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Implemented by:



Infrastructure – Albania

Innovative approaches to modernising the water supply

In Albania, running water is only available for a few hours a day. Water pipes and connections are leaky and in disrepair, and the water companies are unable to afford urgently necessary remedial measures or investment in the expansion of the network. KfW Development Bank is helping Albania to modernise its water supply systems and treatment facilities, and coordinating the assistance provided by other donor countries in this sector.

Background

There are currently a total of 58 water plants in Albania, the purpose of which is to supply people with drinking water and dispose of waste water. However, most of these facilities do not operate efficiently. The volume of unaccounted for water is high, and necessary investment is not carried out. They are not viable without support from the government. At the same time, the need for investment is huge. According to the national water supply and waste water disposal master plan, around EUR 5 billion needs to be invested in the water and waste water networks, distribution networks and water meters by the year 2040. Management must be reorganised and structured more efficiently.

Because Albania hopes to join the EU, its water supply must also be brought up to European standards. A European directive issued in the year 2000, for example, requires all water companies to invoice their customers for their services. The disposal of waste also falls short of EU standards. No more than 40 % of

waste is collected, with the rest ending up on unregulated tips, river beds and the coast, posing corresponding risks to the health of the population and the environment.

Project approach

KfW is following an innovative approach to safeguarding the country's infrastructure for water, waste water and rubbish. The first step involved the Development Bank helping the Albanian government draw up a national master plan for the water and waste water sector. This led to the creation of a list of priorities that serves the Albanian government as a tool that is unique for the region. It allows the government to distinguish between the investment required on the

Project name	Water supply and waste water disposal in Albania
Commissioned by	Federal Ministry for Economic Cooperation and Development
Country/region	Albania
Lead executing agency	The Albanian government





Employees at an Albanian purification facility test the quality of the water. Source: KfW Group/photothek.net

basis of urgency and efficiency, and therefore gives it strong arguments with which to also assert its decisions at a political level.

The second step involved KfW bundling its activities into municipal infrastructure programmes. KfW is using German government funds to modernise the supply structures, and also has access to funds from the EU and other donors. The programme is currently running in 15 Albanian cities. The funds are being used to improve and build sewer networks, as well as waste water treatment and water purification plants. An inter-municipal, environmentally friendly and economically sustainable waste management system is also being introduced in the Korca region. KfW is also the only donor involved in the rural water supply.

The communal infrastructure programme is built around a performance-based approach. The water plants must meet certain minimum requirements by a set deadline before they are given access to investment under the programme. These requirements include indicators regarding water quality, the collection rate and unaccounted for water, as well as administrative indicators.

For example, providers must show that they invoice a certain percentage of their services and also enforce the associated claims. Any company can meet these requirements by organising its administration better. Almost no investment is required. Companies that meet the targets for these indicators can participate in the relevant tender processes and apply for the necessary

investment. With this performance-based approach, KfW is initiating competition between suppliers with the aim of improving the effectiveness of their administration. It also makes sure that funds are used in a targeted manner.

Impact

With the new national water supply and waste water disposal master plan supported by KfW, the Albanian government has a tool that allows it to implement investment in a highly targeted manner since it can base its decisions more on objective than political reasoning.

The way that the performance-based concept of the communal infrastructure programme reinforces structures serves as a model for the water and waste management sectors. It allows the water companies to generate more income, and organise their business models in a way that is more sustainable. By helping to improve the institutional effectiveness of the companies, KfW also ensures that the capital provided by the donors is invested more efficiently.

Investing in the infrastructure improves the performance of the utility companies, allowing them to generate more income. Ideally, the profits made as a result are reinvested again. The infrastructure programmes are noticeably improving peoples' quality of life.



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