



Financial Management and Transparency of Publicly Owned Enterprises

Thematic report

12/2022

Executive Summary

Central publicly owned enterprises in Kosovo continue to operate with various managerial and operational issues, staff overload, financial mismanagement, and others. Similarly, major publicly owned enterprises in Kosovo have almost permanently operated at a loss in recent years, for which a number of them have continuously received subsidies from the Government. Publicly owned enterprises have not engaged in strategic planning, which is why, as in the case of Telecom, by failing to make capital investments, they could not maintain their previous status in the market. Meanwhile, the major issue faced by public water supply companies, includes the billing rate, that for most of them, still remains below 50% since 2010. In spite of all this, salaries in this sector have increased continuously, with the average salary twice as high as that in the private sector in Kosovo, and higher than the salaries in the rest of the public sector.

In addition, based on 2017 data, it may be observed that the highest number of employees in central publicly owned enterprises are men. In companies like KEK, the employment rates of women reach only 5.5%, in "Infrakos" 6%, RWC "Prishtina" 12%, Telecom 26%, etc.

Central publicly owned enterprises also have significant issues with transparency, where a large number of documents that should be public on their official websites are missing in their publications. In this regard, the POE Policy and Monitoring Unit (POEPMU) under the Ministry of Economy is no exception, as the last documents posted on its website related to publicly owned enterprises date back to 2018.¹ For several years now, this unit has not even published the performance reports for publicly owned enterprises, although this is required by the Law on Publicly Owned Enterprises.

¹ Ministry of Economic Development. POE Policy and Monitoring Unit. Official website. Documents Section. Source: <https://bit.ly/3FJEaM8>

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Introduction

Publicly owned enterprises in Kosovo cover an important area of provision of public services to citizens, such as water supply, waste collection, electricity production, transport, telecommunications, etc. However, public utilities in Kosovo also face many challenges, such as staff overload or poor performance, and specifically operating with loss.²

In Kosovo, there are a total of 21 central publicly owned enterprises (see Annex), under the ownership of the Government of Kosovo, that exercises its shareholder rights through elected boards. Regional irrigation and water supply companies also fall under these companies, since water as a resource is a national asset, and the management rights have been conferred to regional water supply companies, owned by the Government of Kosovo. Municipalities are entitled to representation with one member in the boards of such enterprises.³

On a quarterly basis, publicly owned enterprises report to the Publicly Owned Enterprises Policy and Monitoring Unit (POEPMU), which then reports to the Prime Minister's Office. The latter, on an annual basis, drafts a performance report, which is first approved by the Government Office, and then forwarded for discussion to the Assembly of Kosovo.⁴

In this report, GAP Institute analyzes the performance and challenges of central publicly owned enterprises, since they are the largest in terms of extent and revenues, and simultaneously face the most operational issues. The report analyzes the revenues and expenses of these enterprises, challenges and irregularities which have characterized them in recent years, but also the level of their transparency.

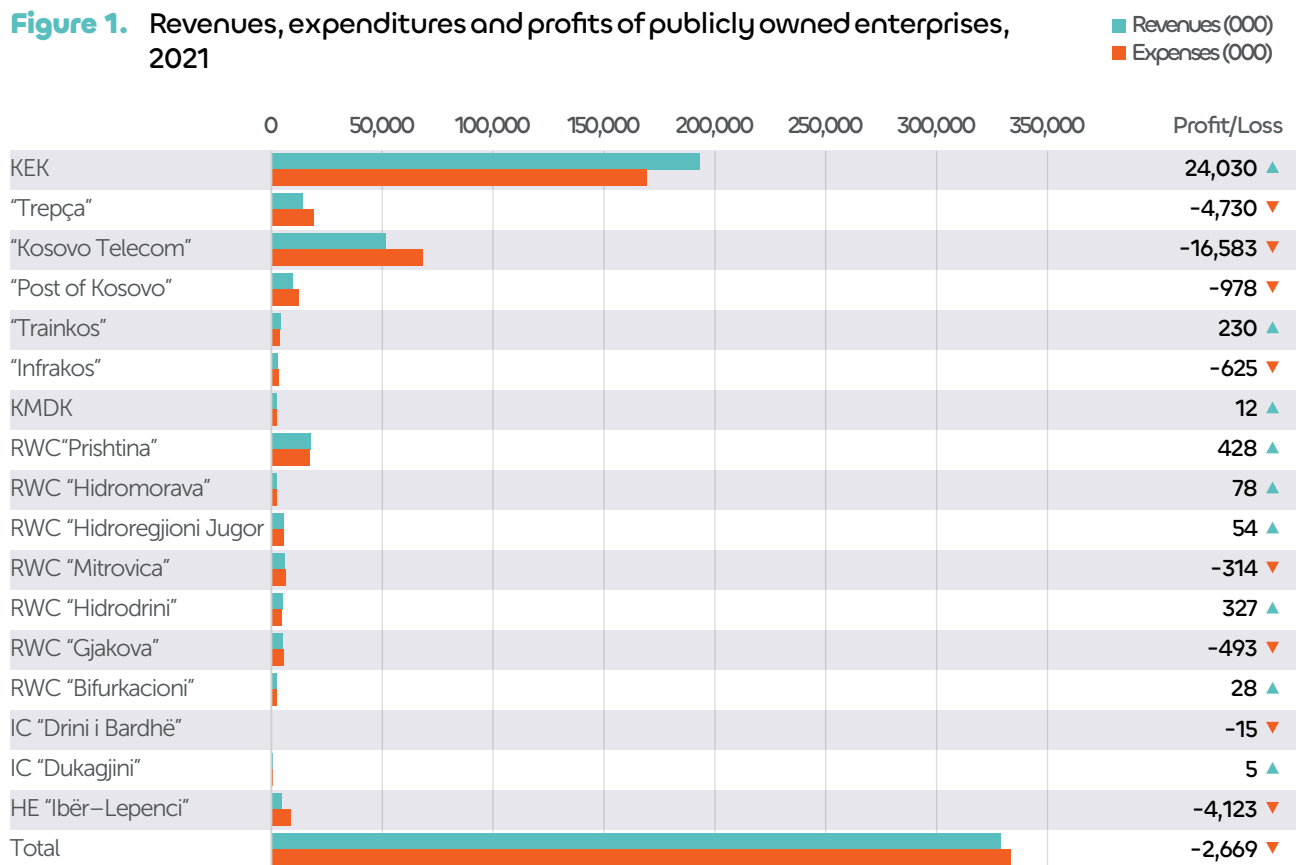
- 2 European Commission. EC Country Report 2022. Source: <https://bit.ly/3Wcgsh8>
- 3 Official Gazette of the Republic of Kosovo. Law on the Waters in the Republic of Kosovo Article 1 Source: <https://bit.ly/3HIFWin>
- 4 Official Gazette of the Republic of Kosovo. Law on Publicly Owned Enterprises. Article 8 Source: <https://bit.ly/3hjz8N9>

Performance of Central Publicly Owned Enterprises

The financial performance of publicly owned enterprises is a very important factor that must be taken into account when it comes to the efficient management of an enterprise. Financial performance can be measured using several key indicators, such as: revenues, expenditures, net profit or loss of enterprises during the year, etc.

There are 21 central publicly owned enterprises in Kosovo. This report analyzes 18 of them under the monitoring of the Ministry of Economy (ME), namely POEPMU under this ministry. The New Kosovo Energy Company (NKEC) is not part of the enterprises monitored by POEPMU, as there are no data on its operations, meanwhile, the other two central enterprises, including Kosovo System, Transmission and Market Operator (KOSTT) and Pristina Airport, are monitored by other central institutions, not the POEPMU. In 2020, 17 publicly owned companies had a combined staff of about 11,541 employees, around 329 million Euro in revenues, and around 333 million Euros in expenditures. "Kosovo Telecom" suffered major losses amounting to 16.6 million Euro, a loss neutralized at a sector level, by the very good performance of the Kosovo Energy Corporation (KEK), which turned a profit of around 24 million Euro. It should be noted that the company's operating expenses also include the asset depreciation line, which in some companies includes very high amounts, and because of it, the company may record a negative performance during the year.

Figure 1. Revenues, expenditures and profits of publicly owned enterprises, 2021



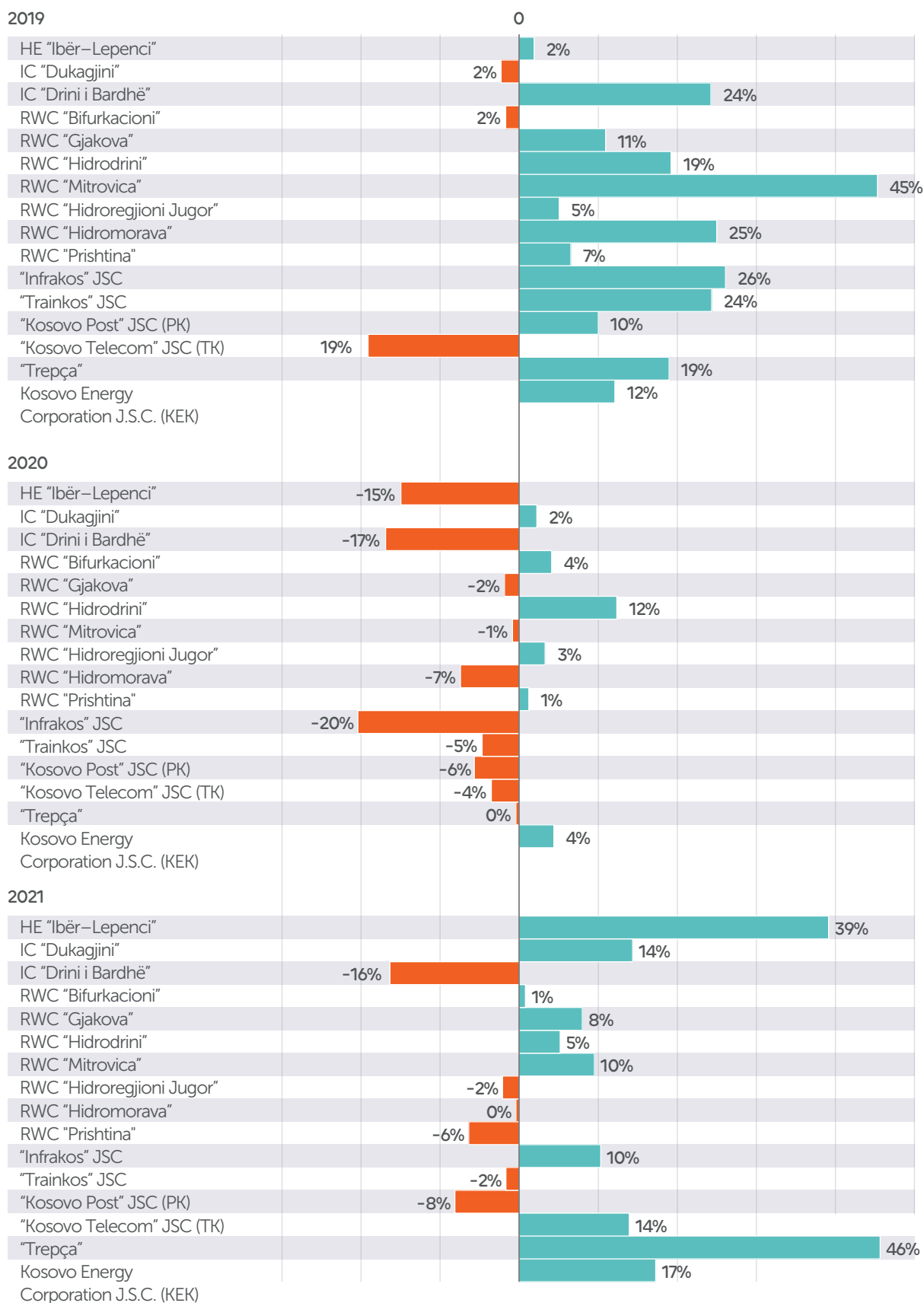
Source: GAP Institute, using POEPMU data

During 2021, 11 enterprises had an increase in revenues compared to 2020. Trepça had a more pronounced increase in revenues⁵, Kosovo Post, Kosovo Energy Corporation (KEK), etc. At KEK, the significant increase in the price of electricity in the international markets during the last part of 2021 had an impact, meanwhile, other enterprises also saw the effect of the low baseline

⁵ Only upon amendments to the Statute of "Trepça" in 2018, this company was included in the annual performance reports of POEPMU, but "Trepça" received subsidies from the government continuously; which is also evident in this report.

of 2020, since that year, experienced a significant decrease of revenues due to COVID-19 pandemic.

Figure 2. Increase in revenues of publicly owned enterprises 2019-2021

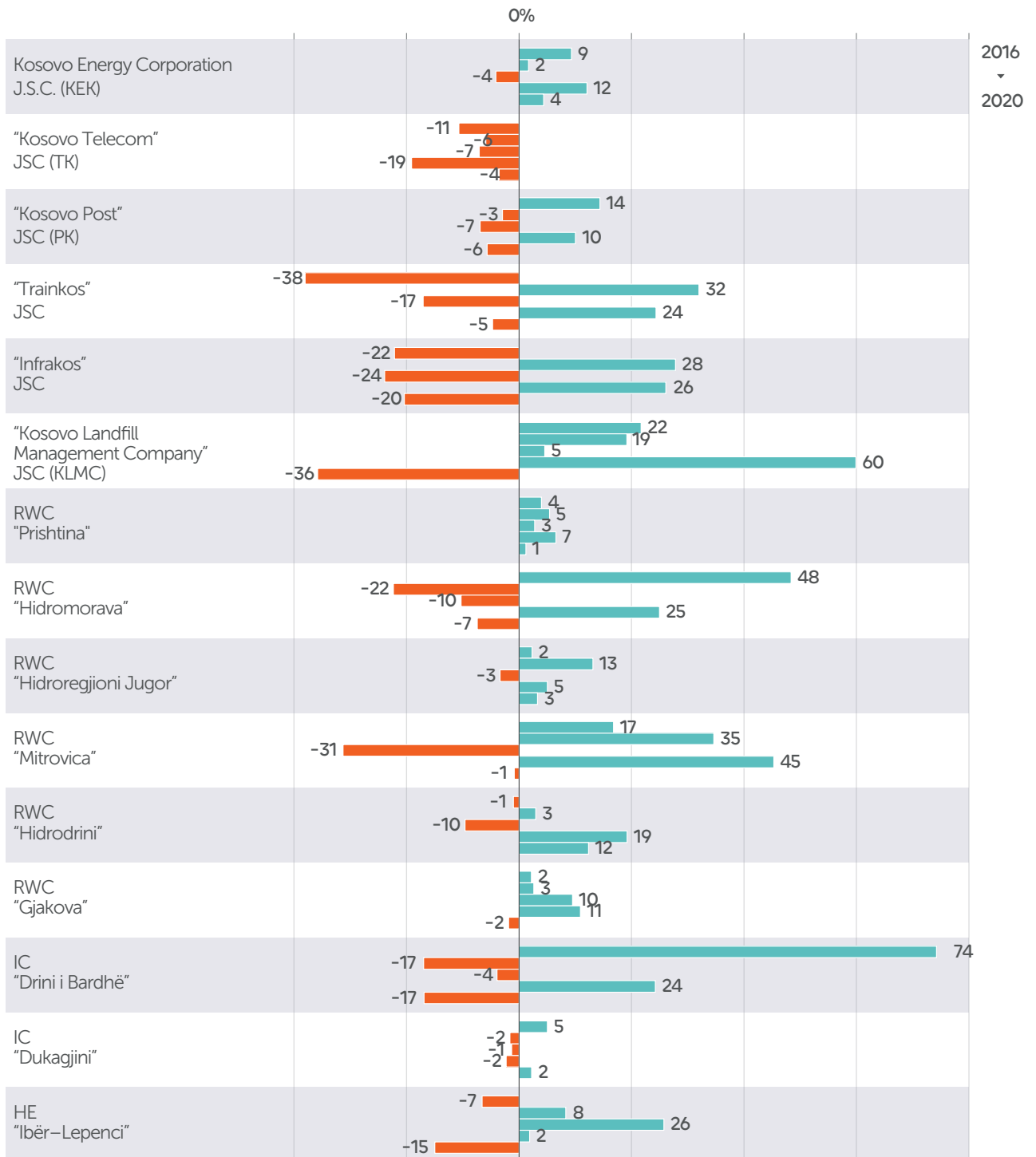


Source: GAP Institute, using POEPMU data

Meanwhile, the analysis of the revenues of 15 enterprises, for which there are more in-depth data, goes on to show that between 2015-2020, only RWC "Prishtina" experienced a positive increase in year-on-year revenues. Meanwhile, Kosovo Landfill Management Company JSC (KLMC) and RWC "Gjakova" also recorded positive growth until 2019, and since 2020 saw also the spread of the COVID-19 pandemic, enabling citizens to postpone the payment of their dues to utilities, this also affected their revenues. Meanwhile, all other enterprises have had fluctuating performance.

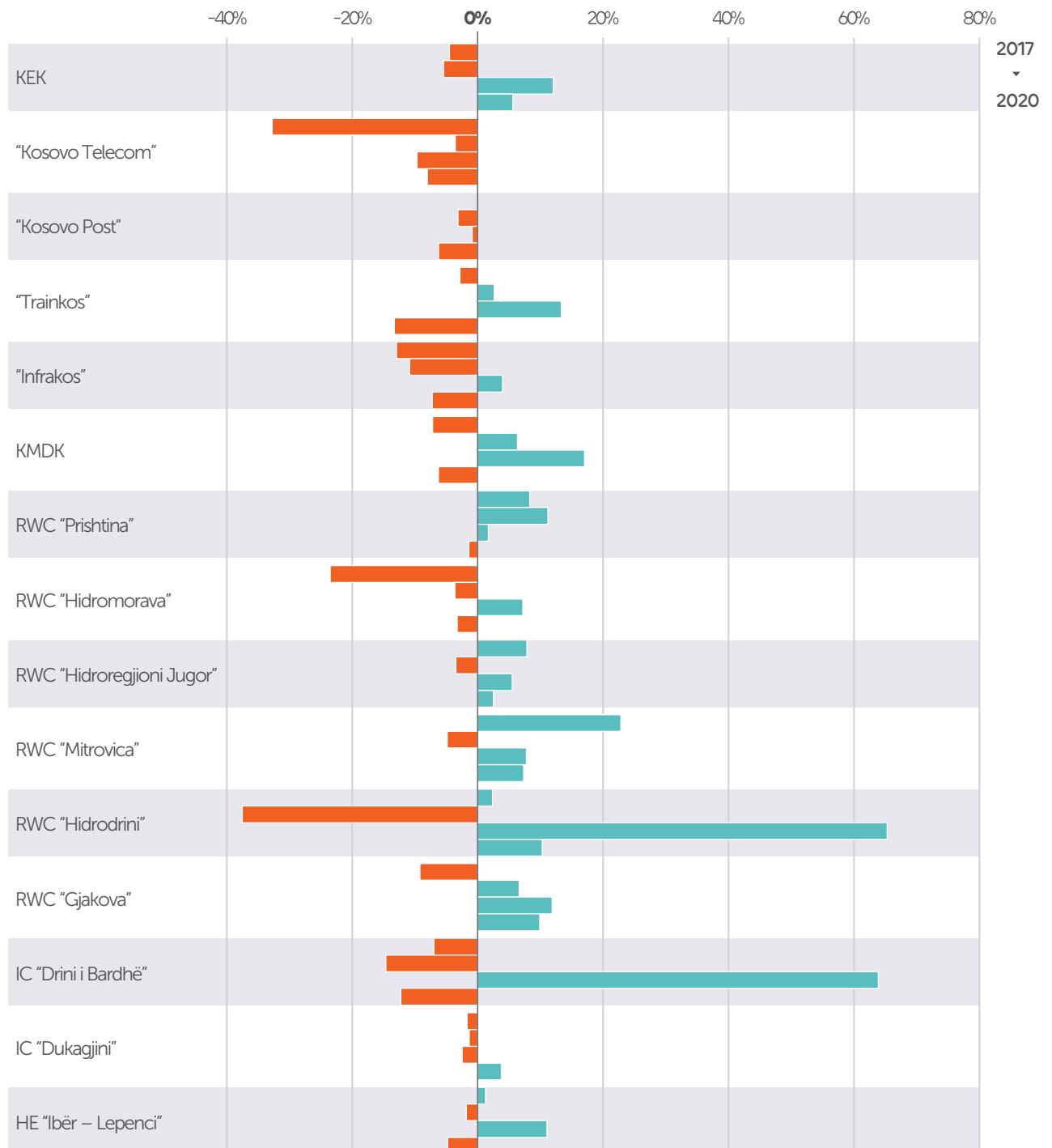
Source:
GAP Institute,
using POEPMU
data

Figure 3. Year-on-year revenue growth of publicly owned enterprises, 2015-2020



On the other hand, as far as expenditures are concerned, of the 15 companies for which there are more data, only Telecom had a continuous decrease in annual expenditures. Meanwhile, variations in this regard are observed in other enterprises. In several years, such as at RWC "Hidrodrini" and IC "Drini i Bardhë", in 2019 compared to 2018, expenditures increased by 65%, respectively 64%.

Figure 4. Year-on-year expenditure growth of publicly owned enterprises, 2017-2020



Source: GAP Institute, using POEPMU data

At public water supply companies, billing rate is a significant issue, and in most of them, the rate remains below 50%. In larger enterprises, such as RWC “Prishtina”, the collection rate in 2020, was only 42%, while also in RWC “Bifurkacioni” and RWC “Hidrodrini”, the billing rates were 37%, respectively 41%.

Meanwhile, as far as collection is concerned, some regional water supply companies (RWC), such as that in Mitrovica and “Bifurkacioni”, had a lower collection rate with 72%. In this regard, RWC “Gjakova” and RWC “Hidroregjioni Jugor”, are better off, with collection rates of 95% and 92%, respectively.

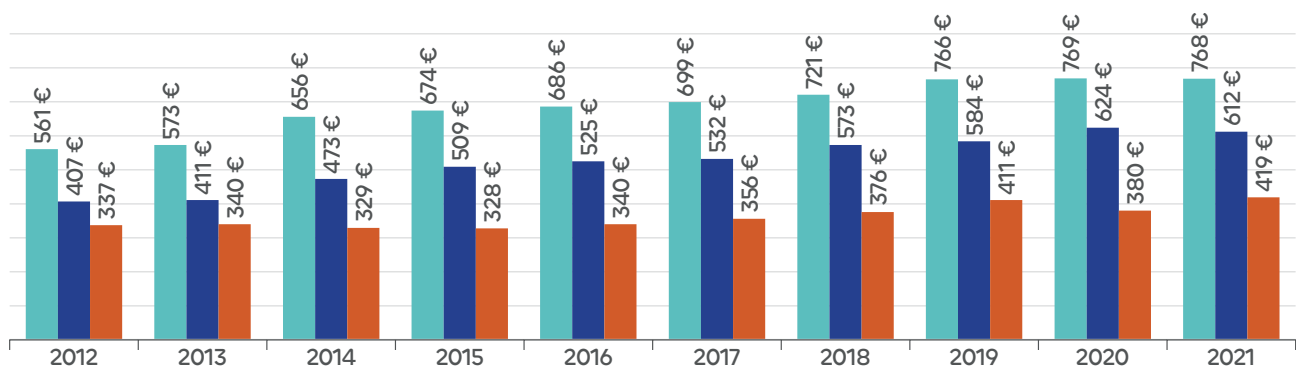
Table 1. Billing and collection rates by publicly owned enterprises

Enterprises	Billing Services (%) In 2020	Collection (%) in 2020
RWC “Prishtina”	42	83
RWC “Hidromorava”	53	86
RWC “Hidroregjioni Jugor”	45	92
RWC “Mitrovica”	47	72
RWC “Hidrodrini”	41	86
RWC “Gjakova”	58	95
RWC “Bifurkacioni”	37	72
IC “Drini i Bardhë”	100	63
IC “Dukagjini”	100	88

Source: GAP Institute, using POEPMU data

Over the years, publicly owned enterprises have paid salaries higher than the rest of the public sector, and the average salary is almost twice the salary of the private one. Between 2012 and 2020, the average salary in publicly owned enterprises has continuously increased.

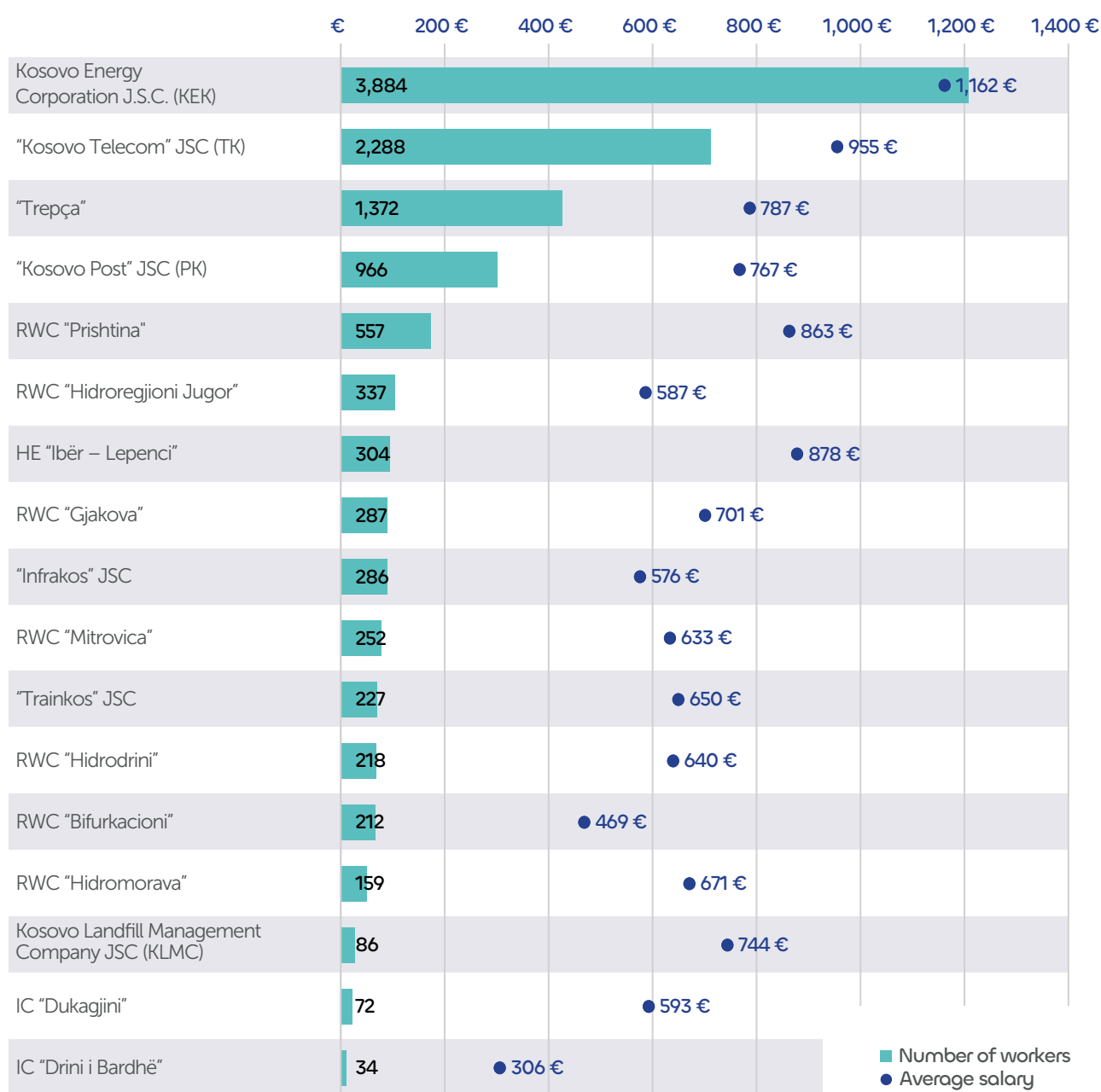
Figure 5. Salary levels in publicly owned enterprises, public and private sector, 2012-2021



Source: GAP Institute, according to the Kosovo Statistics Agency

Among the 17 companies included in this report, the average salary in some companies is even 50% higher than the average of the sector. Specifically, at companies like KEK, which in 2020 employed 3,884 employees, the average salary was 1,162 Euro, while at Kosovo Telecom, with 2,288 employees, the average salary was 955 Euro. Significant differences in the average salary rates are also observed in enterprises of the same sub-sector, specifically, in the sub-sector of water management enterprises. Meanwhile, while at RWC Prishtina, the average salary amounts to 863 Euro, at RWC Bifurkacioni, the average salary turns out to be 469 Euro.

Figure 6. Employee numbers and average salaries in central publicly owned enterprises



Source: GAP Institute, using POEPMU data

In addition, several publicly owned enterprises have permanently benefited from Government subsidies. Since 2014, since there is no earlier public data, Trepça has received around 5 million Euro per year in direct subsidies from the Government. Similarly, TrainKos and InfraKos have received between 500 thousand and 1 million Euro per year. Meanwhile, the water and waste management companies combined have received about 1 million Euro in subsidies per year.⁶

Moreover, as seen in 2017 data, it may be observed that the highest number of employees in these publicly owned enterprises, are men.

Table 2. Employment in central publicly owned enterprises, by gender, 2017

Publicly Owned Enterprises	2017 (%)	
	Women	Men
Kosovo Energy Corporation J.S.C. (KEK)	5.5	94.5
“Kosovo Telecom” JSC (TK)	26	74
“Kosovo Post” JSC (PK)	23	77
“Trainkos” JSC	11	89
“InfraKos” JSC	6	94
Kosovo Landfill Management Company JSC (KLMC)	13	87
RWC “Prishtina”	12	88
RWC “Hidromorava”	14	86
RWC “Hidroregjioni Jugor”	13	87
RWC “Mitrovica”	6	94
RWC “Hidrodrini”	8	92
RWC “Gjakova”	16	84
IC “Drini i Bardhë”	21	79
IC “Dukagjini”	10	90
HE “Ibër - Lepenci”	14	86

Source: GAP Institute, using POEPMU data

⁶ Calculation of the GAP Institute based on the nine-month reports of the Treasury (Ministry of Finance, Labor and Transfers).

Financial performance

The tables presented in the following chapter provide a more detailed overview of the financial standing and challenges faced by Kosovo's publicly owned enterprises.

Financial performance of the water sector

The public water sector in Kosovo currently consists of nine companies, seven of which are water supply companies that focus on the supply, management and control of water quality for cities and other residential areas, as well as two irrigation companies providing water to irrigate agricultural lands.

Table 3. Financial performance of publicly owned enterprises within the water sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro'000)			
KRU "Prishtina"	17,491	17,702	1.21% ▲
KRU "Hidromorava"	2,841	2,630	-7.43% ▼
KRU "Hidroregjioni Jugor"	5,508	5,688	3.27% ▲
KRU "Mitrovica"	6,218	6,166	-0.84% ▼
KRU "Hidrodrini"	4,441	4,990	12.36% ▲
KRU "Gjakova"	5,238	5,141	-1.85% ▼
KRU "Bifurkacioni"	2,402	2,501	4.12% ▲
KU "Drini i Bardhë"	456	379	-16.89% ▼
KU "Dukagjini"	811	829	2.22% ▲
Total Revenues	45,406	46,026	1.37% ▲
Staff costs ('000 euros)			
KRU "Prishtina"	5,424	5,769	6.36% ▲
KRU "Hidromorava"	1,244	1,280	2.89% ▲
KRU "Hidroregjioni Jugor"	2,334	2,372	1.63% ▲
KRU "Mitrovica"	1,888	1,915	1.43% ▲
KRU "Hidrodrini"	1,688	1,673	-0.89% ▼
KRU "Gjakova"	2,376	2,414	1.60% ▲
KRU "Bifurkacioni"	1,230	1,193	-3.01% ▼
KU "Drini i Bardhë"	125	125	0.00% ■
KU "Dukagjini"	463	512	10.58% ▲
Total staff costs	16,772	17,253	2.87% ▲
Net profit/loss ('000 euros)			
KRU "Prishtina"	-28	428	1628.57% ▲
KRU "Hidromorava"	202	77	-61.88% ▼
KRU "Hidroregjioni Jugor"	15	55	266.67% ▲

Enterprises	2019	2020	Difference in percentages
KRU "Mitrovica"	181	-314	-273.48% ▼
KRU "Hidrodrini"	214	327	52.80% ▲
KRU "Gjakova"	112	-493	-540.18% ▼
KRU "Bifurkacioni"	-51	31	160.78% ▲
KU "Drini i Bardhë"	7	-15	-314.29% ▼
KU "Dukagjini"	17	5	-70.59% ▼
Total profit/loss	669	101	-84.90% ▼

Source: GAP Institute using POEPMU data

Of all the enterprises in the water sector, RWC Prishtina has had the most revenues in this sector, with around 39% of the revenues of the entire sector, and during 2020 there was a slight increase in revenues by about 1.2%, compared to 2019. In addition to RWC Prishtina, in 2020 there was also an increase in revenues in RWC Hidroregjioni Jugor, RWC Hidrodrini and RWC Bifurkacioni. Meanwhile, the RWCs recording a decrease in revenues include RWC Hidromorava, RWC Mitrovica, RWC Gjakova and IC Drini i Bardhë.

Staff costs include employee salaries, travel expenses, training expenses, health insurance expenses, conference expenses, as well as other expenses that companies make to the benefit of employees. Of the public water supply companies, RWC Prishtina has the largest expenses in staff, which during 2020 recorded a 6.36% increase. Other companies in the water supply sector have generally over the years had a positive trend in the increase of staff costs, where in total, such costs during 2020 reached 17.2 million Euro, or 2.87% more than in the previous year 2019.

Among the public companies that are part of the water sector, a large number of them operate at a loss in the market. This is mainly due to the low rate of bill collection, as well as the low billing of the services they provide. During 2020, public companies within the water sector operated with a profit of over 101 thousand Euro, a decrease of -84.9% compared to the previous year, when these companies had operated at a net profit of 669 thousand Euro. This large decrease in profit during 2020 came mainly due to the poor financial performance of RWC Hidromorava, RWC Mitrovica, RWC Gjakova, IC Drini i Bardhë and IC Dukagjini.

Billing and collection rates for services within the water sector

One of the major issues faced by the regional water supply companies remains the low rate of billing and collection for the services they provide. Since 2010, RWC Prishtina, RWC Hidromorava, RWC Hidroregjioni Jugor, RWC Mitrovica, RWC Hidrodrini, RWC Bifurkacioni have billed less than 50% of their produced water⁷, thus implying that more than half of the produced water was supplied at a loss. These losses in the billing of the services

⁷ With the exception of 2019 and 2020, when RWC "Hidromorava" increased its billing to 50% and 53%, respectively.

provided by the RWCs affect their financial sustainability, operational performance, as well as the quality of service delivery. In a five-year term period, the only RWC that managed to bill more than half of the produced water was RWC Gjakova, which from 39% of water billed in 2010, reached 52% in 2015. Whereas, if a ten-year period is looked at, the regional water supply companies that have made progress in billing services compared to 2010, remain RWC Hidromorava, RWC Hidrodriini, and RWC Hidroregjioni Jugor.

RWC Prishtina, together with RWC Bifurkacioni, are the only ones among the RWCs that have recorded a regression in the billing rates. For example, RWC "Prishtina" went from a 45% billing rate in 2010, ten years later billing only 42% of produced water. Whereas, RWC Bifurkacioni went from 40% of services billed in 2010 to a billing rate of 37% in 2020. Despite fluctuations over the years, the RWC Mitrovica's billing rate in 2020 is the same as in 2010. The other two water supply companies, IC Drini i Bardhë and IC Dukagjini are companies involved in providing irrigation services, therefore their billing percentages are high (Table 3.)

Table 4. Service collection rates in the water sector

Billing Services (%)							
Enterprises	2010	2015	2016	2017	2018	2019	2020
KRU "Prishtina"	45	49	47	43	40	42	42
KRU "Hidromorava"	40	39	42	43	47	50	53
KRU "Hidroregjioni Jugor"	42	42	42	42	43	44	45
KRU "Mitrovica"	47	40	38	38	41	45	47
KRU "Hidrodriini"	28	34	35	36	38	41	41
KRU "Gjakova"	39	52	53	53	56	57	58
KRU "Bifurkacioni"	40	/	/	/	/	35	37
KU "Drini i Bardhë"	/	100	100	100	100	100	100
KU "Dukagjini"	35	100	100	100	100	100	100

Source: GAP Institute, using POEPMU data

IC Drini i Bardhë remains the most unstable company in terms of service collection rates, with quite large fluctuations from year to year. Meanwhile, in the case of IC Dukagjini, from 2016 to 2020, the level of service collection has mainly been at an average of over 90%.

Table 5. Service collection rates in the water sector

Collection Services (%)							
Enterprises	2010	2015	2016	2017	2018	2019	2020
KRU "Prishtina"	70	76	90	87	97	96	83
KRU "Hidromorava"	68	78	82	80	84	96	86
KRU "Hidroregjioni Jugor"	69	74	87	95	96	94	92
KRU "Mitrovica"	55	56	60	57	72	84	72
KRU "Hidrodrini"	59	73	78	80	87	94	86
KRU "Gjakova"	66	84	95	87	97	98	95
KRU "Bifurkacioni"	61	/	/	/	/	87	72
KU "Drini i Bardhë"	/	22	49	63	31	26	63
KU "Dukagjini"	67	61	168	93	90	93	88

Source: GAP Institute, using POEPMU data

Financial performance of the telecommunications and postal services sector

The telecommunication and postal services sector has always generated revenues due to the large volume of activity and coverage across the country. Currently, in Kosovo, Kosovo Telecom and Kosovo Post remain the two enterprises that are part of this sector and are under state ownership.

Table 6. Financial performance of publicly owned enterprises within the telecommunications and postal services sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro'000)			
"Kosovo Telecom" JSC (TK)	53,589	51,700	-3.52% ▼
"Kosovo Post" JSC (PK)	12,136	11,447	-5.68% ▼
Total Revenues	65,725	63,147	-3.92% ▼
Staff costs ('000 euros)			
"Kosovo Telecom" JSC (TK)	29,462	26,227	-10.98% ▼
"Kosovo Post" JSC (PK)	9,121	8,895	-2.48% ▼
Total staff costs	38,583	35,122	-8.97% ▼
Net profit/loss ('000 euros)			
"Kosovo Telecom" JSC (TK)	-26,916	-18,727	30.42% ▲
"Kosovo Post" JSC (PK)	-990	-978	1.21% ▲
Total profit/loss	-27,906	-19,705	29.39% ▲

Source: GAP Institute, using POEPMU data

Both in 2019 and 2020, Kosovo Telecom generated revenues of over 50 million Euro. The year 2020 may be considered as an unsuccessful year for the two companies, since revenues, when compared to the previous year, declined by 3.52% for Kosovo Telecom, and 5.68% for Kosovo Post. The decrease in revenues that year was mainly a result of the economic chain effects caused by the COVID-19 pandemic.

As for staff expenses, it follows that the two publicly owned enterprises that are part of the telecommunications and postal services sector have, over the years, shrunk their staff. The total labor costs of their workers for these two enterprises, during 2019, was 38.5 million Euro, only to decline to 35.1 million Euro a year later, a decrease of 8.97%. The biggest change in percentage includes the reduction of staff costs by Kosovo Telecom, which during 2020, reduced these expenses by 10.98%, while Kosovo Post reduced staff expenses by 2.48%, compared to the previous year.

Kosovo Telecom and Post are two publicly owned enterprises that operate at a loss in the market. Despite that, during the year 2020, Kosovo Telecom did improve its performance by plus 30.42% (compared to the previous year), while during the year 2020, Kosovo Post, had an insignificant increase in performance, namely a plus 1.21% (Table 5).

Financial performance of the railway transport sector

The railway sector in Kosovo consists of two publicly-owned enterprises, "Trainkos" and "Infrakos". This sector is very important for the country, since, in addition to passenger transport, it also serves as one of the main sources of cargo transport, and a connecting bridge between the cities of Kosovo. However, despite the benefits it may bring, this sector is quite costly due to the high cost of railway maintenance, as well as the need to establish new railway routes.

Table 7. Financial performance of publicly owned enterprises within the railway transport sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro'000)			
"Trainkos" JSC	4,302	4,100	-4.70% ▼
"Infrakos" JSC	3,595	2,862	-20.39% ▼
Total Revenues	7,897	6,962	-11.84% ▼
Staff costs ('000 euros)			
"Trainkos" JSC	1,811	1,770	-2.26% ▼
"Infrakos" JSC	2,079	1,976	-4.95% ▼
Total staff costs	3,890	3,746	-3.70% ▼
Net profit/loss ('000 euros)			
"Trainkos" JSC	-160	230	243.75% ▲
"Infrakos" JSC	-164	-625	-281.10% ▼
Total profit/loss	-324	-395	-21.91% ▼

Source: GAP Institute, using POEPMU data

When it comes to the generation of revenues, all publicly owned enterprises that are part of the railway transport sector have recorded a decline compared to 2019. For example, looking at the data in the table above, we notice that the year 2020 was quite difficult for "Infrakos", which faced a -20.39% drop in revenues, a decline mainly caused by the lockdowns and chain effects caused by the COVID-19 pandemic. Similarly, "Trainkos" recorded a negative trend in revenue generation during this year, with revenues decreasing by -4.70%.

Staff costs of publicly owned enterprises that are part of the rail transport sector have generally started to fall, with a drop of -3.70% during 2020, compared to the expenses of the previous year 2019. "Infrakos" ended the year 2020 with 4.95% decline in staff costs compared to expenditures it recorded in 2019, while "Trainkos" had 2.26% drop in staff costs.

With the exception of 2019, "Trainkos" operated with a profit in the market, with 2020 turning out to be quite profitable, with a net profit of plus 243.75%. On the other hand, the complete opposite happened to "Infrakos", to whom the same year (2020) brought a decrease in net profit by minus 281.10%, compared to 2019. In total, these two companies that are part of this sector, ended 2020 with 21.91% less net profit compared to the profit they had in the previous year.

Financial performance of the energy and mining sector

The energy and mining sector includes natural resources and the provision of related services such as: electricity generation and mining of minerals and metals that are necessary for the operation of the country's industry. As a result, the role of the Government in the management of these strategic assets is quite high. The central publicly owned enterprises that make up the energy and mining sector in Kosovo include Kosovo Energy Corporation (KEK) and Trepça.

Table 8. Financial performance of publicly owned enterprises within the energy and mining sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro '000)			
Kosovo Energy Corporation J.S.C. (KEK)	185,135	193,267	4.39% ▲
"Trepça"	14,424	14,365	-0.41% ▼
Total Revenues	199,559	207,632	4.05% ▲
Staff costs ('000 euro)			
Kosovo Energy Corporation J.S.C. (KEK)	56,332	54,169	-3.84% ▼
"Trepça"	12,313	12,958	5.24% ▲
Total staff costs	68,645	67,127	-2.21% ▼
Net profit/loss ('000)			
Kosovo Energy Corporation J.S.C. (KEK)	19,222	23,784	23.73% ▲
"Trepça"	-3,467	-4,730	-36.43% ▼
Total profit/loss	15,755	19,054	20.94% ▲

Source: GAP Institute, using POEPMU data

The revenues generated by the enterprises operating in the field of energy and mining have been quite high and recorded a combined positive upward trend. At the same time, KEK is also the publicly owned enterprise that generates the most revenues in Kosovo. This company closed the year 2020 with 4.39% more revenue than it had in the previous year, 2019. On the other hand, during 2020, Trepça generated 0.41% less revenues, compared to 2019. In general, the enterprises that are part of the energy and mining sector have had a positive trend in increasing their revenues, while 2020 brought a 4.05% increase in revenues for the two publicly owned enterprises of this sector.

When it comes to staff costs, from the data in the table above, it follows that generally, the enterprises of the energy and mining sector have reduced such costs by 2.21% during 2020, compared to the previous year. Trepça is the only enterprise in this sector that marked an increase in staff costs during 2020, by 5.24%, compared to the previous year 2019. Meanwhile, KEK reduced its staff costs by a minus 3.84%, compared to the costs it had in 2019.

Meanwhile, the only company that is part of this sector and operates profitably in the market is KEK. From 2019, it seems that this company increased its profit, with 23.73% more in revenues during 2020. As for Trepça, this company always operated at a loss, while the losses deepened even further during 2020, with 36.43%.

Financial performance of multi-sectoral enterprises

Multi-sectoral publicly owned enterprises are those enterprises that conduct more than one activity in the market. In Kosovo, the only multi-sectoral enterprise under state ownership includes Ibër-Lepenci Hydro Enterprise. The main mandate of this enterprise includes the supply of raw water to industry, agriculture, but also electricity generation.

Table 9. Financial performance of publicly owned enterprises within the multi-sectoral enterprise sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro '000)			
HE "Ibër – Lepenci"	5,386	4,580	-14.96% ▼
Staff costs ('000 euro)			
HE "Ibër – Lepenci"	3,208	3,203	-0.16% ▼
Net profit/loss ('000)			
HE "Ibër – Lepenci"	3,753	4,123	9.86% ▲

Source: GAP Institute using POEPMU data

From the data in the table above, it seems that HE Ibër-Lepenci generated 14.96% less revenues during 2020, compared to 2019. This drop in revenues this year mainly resulted from the lower productivity rate due to the COVID-19 pandemic. In terms of staff expenses, during 2020, HE Ibër-Lepenci, paid 0.16% less in staff costs compared to 2019. HE Ibër-Lepenci is a publicly owned enterprise, which operates profitably in the market. Compared to 2019, during 2020, the positive trend of this company's profit growth went on with a further hike of 9.86%.

Financial performance of the waste collection sector

Kosovo Landfill Management Company (KLMC) is a central publicly owned enterprise, whose purpose is to organize and manage waste landfills in the Republic of Kosovo. The following tables depict the financial performance of this company during 2019 and 2020.

Table 10. Financial performance of publicly owned enterprises within the waste collection sector

Enterprises	2019	2020	Difference in percentages
Revenues (Euro '000)			
Kosovo Landfill Management Company JSC (KLMC)	3,689	2,368	-35.81% ▼
Staff costs ('000 euros)			
Kosovo Landfill Management Company JSC (KLMC)	745	768	3.09% ▲
Net profit/loss ('000)			
Kosovo Landfill Management Company JSC (KLMC)	1,056	112	-89.39% ▼

Source: GAP Institute using POEPMU data

From the data in the table above, it seems that the COVID-19 pandemic hit this company quite hard, causing a decrease in revenues during 2020 by 35.81%, compared to 2019. Respectively, from the 3.7 million Euro it generated in 2019, during 2020, this company managed to generate only 2.36 million Euro, or about 1.3 million Euro less.

In terms of staff costs, in 2020, KLMC increased its expenses by 3.09%, compared to the previous year, an increase of 23 thousand Euro, thus bringing the total costs to 768 thousand Euro.

The year 2020 was quite painful for KLMC, where as a result of the COVID-19 pandemic, this company's profit plummeted by 89.39%, compared to the previous year 2019. Therefore, from 1.05 million Euro in profit in 2019, in 2020 this company only recorded 112 thousand Euro in profit.

Number of employees in publicly owned enterprises

The number of employees in a publicly owned enterprise depends on the activity of the enterprise and the levels of service such an enterprise would offer. Number of employees varies from year to year, due to staff movements, new recruitment announcements, retirement of active employees, etc.

Table 11. Employee numbers in the water sector

Enterprises	2019	2020
RWC "Prishtina"	586	557
RWC "Hidromorava"	165	159
RWC "Hidroregjioni Jugor"	332	337
RWC "Mitrovica"	260	252
RWC "Hidrodrini"	216	218
RWC "Gjakova"	274	287
RWC "Bifurkacioni"	206	212
IC "Drini i Bardhë"	35	34
IC "Dukagjini"	65	72
"Kosovo Telecom" JSC (TK)	2,383	2,288
"Kosovo Post" JSC (PK)	1,012	966
"Trainkos" JSC	230	227
"Infrakos" JSC	308	286
Kosovo Energy Corporation J.S.C. (KEK)	4,003	3,884
"Trepça"	1,161	1,372
HE "Ibër - Lepenci"	311	304
Kosovo Landfill Management Company JSC (KLMC)	83	86
TOTAL	11,630	11,541

Source: GAP Institute, using POEPMU data

Main findings of National Audit Office on POEs

The National Audit Office has not addressed regularly, on an annual basis, the performance or regularity reports for all publicly owned enterprises. From 2011 to the last year 2019, no audit was carried out for publicly owned enterprises with a national remit. Exceptions include regional water supply companies, for which NAO prepares and publishes reports on an annual basis, together with Radio-Television of Kosovo.

In 2020, in its work plan, NAO included audits for a number of POEs, including KEK (public procurement audit), Kosovo Telecom, Kosovo Post, Infracos, Trainkos, RWC Uniteti, Termokos, Iber-Lepenci, RWC Pastrimi, as well as the public housing company in Pristina.⁸

For the largest number of these enterprises, NAO has issued “adverse” opinions, or an opinion which indicates that the auditors found systematic errors in the management of revenues, expenses, assets, human resources and in the fulfillment of objectives in strengthening and modernization of enterprises.⁹

From the main findings, in addition to operating at a loss, there are also errors in the customer records, errors in the recording of financial revenues, errors in the recording of payments made by consumers, failure to record contingent expenses and lack of data related to active lawsuits from external parties, systematic errors in human resources management, staff recruitment in violation of competition rules, disregard of public procurement rules, application of dubious and contradictory standards in invoicing/billing, amnesty of debts without legal grounds, investments in assets that are not used, up to cases of financial errors recorded involving advances, failure to record work attendance or employee performance, failure to pay pension contributions for employees, as well as large delays in the preparation and submission of financial reports.

⁸ National Audit Office. Annual report. Page 107. Source: <https://bit.ly/3YeezCh>

⁹ Ibid.

Transparency of publicly owned enterprises

Transparency of work, services and expenses serves as an indicator of institutional accountability and good governance. Publicly owned enterprises in Kosovo are found to have serious deficiencies in this regard, and this comes for two reasons: first, the majority of enterprises do not have appointed officials responsible for communication with external parties, including communication with the media, and there are also no officials designated to provide access to public records to external parties; secondly, a large number of documents that should be public on their official website are missing.

In this regard, the POEPMU under the Ministry of Economy is no exception, as the last documents posted on its website related to publicly owned enterprises date from 2018.¹⁰ For several years now, this unit has not even published the performance reports for publicly owned enterprises, thereby claiming that such reports have not been adopted by the Kosovo Assembly.

Article 31.3 of the Law on publicly owned enterprises stipulates that within 45 days upon the end of each calendar year, POE officials shall prepare and submit to the POE Board of Directors an annual report for the calendar year coming to an end, describing which actions were taken, the financial results achieved, as well as the overall effectiveness in achieving the objectives set forth in the business plan. Within 30 days of receipt of the annual report, the POE board of directors shall review, amend, adopt and submit an annual report to the POE Policy and Monitoring Unit, which in turn will publish it on its official website. It will also publish the annual reports on a publicly accessible website maintained by the POE".¹¹

¹⁰ Ministry of Economic Development. Publicly Owned Enterprise Policy and Monitoring Unit. Official website. Source: <https://bit.ly/3FJEaM8>

¹¹ Official Gazette of the Republic of Kosovo. Law on Publicly Owned Enterprises. Source: <https://bit.ly/3hjz8N9>

Table 12. Information published on the websites of publicly owned enterprises (visited December 2022)

	Functional website	Whistleblower person (official website contact)	Publication of procurement data	Description of services offered on the official website	Annual financial/ detailed report (2020-2021)	Is the Board performance report published (2020 & 2021)	2021) Customer satisfaction Publication
KEK	✔	✔	✘	✔	✔	✘	✘
Telecom	✔	✔		✔	✘	✘	✘
Trainkos	✔	✘	✘	✔	✔	✘	✘
Waste Management Company	✔	✘	✔	✔	✘	✘	✘
Iber-Lepenci	✔		✘	✔	✔	✘	✘
RTK	✔	✘	✘	✔	✔	✘	✘
Infrakos	✔					✘	✘
Airport (air control)	✘	✘	✘	✘	✘	✘	✘
Trepça	✔	✘	✘	✔		✘	✘
Post	✔	✘	✔	✔	✘	✘	✘
Kosovo System, Transmission System and Market Operator	✔	✘	✔	✔	✔	✘	✘
IC Drini i Bardhë	✘	✘	✘	✘	✘	✘	✘
IC Radoniqi	✔		✘	✔	✘	✘	✘
RWC Prishtina	✔	✔		✔	✔	✘	✔
RWC Hidrodriini	✔	✘	✔	✔	✔	✘	✘
RWC Hidroregjioni Jug	✔	✔		✔	✔	✘	✘
RWC Mitrovica	✘	✘	✘	✘	✘	✘	✘
RWC Hidromorava	✔	✔	✘	✔	✔	✘	✘
RWC Radoniqi	✔	✘	✔	✔	✔	✘	✘

✔ Published,
 ✘ Not published,
 ||| Partially published.

Conclusion

From the data presented, it follows that central publicly owned enterprises continue to face various challenges, starting from their major issue, operating at a loss in the market. This is then accompanied by difficulties in making investments and modernization of equipment and services.

One of the most important sectors in this regard includes the water sector. Among these companies, it may be seen that the highest percentage of them operate at a loss. This is mainly due to the low rate of bill collection, as well as the low billing of the services they provide. In total, during 2020, public companies in the water sector operated at a profit of over 101 thousand Euro, a decrease of 84.9% compared to the previous year, when such companies had operated at a net profit of 669 thousand Euro. This high decrease in profit during 2020 came mainly due to the poor financial performance of RWC Hidromorava, RWC Mitrovica, RWC Gjakova, IC Drini i Bardhë and IC Dukagjini.

The railway sector in Kosovo consists of two publicly owned enterprises, "Trainkos" and "Infrakos". This sector is very important for the country, since, in addition to passenger transport, it also serves as one of the main sources of cargo transport, and a connecting bridge between the cities of Kosovo. However, despite the benefits it may bring, this sector is quite costly due to the high cost of railway maintenance, as well as the need to establish new railway routes. Regarding the generation of revenues, all publicly owned enterprises that are part of the railway transport sector have recorded a decline compared to 2019. For example, the year 2020 was quite difficult for "Infrakos", which faced a 20.39% drop in revenues, a decline mainly caused by the chain effects caused by the COVID-19 pandemic. Similarly, "Trainkos" recorded a negative trend in revenue generation during this year, with a drop in revenues by 4.70%.

Various issues have also been confronted in the energy and mining sector and the waste sector. In addition to the operational aspect of POEs, a problem also arises in the lack of improvement in the appraisal that these enterprises have received from the National Audit Office. For the major portion of these enterprises, NAO has issued "adverse" opinions, or an opinion which indicates that the auditors found systematic errors in the management of revenues, expenses, assets, human resources and in the fulfillment of objectives of strengthening and modernization of enterprises.

Even the lack of transparency and the lack of capacities of the POEs to cooperate with external parties, turns out to be a continuous problem. This comes for two reasons, firstly, the majority of enterprises do not have an appointed official responsible for communication with external parties, including communication with the media, and there is also a lack of an official appointed to enable external parties' access to public records. A second reason is due to the fact that a large number of documents that are supposed to be public on their official websites, are missing from their publications.

Annex

Table 13. List of POEs

Central publicly owned enterprises	
Publicly owned enterprises	Regional enterprises
KEK	IC "Drini i Bardhë"
Kosovo System, Transmission System and Market Operator	IC "Radoniqi"
Telecom	RWC "Prishtina"
Trainkos	RWC "Hidrodrini"
Landfill Management Company	RWC "Hidroregjioni Jugor"
Iber-Lepenci	RWC "Mitrovica".
Gjakova Airport	RWC "Hidromorava"
Infrakos	RWC "Radoniqi"
Pristina International Airport (Air Control)	RWC "Bifurkacioni"
Trepça	
Kosovo Post	
NKEC	
Local enterprises	
Local enterprises	Regional enterprises
District Heating Plant Termokos (Pristina).	RWC Pastrimi
District Heating Plant Gjakova.	RWC "Ambienti"
Waste company "Standard" - Mitrovica.	RWC "Pastërtia"
Waste company - Zvecan.	RWC "Eco-Regjion"
Water supply and waste company "Ibri", Zubin Potok.	RWC "Higjiena"
Water supply and waste company "24 Nentori", Zubin Potok.	RWC "Uniteti"
Public housing enterprise, Pristina.	RWC "Çabрати"
Company "Tregu" Mitrovica.	
"Prishtina Parking" company	
"Central Canteen (Kuzhina Qendrore)" - Prishtinë.	
"Sport Marketing" Enterprise - Prishtina.	
"Ekologjia" Company Graçanica.	
Multifunctional center - Mitrovica.	
"Tregu" Company, Gjilan.	
"Higjiena" Company, Deçan.	
"Përparimi" Company, Vushtrri.	
"Eko-natyra" Company, Skenderaj.	
"Kastrioti" Company - Obiliq.	
"Hortikultura" Company - Pristina.	
Publicly owned housing enterprise - Peja.	
Publicly-owned housing enterprise - Prishtina	
Urban Transport company - Prishtina	
Publicly-owned enterprise "Youth Palace"	
"Omni Sport" - South Mitrovica.	

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