



Between ambition and reality: Establishment of new local publicly owned enterprises in Kosovo

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Executive Summary

Municipal public services in Kosovo are organized in several ways. In most municipalities, waste management services are covered by regional publicly owned enterprises, while maintenance services for public spaces and facilities are mostly covered by private operators or local publicly owned enterprises (LPOEs). There are currently 55 LPOEs, 42 of which date back to the pre-war period. For services not covered by these 42 enterprises, municipalities mostly engage private operators. Since 2015, however, municipalities have moved to shift more services from private operators to LPOEs. According to the municipalities, the reasons for this are the high prices of services by private operators, poor quality of services, non-compliance with contract requirements, etc. To date, 13 LPOEs have been established and six other municipalities have submitted an application to the Government of Kosovo for the establishment of new enterprises pursuant to the applicable legislation. With the establishment of an LPOE, the municipality assumes more obligations than when there is a contractual agreement with private operators.

Considering that publicly owned enterprises, whether central, regional, or local, perform consistently unsatisfactorily, the initiative to establish more enterprises should be accompanied by substantive discussions. This should include an examination of the advantages of such enterprises versus cooperation with the private sector. In the European Union, there is a trend of increased cooperation between the public and private sectors in public service delivery. Nevertheless, studies do not show major differences in costs between the public or the private sector as service provider.

By examining some of the established LPOEs, this paper finds that even after their establishment, some municipalities continue to engage private operators to cover the delivery of the same services. As in the case of the municipalities of Graçanicë and Suharekë. Other findings indicate that municipalities' applications for the establishment of new LPOEs are not supported by detailed feasibility studies assessing the capabilities, abilities, challenges, and threats of such public initiatives. In addition, the current regulatory basis governing LPOEs provides that the municipality shall not directly manage the established enterprises and such enterprises must be developed and represented as a standalone legal entity. The analyzed data show that in some cases the municipalities directly cover some current expenditures of established LPOEs.

Similarly, after document examination, it was observed that municipalities do not measure citizens' satisfaction with the delivery of services, to support their argument that private operators cannot deliver quality services. The established LPOEs struggle significantly, both in terms of poor transparency and low women employment rates.

Introduction

Publicly owned enterprises offering municipal services in Kosovo continue to face significant operational and financial difficulties. For other services not covered by regional enterprises, municipalities have contracted mostly private operators. Municipalities, however, say that due to poor quality services, these services must be transferred to the public sector, namely local publicly owned enterprises (LPOEs).

Kosovo currently has 72 publicly owned enterprises. The largest number of these, 55, are local publicly owned enterprises, 11 are publicly owned enterprises with national scope, and 9 are regional publicly owned enterprises.¹ Based on the current legislation, only the Municipality of Prishtinë is allowed, through the Law on the Capital City, to establish publicly owned enterprises without consulting or seeking approval from the central level.² Other municipalities must be subject to a host of procedures mostly related to the feasibility required for the establishment of these enterprises.

Recently, by decision of the Government of Kosovo, LPOEs were also established in three municipalities: Podujevë, Suharekë, and Kamenicë. Specifically, at the beginning of October 2023, the Government granted the application of these three municipalities to manage “Eko-LLapi” in Podujevë, “Eko-Theranda” in Suharekë, and “Dardana” in Kamenicë.³

Meanwhile, “Eko Sig” in Pejë; “Ekologjia” in Graçanicë; “Omni Sport” in South Mitrovicë; “Tregu” in Gjilan; “Higjiena” in Deçan; “Përparimi” in Vushtrri; “Eko-Natyra” in Skënderaj; and “Kastrioti” in Obiliq were established as LPOEs in the period 2017-2022.

In addition to these, based on the Law on the Capital City, three new enterprises were established in Prishtinë: “Prishtina Parking,” “Kuzhina Qendrore,” and “Pallati i Rinisë.”

On the other hand, six other municipalities (Lipjan, Shtërpçë, Fushë Kosovë, Gjakovë, Junik, and Kaçanik), have submitted applications for the establishment of their own LPOEs to the Ministry of Economy in 2022, and the procedures are still ongoing.

The criteria and procedures for the establishment of these enterprises at the local level are determined by the Government of Kosovo Regulation of 2013 on the establishment of LPOEs.⁴ Among the criteria are that the enterprise must have the status of a joint-stock company, where the municipality appoints the Shareholders’ Committee, which selects and supervises the Board of Directors, and then the Board of Directors selects and supervises the executive management.

¹ Ministry of Economy. Publicly Owned Enterprise Monitoring Unit. Request for Access to Public Documents. November 15, 2022. Number of publicly owned enterprises in Kosovo.

² Official Gazette of the Republic of Kosovo. [Law No. 06/1-012 on the Capital City of the Republic of Kosovo, Pristina](#). Art. 7. Pp. 2 and 3.

³ Government of Kosovo. Office of the Prime Minister. [Decision](#) No. 07/165 of October 12, 2023. [Decision](#) No. 08/165 of October 12, 2023. [Decision](#) No. 09/165 of October 12, 2023.

⁴ Government of Kosovo. Regulation No. 02/2013 on the Criteria for the Establishment of Local Publicly Owned Enterprises and participation of municipalities in Boards of Directors of Regional Water Supply Enterprises.

Enterprise facilities and assets must be provided by the establishing entity, who, when submitting the establishment application to the Publicly Owned Enterprise Monitoring Unit at the Ministry of Economy, is required to provide the relevant organizational structure, business plan, and budget plan including an elaboration on the economic and operational feasibility of the organization, as well as a signed commitment by the municipality for future investments in the enterprise it intends to establish.

For the purposes of this paper, based on the right of access to public documents, GAP Institute has received and examined the feasibility and sustainability report of the last enterprises established in Kamenicë, Podujevë, and Suharekë. Annual financial reports, business plans, employee rosters, and asset lists have also been received for nine other enterprises. At the same time, systemic laws covering publicly owned enterprises and some National Audit Office reports were examined. Most of these documents, which fall under the purview of local publicly owned enterprises, are not published by these enterprises.

Reasons for municipalities to establish new publicly owned enterprises

Municipalities that have submitted applications to the Publicly Owned Enterprise Policy and Monitoring Unit (POEPMU) at the Ministry of Economy for the establishment of LPOEs have not conducted any feasibility study, which would entail a fundamental analysis aimed at evaluating the capabilities, abilities, challenges, and threats to the success of such public initiatives. This, although not required by law, would allow for analysis of the needs as well as priorities and eventual challenges that would arise from the establishment of a new publicly owned enterprise.

In addition to the establishment application, municipalities must also include a document regarding the feasibility of the application.⁵ From the documents' review conducted by GAP Institute, municipalities follow different models to meet this criterion. None of these documents provide anything on feasibility, neither in terms of the needs of the community or the sector in question, nor in terms of the opportunities and threats posed by the introduction of a new LPOE.⁶

In no case have the municipalities looked into the satisfaction of citizens with the municipal services intended to be covered by the new LPOEs. In addition, the claims of the municipalities that the economic operators are delaying the works and not performing quality work, in some cases appear

⁵ Government of Kosovo. [Regulation No. 02/2013 on the Criteria for the Establishment of Local Publicly Owned Enterprises and participation of municipalities in Boards of Directors of Regional Water Supply Enterprises. Criteria](#), Art. 4.

⁶ Feasibility Reports for the establishment of a Local Publicly Owned Enterprise: Municipality of Podujevë, Municipality of Suharekë; and Feasibility Report for the establishment of the Local Publicly Owned Enterprise: Municipality of Kamenicë; Documents received through Requests for Access to Public Documents.

to be in contradiction with the findings of the National Audit Office, which raise objections against the municipalities themselves and not the private operators that are contracted by the municipalities.⁷

Likewise, at the stage of submitting applications to the Government for the establishment of LPOEs, the public facilities that such enterprises would manage are not specified. Further, the municipality's technical and human resources to establish and operate such an enterprise are not specified.

The Government of Kosovo, in the second part of October 2023, approved the decision to establish three new enterprises in Kamenicë, Suharekë, and Podujevë.⁸

The main reasons provided by the municipalities to the Publicly Owned Enterprise Policy and Monitoring Unit are: i) high cost of performing services through economic operators, ii) delays in work performance by economic operators, iii) lack of quality of work by economic operators, iv) greater opportunity for increased responsibility, accountability, and transparency of work through the establishment of a publicly owned enterprise, v) covering several services at the same time through the establishment of a publicly owned enterprise, or centralizing service delivery.

The reasons presented by the municipalities as shortfalls or objections against private operators that have performed services for the municipality are more related to the competences and internal problems of the municipalities themselves and not to the responsibility of the operators. For example, delays in work performance are governed by the municipal dynamic work plan. Based on this plan, they appoint a Contract Manager or an Evaluation Committee. Periodic evaluations by the National Audit Office show that in most cases, delays in the performance of works are caused by the negligence of the Contracting Authority, or the irresponsibility of the Evaluation Committee itself, or other factors that the Contracting Authority itself has caused or failed to avoid.⁹

The same argument is part of the reasoning that with the establishment of a publicly owned enterprise, work quality will improve. According to the findings of the National Audit Office, the lack of quality work is noticed mostly in capital investments and not so pronounced in service delivery. However, all the applications municipalities have submitted for the establishment of publicly owned enterprises relate to service delivery.¹⁰

The basic documents that govern the issue of establishing a publicly owned enterprise, such as the Law on Publicly Owned Enterprises and the Regulation on the Criteria for the Establishment of Local Publicly Owned Enterprises, apart from specifying that municipalities must elaborate the reasoning for the establishment of LPOEs, do not specify what the feasibility should contain. The lack of such provisions has led to feasibility reports for LPOE establishment that vary, depending on the municipality.

⁷ National Audit Office. [Performance Audit Report](#). Value for money in local and regional road construction. P. 36.

⁸ Government of Kosovo. Office of the Prime Minister. [Decision](#) Nr. 07/165 of October 12, 2023. [Decision](#) No. 08/165 of October 12, 2023. [Decision](#) No. 09/165 of October 12, 2023.

⁹ National Audit Office. [Performance Audit Report](#). Value for money in local and regional road construction. P. 36.

¹⁰ National Audit Office. [Performance Audit Report](#). Value for money in local and regional road construction. P. 36.

New enterprise establishment applications by municipalities

Municipalities, as units that make up the local government in the country, excluding the Municipality of Prishtinë, are not allowed to establish new publicly owned enterprises without prior decision by the Kosovo Government. This is provided by the Law on Publicly Owned Enterprises.¹¹ While in the case of the Municipality of Prishtinë, this issue is governed by the Law on the Capital City. In this law, it is specified that the capital city may, as required, establish, and manage local publicly owned enterprises providing services only within the territory of Prishtinë. The initiative and procedures for the establishment of local publicly owned enterprises in the capital city do not require consent from the Government.¹²

On the other hand, the rest of the municipalities follow different procedures. Municipalities are subject to the 2013 Regulation, enacted by the Kosovo Government, determining the criteria and procedures on how to establish a new publicly owned enterprise.¹³ Such criteria include:

- The application specifies that the enterprise shall be a joint-stock company, where 100% of the shares belong to the municipality that submits the enterprise establishment application.
- Initial LPOE charter capital should be not less than EUR 10,000.
- Upon establishment, the enterprise shall be considered a legal entity and legally separated and distinct from its shareholders (municipality).
- Upon LPOE establishment, the municipality has no authorization to manage or govern the enterprise.
- The Board of Directors, Executive Director, or management governs the enterprise. The municipality shall exercise control over the enterprise through the Shareholders' Committee appointed by the mayor together with the Municipal Assembly.
- The main seat of the local publicly owned enterprise shall be within the territory of the establishing municipality.
- Facilities and technical equipment for regular operations and sufficient provision of public services to citizens shall be provided by the founder.
- Before addressing the application to the Publicly Owned Enterprise Policy and Monitoring Unit (POEPMU) at the Ministry of Economy, the municipality shall submit a report on the financial and operational feasibility of the public enterprise.
- The feasibility report for the enterprise establishment (which includes an organizational structure, business plan, and budget plan).

¹¹ Official Gazette of the Republic of Kosovo. [Law on Enterprises](#) Public. Art. 11.

¹² Official Gazette of the Republic of Kosovo. [Law on the Capital City of the Republic of Kosovo](#), Prishtinë. Article 7, paragraph 1.3.

¹³ Government of Kosovo. [Regulation No. 02/2013 on the Criteria for the Establishment of Local Publicly Owned Enterprises and participation of municipalities in Boards of Directors of Regional Water Supply Enterprises. Criteria](#), Art. 4.

- Municipalities must submit written guarantees for future investments pertaining to the financial and operational feasibility of the local publicly owned enterprise.
- After submitting the request to the POEPMU, this unit shall, within 30 working days, initiate the review procedure for the establishment of local publicly owned enterprises. If there are no objections this unit shall forward the files together with the municipality's LPOE establishment application to the Ministerial Committee on POEs. If the Ministerial Committee finds that the applicable criteria are met, it shall recommend to the Government the establishment of a local publicly owned enterprise.

Based on these criteria, 13 municipalities in Kosovo have established publicly owned enterprises, after Government approval. These municipalities are: Deçan, Pejë, Gjakovë, Podujevë, Gjilan, Kamenicë, Graçanicë, Suharekë, Ferizaj, Klinë, South Mitrovicë, Obiliq, Vushtrri, Rahovec, and Skenderaj.¹⁴

While six other municipalities (Lipjan, Shtërpçë, Fushë Kosovë, Gjakovë, Junik, and Kaçanik) have submitted their applications for the establishment of local publicly owned enterprises to the Ministry of Economy, and relevant procedures are still pending.

Table 1. List of municipalities that submitted an enterprise establishment application and whether such applications were granted by the government as substantiated, as well as the scope for which such enterprises were established.¹⁵

Municipality	Enterprise name	Year of application	Year of approval/ vote by the Government	Enterprise Scope of Work
Decani	"Higjiena"	2015	2019	Waste management/ Public space maintenance
Peja	"Eko Sig"	2021	2022	Public space/cemetery and park maintenance/ Public/ Administrative facilities security.
Podujeva	"Eko Llapi"	2022	2023	Public space/cemetery and park maintenance/ Riverbed maintenance.
Gjilani	"Tregu"	2015	2017	Green market, used-car market, and livestock market facilities management.
Kamenica	"Dardana"	2022	2023	Public space/cemetery and park maintenance/ Public facilities maintenance.

¹⁴ List of municipalities that have submitted an application for or established an LPOE has been compiled based on published Government Decisions, responses received from the Publicly Owned Enterprise Monitoring Unit at the Ministry of Economy, and data provided by Kosovo municipalities.

¹⁵ List of enterprises presented in the table was compiled based on Kosovo Government decisions from 2015 to November 2023, as well as responses received from the Publicly Owned Enterprise Monitoring Unit at the Ministry of Economy.

Municipality	Enterprise name	Year of application	Year of approval/ vote by the Government	Enterprise Scope of Work
Gracanica	"Ekologia"	2015	2017	Waste, sewage, public space, park and riverbed maintenance and management.
Suhareka	"Eko Theranda"	2020	2023	Public space/ park/ public facilities maintenance.
Ferizaj	"Ambienti"	2015	2016	Public space/cemetery and park maintenance
Mitrovica South	"Omni Sport"	2015	2017	Recreational/sports facilities management.
Obiliqi	"Kastrioti"	2017	2021	Public space/cemetery and park maintenance
Vushtrria	"Përparimi"	2018	2020	Waste management/ Public space maintenance
Rahoveci	"Stacioni i Autobusëve"	2018	2019	Incoming and outgoing bus line management
Skenderaj	"Eko Natyra"	2018	2020	Waste management/ Public space maintenance

The majority of the established enterprises, excluding "Omni Sport" in South Mitrovicë, and "Tregu" in Gjilan, are tasked with the maintenance of public spaces, cemeteries, and parks, as well as the maintenance of public facilities. Before these enterprises were established, these activities, in most cases, were covered by economic operators, through public procurement contracts.

The only municipality whose application to establish a publicly owned enterprise was rejected was Junik. This has come about because the corporate charter provides that it shall also manage water resources and water supply, which are competences reserved for regional enterprises owned by the Kosovo Government. This municipality has again submitted an application to the POEPMU in November of this year for the establishment of a local publicly owned enterprise, which would focus on waste, public space, administrative facilities, and public lighting management.¹⁶

¹⁶ Municipality of Junik. Department of Public Services Interview. Demokrat K. Ganiçaj. November 17, 2023.

Consolidation and capacity of new publicly owned enterprises in municipalities

The biggest challenges that accompany municipalities after the approval of their application to the government for the establishment of a publicly owned enterprise are related to the consolidation of such enterprises. This stage includes the designation of the facilities (offices) of the new enterprise, the purchase of equipment and machinery to perform the function for which the enterprise was established, the election of the board, the executive director, the Shareholders' Committee, the recruitment of staff in accordance with the mandate of the enterprise, the registration of property in the name of the enterprise and other operational parts such as the development of the corporate charter, business plan, organizational chart, website, followed by the creation of management practices and adequate drafting of periodic and annual work and financial reports.

Based on the assessment of the assets of local publicly owned enterprises established in recent years, what stands out is that their potential to provide or guarantee quality services is extremely limited.

In the publicly owned enterprise "Eko Natyra" in Skenderaj, the value of all work machinery, including vehicles, is less than EUR 31,000.¹⁷ This enterprise does not have any office, facility, or property registered in its name and has not made any capital investment in the last two years (2022 and 2021). The enterprise does not appear to have incurred any utility costs (electricity, water, waste, land-line phone), which indicates that costs of this nature are covered directly by the municipality, just as the municipality covers these types of costs for schools and medical centers. However, such a practice is in violation of the Government Regulation of 2013, which specifies the criteria for the establishment of new publicly owned enterprises in municipalities. This regulation provides that the municipality shall not directly manage established enterprises and such enterprises must be developed and represented as a standalone legal entity.¹⁸

While the other local publicly owned enterprise in Peja "Eko Sig" has two pickup trucks at its disposal and has not disclosed any other assets.¹⁹ At "Higjiena" in Deçan, the total value of the assets the enterprise has at its disposal, including inventory, reaches EUR 192,500; this is approximate to the value of assets

¹⁷ "Eko Natyra". Local Publicly Owned Enterprise. Municipality of Skenderaj. List of Assets. Records received through request for access to public documents.

¹⁸ Government of Kosovo. Regulation No. 02/2013 on the Criteria for the Establishment of Local Publicly Owned Enterprises and participation of municipalities in Boards of Directors of Regional Water Supply Enterprises. Criteria. Art. 6.

¹⁹ "Eko Sig". Local Publicly Owned Enterprise. Municipality of Pejë. List of Assets. Records received through request for access to public documents.

available at the other local publicly owned enterprise “Kastrioti” in Obiliq. While “Tregu” in Gjilan has disclosed assets worth less than EUR 9,000.²⁰

Based on the available assets, the enterprises that have demonstrated good operating capacity are “Prishtina Parking,” “Kuzhina Qendrore” in Prishtinë, and the enterprise “Ekologia” in Graçanicë. “Prishtina Parking” has disclosed a list of assets that includes vehicles, cameras, ramps, apparel, and inventory. The same was encountered at the “Kuzhina Qendrore” and “Ekologia” enterprises.²¹

Municipalities, despite establishing local publicly owned enterprises to cover services performed by private operators until recently, continue to award tenders to private companies for the same services. Although the enterprise “Ekologia” has been operating for almost four years, in 2022, the Municipality of Graçanicë signed a contract with a private operator for road and sidewalk cleaning services.²² This problem was also encountered in the Municipality of Suharekë. In the same period when this municipality submitted an application to the government to establish an LPOE with the primary objective of public space maintenance, including the removal of waste dumps, it concluded a one-year term contract with a private operator for the treatment of illegal dump sites.²³

In 2022, five years after Ferizaj established LPOE “Ambienti,” the municipality contracted private operators for the arrangement of green spaces, squares, roads, and underpasses in the city as well as their maintenance.²⁴

On the other hand, municipalities subsidize the same enterprises from which they receive services and pay accordingly. In 2022, the Municipality of Prishtinë paid LPOE “Kuzhina Qendrore” EUR 611,268 for services and food for kindergartens. In the same year it subsidized this enterprise for EUR 30,000.²⁵

Revenues and expenditures of local publicly owned enterprises and their employee structure

The good performance of LPOEs is directly related to the ability and capability of these entities to provide quality, fast, and affordable services to citizens, on the one hand, and on the other hand, with good financial management/ planning, informed decision-making in the spirit of transparency and legality as well as the investment capacity of the enterprise.

²⁰ “Higjiena”. Local Publicly Owned Enterprise. Municipality of Deçan. List of Assets.

Records received through request for access to public documents.

²¹ Records received from these three enterprises regarding available assets.

Records received through request for access to public documents.

²² Municipality of Graçanicë. [Services Contract](#). 2022.

²³ Municipality of Suharekë. [Services Contract](#). 2022.

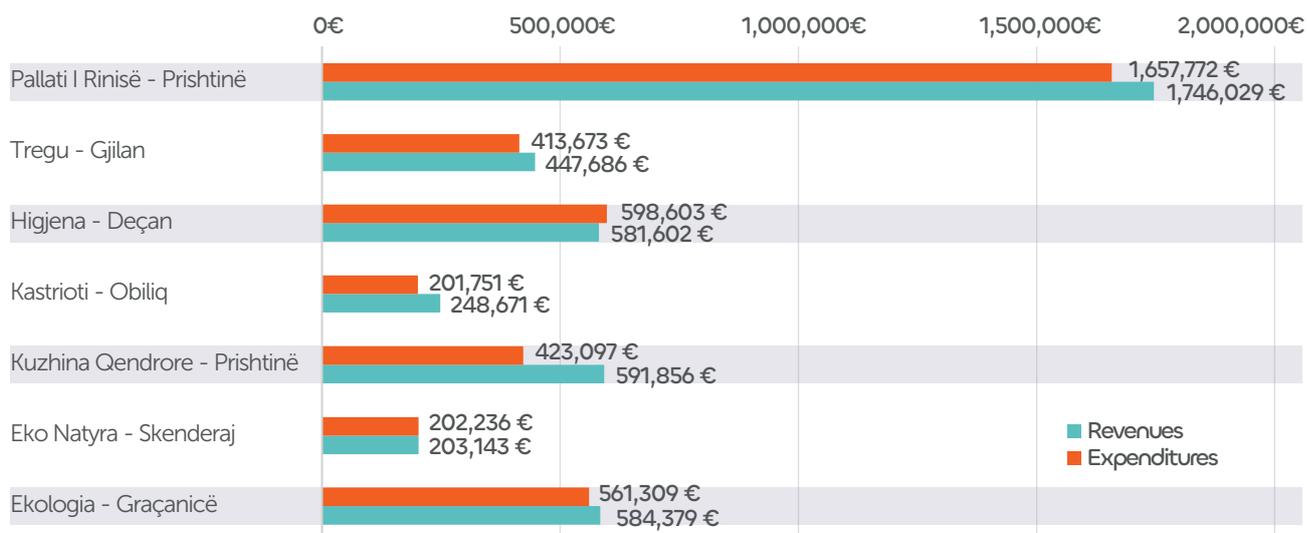
²⁴ Municipality of Ferizaj. [Services Contract](#). 2022.

²⁵ Municipality of Prishtinë. [Financial Report January-December 2022](#). P. 30.

Based on the latter, none of the newly established enterprises are managing to make capital investments, such as the construction of offices (facilities), while for most of them it has been financially unaffordable to buy equipment to fulfill the mission for which they were created.

An analysis of local publicly owned enterprises' financial performance data reveals that most manage to cover their expenses. This is also expected considering that municipalities ensure that LPOEs are functional, since they are created by municipalities' own initiative.

Figure 1. Budget revenue and expenditure in 2023 for some established LPOEs



Source: Financial reports of enterprises shown in the chart were received through requests for access to public documents.

A study of the expenditure structure at these enterprises reveals that most spend the most on wages and salaries. Enterprise "Tregu" in Gjilan dedicates 86% of its funds to wages and salaries, enterprise "Kastrioti" 80%, enterprise "Eko Natyra" 71%, "Kuzhina Qendrore" 66%, enterprise "Ekologia" 56%, enterprise "Higjena" 52 %, enterprise "Pallati i Rinisë" 49%.²⁶

The number of employees in some local publicly owned enterprises exceeds the number of employees that municipalities have as a standalone unit of local government. The Municipality of Pejë employs 241 civil servants while its enterprise has 279 employees. These employees include those employed as janitorial and maintenance staff at some schools and administrative centers. The municipality continues to pay these people, while they are managed by the "Eko Sig" enterprise.²⁷ The Municipality of Gjilan employs 352 civil servants, while its enterprise "Tregu" has 264 employees.²⁸ While in the Municipality of Graçanicë, 72 people are employed as civil servants in the municipality and 127 people are employed in the public enterprise

²⁶ Records received (employee roster and payroll) from these enterprises.

Records received through request for access to public documents.

²⁷ "Eko Sig". Local Publicly Owned Enterprise. Municipality of Pejë. Employee Roster.

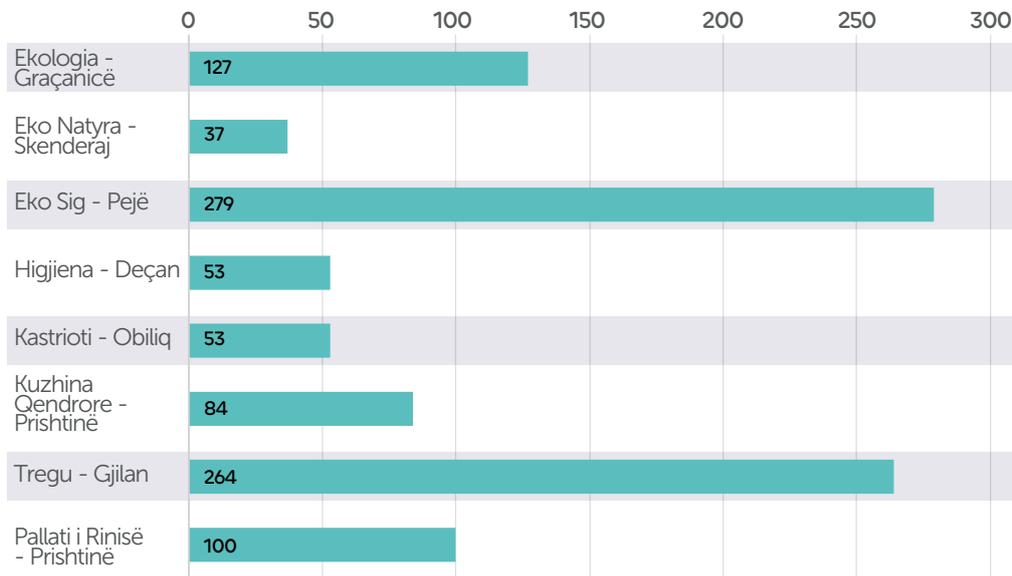
Records received through request for access to public documents.

²⁸ "Tregu". Local Publicly Owned Enterprise. Municipality of Gjilan. Employee Roster.

Records received through request for access to public documents.

established by this municipality.²⁹ A high number of employees can also be found in the “Pallati i Rinisë” enterprise in Prishtinë, despite the fact that this enterprise contracts a large number of services through private operators.³⁰

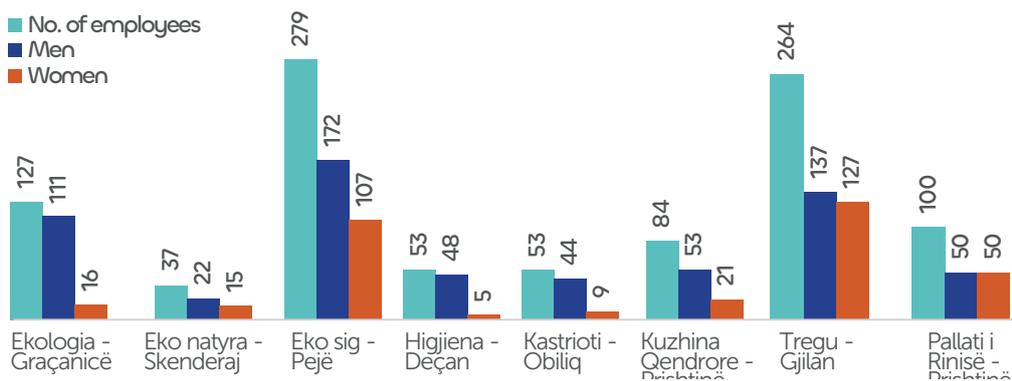
Figure 2. Number of employees in some local publicly owned enterprises



Source: Employee rosters of enterprises shown in the chart were received through requests for access to public documents.

Employment data by sex in these local publicly owned enterprises indicate a pronounced gap between men and women’s employment. In the enterprise “Higjiena” out of 53 employees, only five (9.4%) are women, or in the enterprise “Kastrioti” out of 53 employees, only 9 (17%) are women. A significant gap between men and women in employment is also encountered in Graçanicë at the enterprise “Ekologia,” where out of 127 employees, only 16 are women (12.6%).

Figure 3. Employee breakdown by sex



Source: Employee rosters of enterprises shown in the chart were received through requests for access to public documents.

²⁹ “Ekologia”. Local Publicly Owned Enterprise. Municipality of Graçanicë. Employee Roster. Records received through request for access to public documents.

³⁰ “Pallati i Rinisë”. Local Publicly Owned Enterprise. Municipality of Pristina. Employee Roster. Records received through request for access to public documents.

Transparency of new publicly owned enterprises in municipalities

To achieve transparency in local publicly owned enterprises in Kosovo, it is critical to include several key elements. Firstly, local publicly owned enterprises must disclose financial information openly and clearly. This includes the budget, expenditures, income, and other financial data that may be of interest to the public. The publication of the decisions of the decision-making bodies is also important, especially those related to contracts, investments, and meetings of interest to the enterprise and the public.

The image and operation of the enterprise also hinge on audit reports. The publication of such reports helps the enterprise demonstrate an appropriate level of accountability and responsibility. New enterprises must also plan how to communicate with citizens, so that they can field their complaints and demands. Based on these, the table below evaluates LPOEs in terms of the appropriate level of access and availability of financial and operational information.

Table 2. Level of transparency of LPOEs based on the existence of official websites and information published therein.

Enterprise	Does the enterprise have a website	Semi-Annual Financial Report (2023)	Annual Financial Report (2022)	Scope of Work	Data on who represents the Board, CEO	Contact Number/ for complaints/ requests, including social media
NPL "Higjena" Deçan	✔	✘	✔	✔	✔	✔
NPL "Eko Natyra" Skenderaj	✘	✘	✘	✘	✘	✔
NPL "Tregu" Gjilan	✘	✘	✘	✘	✘	✘
NPL "Qendra Multifunkzionale" Mitrovicë" Omni Sport.	✔	✘	✘	✘	✘	✔
NPL "Perparimi" Vushtrri	✘	✘	✘	✘	✘	✘
NPL "Kastrioti" Obiliq	✔	✘	✔	✔	✘	✔
NPL "Stacioni i Autobusëve" Rahovec	✘	✘	✘	✘	✘	✘
NPL "Ekologjia" Graçanicë	✔	✘	✘	✘	✘	✘
NPL "Prishtina Parking"	✔	✘	✘	✔	✔	✔
NPL "Kuzhina Qendrore"	✔	✘	✘	✔	✔	✔
NPL "Pallati i Rinisë"	✔	✘	✘	✔	✘	✔

Website trawl conducted in the fourth week of November 2023.

Of the 11 local publicly owned enterprises included in this table, four do not have an official website. This prevents citizens and other interested parties from learning about these enterprises and their scope of work. Moreover, none of them have published their six-month revenue and expenditure reports. Only two of these 11 enterprises published annual financial reports ("Higijena" in Deçan and "Kastrioti" in Obiliq). Of the seven publicly owned enterprises presented in the table that have an official website, five of them do not even have basic information about the mission or the purpose of the respective enterprise. Eight enterprises lack published data on who leads/manages the enterprise. The only area with a more positive outcome in the trawl is finding the phone numbers and official emails of these enterprises (eight out of 11 enterprises) and these were found on the Facebook pages of these enterprises.

Based on these descriptions, the overall level of transparency in local public enterprises included in this analysis is considered low. The lack of key information and financial records makes it difficult for the public and other parties to monitor and evaluate the efficiency and integrity of operations in these enterprises.

Local publicly owned enterprises in different countries

Similar to Kosovo, the main tasks of local publicly owned enterprises in different countries of the European Union and beyond include the delivery of goods and public services, including the maintenance of infrastructure and municipal services such as water, sewage, waste collection, organization of local public transportation, electricity distribution, etc. The specific activities and sectors in which LPOEs are involved may vary based on the state and its degree of decentralization. In addition, they may vary based on the extent and variety of public services delegated to local governments.³¹

In most countries in Europe, the number of local publicly owned enterprises is not high. In many of them, on average, there are fewer local publicly owned enterprises than municipalities. Table 3 shows the number of municipalities and LPOEs in different countries. These data are crucial to understanding the territorial organization and economic activity of LPOEs in each country.

For example, in France, the number of municipalities is exceptionally large (36,565), but the number of local public enterprises is 1,198. Slovenia has 193 municipalities but only 60 LPOEs, Portugal has over 4,000 municipalities but only 60 LPOEs, Belgium has 589 municipalities and 243 LPOEs, Germany has about 14,000 municipalities and 3,500 LPOEs, etc.

³¹ Chaire Economie des Partenariats Public-Privé Institut d'Administration des Entreprises.
[Local Public Enterprises: A Taxonomy.](#)

Table 3. Number of municipalities and LPOEs in different countries

Country	No. of Municipalities	Number of LPOEs	LPOE / No. of Municipalities
Japan	1,727	9,379	5.43
Germany	13,854	3,500	0.25
Poland	2,489	2,415	0.97
Sweden	290	1,750	6.03
France	36,565	1,198	0.03
Greece	900	1,116	1.24
Italy	8,101	963	0.12
Finland	448	944	2.11
Spain	8,106	770	0.09
Latvia	547	669	1.22
Czech Republic	6,258	339	0.05
South Korea	232	306	1.32
New Zealand	85	257	3.02
Belgium	589	243	0.41
Slovakia	2,920	239	0.08
Denmark	275	224	0.81
Estonia	247	224	0.91
United Kingdom	326	185	0.57
Austria	2,359	149	0.06
Portugal	4,037	76	0.02
Slovenia	193	60	0.31

Source: Chaire Economie des Partenariats Public-Privé Institut d'Administration des Entreprises

Main trends in LPOE approaches in the European Union and other countries

Main global trends in LPOE approaches include corporatization and private sector involvement. Corporatization represents a shift from the traditional model of public service delivery by LPOEs operating under public authority to a hybrid model between public and private firms. This process aims to transfer rights related to managerial decisions from public officials to managers, aiming to improve efficiency and flexibility in public service delivery.³²

On the other hand, the involvement of the private sector implies a series of arrangements, from contracting to public-private partnerships and the creation of mixed publicly owned enterprises, where in most cases there is greater public ownership to ensure public interest is pondered in decision-making. Private contractors play a vital role in the provision of goods and public services. This is especially true when the public sector seeks to utilize the private sector's expertise, resources, and efficiency. Using private contractors can range from traditional procurement contracts and outsourcing of internal tasks to more extensive outsourcing arrangements and public-private partnerships (PPPs).³³

Empirical studies have shown that operating costs are similar between LPOEs and private service delivery firms. On the other hand, efficiency gains through private sector participation can often be limited in some sectors.³⁴ In conclusion, there is no clear advantage between LPOEs and private contractors in terms of performance efficiency. So, the choice between LPOEs and private contractors depends on the specific context and the government's strategic goals.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

Conclusions and recommendations

To date, truly little has been discussed in society regarding the performance, role, and importance of local publicly owned enterprises in Kosovo. Municipalities, taking advantage of the legal opportunity, have stepped up their demands to establish such enterprises. Through the establishment of LPOEs they aim to cover services currently provided by private operators. Although municipalities aim to increase the efficiency of service delivery and public spending, from the process of establishment through introduction into operation, LPOEs are associated with several problems. These range from the lack of detailed feasibility studies justifying the successful operation of LPOEs to the failure of such LPOEs to fully meet their obligations. This is why some municipalities that have established LPOEs, still engage additional capacities from the private sector to cover service delivery.

GAP Institute recommends the following:

- The Government of Kosovo should amend Regulation No. 02/2013 on the Criteria for the Establishment of Local Publicly Owned Enterprises, clarifying the criteria for municipalities to submit applications for enterprise establishment. Currently, the regulation requires the submission of a feasibility report for the establishment of the enterprise, but it does not specify what such feasibility entails. Such initiatives should be based on a study of opportunities, abilities, challenges, threats, weaknesses, and advantages.
- Municipalities that intend to create LPOEs should ensure that they have the necessary professional and financial resources available to meet such a requirement.
- Municipalities should renounce the practice where as soon as they establish an LPOE they resume receiving services from private operators, as this causes additional costs.
- Municipalities should initiate the process of LPOE ownership. In the vast majority of enterprises covered in this paper, there is no defined ownership of the enterprises.
- The Shareholders' Committee appointed by the Municipal Assembly should be more active in presenting detailed reports to the Assembly related to LPOE activities and projects. It must conduct proper and professional evaluations regarding the enterprise's performance, not overlooking problems and delays.
- LPOEs should, as a management tool, introduce the practice of measuring public satisfaction in service delivery. This is also an obligation under the Law on Publicly Owned Enterprises. It would present an excellent opportunity to evaluate these enterprises' operational performance.
- LPOEs should increase transparency. This includes updating records on a daily basis related to the activities performed, at the same time financial revenue and expenditure records should be made public, both related to the audit reports as well as the information pertaining to management, the Board of Directors, the Shareholder's Committee and also LPOEs should publish the appropriate contacts that may be used by external parties either for requests or complaints.

Thematic report

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