



Poor planning of central publicly owned enterprises in Kosovo

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Executive Summary

The majority of public services in Kosovo are provided by centrally owned and operated public enterprises. The enterprises, however, are consistently characterized by excessive staff, political influence, nepotism, poor service delivery, and concluding harmful contracts. These issues have caused such enterprises to lack financial stability and proper development. Many of them cannot cover their expenses from their own revenues, and many operate at a loss. Their development and effective performance directly affect the increase in the quality of services delivered to citizens. In addition, central publicly owned enterprises represent a significant sector in Kosovo from a financial and employment perspective. In 2022, publicly owned enterprises (POEs) in Kosovo generated EUR 464 million in revenue or 5.2% of Kosovo's Gross Domestic Product (GDP) in that year, while employing about 11,000 people. Essential to the long-term development of such enterprises remains the introduction of effective corporate governance, where the key element is the planning and implementation of strategic indicators for the sustainable development of the enterprise.

This brief by GAP Institute analyzes the performance of key enterprises in the country, which generate about 82% of the revenues in this sector, namely Trepça, Kosovo Energy Corporation (KEK), Ibër-Lepenci, Infrakos, Trainkos, Telecom, the Postal Service, and the Kosovo Landfill Management Company (KLMC), against the strategic planning presented in their business plans for the period of 2020-2022. Our findings highlight a disconnect between POE strategic plans and their engagement over the course of a year. Firstly, business plans differ from enterprise to enterprise. Some of them lack key performance indicators, timeframes for achieving targets, and clear elaboration of the main objectives. Moreover, many POEs do not follow a reporting standard as required by the Code of Ethics and Corporate Governance. Out of 53 strategic objectives these POEs have presented in their business plans, 36 or 68% of them have not been met for three years in a row. 11 objectives or 21% have been partially met, while only 6 objectives or 11% have been completely met.

The KLMC enterprise still fails to meet one of its key strategic objectives regarding waste separation and classification, which also has a chain effect in the economy. Trainkos, on the other hand, has not yet joined the international railway institutions, as it planned from 2020 onwards, and when it comes to membership in international organizations, the Postal Service also has the same problem. In addition, Infrakos has not yet completed the railroad track connection to most Kosovo mines, failing to achieve this key objective. Ibër-Lepenci has not yet completed its main canal rehabilitation. Similarly, enterprises do not elaborate in detail on the shortcomings presented in business plans nor on the approach to addressing these points and tentatively the obstacles to addressing them. Meanwhile, with each passing year, Telecom plans to increase customer satisfaction. However, the relevant reports show that they are moderately or not satisfied with Telecom's services.

Even in the indicators related to production or service targets, in seven out of 13 indicators in total, in the period 2020-2022, enterprises have never fully met the business plan.

This brief also highlights the need for better coordination between publicly owned enterprises, institutions, and shareholders to avoid losing substantial donations. In 2020 and 2021, KLMC failed to benefit from a EUR 76 million donation due to poor coordination.

Introduction

POEs are significant in economic and social terms because they deliver basic services to citizens. However, they also have an impact on the country's economic development. This brief analyzes the work of eight central publicly owned enterprises in Kosovo during 2020-2022. Specifically, the eight enterprises covered in this report are: Trepça, Kosovo Energy Corporation (KEK), Ibër Lepenci, Infrakos, Trainkos, Telecom, the Postal Service, and Kosovo Landfill Management Company (KLMC). In 2022, these enterprises generated EUR 384 million in revenue, or 4.3% of Kosovo's GDP, employing over 8 thousand people.¹ The report analyzes the work progress of the central POEs in terms of the execution of their mission as well as their two strategic documents, including the Business Plan and the Annual Report, which provide the basis used by the Publicly Owned Enterprise Monitoring Unit (hereinafter the Unit) at the Ministry of Economy to conduct the annual assessment of enterprises. More precisely, in this analysis, GAP Institute focused on the business plans which define the business goals and the direction of economic and social development of the enterprise. In addition, it focused on the annual reports to determine if the goals were achieved. In addition to measuring business plan fulfillment, this brief also examines enterprises' financial performance over the years. To look closer at enterprise management, GAP Institute has also reviewed SWOT analyses² of each company for the last three years. Accordingly, the qualitative level of execution has been examined to determine how enterprises' management leveraged strengths and opportunities. Additionally, the examination scrutinized the decisions taken by boards of directors and management to mitigate weaknesses.

Consistently, the issues of these enterprises, such as excessive staff, political influence concerning appointments to senior management positions, poor quality service delivery, lack of commitment to debt collection, etc., have caused many of these enterprises to lack financial stability. For five of the seven central enterprises covered in this brief, revenues at the end of 2022 were lower than forecast in the business plan for that year. This was by nine to 29 percent. Similar trends were also observed in 2021 and 2020. Similarly, for five out of seven central enterprises, in 2022 annual expenditures were higher than planned by eight to 29%. Half of the enterprises examined ended the year with losses, although only two, Telecom and the Postal Service, had more pronounced losses. Government intervention through grants and subsidies has had a significant impact on improving the publicly owned enterprises' financial performance.

¹ Data from enterprises' annual reports and Kosovo Agency of Statistics reports on national accounts

² SWOT is an English abbreviation that stands for Strengths, Weaknesses, Opportunities, and Threats. SWOT analysis helps an enterprise identify its strengths and weaknesses, as well as opportunities and threats. This analysis helps with strategic planning and data-driven decision-making.

Business plan fulfilment by publicly owned enterprises

Poor work planning is observed in most of these organizations. This is reflected particularly in the failure to achieve the business plan goals for the key financial and production or service indicators. The respective data are included in this report. In terms of long-term planning, enterprises also conduct SWOT analyses, which are part of their business plans. The fact that, each year, the weaknesses, threats, and opportunities remain the same, with minor changes in some cases, is a persistent challenge. This translates into a lack of genuine policies and a detailed plan to address them.

Among its strengths, Trepça has noted its qualitative and quantitative lead and zinc (Pb&Zn) reserves, which are in demand on international markets.³ However, lack of both capital investment and workforce training has prevented the proper exploration of such reserve levels (see Table 5). This is proven by the repetition of these strengths from year to year in business plans but without a clear action plan. In addition, the National Audit Office (NAO) highlighted improper production management and staffing needs assessments.⁴ In 2021, there was planning for employee training, but no activity in this direction was reported in the annual report of the same year. As a priority in the enterprise's business plans, the reactivation of the battery factory has long been listed; however, no concrete actions have been taken to address it. Although Trepça has increased the value of its general assets and reduced losses, it needs serious investments to fulfill its mission. Out of eight indicators, only one has been partially addressed. The other seven have not been met, nor has management made serious efforts to fulfill them. This translates into their failure to perform the tasks committed to the enterprise's mission with the goal of transforming Trepça into a regional leader in concentrate and final product production. On the other hand, the Law on Trepça provides for opening the enterprise to direct investment, the issuance and sale of shares. However, currently it remains far from implementing these goals.⁵

On the other hand, KEK has increased profits and total asset value during these three years. KEK has real likelihood to fulfill production plans and expand with new production capacities against the fulfillment of its mission, since the ongoing increase in export prices provides an ideal opportunity to strengthen the enterprise and create jobs for the youth and profit for the shareholders. Operations to open a new mine, according to an already prepared plan (by the Mibrag Consortium), have launched and are expected to be completed in 2023. This is one of the factors that contribute to increased energy production and, thereby, revenues.⁶ However, a serious

³ See Trepça JSC business plans for 2020–2022 in the SWOT analysis section.

⁴ National Audit Office Annual Audit Report for 2022. Source: <https://bit.ly/3QAYUjK>

⁵ Law No. 05/L-120 on Trepça, Article 12. Source: <https://bit.ly/48plwne>

⁶ See KEK business plans. Source <https://bit.ly/45M30F2>

problem facing KEK is management's ability to expropriate private lands for ore mining purposes. This indirectly affected the decline in coal and overburden production (see Table 5), which are the basis for electricity production.

At KLMC, an increase in service quality and efficiency is listed as an opportunity. This is a statement repeated for the last three years in a row, although the results achieved in the enterprise's annual report are not elaborated. Furthermore, KLMC has stated in its business plan that it aims to introduce waste separation, classification, and recycling. However, in its annual plans there is no indication of any effort in this direction. This stagnation has chain effects, particularly in failing to leverage the circular economy. In the annual report, among other things, in terms of management it is said that three of the six members of the Board of Directors, in 2020, have not participated in any committee meetings held by the Board of Directors.⁷ Of the 13 indicators presented in the enterprise's business plans, concrete results have been achieved in only two. In different two enterprises, there have been some partial efforts by management. However, in the remaining nine there were no satisfactory results. Obtaining a license, failure to introduce waste classification, and sinking in the Mirash landfill remain issues of exceptional significance in the overall performance of the enterprise.⁸

Among the challenges, the enterprises point to outdated operating technologies. According to their annual reports, Trainkos still has many trains manufactured in the 50s or 60s. KEK operates power plants that have already completed their life span. However, although these are presented as strategic indicators, in the case of Trainkos in an overly generalized fashion, they have failed to mobilize funds or design projects for capital investments.

On the other hand, the Postal Service declares that its strength is the developed postal infrastructure, but at the same time identifies the outdated technology, lack of capital investments, and lack of mechanisms for international membership as weaknesses.⁹ Although since 2020, the Postal Service has identified the need for a better communication and marketing strategy, including keeping customers informed about upcoming products and services. However, it does not report anything in its annual reports regarding progress in this direction. Also, in 2020, as an opportunity, the Postal Service declared the improvement of services quality by investing in the training and advancement of the staff, but in the annual report it declared only EUR 489 as expenditure in this category.¹⁰ For other years, no clear data was given on this aspect. Of the five objectives derived from the enterprise's business plans, none have concrete results. This is despite the fact that in two of them there are efforts to improve the situation. Non-membership in international mechanisms, lack of capital investment, and lack of training for staff cannot bail out the enterprise from its current losses and cannot make it a competitive enterprise.

Trainkos lists as its strength access to industrial tracks for most Kosovo mines, but only Feronikel benefits from this opportunity. While talking about the large capacity of transporting goods, where a value of up to 650

⁷ KLMC, Annual Report 2021. Source: <https://bit.ly/46KmsK9>

⁸ See Trepça JSC business plans for 2020-2022 in the Enterprise Mission section

⁹ Kosovo Post, Annual 2021. Source: <https://bit.ly/473tidw>

¹⁰ Ibid.

thousand tons is given, the service parameters show that this quantity has not been reached in the last three years. The average quantity of transport service delivery for this period is just 53 thousand tons.¹¹ Membership in international railway institutions is noted as a possibility, but Trainkos is yet to pursue this opportunity. A problem that also requires political attention is the fact that since 2008, the enterprise cannot use Railway Corridor X to move from the north of Kosovo to Serbia. Instead, it must pass through North Macedonia in order to access this corridor. Isolated from the rest of the regional and European railway infrastructure, it is not expected that freight and passenger transport levels will improve in the coming years.

At Ibër-Lepenci, even though revenues and profit generation have increased, in 2020, this enterprise lists as its strength that it is the only operator of the hydro-system in Central Kosovo, but that the 2020 Annual Report does not elaborate on how this strength is leveraged. The most prominent challenges for Ibër Lepenci are the illegal and direct connection of farmers to the irrigation system, changing the purpose of agricultural lands with irrigation infrastructure, and the discharge of wastewater into the Ibër Lepenci canals. The annual report does not elaborate on how the business plan issues were addressed, but only reiterates them.

In 2020, Infrakos stated that its development projects included the supply of spare parts, equipment, and machinery for the maintenance of railway infrastructure. Yet, the annual report provides no data on such investments. Also, the Prishtinë-Podujevë and Klinë-Prizren railway line network is still offline. Recently, however, Line X has seen positive changes where planned investments are implemented.

Table 1. Measuring and determining the level of achievement of business plans by publicly owned enterprises

	2020	2021	2022
KLMC			
1. Obtaining a license	✗	✗	✗
2. Solution for low service fees	✗	✗	✗
3. Addressing small number of services provided	✗	✗	✗
4. Mechanism for collecting old POE debt	✗	✗	✓
5. Investments in depreciated machinery renewal	⚡	⚡	⚡
6. Solution for lack of Administrative Building	✗	✗	✗
7. Solution for lack of electrification of Sanitary Landfill (SL) in Podujevë and Ferizaj	✗	✗	✗
8. Decisions to cut costs	✓	✓	✓
9. Investments to prevent SL Mirash sinking	✗	✗	✗

¹¹ Trainkos, Annual Report 2021: Source: <https://bit.ly/40k6TQG>

	2020	2021	2022
10. Solution for wastewater problem	✗	✗	✗
11. Achieving maximum potential in waste disposal service delivery	✗	✗	✗
12. Failure to determine new landfill site	⚡	⚡	⚡
13. Waste separation, classification, and recycling	✗	✗	✗
Trepça			
1. Ownership of settlements that can be activated in the future	✗	✗	✗
2. Management solutions for an aging workforce	✗	✗	✗
3. Solution for skilled labor retirement	✗	✗	✗
4. Solution for obsolete equipment	⚡	⚡	⚡
5. Employee training	✗	✗	✗
6. Finalization of lead and zinc products	✗	✗	✗
7. Reactivation of the industrial battery factory	✗	✗	✗
8. Production of new industrial & chemical products	✗	✗	✗
Trainkos			
1. Membership in international railway institutions	⚡	✗	✗
2. Launch transit transports	✗	✗	✗
3. Expanding our services in conducting customs procedures for goods and opening bonded warehouses for our customers	⚡	✗	✗
4. Conclude agreements with other operators to penetrate regional markets	✗	✗	✗
5. Establishment of an international railway line with Serbia	✗	✗	✗
6. Impossibility of process control in service delivery for the transportation of imported or exported goods only by us due to the involvement of more railway operators in the provision of this service	✗	✗	✗
7. Solutions for addressing wagon shortages	✗	✗	✗
8. Aging workforce, low productivity	✗	✗	✗
9. Providing solutions, lack of sufficient staff training to keep up with market needs	⚡	⚡	⚡
Infrakos			

	2020	2021	2022
1. Supply of spare parts, equipment, and machinery for railway infrastructure maintenance	✗	✗	✗
2. Reopening of the railway line (Fushë Kosovë – Mitrovicë – Leshak – Border with Serbia)	✗	∕	∕
3. Reopening of the railway line (Klinë – Xërxë – Prizren)	∕	∕	∕
4. Acquisition of navigation system software	✗	✗	✗
5. Access to industrial tracks in the majority of Kosovo's mines	✗	✗	✗
KEK			
1. Projected capital investments	∕	∕	∕
2. Expropriation of lands and properties that pave the way for coal exploitation to supply Thermal Power Plants (TPP)	∕	✗	✗
3. Staff training attempts	∕	∕	✗
4. Opening a new mine	∕	∕	∕
5. Rehabilitation of TPP Kosova B	✗	✗	✗
Ibër-Lepenci			
1. Management and other staff training	✗	✗	✗
2. Revitalization and modernization of the "Ibër-Lepenc" system	✓	✓	✓
3. Digitize enterprise files	✓	✓	✓
4. Rehabilitation of the main channel	✗	✗	✗
Telecom			
1. Solutions to overemployment	✓	✓	✓
2. Improve customer satisfaction rates	✗	✗	✗
3. Capital investments projected in the business plan	∕	∕	∕
4. Implementation of state code +383	∕	∕	✓
Kosovo Postal Service			
1. Addressing capital investment shortage	∕	∕	∕
2. Lack of membership in international mechanisms (Universal Postal Union)	✗	✗	✗
3. Keeping customers informed about upcoming products and services	∕	∕	∕
4. Improve service quality through staff training and advancement	✗	✗	✗
5. Capital investments projected in the business plan	✗	✗	✗

Source: Business plans of publicly owned enterprises and their corresponding annual reports.

Financial performance of publicly owned enterprises

The consequences of not fulfilling production or service plans are also reflected in the challenges enterprises face in not meeting income and investment plans. Of the enterprises under the scope of this brief, there are those that over the years planned for more expenditure than revenues and in the end spent less than planned, but there are also cases where they spent more than they originally anticipated. In 2020, Trepça had planned for total revenues of over EUR 15 million but managed to collect slightly over EUR 8 million while EUR 7.2 million were subsidies and direct investments allocated by the government. Trainkos planned to generate EUR 2.8 million in revenue, but generated EUR 1.8 million. The rest, EUR 545 thousand, was received as subsidies from the Kosovo Government. These are just a few concrete cases of poor financial planning by publicly owned enterprises. Some of them spent more than they had planned, while others planned higher expenditures than revenues from the beginning. While the vast majority of enterprises analyzed for this brief rely on state subsidies.

According to data from the Publicly Owned Enterprise Policy and Monitoring Unit, the total amount of shareholder subsidies allocated to all POEs for 2009-2022 is EUR 385 million.¹² The POEs subject to this analysis receive 82% of all subsidies.¹³ KEK is the enterprise that benefits most from these subsidies. KEK benefited from 60% of the total value, or EUR 231 million. Trepça, Telecom, and railway POEs follow. As for the dividend, the POEs distributed around EUR 460 million to shareholders in the same period. However, not all POEs were able to distribute dividends to shareholders. According to the Unit, Kosovo Telecom alone shared 97.8% or EUR 450 million.

In an analysis of the financial projections, we note that five of the eight companies analyzed have failed to fulfill the revenue execution plan for three consecutive years. This includes KLMC, Trainkos, Infracos, Telecom, and the Kosovo Postal Service. In 2020, Trepça achieved a business plan execution rate of 76%, or 24% less revenue than planned. In 2021, this enterprise exceeded the business plan by 4%, while in 2022 execution decreased to 91% or 9% less than planned revenues. However, the reason for exceeding the 2021 plan was government aid and not the revenue from the sale of its products.¹⁴ Infracos is another company that underperformed in execution in 2020 at 70% but improved outcomes in 2021 at 79%. However, in 2022, the execution rate against planning fell to 74%. Unlike Trepça and Infracos, Trainkos had a higher execution rate in 2020 at 86%. However, the business plan execution rate declined to 71% in 2021. Telecom has not presented data in the business plan for 2021. However, according to the

¹² The presented data were obtained from the POE Policy and Monitoring Units through an official request for access to public documents. Due to the lack of complete data for the Trepça enterprise, the data for this POE on the amounts of subsidies received by shareholders for the three years 2009 to 2018 have been calculated by deriving an average for the years 2019-2022.

¹³ In the documents received by the Unit, there is no information about the Ibër-Lepenci enterprise.

¹⁴ Trepça JSC, Annual Report 2021. Source: <https://bit.ly/3sgodJv>

2020 and 2022 reports, execution rates were 68% and 73%, respectively. The Kosovo Postal Service had an execution rate of 85% in 2020 and 89% in 2021, while 2022 data is unavailable.¹⁵ KEK is one of the enterprises that achieved or exceeded the business plan in nearly all of the years analyzed. Ibër Lepenci has marked a significant increase in fulfillment from year to year, starting from 98% in 2020 improving to 106% in 2021 and reaching 166% in 2022. On the other hand, KLMC underperformed in execution in 2020 at 71% but improved outcomes in 2021 at 89%. However, in 2022, the execution rate fell to 83%. Through the analysis of these data, it is evident that some enterprises have shown improvements while others have experienced significant variations in their performance in these specific years.

As for expenditures, some publicly owned enterprises have exceeded expenditures significantly. For example, Trepça consistently spends more than planned. The Postal Service reduced expenditures in 2020 but increased them again by 25% more than planned for 2021 while 2022 data is unavailable. Telecom provided data on expenditure planning for 2021, but compared to the previous year, it has significantly reduced expenditures for 2022. Infrakos performed poorly in achieving its business plans for revenues. However, in terms of expenditure it managed to spend significantly less than planned, by an average of 37% for the last three years. A similar downward trend in expenditure was also present at KLMC with an average decrease of 10.3% for the last three years. Even Ibër Lepenci, in addition to fulfilling the revenue plan, reduced expenditures to a significant extent.

It should be noted that a large part of publicly owned enterprise expenditures is wages and salaries. This, too, is entirely related to the large number of employees in publicly owned enterprises. This phenomenon is also reflected as a weakness in publicly owned enterprises' business plans. In 2020, according to the Unit, about 50% of all POE expenditures were dedicated to salaries. The Postal Service leads here with 92% of total expenditure allocated to salaries. It is followed by Trepça with 90%, Ibër-Lepenci with 70%, and Infrakos with 69%.¹⁶ So, it can be seen that salaries and staff-related expenditures constitute a significant part of total expenditures. To reduce such expenditures, staff cuts must also be made. This applies especially to enterprises where employees' average age is exceptionally high. Early retirement packages are an effective solution to overcoming this problem. Another solution would be employee training to boost productivity. It appears that the allocated funds for this purpose are too small to make any difference, as evidenced by the data presented by the enterprises.

Revenues-wise, the high degree of mutual interdependence between publicly owned enterprises provides serious cause for concern. This is the case with the Postal Service or Infrakos. Specifically, the Postal Service generates almost 50% of revenues from the lease of facilities for Telecom¹⁷ while Infrakos generates large revenues from leasing trucks to Trainkos. The potential loss of these customers would have disastrous financial consequences for enterprises with such dependencies.

¹⁵ GAP Institute requested data from the Unit through the official website; further, it submitted several requests for access to documents to the Kosovo Postal Service but did not receive any response.

¹⁶ Central Publicly Owned Enterprises in Kosovo, Annual Performance Report, POEPMU 2020. Source: <https://bit.ly/47bh1Ng>

¹⁷ National Audit Office, Annual Audit Report. 2022. Source: <https://bit.ly/48o0Z3x>

Table 2. Revenues and expenditures according to forecasts in the business and execution plans, 2020-2022

Publicly Owned Enterprise	Revenues			Expenditures		
	2020	2021	2022	2020	2021	2022
KLMC	✗ (-29%)	✗ (-10.3%)	✗ (-17%)	✓ (-14%)	✓ (-10.5%)	✓ (-7.7%)
Trepça	✗ (-24%)	✓ (+3.74%)	✗ (-9.22%)	✗ (+ 9.86%)	✗ (+ 44.93%)	✗ (+0.97%)
Trainkos	✗ (-14.2%)	✗ (-29.3%)	Unavailable	✓ (-19.7%)	✗ (+10%)	✓ (-9%)
Infrakos	✗ (-29.3%)	✗ (-21%)	✗ (-25.8%)	✓ (-37.4%)	✓ (- 30.5%)	✓ (-45.7%)
KEK	✓ (+3.9%)	✗ (-9%)	✗ (-0.08%)	Unavailable	✓ (-25%)	✗ (+29%)
Ibër-Lepenci	✗ (-1.9%)	✓ (+5.7%)	✓ (+65.8%)	✓ (-4.8%)	✓ (-5.4%)	✗ (-0.5%)
Telecom	✗ (-33.6%)	Unavailable	✗ (-26.7%)	✗ (+43.9%)	Unavailable	✗ (+47.7)
Kosovo Postal Service	✗ (-15%)	✗ (-11.3%)	Unavailable	✗ (+10.7%)	✓ (-25.4%)	Unavailable

Source: GAP Institute calculation based on the data presented in the business plans and annual financial reports for 2020-2022.

Most of the enterprises covered in this analysis do not provide any profit or loss projections. Even those that do make such projections do this intermittently – so, there is no real planning in this respect. Four of the eight companies subject to analysis operated with a net profit, while another four operated with a loss in 2022.

Table 3 below shows profit or loss data for some enterprises for 2020, 2021, and 2022. In 2020, many enterprises reported significant losses, including Trepça, Infrakos, Trainkos, Telecom, the Postal Service, and Ibër Lepenci. KEK was one of the companies that reported a significant profit. In 2022, some enterprises improved their financial performance, reporting lower losses than in previous years. For example, Trepça, Infrakos, and Telecom continued to report losses, but at lower levels than in previous years. It should be noted that after more than three years of losses, Trepça started operating profitably in 2022. To improve future financial management and enterprises' results, it is imperative to evaluate any changes in performance. It is also imperative to identify the factors that affected profit or loss.

Table 3. Financial performance (profit/loss) of publicly owned enterprises, in EUR

Ndërmarrja	2020	2021	2022
Trepça	-4,730,257	-689,000	162,963
Infrakos	-625,138	-159,131	-114,662
Trainkos	230,022.00	-257,470	-848,244.22
Telecom	-16,549,632	-9,228,996	-5,659,719
Postal Service	-977,695	-1,929,490	-1,410,361
KEK	23,780,000	39,258,000	107,971,000
Ibër - Lepenci	-4,123,248	-2,961,713	379,073
KLMC	111,988	131,365	11,978

Source: Data provided by POEs, and GAP Institute calculations based on annual reports.

Table 4 shows data on publicly owned enterprises' total assets, which is also one of the criteria for evaluating their performance. In general, the data show that publicly owned enterprises in Kosovo have seen changes in total assets during this period. Some of them have increased their assets, while others have experienced an asset decline. This trend may be due to various factors, including investment, competition, and economic development. For example, Trepça is one of the companies that has seen a significant increase in total assets, with an increase of 23.2% between 2020 and 2022. This can be interpreted as a sign of Trepça's financial strengthening in this period. KEK has shown a significant increase in total assets, with an

increase of 34.59% between 2020 and 2022. This increase can be attributed to large investments in the energy sector and infrastructure development. Infrakos had the largest increase in total assets, 112.25% increase from 2020 to 2022. This significant change may be the result of major investments in infrastructure and transport service development. In contrast, Trainkos, Telecom, and the Postal Service show a significant decrease in total assets from 2020 to 2022. This may be the result of various challenges these enterprises have experienced, including competition and new technology. Ibër Lepenci has shown a small decrease in total assets (-1.7%), although the change is relatively small compared to some other enterprises. KLMC has shown an increase of 11.65% in total assets from 2020 to 2022.

Table 4. Total assets of publicly owned enterprises, in EUR

Trend of total assets	2020	2021	2022	Difference in percentage
Trepça	158,650,000	184,669,000	195,481,000	23,20%
KEK	425,205,000	459,233,000	572,281,000	34,59%
Infrakos	34,000,000	48,260,000	7,216,5161	112,25%
Trainkos	6,070,000	5,226,000	4,214,842	-30,56%
Telecom	73,235,000	61,237,000	48,710,000	-33,50%
Postal Service	89,184,000	72,022,000	57,320,012	-35,73%
Ibër - Lepenci	115,128,000	112,129,000	113,175,623	-1,70%
KLMC	15,083,570	16,152,622	16,840,720	11,65%

Source: Data from annual reports of publicly owned enterprises.

Enterprise planning for products or services

If general trends are compared, a large fluctuation is observed in terms of enterprise performance in the fulfillment of business plans. Half of the enterprises analyzed have improved targets while the other half are in worse situations. In seven out of 13 indicators of production or service targets, enterprises have not fulfilled the business plan at 100% for three consecutive years.

Compared with previous years, business plan fulfillment rates in 2020 varied both within and across enterprises. Ibër Lepenci stands out due to exceeding its production and service plans.

All other enterprises have not fulfilled 100% of their plans. In 2020, Trepça failed to fulfill the plan for Pb&Zn production (tons) but in 2021 it achieved a significant increase and then plummeted in 2022, at only 55%. Still, if we compare execution rates of production plans by enterprise business units,¹⁸ significant differences are observed both by unit and by precious metals they extract. The Artana and Kishnica mine lead production unit performed worse than its counterpart at Stan Tërg mine. On average for the last three years, the Artana and Kishnica mine unit had a production execution rate of only 56%. In contrast, the Stan Tërg mine reached 81%. The difference between them is also observed in zinc production. While the Artana and Kishnica mine unit managed to fulfill the plan at only 62%, Stan Tërg managed to fulfill 80% of the production plan.

KEK reported good coal production (in tons) for all three years at over 90%. On overburden and electricity production, KEK had a high performance in 2020 but declined in 2022 despite the increase in net profit during these years. More specifically, KEK performed better in terms of coal production in 2020 than it did in 2022. While in 2020 it met targets nearly 100%, in 2022 this fell to 90%. The same situation is observed in overburden production. That is while in 2020 there was about 90% execution rate in overburden production, in 2022 the rate fell to 72%. So, the fact that KEK has generated less electricity is related to the downward trend in plan execution in these two aspects.

Trainkos had a weak start to 2020 for freight activity (tons) but improved in 2021 and continued to do so in 2022. Passenger transport follows a similar trend. It should be noted that both the transport of goods and passengers were at an extremely low level, with COVID-19 having a detrimental impact on the latter. As shown in Table 5, the 2020 plan fulfillment was also extremely low. After the lifting of the restrictive measures imposed by the pandemic situation, the enterprise saw higher rates of business plan execution. However, it still remains at exceptionally low levels, even though there is better execution by percentage. If the planning of the number of people and

¹⁸ According to the structure defined in the Law on Trepça, the enterprise has three business: Trepça – Stan Tërg Flotation Mines, Kishnica and Artana Flotation Mines, and Kopaonik – Leposaviq Flotation Mines. The latter is not included in this brief because no data was provided in the business plans or annual reports. There is only data for this unit in the 2022 report – which makes it impossible to compare across years.

goods is examined, then it can be seen that the enterprise management has significantly lowered expectations over the years. More specifically, in 2020, the enterprise planned to transport more than 180 thousand people, but in 2022 it planned only 80 thousand. Similarly, in planning the transportation of goods (tons), the enterprise in 2020 planned to transport 630 thousand tons of goods, but in 2022 it planned only 70%.

Telecom does not have data for 2020, but for 2021 and 2022, this enterprise reports a high fulfillment rate at service level, more specifically an increase in landline phone customers. The Postal Service reported a high fulfillment rate for deliveries in 2021 and 2022 at over 90%. Ibër Lepenci reported remarkably high execution rates for electricity generation and irrigated surfaces across years. In fact, in 2022, Ibër Lepenci surpassed all plans for service and electricity production.

KLMC reported a high fulfillment rate for waste collection and management in 2020 and 2021, where it exceeded planning, but 2022 data is unavailable.

Table 5 presents business plan execution rates for enterprise activities in 2020, 2021, and 2022. They are broken down according to service or production, depending on the enterprise. The table lists their main services or products and gives information about the percentage of execution. In some of them there is no information because there was no data included in the business plans. As a result, execution percentages cannot be calculated.

Table 5. Percentage of business plan execution.

Enterprise	Activity	2020	2021	2022
Trepça	Production of Pb&Zn (tons)	70.17%	87.95%	55.42%
KEK	Production of coal (tons)	99.83%	100.42%	90.80%
	Production of overburden	89.40%	71.84%	71.79%
	Production of electricity	107.63%	102.71%	96.28%
Trainkos	Freight transportation (tons)	7.62%	64.01%	87.30%
	Passenger transportation	32.68%	61.08%	89.62%
Telecom	Customer (cellular phone)	-*	95.82%	-*
	Customer (landline phone)	-*	3.86%	89.80%
Postal Service	Total number of deliveries	-*	93.71%	-*

Enterprise	Activity	2020	2021	2022
Ibër - Lepenci	Production of electricity (MW/h)	95.61%	104.79%	109.38%
	Irrigated surface area (ha)	66.43%	80.17%	144.69%
	Raw water (M3)	102.10%	102.73%	100.29%
KLMC	Waste collection and management (tons)	96.73%	101.25%	-*

Source: Business plans and annual reports of enterprises

* - Unavailable

Likewise, enterprises still have issues with the correct reporting of numerical values, data presentation formats, categorization of expenditures and investments, lack of data on the planned number of recruitments, employee training, etc. Although the Unit has drafted the Code of Ethics and Corporate Governance for POEs, they do not present the data in a systematic form in business plans and annual reports - which greatly complicates efforts to analyze them.¹⁹ During the analysis of the financial statements presented in the annual reports of the POEs, there were obvious discrepancies observed versus those presented by the NAO. In the case of Infrakos, the expenditures compared to the NAO audited financial statements have a difference of about 33%.²⁰ Another example is the presentation of revenues from Trepça, which in 2021 declared more than EUR seven million more revenues than the audited financial reports from NAO or EUR eight million more in the following year.²¹

¹⁹ Code of Ethics and Corporate Governance, page 13, paragraph 26.16.

²⁰ Infrakos, Annual Report 2021. Source: <https://bit.ly/3Qfgjlw> and National Audit Office Report, 2021. Source: <https://bit.ly/3FyxMXu>

²¹ Trepça JSC, Annual Report, 2021. Source: <https://bit.ly/45M58wr> and Independent Auditors' Report on Trepça JSC, 2021. Source: <https://bit.ly/3tVfU6j>

Conclusions and recommendations

In Kosovo, public enterprises face a number of significant challenges that affect their performance. Many enterprises have failed to develop sustainable long-term planning. In many cases, the vision and strategy presented for enterprise development are not capitalized throughout the year. Enterprise annual reports do not present data on targets achieved according to the indicators presented in the business plan. They do not elaborate on the reasons for not addressing enterprise risks, either. The implementation of enterprises' strategic goals causes them to have trained staff. It encourages the development of other fields, such as the circular economy, affects better quality services for citizens, etc.

In this regard, it is paramount that the publicly owned enterprise boards and management in Kosovo focus on strategic planning. This could be done by putting in place mechanisms that ensure the monitoring of the achievement of indicators included in the business plan. The review of the business plan during the year should include explanations for the (non)progress in key indicators during that period.

Similarly, the responsible Unit at the Ministry of Economy should more actively monitor enterprises' performance against their strategic objectives. It should also demand accountability as a shareholder for the reasons for the results if they are not satisfactory. This would lead to greater engagement in achieving the objectives. However, it would also ensure that enterprises, boards, and management pay more attention to strategic issues concerning the enterprise. Likewise, the Unit should ensure that in technical terms, business plans have a similar content structure and similar methodology for presenting and measuring strategic objectives, as there are cases where business plans are exceptionally poor, without timeframes for the fulfillment of key indicators, provide partial information, fail to properly elaborate on the problems and objectives of enterprises, and more.

Analysis

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British Embassy
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