main channel, remote command and signalling;
- Modernization and expansion of irrigation system (replacement of asbestos pipes with poli-ethylene pipes, etc).

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the RWC Iber-Lepenci Board of Directors.

The business plan was timely prepared, and includes detailed content, by identifying goals the company wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors. The management has included various components in these reports, such as organizational structure, projects ongoing or pending, financial and operational performance, and their comparison with past year.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

The Board of Directors has held numerous meetings in 2011 (13), thereby discussing and approving important activities of the enterprise, while the Audit Committee has held 11 meetings. Based on the needs of the enterprise, the Board of Directors have established other committees, which have held meetings as needed. These include the Committee for Finance, Committee for Research, Development and Investment, Committee for Staff and Rewards, Committee for Risk Management, Committee for Cooperation with KEK, and Committee for Capital Investment and Revenues.

The Unit has assessed the Board performance, and published the report in the website.

Operational Performance

Operational Indicators	2011	2010
Water supplied (m3)	34,973	33,674
Agricultural Land Irrigation (ha)	1,647	1,271
Energy generated and sold(MWh)	75,432	115,460

Table 52 - Operational Performance of HS Ibër – Lepenc

Table 52 shows a decline in electricity generation, since such generation is largely conditioned by climate conditions, the accumulation in the lake, and KEK demands. Due to these, electricity generation in 2010 was higher than 2011, due to the fact that in 2010, climate conditions were more than favourable, which was not the case in 2011.

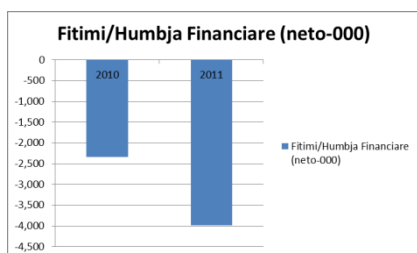
The supply of crude water is mainly dictated by client demands for water, and has increased with around 4% from the previous year.

Although the enterprise expands the areas for potential irrigation, such irrigation depends mainly on the interest of farmers for irrigation, and this year's activities have increased the irrigated areas for 376 Ha from the previous year.

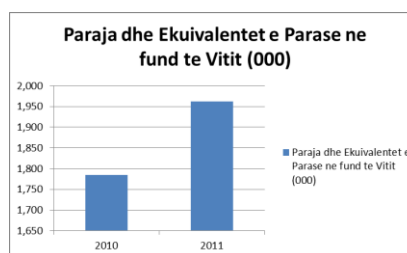
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	3,810	5,379
Expenditure	-3,251	-3,197
Operational profit/Loss	559	2,182
Depreciation and amortization	-4,549	-4,515
Bad Debts	0	0
Financial Profit/Loss	-3,990	-2,333
End-year money	1,962	1,785

Table 53 - Financial Performance of HS Ibër- Lepenc



Graph 24 – Financial profit/loss, HS Iber-Lepenc



Graph 25 – Cash at the end of the year, HS Iber-Lepenc

The table 53 shows also that due to climate conditions and KEK demands, 2010 was the year of collecting more revenues than 2011, while due to the value of assets, the company needs to cope with large costs of depreciation, thereby ending in financial losses. Despite the fact that this company is financially stable, and is not subsidized by the state, and there are operational profits, an indicator proving the stability in operations and provision of public services.

4.17 KLMC

Name of Company	Kosovo Landfill Management Company JSC (KLMC)
Registration No.	70324870
Ownership	Republic of Kosovo (100%)
Charter Equity	25,000 €
Board Members	Asllan Vitaku (Chairman) Naim Ferati Bajram Limani Makfirete Osmani Isak Rakovica Eset Rama
Chief Executive Officer	Abdullah Haxhiu ²⁰
Corporate Secretary	Ilirjana Tahiri
Financial Manager	Liridon Smaka
Internal Auditor	Kujtim Grajqevci

Table 54 – General Data on KLMC

Pursuant to the Law no. 03/L-087 on Publicly-Owned Enterprises, the Kosovo Landfill Management Company (KLMC JSC) is the sole responsible authority legalized and licensed for managing regional sanitary waste landfills of urban waste in the Republic of Kosovo, incorporated and fully registered as a joint stock company according to the Law on Business Associations no. 03/L-123.

In due account of the nature of services in depositing solid urban waste, the role of the KLMC JSC is essential in preventing environmental pollution, potential misuses of the service, and in fostering economic efficiency, and in offering quality services for users of these services. This role is exercised by the KLMC JSC in accordance with the laws and regulatory mechanisms applicable.

The Kosovo Landfill Management Company provides its services in the following main cities of Kosovo:

- Sanitary Landfill of Prishtina
- Sanitary Landfill of Podujeva
- Sanitary Landfill of Prizren
- Sanitary Landfill of Gjilan
- Transfer Station in Ferizaj

The KLMC faces with problems in its operations, due to the fact that it has no capacities of waste treatment as per standards. This is due to the lack of financial means for investing in heavy machinery, since the waste collection operators, which are regional waste companies 100% owned by the municipalities, have debts for depositing waste at the amount of 2.5 Million Euros.

²⁰ Abdullah Haxhiu was appointed CEO in October 2011, after resignation of Avni Ramadani

Vision

Quality, safe and efficient services of waste depositing, according to environmental standards and protection for citizens of Kosovo.

Mission

Solid urban waste deposit in Regional Landfills in the most effective manner, in accordance with General Standards and best European practices, thereby ensuring provision of quality, sustainable and affordable services by waste deposit service providers for all waste collectors in Kosovo, in due consideration of environmental protection and protection of public health.

Future Objectives

Issues that shall determine the future of the KLMC are the following:

- Provision of favourable conditions in landfill infrastructure for clients;
- Improvement of commercial relations with the regional waste collectors, and resolution of the issue of their regular monthly liabilities;
- Implementation of Debt Programming Agreements with RWCs and KLMC liabilities to clients, thereby influencing the revenue collection rates;
- Technical readiness and supply of heavy machinery for proper operational capacity in landfills;
- Waste water treatment plant in the Mirash Landfill;
- Regularization of internal and external infrastructure of landfills;

Projects

In 2011, the Landfill Management Company was aided with financial means from the Kosovo Budget, in covering the investment in three capital projects:

- Funding of heavy machinery;
- Funding of internal infrastructure of sanitary landfills;
- Wastewater treatment in regional landfills.

Meeting Legal Requirements

Quarterly and annual reports, and the Business Plan, are only some of the reports deriving from the Law on Publicly-Owned Enterprises. These reports have been approved timely by the Kosovo Landfill Management Company - KLMC Board of Directors.

The business plan was timely prepared, and includes the corporate level for 2011. It identifies the goals the company wishes to achieve and the key indicators showing completion or improvement of financial and operational performance of the Company.

Quarterly reports were initially reviewed by the Audit Committee, and afterwards were approved timely by the Board of Directors. The External Auditor report was approved and timely submitted, but the Board has not shown any readiness to fulfil the legal requirement of Article 29 of the Law on POEs, in relation to drafting the Consumer Satisfaction Report, and this was taken into account in assessment of Board performance.

The Annual Report 2011 was prepared by the management, and approved timely by the Board. This report has used narrative and tabular formats, in accordance with the guidelines disseminated by the PMU, in presenting its operational and financial records.

Board of Directors, Audit Committee and other committees

Pursuant to its competencies, the Board has held 14 meetings in 2011, while the Audit Committee held 11 meetings. Several decisions approved by the Board have not been fruitful or applicable. Its performance has not improved the company performance, since the company is still operating in financial loss.

For all these, the PMU has assessed the performance of the Board, and published its opinion with the MED website.

Operational Performance

Operational Indicators	2011	2010
Waste Deposit (ton)	205,835	192,395
Collection Rate (%)	62	57
Unit Cost (euro/ton)	3.76	3.53

Table 55 - Operational Performance KLMC

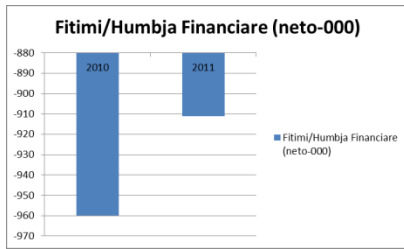
The company has shown some progress in performance on several indicators, since in comparison with the past year, the amount of waste deposited in landfills has increased. There is also an increase of the collection rates for 5% from past year.

While in the cost per unit item, one may see that there is an increase of operational expenditures per ton. In 2010, this item was 3.53 Eur/t, while in 2011, it increased to 3.76 Eur/t. this is due to the amounts of waste deposited, and rational measures in operating waste.

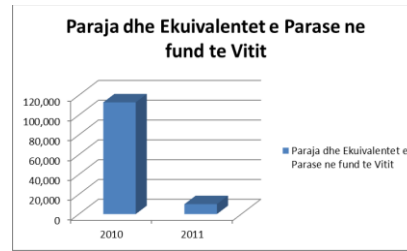
Financial Performance

	2011 (000€)	2010 (000€)
Revenues	1,187	1,116
Expenditure	-730	-700
Operational profit/Loss	457	416
Depreciation and amortization	-1,021	-1,010
Bad Debts	-347	-367
Financial Profit/Loss	-911	-961
End-year money	10,018	112,821

Table 56 - Financial Performance of KLMC



Graph 27 – Financial profit/loss, KLMC



Graph 26 – Cash at the end of the year, KLMC

During 2011, the KLMC JSC has increased its collection rates for 6,91%, in comparison with 2010, and based on the increased amounts of waste deposited.

Operational expenditure has increased in 2011 for 4% in comparison with 2010, which results ultimately in a financial loss of 911 thousand Euros, or 50 thousand Euros less in losses than past year.

5 Summary and recommendations

From all the records presented in this Public Enterprise Performance report for 2011, and comparison with the previous period, we can report some advancement in operational and financial performance in Central Publicly-Owned Enterprises.

Amongst the best indicators of results achieved in improving performance of public utilities by sector is the progress in the energy sector, both in operational indicators such as coal production, electricity generation, reduction of energy losses, reduction of transmission outages, and increased electricity bill collection. There is progress also in financial performance in terms of financial profit in KEK.

There is progress also in the irrigation sector, in terms of expansion of agricultural lands covered for 748 ha, or the increased number of consumers of drinking water for 15.406 consumers, and increased water production for 6.1 Million m³.

Viewed from the aspect of public finance management, and regularity of financial processes, in accordance with accounting standards, and based on External Auditor Opinions, progress can be marked in comparison with the past year, since out of seventeen financial statements audited, ten POEs have been given the highest mark, Unqualified Opinions, while there are no POE statements negatively scored, such as opposite opinion or refusal of opinion.

The financial performance of POEs in 2011 has also made progress, since two companies have increased their financial profits to a sensitive rate, two of them have returned from losses to profit, while seven companies have reduced losses from the past year.

Naturally, with the increased demand for public utilities, deriving from demographic processes and economic development and growth, much larger progress is required, and there is much more need for progress in reducing energy losses, reducing water losses, reducing bad debts, increasing collection of bills issued, and these will occur apace with the consolidation of the state, consolidation of the judicial system, water network investments, etc.

In terms of operationalizing the concept of Corporate Governance, although a new concept in Kosovo, there has been progress, since all POEs have appointed their Board of Directors, Audit Committees, and are functioning in accordance with the Law on POEs and the Code of Conduct and Corporate Governance. Obviously, training workshops offered to the Board members shall only allow for further progress.

This is made possible also by the amendments to the POE Law approved by the Assembly of the Republic of Kosovo, which are expected to directly influence accountability, increased communication with municipalities and citizens, as end-users of public utility services.

Based on the analysis of the report on Public Enterprise Performance, and challenges identified in operations of POEs in providing public services, the PMU hereby recommends the following measures to influence the improvement and enhancement of POE performance:

- Further enhancement of Corporate Governance in accordance with the OECD principles, and awareness raising on responsibility of managing public assets;
- Training of Central POE Board members on their roles and responsibilities as decision-makers;
- Priority resolution by Courts of cases filed by Publicly-Owned Enterprises on collection of bills for services;
- Further investment in outworn water supply systems, with a view of reducing technical losses – water leakages;
- Further investment in railway infrastructure, in attaining European standards, and creation of possibilities for private investors – private railway operators;
- Drafting and implementation of a strategy for reducing water losses;
- Training for POE staff in increasing consumer satisfaction;
- Improvement of POE communications with local institutions with a view of increasing quality of public services for the citizens.

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