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# INSTITUTIONAL STRENGTHENING OF THE KOSOVO ELECTRIC CORPORATION (IS-KEK)

Final Report

**July 2005**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International, Inc.



# INSTITUTIONAL STRENGTHENING OF THE KOSOVO ELECTRIC CORPORATION (IS-KEK)

## Final Report

USAID Contract No. OUT-PCE-I-98-00015-00

Task Order #823

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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# ACRONYMS

BPK	Banking and Payments Authority of Kosovo
CAS	Central Accounting System
CCP	Customer Care Package
CISP	USAID Community Infrastructure & Services Program
EAR	European Agency for Reconstruction
EU	European Union
GBTI IQC	General Business, Trade and Investment Indefinite Quantity Contract
GIS	Geographic Information System
IS-KEK	Institutional Strengthening of Kosovo Electricity Company
KEK	Kosovo Energjetike e Kosoves (Electric Utility serving Kosovo)
KTA	Kosovo Trust Agency
PBF	Public Broadcasting Fee
PURK	Public Utility Regulatory Authority of Kosovo
PUSP	Public Utility Service Provider
RTK	Radio Television Kosovo
SpO	Special Objective (in USAID Results Framework)
SRSG	Special Representative to the Secretary-General
TAM	Turnaround Management Contractor
UNDP	United Nations Development Programme
UNMIK	United Nations Interim Administration Mission in Kosovo
USAID	United States Agency for International Development



# EXECUTIVE SUMMARY

In Kosovo, the lack of 24-hour electricity may be the single largest deterrent to economic growth. Kosovo Electricity Corporation (Kosovo Energjetike e Kosoves, or KEK), the public utility responsible for providing electricity in Kosovo, has received significant donor assistance to improve the power situation in Kosovo.

While many other donors looked at the technical issues of power generation and transmission, USAID took a long-term view and saw that the energy sector in Kosovo could never be self-sufficient without a utility that could recover costs and collect fees for services provided. With that objective in mind, USAID focused on the revenue collection of KEK in close partnership with the European Agency for Reconstruction (EAR), which was working on the utility's Central Accounting System (CAS) and other issues. On August 1, 2003, under the worldwide General Business, Trade, and Investment Indefinite Quantity Contract (GBTI IQC), USAID awarded a task order contract to Chemonics for the Institutional Strengthening of the Kosovo Electric Corporation (IS-KEK) project. This program, which built on prior USAID work under the Community Infrastructure Support Program (CISP), worked to improve the ability of Kosovo Electric Corporation to assess and collect revenue to finance services and operations.

USAID Community Infrastructure Support Program (2000-2003). The IS-KEK program grew directly from broader engagement by USAID in the urgent post-war rehabilitation of electricity infrastructure under the CISP program, carried out by Parsons Corporation and Chemonics International. Beginning in 2001, the institutional strengthening component of CISP focused resources on the issues

**“The mushroom factory, currently employing 400 people... is susceptible to power outages and requires an upgraded system. They forecast that they could double usage.”**

**MICHAEL PALMBACH  
RESIDENT  
MUNICIPAL ADVISOR,  
PODUJEVË**

of revenue collection in KEK. This assistance developed critically needed skills in management and finance for staff involved in billing and collection operations. CISP invested in KEK's revenue management infrastructure, developing and installing a robust system for billing, cash collection, and customer service known as the Customer Care Package (CCP), which was fully compatible with the Central Accounting System funded by EAR. This software allowed KEK to modernize the process of billing, automate cash collections operations, improve record-keeping, and provide new services to customers. By September 2002, CCP was deployed to all seven operational districts of KEK and all assigned staff successfully completed training in the new software.

Unfortunately, in late 2002 and early 2003, KEK underwent several management changes at headquarters and in the districts, and many of the staff trained in CCP were terminated or transferred without regard to the human resources and skills necessary to carry out billing and cash collections. It quickly became clear that a new cadre of CCP users and managers would need to be trained and mentored in order to take advantage of the potential of the system.

Public broadcast fee collection through joint billing. In this period, to meet the United Nations Interim Administration Mission in Kosovo's (UNMIK's) goal to ensure that all services provided to the community (not just electrical) were properly billed, USAID assessed the potential of the CCP to include joint billing of additional public services. USAID concluded that a joint billing arrangement for the public broadcasting was feasible.

Through close cooperation with USAID and KEK, since August 2003, Chemonics has built on the institutional strengthening program described here to improve the billing and collection systems in KEK's Distribution Division. Under this task order, Chemonics focused on transforming customer relations through the Customer Care Package, supporting television through joint billing, and increasing transparency within KEK.

Engaging a turnaround management contractor. KEK suffered in the period of 2000-2004 from frequent changes and shortsightedness in senior management, and from being led by “advisors” without a clear management mandate. USAID and the IS-KEK program team had long advocated for the engagement of a turnaround management contractor (TAM) with the authority and a clear mandate to put the utility back on track. In 2004, the Kosovo Trust Agency awarded a turnaround management contract to ESBI of Ireland, which took over management of KEK in July 2004.

Prior to the engagement of the turnaround management contractor, upper management of KEK strongly resisted the full implementation

of CCP, though district level managers saw its value as a management tool. For a short period in early 2004, the USAID IS-KEK team was actually locked out of all KEK premises by senior management, who resisted the movement toward greater transparency. The new upper management team of the TAM seized upon CCP and made it a centerpiece of their efforts to improve KEK operations and revenue collection.

The general purpose was to improve the institutional capabilities of the electric distribution districts of Kosovo Energjetike e Kosoves. Within this general purpose, USAID's priority objective was to increase revenues at KEK through improved billing and collection rates in all seven electric distribution districts.

Specifically, the objectives of the IS-KEK program were to:

- Support the implementation and full use of the Customer Care Package in accordance with UNMIK legislation and regulations and in coordination with the KEK-Yes Action Plan.
- Support the joint billing initiative (per UNMIK Administrative Directive 2003/5) that establishes a fee charged on the electric bill for the financing of the public television station, RTK.
- Help transfer CCP system knowledge and address sources of intentional errors and abuses from the CCP records, train staff in preparing monthly operational reports, and arrange for software maintenance support if needed.
- Support the turnaround management team (ESBI) as an internal auditing unit newly located in KEK.
- Prepare for the eventual roll-out/expansion of the CCP in up to 42 locations.

The IS-KEK project supported USAID's Strategic Special Objective 4.12 (IR 4.1.2): "Kosovo's transformation towards self-government and a market economy by assisting in the process of transforming the publicly-owned enterprise, Kosovo Electric Corporation (KEK), into a commercialized profitable company."

Significant progress has been made toward the desired result of SpO 4.12: "Providing uninterrupted electricity paid for by customers." KEK's service was markedly better in the winter of 2004-2005 than in previous periods, generally supplying power on a 5:1 load shedding regime. While energy theft remains a problem, and collections are poor even compared to neighboring countries, Kosovo is within reach of 100 percent billing for energy.



## CHAPTER ONE

# TRANSFORMING CUSTOMER RELATIONS

Since the war in 1999, KEK has suffered from poor collection rates for electric service, resulting in a loss of 50 million euros in unpaid bills each year. This has led to power shortages and deterioration of infrastructure. KEK has also experienced high commercial losses through power theft, inaccurate or incomplete registration, and poor or outdated accounting systems. The districts lacked the modern computers and information management systems necessary to assist in reliable and accurate billing, collection, and record-keeping and allow KEK to increase collection rates and improve its overall financial condition.

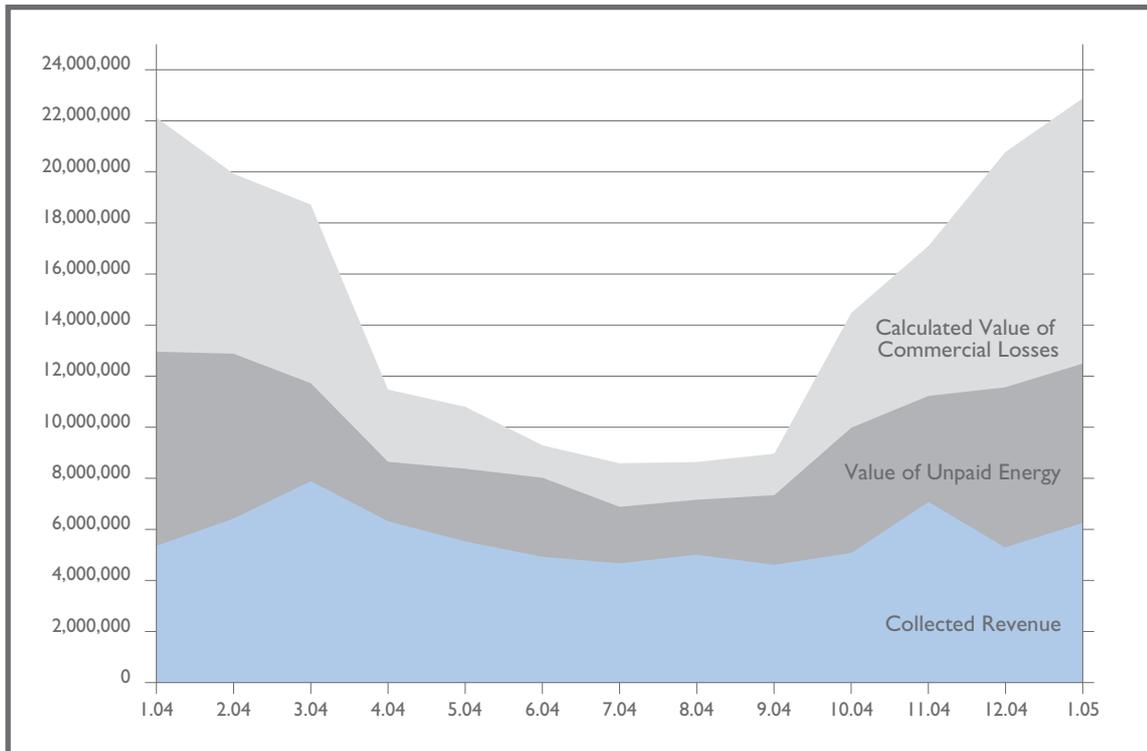
All of these factors contribute to an extremely poor public image of KEK. In a well-functioning public utility system, customers can take for granted good service and come in contact with the utility only when having their meters read, receiving a bill, or making service requests or complaints. However, when a utility is troubled, the customer will look skeptically at all aspects of the operation. A lack of trust leads to hesitancy in payment, and the utility must rely more on enforcement, such as disconnections or legal action, to collect payment. Because disconnections are costly to undertake and actually cut into revenues by reducing sales, a utility cannot rely on this method for bill collection in the long term for more than a minority of delinquent customers.

*Perception of corruption.* KEK was rocked by scandal early in Kosovo's postwar recovery. In the winter of 2001, allegations emerged of high-level corruption, and in 2003, the former head of the KEK supervising board was convicted in Germany of embezzling 3.9 million euros.

Ever since, KEK has fought a perception of widespread corruption. A 2004 UNDP survey by the showed that 76.4 percent of Kosovars perceive KEK as the most corrupt institution in the province. However, this perception appears to be shaped by media reports more than personal experience, as only 17 percent of respondents report experiencing corrupt practices while dealing with KEK.

*Energy theft.* Further compounding the problems of KEK is energy theft. With significant, unregulated construction after the war, many new consumers have added themselves to KEK’s network without registering for service. Additionally, without legal action against energy theft, a large number of customers have bypassed meters—especially in winter months, when energy consumption rises substantially. Energy theft not only prevents the utility from collecting revenue but fuels the perception of the utility as vulnerable or impotent, emboldening customers to disregard regulations and avoid payment. Energy theft is defined in the Criminal Code as a crime punishable by up to three years in prison (Section XXIII, Article 252), but these penalties have not been enforced.

This chart illustrates the surge in consumption (light gray) in winter months, while billing (dark gray) and collections (blue) remain roughly level. See Appendix B.

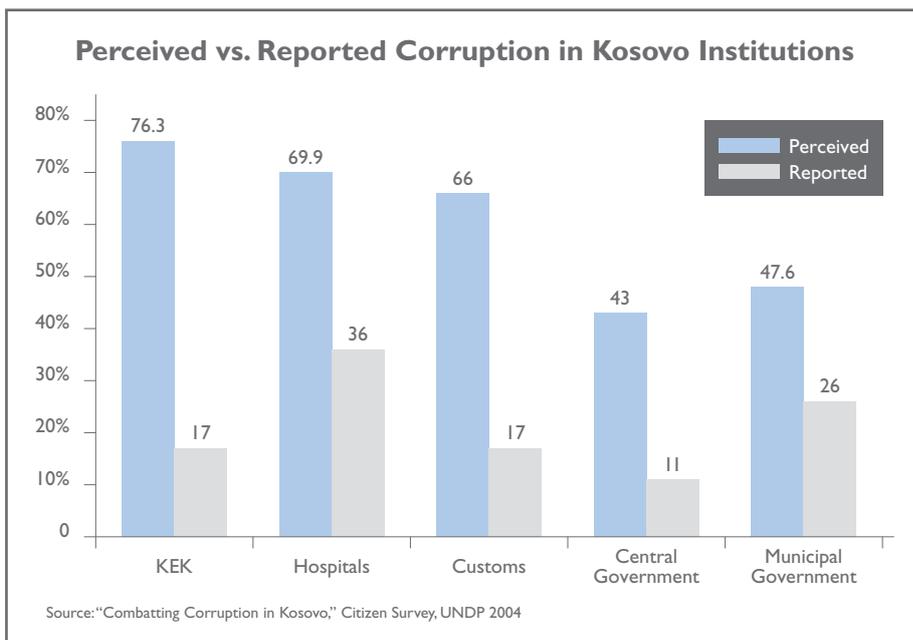


*KEK-Yes.* In order to break out of this cycle, KEK promised 24-hour power under a well-publicized program known as “KEK-Yes,” while working aggressively to register illegal customers. However, the utility underestimated drastically the massive subsidy necessary to offset non-payment and could not provide the promised uninterrupted power. While KEK-Yes helped to register more customers, it further undermined any remaining trust in the utility’s ability to deliver.

The problems of non-payment and energy theft compound to strain the system and deplete the resources available for fuel, energy imports, and preventative maintenance—reducing the power available to consumers and further deteriorating the perception of the utility.

*Reversing the trend.* No easy way has been found to correct the complex problem of non-payment. Any solution must include rebuilding public respect for the utility: trust in the accuracy of bills, customer belief that payments are being properly credited to their accounts, and transparency within the utility. The solution also must include rebuilding respect for the integrity of the system in order to prevent theft and non-payment.

USAID’s institutional strengthening of KEK has focused on this key issue of the customer relationship—the process of metering, billing, cash collection, and transparency. The Customer Care Package has been the cornerstone of USAID efforts to rebuild public trust and restore KEK to solvency. USAID helped KEK by developing and installing CCP as a revenue management system and equipped automated payment and customer service centers in the seven KEK districts in late 2002.



Building upon USAID's initial investment in the Customer Care Package, the IS-KEK program was charged in August 2003 with institutionalizing the CCP at a time when only a few of the functions of the system were being used. Trained staff had been terminated or transferred, and upper management of KEK was resistant to continue the use of the system.

Building upon classroom training in CCP operation, the IS-KEK team began a three-pronged approach to institutionalizing the program:

- Working closely with billing clerks, cashiers, IT administrators, and district-level managers to ensure they had the skills and abilities to operate CCP and could solve routing problems.
- Preparing management reports to show district managers how revenue data could be used as a management tool to improve operations and collections.
- Engaging progressive elements within KEK headquarters to use CCP for strategic management. For example, the distribution department conducted a pilot to classify customers with CCP by the transformer that serves them. This allowed KEK to accurately detect energy theft at the village or neighborhood level.

By July 2004, CCP was fully institutional at the district level. A cadre of staff was fully competent in the routine operations and maintenance of the program. All bills in the province were prepared using CCP, and cash collections and customer service were handled in the seven regional collection offices equipped with CCP hardware and software. Customer perceptions of the professionalism of KEK were already on the upswing. In addition, several tangible results were achieved:

- The CCP is fully compatible module of Central Accounting System (CAS) funded by the European Agency for Reconstruction. In December 2003, the CCP software developer, Komtel, installed and tested a real-time connection between districts and KEK headquarters. Since then, KEK headquarters and its managers have had full, and real-time control of districts' billing, cash collection, and management reporting
- Through the use of CCP, 80 percent of electricity customers are now supplied with contracts.
- 27,717 new customers were registered from the inception of the IS-KEK program in August 2003 through the end of the task order.
- In June 2003, the CCP team provided KEK's Distribution Division with financial and operational reports, forms, procedures, policies, and job descriptions as well as the CCP Comprehensive Manual, in hard copies and in electronic form.

*Senior management buy-in to CCP.* In July 2004, the turnaround management contractor engaged by Kosovo Trust Agency took over management of KEK. Within weeks, the contractor had endorsed the CCP and focused on expanding its untapped potential as a strategic management tool.

The role of the IS-KEK team was transformed overnight. Where prior management had frequently resisted CCP, the new KEK senior management team challenged the IS-KEK team to help deepen the integration of CCP into all of KEK's management systems. A flurry of activity followed, with the following results achieved:

- IS-KEK developed a new customer service function with CCP for customers signing simplified debt service contracts. This standardized procedures across districts and allowed KEK to sign far more debt settlement contracts rapidly.
- The IS-KEK team helped KEK develop an approach to target customers for disconnection within CCP, and helped to design and implement procedures for assigning, verifying, and monitoring disconnections.
- KEK management decided to roll out the IS-KEK pilot for preventing theft by classifying customers by transformer and monitoring billings against supply meters.
- As telecommunications in Kosovo improved, IS-KEK helped KEK set up a data connection between the districts and headquarters, so that real-time data on billings and collections could be centrally collected and analyzed.
- Developing modifications to the CCP and bill design to accommodate the Accept-GIRO system proposed by the Banking and Payments Authority of Kosovo (BPK), and barcode readers for bill settlement.
- KEK negotiated and signed a long-term service and maintenance contract for the CCP system with the software developer.
- Ownership and responsibility for CCP was officially handed over to KEK on September 29, 2004, with memorandum of understanding that represents a strong commitment from KEK management to utilize the CCP.

*CCP impact on customer relations improves collections.* In September 2004, IS-KEK worked to disaggregate district-level collections data for KEK districts to the lower-level data for their associated subdistricts. In areas where customers pay in KEK offices using CCP, cash collections average 82 percent. Areas that still rely on manual cash-collection

systems average only 51 percent. The chart below illustrates graphically the profound impact of CCP on the relationship with customers.

*EAR-funded CCP expansion.* The improved connection in CCP areas led KEK management to push for an aggressive expansion of CCP to subdistrict and satellite offices. The European Agency for Reconstruction budgeted 1.8 million euros for enhancing KEK’s revenue collection. The specific activities that EAR will fund include:

- Meter reading automation
- Handheld cash payment system
- Increase in cash payment points
- Mobile cash payment points
- Development of GIS platform

All of these systems will be interconnected to feed or share data with CCP.

*CCP coverage expands.* Because the procurement of equipment from EAR will take some time, KEK is acting aggressively in the interim to expand CCP with other resources. New cash collection offices, equipped with the program and funded with KEK’s own resources, have opened recently in downtown Prishtina and in Obiliq. KEK has made an agreement with UNMIK to fund several similar offices in ethnic Serbian enclaves, staffed by individuals hired from the community.

**COLLECTIONS RATES: KOSOVO ELECTRICITY CORPORATION (KEK)**

AREA	PIZREN	PEJA	GILANI	AVERAGE
CCP Area	80%	70%	96%	82%
Outside CCP Area	47%	36%	69%	51%

## CHAPTER 2

# FINANCING MEDIA: SUPPORTING PUBLIC RADIO AND TELEVISION

In November 2002, Chemonics, under the USAID Community Infrastructure and Services Program, began discussions with KEK, UNMIK, and USAID to consider modifying the CCP to incorporate joint billing for other state-run enterprises. Under joint billing, a single bill includes the service fees of two or more entities. The customer is responsible for the full amount billed and does not have the option of designating how the payment is applied—the entities share the payment based on an agreed-upon allocation formula. The processing organization will deliver and collect the joint bill, and receive a fee for the services provided.

Joint billing provides the advantage of utilities sharing resources for bill processing, delivery, and collection. Each entity is able to bill and collect from its customers at a lower cost than maintaining its own billing and collection processes.

*Joint billing implementation.* The versatility of the CCP was further expanded to introduce joint billing with the public radio and television station, RTK. UNMIK authorized RTK to collect a fee for providing public radio and television service within Kosovo, and UNMIK directed RTK to bill all households through a joint billing arrangement with KEK. KEK has the most complete customer database within Kosovo.

The software vendor, Datamat/Komtel, modified the CCP billing module to include a 3.50-euro-per-month fee for RTK. The IS-KEK

project worked with a team consisting of representatives from RTK, KEK, and the vendor to develop the approach and methodology for applying partial and past payments in the billing system as well as a fee system to compensate KEK for billing services. UNMIK reviewed and supported the final agreed-upon billing methodology and issued an administrative directive in February 2003 on the RTK public broadcasting fee for joint billing.

During the winter and spring of 2003, a joint billing implementation team comprised of representatives of KEK, RTK, Komtel, and Chemonics met weekly to discuss problems and resolve differences. Software modifications were completed and tested by May 2003. Komtel developed a manual for technical implementation of public broadcast fee implementation. The PBF (public broadcasting fee) is processed in the background with no change to the KEK billing operations and little change to the cashiering operations. One individual is responsible for collecting the PBF allocation data for the distribution districts and preparing a calculation of RTK disbursement.

In December 2003, KEK and RTK signed a contract for KEK to provide public broadcasting fee billing and collection services for RTK. The contract requires KEK to remit payment to RTK by the 10th of the following month.

In preparation for the implementation of joint billing, the IS-KEK team created training materials for accounting personnel at KEK headquarters and distribution offices regarding reviewing joint billing activity and calculating the PBF remittance. IS-KEK also presented seminars at each of the seven KEK distribution offices. Topics included procedures to calculate the collected public broadcast fee and information for cashiers on how to answer customer's questions about the fee.

*Public education on joint billing.* A letter to the citizens of Kosovo was released in newspapers explaining the public broadcast fee. In January 2004, leaflets in Albanian, Serbian, and English were sent with bills, explaining the joint billing system. TV ads were also broadcast on RTK and information for customers was posted in cashier offices.

*Testing and troubleshooting.* The testing and review process for joint billing began when the first PBF allocation was processed in November 2003, with the first distribution occurring in February 2004. As part of the testing and review process, the IS-KEK team randomly selected 30 accounts from the Prishtina and Prizen districts. To test the billing process, the team reviewed the total number of KEK bills processed and tested the social case exclusion. The team found the billing process produced bills as designed. To test the allocation process, the team hand-calculated the PBF allocation for each of the selected customer accounts. The team found the billing and allocation processed as designed.

The PBF allocation for February 2004 disbursement was processed by each the seven KEK distribution districts. The IS-KEK team reviewed each distribution district's allocation process. From the district public broadcasting fee billing and collection reports, the team prepared a public broadcasting fee calculation of RTK disbursement. This summary report was distributed to KEK and RTK representatives and other interested individuals.

The second public broadcasting fee allocation process was performed in late February 2004. The IS-KEK team again tested the billing and allocation processing by randomly selecting 30 customer accounts, representing KEK customers who paid bills during the December, January, and February. The team found the allocation processed payments as designed. This processing completed the testing and review of the public broadcasting fee implementation process.

A system was needed to contribute to the sustainability of RTK by supplying a steady revenue stream for public television, provide enough compensation for KEK (through a six percent service-charge percentage of the RTK fee) to cover the cost of collecting the RTK fee, and demonstrate the potential of using KEK and the CCP for joint billing services of other state-run enterprises.

*Public broadcasting fee collection a success.* The joint billing of the public broadcast fee has been a tremendous success for public radio and television and for KEK. Since November 2003, over \$4 million has been collected and transferred to the public broadcaster, and KEK has generated significant fees for providing the collection service. To date, the system has not been expanded to accommodate joint billing services of other state-run enterprises. However, as KEK moves toward the path of commercial viability, this potential still exists for services such as solid waste collection or other service fees that are difficult to collect independently



## CHAPTER 3

# INCREASING TRANSPARENCY

After the war in Kosovo, KEK was perceived by customers and the press as highly corrupt and untrustworthy. One step in restoring the faith of customers was improving the accuracy of KEK's billing and payment systems, discussed previously. In addition, KEK was in need of improved internal controls to ensure that customer payments were appropriately accounted for and deposited.

*Revenue and abuse analysis.* Once the CCP system was installed, the IS-KEK program was in a unique position to identify patterns of abuse within KEK's revenue stream. Initially the team encountered resistance from KEK senior management in this task, though most district managers used the data as a management tool. Fortunately, since the engagement of the turnaround management contractor in July 2004, senior KEK management has offered strong support and worked hard to increase transparency and enhance internal controls.

The IS-KEK team performed increasingly complex analyses of billing and collections data — initially at the district level, but eventually for each meter reader and cashier — to spot inconsistencies for further audit or investigation.

These monthly analyses served as a monitoring tool for internal abuses, energy theft, and collections improvement. The monthly operations reports, referred to as “blue books” by the IS-KEK team and KEK management, have added value to the project and increased KEK's efficiency as an organization and the ability of KTA and UNMIK to provide oversight of KEK. Each book provides information for the month's transactions, and serves as data to show cumula-

tive and comparative results across months and years. This type of interpretive data is highly useful for strategic planning and to assess impacts, successes, and failures. For example, the blue books have shown clearly that while energy consumption increases considerably during the winter months, billings remain roughly level, indicating that many customers are stealing energy during the cold winter months to avoid the high cost of electric heating.

The value of the IS-KEK analysis is so significant to KEK management that they have retained the IS-KEK local professional team as contractors directly to KEK in order to continue performing their independent analyses.

With 26 months of data collected by the IS-KEK team (see Annex B), the management of KEK has a rich resource with which to identify trends and make strategic management decisions.

*Support from KEK management.* Once the turnaround management contractor took over administration of KEK, and KEK management came forth in strong support of increasing transparency and eliminating corruption, changes came rapidly. In the summer of 2004, KEK suspended a group of meter readers using a “three-strikes-you’re-out” policy based on CCP data and follow-up audits. CCP billing records have also provided a good source of data to identify customer abuses, such as sudden drops in bills from meter bypass.

CCP data has also been useful in revealing higher-level accounting discrepancies within KEK. For example, using data from CCP, KEK’s auditor Deloitte & Touche identified funds that were never deposited in the bank after being received by KEK collection offices.

The real measure of increased transparency is customer confidence, and by this standard the results are clear. CCP’s automated cashiering has given customers the confidence that their payments are being credited to their accounts. An electric utility simply cannot survive in the long term if customers boycott payment, and CCP has helped significantly to increase transparency and reduce non-payment.

## CHAPTER FOUR

# LOOKING TO THE FUTURE

The IS-KEK program reinforced the appreciation of the efforts required to strengthen institutions providing infrastructure services in post-conflict situations. In trying to introduce new and seemingly revolutionary systems in the Kosovo environment, several interesting (although certainly not unique) lessons emerged from the team's experience.

*Implementation assistance is needed to solidify training programs.* Implementation assistance is key to promoting institutional change and strengthening. Under CISP, the IS-KEK program developed and delivered fairly extensive management and financial training packages to the water and electrical distribution utilities. Good training needs to be followed by an implementation phase to ensure that the principles learned in the training sessions have actually been accepted and are applied in the work place. By providing a highly intense on-site training and mentoring program, some of the lessons learned in training can be applied to the everyday work situation. This implementation assistance and mentoring takes time and dedication.

Future institutional strengthening programs should include an implementation phase in addition to classroom training to create a better chance of sustainability when the project is complete. While a phase like this is not necessarily resource-intensive, a significant duration of time is required to ensure that new approaches become routine practices within the institution.

*Local professionals are essential technical assets in creating sustainability.* This is not a new lesson, but it was certainly true for the IS-KEK

program. Local professionals employed by IS-KEK had an interest in learning and were highly effective in applying new skills. Local employees initially hired at low-level positions were able to develop their skills and quickly become trainers and mentors and assume project leadership roles. In the case of IS-KEK, a local professional originally hired at the entry level served as program director for the final nine months of the program.

The key is for the expatriates on the project to be able to recognize and develop the skills of local staff. These are the people that assume leadership roles and have the skills to continue to support the training and mentoring programs initiated by the project after the expatriate staff depart the country. IS-KEK did a good job in recognizing local staff with the aptitude to assume a greater and more responsible role on the project. In the case of IS-KEK, this empowerment of local staff was especially effective, and the counterpart organization absorbed local staff directly into their organization on a commercial basis. The former training manager of IS-KEK now serves as head of the sales department of KEK, and five of the members of the project team are serving as a project implementation unit and continuing the analytical and performance improvement work begun under the program.

*Allow sufficient time for integration of new tools and methods to be implemented.* The introduction of the CCP was a significant step in the evolution of utility and financial management in Kosovo. The IS-KEK program may have underestimated the significance of the introduction of this tool as revolutionary in the Kosovar environment. Consequently, some local utility managers were reluctant to embrace the CCP as a tool to improve the operational capability of the distribution districts. Early on, some attempts were made to sabotage and discredit the CCP in order to revert back to old systems and procedures. In some cases this was due to the ability of the CCP to reveal information that would highlight past improper billing practices.

In other cases, adapting technically to the new tool was difficult. Early technical difficulties in implementing the CCP also added to the stress of gaining the acceptance of management and staff. Several years of on-site training and mentoring have been needed to ensure that the CCP is being properly used and fully integrated into the daily routines of the district managers and staff.

*Maintain program flexibility.* Within the framework of the IS-KEK scope of work, maintaining program flexibility as realities on the ground evolved was essential. Classroom management training had to give way over time to on-site training and mentoring programs, to ensure that lessons presented in a classroom environment transferred to on-the-job actions. With CCP in particular, the on-site approach proved to be an effective way to train and mentor smaller groups of KEK staff who had direct responsibility for implementation of the

CCP principles and programs. Further, as the new turnaround management contractor came into place, emphasis shifted from district-level implementation support to helping headquarters staff use CCP as a strategic planning and management tool.

*Management support is essential to the success of implementing a complex program such as the CCP.* KEK, as an institution, had difficulty in not only seeing but understanding the overall big picture involved in introducing and implementing the CCP. Consequently, senior management did not provide adequate levels of support to middle management in implementing the CCP as a vehicle to increase the rate of collection, improve management performance, and reduce corruption within the KEK organization. Once KEK management seized upon CCP as a key tool, the full potential of the program was realized and all functions were fully integrated into business practices.

USAID has played a significant role helping KEK become a well-functioning, sustainable institution. The significant tool of CCP in revenue management, and the hiring of a turnaround management contractor, have gone a long way toward this goal. However, several programs are underway that USAID should monitor to ensure full implementation.

- KEK is completing the registration of all customers in CCP according to their transformer, and metering transformers in all seven districts. While the field research to collect the data is significant, the USAID pilot proved that this approach has tremendous potential to help identify and address specific cases of energy theft at the neighborhood level.
- The European Agency for Reconstruction is preparing several tenders that will allow KEK to automate all cash collection offices and even begin service with mobile cash collection stations. This is a critical next step, and will help KEK to improve collection rates in outlying areas, which are dramatically lower than those in areas served by CCP. These tenders include meter reading automation, hand-held cash payment, additional cash payment points, mobile cash payment points, and a GIS platform.
- *Operating KEK as a business.* The TMC has worked hard to operate KEK as a business and remain as free as possible of political interference. USAID must continue to strengthen the regulatory environment and the regulator and ensure that KEK can operate as a business under a consistent set of rules and regulations and be free from frequent interference and policy whims from political actors, whether from PISG or UNMIK.

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