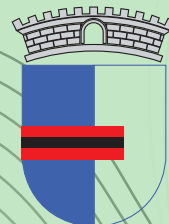
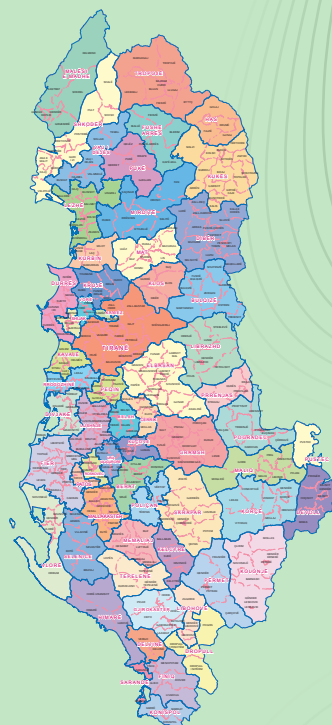


LOCAL GOVERNMENT IN ALBANIA

STATUS REPORT

2023



INSTITUTE
FOR ALBANIAN
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'for sustainable cities'

LOCAL GOVERNMENT IN ALBANIA

STATUS REPORT

Tirana, 2024

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Table of Content

- 1. **Aim of the study** 7

- 2. **Main developments of 2023** 9
 - 2.1 Local elections of 2023 and political polarization 10
 - 2.2 Organization of local government 12
 - 2.3 Diversity and dynamics against the status quo 14
 - 2.4 Legislation affecting municipalities during 2023 17
 - 2.5 Main conclusions 18
 - 2.6 Main issues to be addressed 19
 - 2.7 Good governance 20
 - 2.8 Main economic indicators 21

- 3. **Transparency and relations with central government** 22
 - 3.1. Transparency of municipalities 23
 - 3.2 Communication and information 24
 - 3.3 Public consultation 24
 - 3.4 Audit and monitoring 25
 - 3.5 Municipal councils' meetings 25

- 4. **Municipal functions** 27
 - 4.1 Water supply and the sector reform 27
 - 4.2 Urban waste collection and treatment 33
 - 4.3 Rural roads and infrastructure 36
 - 4.4 Educational services 38
 - 4.5 Post earthquake reconstruction in 11 municipalities 39
 - 4.6 Municipal social services 41
 - 4.7 Environmental protection 44

| | |
|---|-----------|
| 4.8 Agriculture and rural development | 45 |
| 4.9 Economic development | 47 |
| 4.10 Public security | 48 |
| 4.11 Conclusions on public services | 50 |
| 5. Budgetary performance of municipalities for 2023 | 51 |
| 5.1 Financial resources | 52 |
| 5.2 Performance of revenues from own local sources | 53 |
| 5.3 Expenditures of Local Government Units | 58 |
| 5.3.1 Progress of expenditures according to Local Government Units | 59 |
| 5.4 Arrears of LGUs | 62 |
| 6. Number of employees | 66 |
| Annex 1. Unconditional sectoral transfers for 2024 | 68 |
| Annex 2. Arrears of LGUs for the period 2021-2023 | 71 |
| Institute for Albanian Municipalities | 74 |
| Our partners | 75 |

List of tables:

- Table 1. Main economic indicators, Source World Bank
- Table 2. Performance indicators for water supply and wastewater, 2023
- Table 3. Fees for the water supply and sewerage service for 2023
- Table 4. Weighing of waste in Albania, 2023
- Table 5. Social service provision per region
- Table 6. Budget Performance of Local Government Units for 2023
- Table 7. Financial resources per category
- Table 8. Income from own resources by category
- Table 9. LGU expenses from its own resources
- Table 10. Differences in absolute value of total local expenses at the municipality level
- Table 11. Municipalities in difficulties or financial problems for 2023

List of charts:

- Chart 1. Political distribution of municipal seats
- Chart 2. Ratio of the population of regions and number of municipalities
- Chart 3. Local government transparency for 2023
- Chart 4. Cleaning fee in municipalities
- Chart 5. Transfers for roads
- Chart 6. Expenses on educational services
- Chart 7. Reconstruction fund
- Chart 8. Categories of municipal social
- Chart 9. Financial aid per system and per 6%
- Chart 10. Transfers for forests, irrigation and drainage
- Chart 11. Fire service Chart 12: Municipal revenues per source
- Chart 13. Performance of own revenues for 2023
- Chart 14. Municipalities with the largest income from the property tax

LOCAL GOVERNMENT IN ALBANIA

Chart 15. Municipalities with the largest revenues from infrastructure impact tax

Chart 16. LGU expenses from its own resources

Chart 18. LGU's arrears by category

Chart 19. Change in the number of LGU employees for the period 2022-2023

1. Aim of the study

Local government, developments within it, policies, reforms and strategies to develop it, constitute the 'guardian' for the development of local communities, history and traditions. The central and local governments rightly celebrate the stages of development. But on the other hand, it is very important to see, understand correctly and realistically the achievements, challenges and problems.

The purpose of this annual status report is to serve as a beacon of transparency, to promote central and local accountability, the accountability of the municipal executive and decisionmaking, to raise awareness of administrative responsibility and the integrity of municipal employees.

The other purpose of this annual report is to stimulate the reflection of vertical and horizontal actors by sharing the stories of the past year, what was good and what needs to be improved, unexpected obstacles and solutions, lessons learned, etc.

The report, through analysis, facts and figures, evaluates the results on a national scale, makes a comparison between the municipalities, thus promoting the protagonism and competition of local leadership on the quantity and quality of services, on budget expenditures, collection of taxes and fees, level of investments, increase of social well-being of communities etc.

Mainly, the report is based on the analysis of the findings identified from research on reports, publications or various articles prepared as part of projects or activities of various public institutions operating in the field of local government. The report was not drafted on unbeaten ground. Currently, previous reports and analyzes have been made on territorial-administrative reform by national and international institutions, the findings of which have been widely used in the preparation of the report.

The report is important for municipal administrators, interest groups as well as citizens to understand and assess their trust in the leadership and institution of the municipality and local policies. It will serve as a bridge, fostering interaction and engagement between government and people by fostering dialogue, debate on common goals and challenges.

In essence, the annual report is more than a document, it is a progress narrative, a ledger, a catalyst for engagement and a roadmap for the future. Through it, we all continue to write the history of local developments in dynamics, among challenges, triumphs and hopes, in the continuous search for a better life for every citizen, for strong institutions, for local administrators with integrity and accountability. As the annual report is published and distributed, it becomes a common document of the municipality's collective journey for the community and beyond.

2. Main developments of 2023

Our country, the region and the world are living in times of rapid and radical changes, with new opportunities but also great dangers that appear before us from time to time. These situations require appropriate policies, action, skills on how to manage change. It is also required that national policies clearly define whether all 61 municipalities and their citizens, wherever they live, will be able to benefit from these opportunities, avoiding inequalities in terms of economic, social and cultural aspects, in services and investments, which the territorial and administrative system exhibits.

This ambitious objective cannot be achieved without an integrated approach to territorial development as highlighted by Agenda 2030, where the Albanian government, parliament and local elected officials themselves remain committed. Integrated territorial development is key to strengthening sustainability by promoting prosperity across the territory at national, regional and municipal levels. Good harmonization and coordination fosters local democracy, fosters inclusiveness and citizen participation.

On the other hand, integrated territorial and administrative development is important for our journey and integration in the European Union. The key here is opening new paths for smarter, knowledge-based development, a greener economy by creating quality employment and social progress in both urban and rural areas.

The European Union has underlined the importance of integrated development of the territory through the cohesion policy. Cohesion policy aims to ensure that the needs and potentials of local economic development are linked to European and global objectives and that decisions on public investments are made as close as possible to citizens. Furthermore, cohesion is not only about providing the necessary financial resources to make investments but it also provides tools and methods to promote an integrated approach and more effective multi-level governance.

“Europe closer to citizens” is a new dedicated and flexible policy objective in the 2021-2027 cohesion framework. It aims to address the challenges of different types of territories, integrated territorial and local development

strategies in order to be able to provide a clear perspective for the future even though it is not easy.

However, the needs strongly impose the promotion of visionary, decentralizing and intersectoral policies, to guarantee an effective, efficient, transparent and independent local government at the service of citizens.

2.1 Local elections of 2023 and political polarization

Albania held local elections on 14 May 2023 in all municipalities. These elections were held with the participation of the country's main political actors, in contrast to the 2019 elections boycotted by the opposition. After 4 years of non-pluralist local government, the 14 May elections brought a big change for local democracy, and with an impact on national democracy. The year 2023 marked a turning point after a 4-year break regarding the return of debate and alternative opinions in municipal councils. Local decision-making began to be more qualitative, as the implementation of decisions by the executive was more closely monitored by the pluralist approaches that brought the local elections of 2023.

But above all, pluralism at the municipal level also brought a lot of hope for citizens towards the institution of municipalities. The mosaic of pluralism in the 61 municipalities was more evident in terms of representation in the municipal councils where 1,613 councilors in the 61 municipalities (43% of whom are women and girls and this fact is good news) represent a wide spectrum of representation of political parties, which is a useful element for not only local democracy. However, the mosaic was not diverse in terms of the mayors of 61 municipalities, where the status quo of the ruling party was maintained without bringing the expected change. While the municipal councils strengthened pluralist positions, this was not reflected in the regional councils. Their composition does not reflect the will of the voters for the political subjects, but is in line with the will of the majority.

In total¹, Albanians cast 1.35 million valid votes for municipal councils and elected 1613 councilors. The Socialist Party received 580,000 votes and 757 councilors, followed by the coalition of the main opposition Together We Win with 248,000 votes and 292 mandates. The official Democratic Party

1 <https://www.reporter.al/2023/05/19/keshillat-bashkiake-socialdemokratet-e-tom-doshit-ngjiten-ne-vend-te-katert/>

received 104 thousand votes and 123 mandates. The Social Democratic Party received 86,000 votes or 6.4%, with 116 councilor mandates.

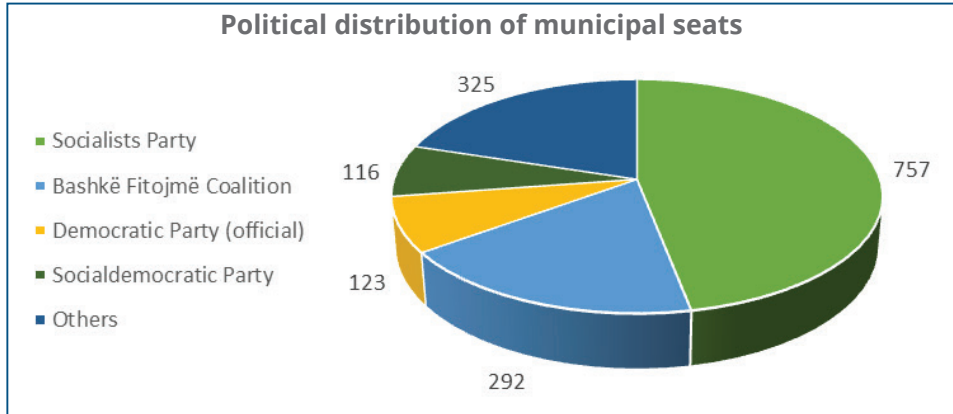


Chart 1: Political distribution of municipal seats

In addition to the positive aspect in the mosaic of pluralism of municipal councils, the elections should also mark a turning point in terms of the standard of their development, above all the change in our behavior and culture to separate local elections from central ones. This is the only way they get the proper evaluation and attention in social, economic, local and leadership issues, which again in the 2023 elections was eclipsed by central politics, which is not healthy.

We have always requested and strongly recommend that local elections be truly local, with local protagonists and that central politics remain neutral.

International organizations have paid attention to these elections and have made their assessment. According to the findings and conclusions of the election observation mission of the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR):

The local elections took place in a generally peaceful manner, including on voting day. The local elections were well-administered, competitive and took place with the participation of the country's main political forces.

There are concerns about the misuse of public resources at both the national and local levels, allegations of pressure on voters and public

sector employees, and allegations of vote buying. All these should be properly investigated.

Despite the establishment of the ad hoc commission on electoral reform in February 2022, no progress was made either in adopting any text or in addressing the outstanding recommendations of the OSCE/ODIHR and the Venice Commission. This requires constructive and comprehensive political dialogue from all sides.

The elections were assessed by observers as well-administered, competitive and with the participation of key political forces, as also emphasized by the OSCE/ODIHR. Election day was generally quiet. The vote count was evaluated to be largely positive, although inconsistencies were noted. The Central Election Commission created a digital platform for the disclosure of campaign financing of political parties.

The political system in Albania has long been prone to the disease of polarization, fragmentation and instability. Especially after 2015 and the 2019 local election boycott year where all municipalities and municipal councils belonged to the same party, that of the central government, against a very weak and fragmented opposition that to some extent reflected a lack of stability in political competition, weakening or posting in the shadow of the local leadership.

This polarization has had a bad effect on the democratic character of local competition in many directions. Such loyal relations of government-municipality political affiliation did not sufficiently strengthen the institution of the municipality as an institutional competitor.

We seek a cure for this disease, we recommend institutional cooperation based on the constitution and law, not relations of “generosity”, avoiding communication relations for party and electoral interests between municipalities and the government.

2.2 Organization of local government

The organization and functioning of local government is regulated by the Constitution of the Republic of Albania (articles 108-113), which is in harmony with the European Charter of Local Self-Government of the Council of Europe, Law 115/2014 ‘On the Territorial Administrative Division of Units’ of Local Government in Albania, Law 139/2015 “On Local Self-

Government, (this law is good and this is shown by the fact that in these 10 years it has resisted without intervention except for an amendment with Law no. 38/2019), Law 68/2017 “On Local Self-Government Finances” and a number of other sectoral laws with which the local government interacts.

The local government is composed of two levels. The first level consists of 61 municipalities and the municipalities themselves have several subdivisions that represent administrative units, the latter consisting of cities that may have in their composition several neighborhoods and villages. While the second level consists of 12 regional councils, which constitute a territorial administrative unit composed of several municipalities. The municipality, as well as the regional council, have executive and regulatory bodies that are elected according to the legislation in force.

The current administrative division, approved by Law 114/2014 “On administrative division in the Republic of Albania, determines the distribution of municipalities according to regions as follows:

| No. Region | Municipalities |
|----------------------|---|
| 1 Berat | Berat, Dimal, Kuçovë, Skrapar, Poliçan |
| 2 Dibër | Peshkopi, Bulqizë, Burrel, Klos |
| 3 Durrës | Durrës, Shijak, Krujë |
| 4 Elbasan | Elbasan, Cërrik, Belsh, Peqin, Gramsh, Librazhd, Prrenjas |
| 5 Fier | Fier, Patos, Roskovec, Lushnjë, Divjakë, Ballsh |
| 6 Gjirokastrë | Gjirokastrë, Libohovë, Tepelenë, Memaliaj, Përmet, Këlcyrë, Dropull |
| 7 Korçë | Korçë, Maliq, Pustec, Kolonjë, Devoll, Pogradec |
| 8 Kukës | Kukës, Has, Tropojë |
| 9 Lezhë | Lezhë, Mirditë, Kurbin |
| 10 Shkodër | Malësi e Madhe, Shkodër, Vau i Dejës, Pukë, Fushë- Arrëz |
| 11 Tiranë | Tiranë, Kamëz, Vorë, Kavajë, Rrogozhinë |
| 12 Vlorë | Vlorë, Selenicë, Himarë, Sarandë, Konispol, Finiq, Delvinë |

Regarding the distribution of the population by regions², there is a non-uniform distribution, for example 33.5% of the population lives in the region of Tirana with 5 municipalities; 10.5% of the population lives in region of Durrës with 3 municipalities; 9.8% in the region of Fier with 6 municipalities; 9.2% in the region of Elbasan with 7 municipalities; 7% in

2 Instat, 2023

the region of Korça with 6 municipalities; 6.8% in the region of Shkodra with 5 municipalities; 6.6% in the region of Vlora with 7 municipalities; 4.1% in the region of Lezha with 3 municipalities; 3.9% in the region of Dibra with 4 municipalities; 2.6% in the region of Kukës with 3 municipalities and 1.9% in the district of Gjirokastra with 7 municipalities.

Gjirokastra region is the region with the smallest population, but at the same time it is one of the regions with the highest number of municipalities (7).

The ratio of the population of the regions to the number of the respective municipalities is presented in the chart below.

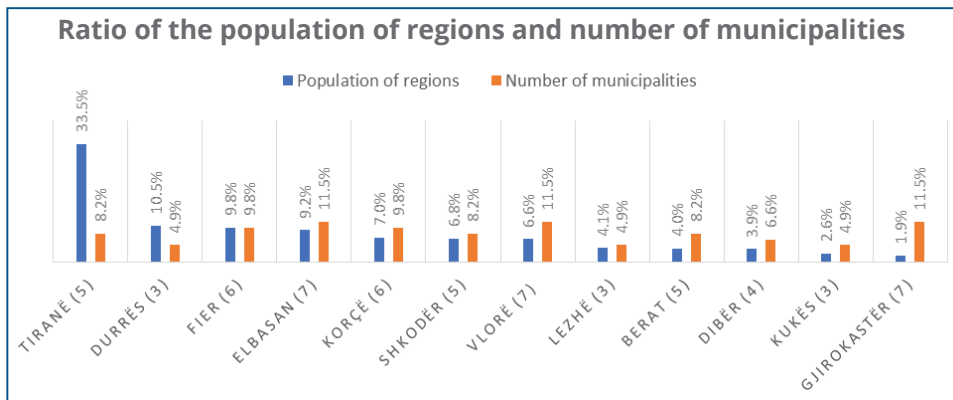


Chart 2. Ratio of the population of regions and number of municipalities

2.3 Diversity and dynamics against the status quo

Municipalities have a wide range of functions and responsibilities (42) that from the point of view of the principle of financial sufficiency indicates that they need more national financial resources. The local government system is sufficiently diverse, which constitutes an added value in many aspects. From the point of view of legal responsibilities, the local government appears symmetrical. However, the current dynamics and performance of the municipalities shows a tendency to go towards an asymmetric decentralization. We recommend such an approach.

From the perspective of the population, even here the changes are becoming very distinguished. Some large municipalities are getting even bigger, mainly those in the center of the region, while small municipalities are getting smaller still, mainly the remote and mountainous ones. But

regardless, as shown by the financial data and the analysis of services for each municipality in this report, it is noted that even within the group of “large” municipalities we find municipalities with worse performance than the “smaller” municipalities.

These demographic indicators are indications to reassess the territorial division. We recommend that, within this local mandate, the territorial division be rethought, reviewed and redone, based on the vision of what kind of organization Albanians need to ensure representation, service, local democracy and economies of scale, and not the number of municipalities being the subject of discussion, which in itself is not important.

So, we should not look at the revisions with the fear of breaking the status quo or with the feeling of accepting the mistake if we go for the possible adjustments, but which should be well analyzed, with a comprehensive and consensual approach.

Another aspect of the status quo in the organization of the municipalities themselves is related to the fact referred to in Article 95 of Law 139/2015, “Transitional provisions”: *Until December 31, 2017, the administration of the administrative unit functions in each administrative unit. From January 1, 2018, the municipality council has the power to decide on the reorganization of administrations of administrative units, which can cover the territory of one or more administrative units within the municipality, according to the needs of local communities and administrative efficiency.* But the data from the municipalities show that, apart from the municipalities of Mallakastër and Kolonjë, the councils of other municipalities have not considered this provision.

This leads us to several reasons: firstly, these units still maintain the interest inherited from the former municipalities, so their existence is necessary, secondly, the municipal leadership is not yet able to create a more homogeneous territory. Therefore, they maintain a lot of administrative fragmentation, (we must not forget that the territorial reform had as its objective the elimination of the fragmentation of local units (373)) and thirdly, these units are maintained by political inertia and to amortize the drastic effects of the territorial reform of 2015.

We recommend an in-depth analysis in this aspect, an administrative and territorial organization as homogeneous and economic as possible, but in accordance with the context and circumstances of each municipality.

The Albanian government recognizes that the national interest is served by improving the capacity of local government to provide services to all citizens by promoting the performance and efficiency of municipalities, but that is not enough. For example, the action plan in the National Decentralization Strategy should be more in the attention of the government, the measurable quantitative and qualitative indicators and to be achieved require more will and central financial means, require more sensitivity to decentralize than the desire to create agencies of deconcentrated under government control.

The territorial administrative reform and its performance already almost a decade after the start of implementation has been the focus of the reports of the European Commission, which, among other things, emphasizes³ that: it remains to be further consolidated as part of the wider decentralization agenda. A systematic and timely monitoring of this process and the mechanisms to realize it must be ensured.

The new Intersectoral Strategy for Decentralization and Local Governance 2023-2030, which aims to consolidate the decentralization process, was approved in April 2023. The drafting process was based on a series of consultations involving 61 municipalities, central institutions, local government associations, civil society, the private sector, academia, researchers and development partners, who helped to capture and address priority needs.

Despite several efforts to address legal and institutional gaps, conflicting and overlapping legal provisions and policies - which regulate different sectors involving the exercise of functions by local government units (LGUs) - and the division of responsibilities between local, regional and central remains an area of concern.

There is still a need to improve the legal framework for the functions of LGUs and to further consolidate the implementation of new functions. Local government units still lack sufficient financial resources and administrative capacity to carry out all their devolved responsibilities fully satisfactorily and to effectively exercise their greater policy-making powers. The fiscal autonomy of LGUs remains at risk, as most of their budgets depend on national transfers. The provision of quality public services at the local level remains limited.

3 Albania 2023 Report, European Commission

2.4 Legislation affecting municipalities during 2023

Municipalities base their activity on Law 139/2015 “On Local Self-Government” and further the duties and responsibilities in specific areas are broken down into sectoral and other laws.

What is easily noticed is the practice where local government units are “generously” included in the group of bodies responsible for the implementation of a certain law, at the same time in the same law the administrative and investment powers remain at the central level, to different ministries or agencies at the national level.

There is an urgent need for the revision of the legislation affecting the local government and for the clarification of the role and responsibilities of the municipalities by clarifying the dividing line between the government and the municipality. An illustrative case is the role of municipalities in the field of environmental protection, where municipalities have the potential to play a very large role but the Law on Environmental Protection foresees a rather minimal and unclear role for local units.

We have selected most important legal acts passed in 2023, which are briefly mentioned below.

The Intersectoral Decentralization Strategy 2023-2030 is based on 4 main pillars: (1) consolidation of strategic and operational capacities, (2) strengthening of local finances and fiscal autonomy, (3) sustainable local development and (4) strengthening of good governance .

We request and strongly recommend to work more seriously on step 3 “local economic development”. This recommendation is addressed first to the municipalities themselves, secondly to the central government, thirdly to international programs and projects.

Law No. 50/2023 “On the assessment and administration of noise pollution” separated the control of music from other noises and transferred it as a competence to the State Police.

The Instruction “On the coordination of inspection functions in the field of forest protection” divides the inspection responsibilities between the National Forestry Agency, the Agency of Protected Areas and the municipalities. Municipalities exercise inspection and control for the national forest fund under their administration.

Law 67/2023 “On an amendment to the law “On the local tax system” provides that “for the construction of structures destined for use in the agricultural and livestock sector and for sports facilities, the infrastructure impact tax is no more than 1 (one) percent of the investment value, while for the Municipality of Tirana is no more than 2 (two) percent”.

2.5 Main conclusions

61 Albanian municipalities extend beyond the urban category. They include rural, mountainous, coastal, remote areas, where a mixture of urban and rural features coexist, with populations that tend to shrink into small units. Apart from the municipality of Tirana, where the trend for population growth is evident, and the municipality of Durrës, which has a lighter trend of population growth, the other municipalities in all 12 regions have a population decline. These data will be clearer once the results of the 2023 Census are published.

Development challenges are more often found in non-urban areas than in urban areas that are more developed for natural reasons, but also from the concentration of investments such as “Urban Renaissance”.

Weak local economy and fewer employment opportunities are observed throughout the municipalities, lack of access to essential services, low connectivity, environment and nature not protected, assets and natural capital are not being used usefully, the agricultural sector is not well supported and financed, preventive measures against natural hazards are insufficient.

Despite the above-mentioned issues, the municipalities and their territories undoubtedly represent places of opportunity, such as in tourism, (a sector which marked a significant progress and this is thanks to the good work of the municipalities in general and especially of the 11 coastal municipalities), ecosystem, renewable energy, biodiversity, well-being, etc.

Lack of vision and strategies for local economic development based on an integrated approach that emphasizes cross-sectoral policy, multi-level, multi-stakeholder and community-led governance.

Public investments in municipalities are to the greatest extent by government investments, those of the municipalities themselves remain low. Diversification of the investment portfolio should be expanded with

local investments with public private partnership, foreign investments and investments from the civil society sector. Unlocking the true potential of municipal assets should be seen as an opportunity for sustainable financing to face numerous national, regional and global challenges.

The effective monitoring of local and regional development strategies is essential to measure success, but also to enable policymakers to track progress and inform necessary revisions.

2.6 Main issues to be addressed

The report focuses on a broad panorama of developments in local government, on the analysis of the main functions and services of the municipalities, as well as the analysis and financial indicators of 61 municipalities. From what we see, achievements, and challenges, to fill in the gaps on capacity of the local government toward an effective system of governance, we believe the following are the priority issues:

- ☞ Territorial and institutional organization (e.g. what is the administrative structure of the local government in relation to the characteristics of the municipality, or reorganizations with and without changing borders).
- ☞ Local government competences and service delivery (e.g. the main competences they fulfill best, the nature and source of funding of each competence (individual, delegated, joint), the transition from a symmetric to an asymmetric approach).
- ☞ Human resources and accountability (e.g. local public administration employees considered as civil servants, modern human resource management and treating them as human capital and institutional memory).
- ☞ Management of local finances (fiscal autonomy, ratio of expenditures to investments, limitations and arrears, quality of control and internal audit, budget increase for municipalities, urban management and increase in funding for rural areas, etc. Unconditional transfer from 1% of GDP should increase to 2% of GDP, sectoral transfers should be integrated into the total budget, etc.)

- ☞ Vertical and horizontal coordination (e.g. the support provided by the central government to municipalities, the effectiveness and quality of mechanisms such as the Consultative Council, the role played by the exciting associations of local elected officials with political affiliations, etc.
- ☞ Integrity, morality, accountability, transparency and constitutional and administrative responsibility of mayors, councilors and employees should be a national agenda.

2.7 Good governance

Good governance⁴ means the best process for formulating and implementing decisions in the public sector. Good decision-making processes and, in the final analysis, good governance have some common characteristics that directly affect local governance, namely equality; good working relations and consultation.

The key components of good governance are.

- **Accountability:** the local government is responsible for its own decisions as they are taken on behalf of local communities;
- **Transparency:** how and when a decision is made should be clearly visible to local citizens;
- **Rule of law:** decisions are within the powers of the council and in accordance with the relevant legislation/common law;
- **Responsible:** balancing competing interests in a timely, appropriate and responsible manner by addressing the needs of all citizens;
- **Inclusive and equal:** all groups, more specifically those considered more vulnerable, should be active participants in the process;
- **Effective and efficient:** implement decisions and follow policies that make the best use of available people, resources and time to ensure the best possible outcomes for their community, and
- **Participatory:** local citizens should be able to participate directly in the process or through recommendations. Good governance

4 Organization for Economic Development and Cooperation

is “the exercise of authority through political and institutional processes that are transparent, accountable and encourage public participation”.

It requires defining specific community values, reconciling different interests and developing a common understanding of “what is in the best interest of the whole community and how this can be achieved”.

2.8 Main economic indicators

| Economic indicators | year 2023 |
|---|------------------------|
| Population | 2.8 mln (censusi 2011) |
| GDP Increase Rate (in percentage) | 3.6 |
| Public revenues (percentage of GDP) | 28.1 |
| Public expenditures (percentage of GDP) | 30.6 |
| Public debt (percentage of GDP) | 60.3 |
| GDP per capita (\$) | 8.180 |
| Poverty rate (percentage of population) | 23.9 |
| Number of municipalities | 61 |
| Number of regions | 12 |

Table 1: Main economic indicators, Source World Bank

3. Transparency and relations with central government

Relations and cooperation between the central and local governments continue to be dictated by the central political will. Practically, there are no cases of inclusion in national policies of recommendations or suggestions coming from municipalities or regions. The drafting of legislation always starts with the initiative of the government and reflects its will.

In September 2023, we have the return of the Minister of State for Local Government, after the merger of the Ministry of Local Affairs a few years after the territorial reform and the coverage of this area of responsibility by the Ministry of the Interior. According to the respective Decision⁵ of the Council of Ministers, the field of responsibility of the Minister of State is mainly coordinating and coordinating without many administrative powers with the exception of delegated functions and monitoring the implementation of the Decentralization Strategy and the corresponding action plan.

The Consultative Council, set up as a forum for dialogue between the government and municipalities, is more of a platform to present government initiatives than the other way around. It is difficult to understand from the various reports what are the results of the work of this Council, what are the recommendations of the municipalities and how many of them have been taken into account, what are the concrete initiatives presented to the Council by the municipalities, etc.

According to the European Commission Report⁶ for 2023:

Further efforts are needed to engage LGUs and local government associations in the early stages of legislative initiatives, and to intensify cooperation and coordination between local and central government. Adequate levels of representation must be ensured.

The local government's contribution to the Council meetings remains unidentified and unclear. During the year 2023, the Consultative Council

5 Decision no. 557, dated 4.10.2023 'On responsibilities of the Minister of State for local government'

6 https://neighbourhood-enlargement.ec.europa.eu/system/files/2023--1/SWD_2023_690%20Albania%20report.pdf

has organized 6 meetings⁷, in which about 57 draft legal and bylaw acts were discussed.

3.1. Transparency of municipalities

The efforts of municipalities to improve transparency towards citizens have increased during 2023, especially in the period before the elections. However, many of them are still far from meeting the legal requirements of the Law on the right to information.

According to the Annual Transparency Report⁸ on local units of the Inspector for the Right to Information, 18 municipalities were evaluated positively, 37 were evaluated moderately, 5 municipalities with low transparency and one with very low transparency. The assessment was made against the monitoring of 10 different indicators on transparency.

During 2023, the Inspector for the Right to Information has taken 17 mandatory decisions⁹ for 12 different municipalities. Most of the decisions have as their object the refusal to provide information and copies of official documents to citizens or other private entities.

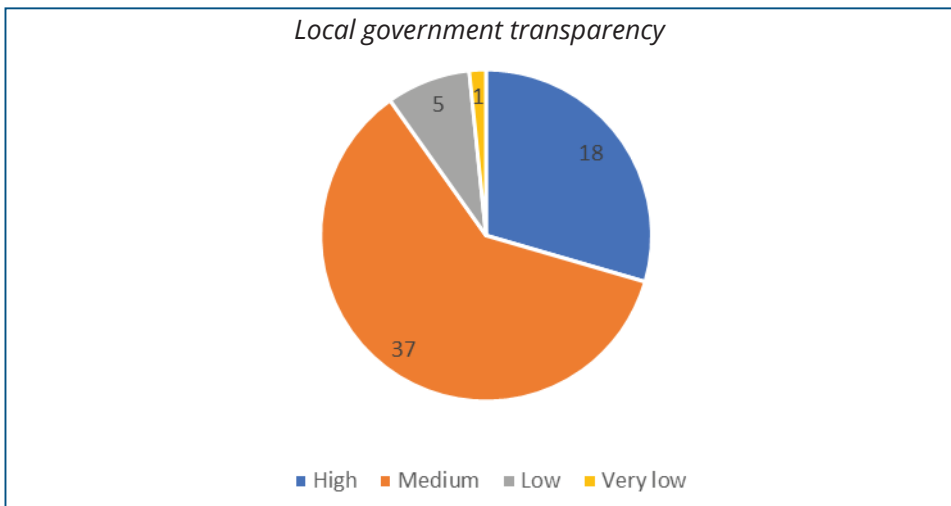


Chart 3: Local government transparency for 2023

7 <https://www.keshillikonsultativ.al/dokumenta/akte-te-konsultuara/>

8 <https://idp.al/2024/01/30/indeksi-i-transparences-proaktive-te-njesive-te-vete-qeverisjes-vendore-2023/>

9 <https://idp.al/vendime-2023/>

Compared to last year's findings, there was an increase in transparency among local self-government units with a positive assessment from 21% last year to 29% for this year, which marks the most obvious improvement from all previous years. , in the proactive transparency of public authorities of local self-government units.

3.2 Communication and information

There is an increased presence of municipalities either with their official websites or with their social media accounts. Social networks are mostly used for advertising public affairs and center on the mayor. They do not provide up-to-date information on contact details with the municipality and are generally not interactive by not responding to comments made on posts.

We think it is good to use social networks to give citizens access to municipal activities and affairs, but they should be as professional as possible, convey understandable messages, ensure two-way communication, etc.

We recommend that the use and postings on these networks be more of a branding of the municipalities' services than a visual marketing.

The websites are more structured, with some standardized sections such as the fiscal package, the municipal council, or approved local plans. They do not provide details about local services, for citizens or businesses, such as the necessary documentation or the time of receiving the service. Just as social media accounts and websites do not easily enable communication with municipal staff. Requests are usually sent electronically and the requester must wait days for a response.

3.3 Public consultation

Municipalities engage in consultation with citizens to the minimum of legal requirements. They organize consultation processes for the following year's fiscal package, but there are no consultations for urban or other undertaken projects or for identifying the problems and needs of the communities. Local communities usually self-organize in spontaneous gatherings and present their issues through the media. And in cases of consultations, the municipalities do not make public the recommendations received from the citizens and how they reacted to these recommendations.

3.4 Audit and monitoring

The monitoring and audit of the municipalities is carried out by the line ministries for certain fields and objects and by the High State Audit. The State High Audit, through audits, aims at the effective, efficient and economic use of public funds, public and state property, the development of an appropriate financial management system, the proper performance of administrative activities, as well as informing the authorities public and the public, through the publication of its reports.

During 2023, the High State Audit has conducted audits in 54 different municipalities. Audits have mainly been combined between financial and compliance audits. From the observation of the final audit reports, a common problem of the municipalities is evident, which is related to the non-realization of income from taxes and fees and the stock of tax debt accumulated over the years by the municipalities.

For some taxes and fees, the fact figures are lower values and in some others higher than the plan, a fact that shows that the planning of income in some items is not on a real basis as well as in some other items of income, not enough work has been done for their collection, which has brought a negative impact on the realization of income from taxes and local fees, not reflecting the source of income correctly. In parallel, the value of the tax debt increases progressively. The Audit comes up with some recommendations for municipalities for realistic planning of revenue forecasts from taxes and fees as well as following tax procedures for the collection of tax arrears.

3.5 Municipal councils' meetings

With the May 2023 elections, the municipal councils regained the pluralism missing from the previous elections of 2019. The participation of the opposition in the municipal councils creates the premises for constructive debate, more reliable control and monitoring, and above all ensures the inclusive representation of citizens.

The Decentralization Strategy identifies some necessary interventions related to municipal councils:

Municipal councils need to know better not only the work of the administration, but also that of other institutions (eg territorial branches), on whose work

and performance they must judge, evaluate and interact.

Also, in the framework of legal changes/improvements, the possibility of addressing a “wider” geographical representation of the members of the municipal council will be seen, as well as addressing issues related to the legal framework for public consultation and citizen participation in local decision-making. . This would enable, in addition to legal improvements, the use of other mechanisms that enable in a democratic and transparent manner (including electronic platforms) the systematic involvement of the community in the activity and decision-making of the municipal council, as well as in the monitoring of the implementation of local policies .

4. Municipal functions

4.1 Water supply and the sector reform

During 2023, the WSS (water and sewerage) sector has been characterized by fundamental changes in terms of its reorganization and operation, following the Decision of the Council of Ministers no. 302, dated 11.05.2022 “On national policies for the reorganization of the WSS sector and the removal, treatment and processing of wastewater”, which in the end aggregates the WSS sector into 15 regional WSS companies as Entities with Shared Competences from 58 WSS companies that previously offered the service of WSS in 61 municipalities of the country. The main objective of the reform is to improve service quality, increase efficiency and improve the financial sustainability of WSS service providers through economies of scale.

But the reality showed that in the first year after the radical reform in the water sector in Albania, which has divided the sector into 13 WSS regional companies (out of 15 provided by the decision) and 6 individual companies. As Water Regulatory Entity reports, by the end of 2023 we have: WSS Korçë, WSS Pogradec, WSS Durrës, WSS Lezhë, WSS Dibër, WSS Kukës, WSS Berat, WSS Elbasan, WSS Gjirokastrë, WSS Fier, WSS Lushnjë, WSS Sarandë and WSS Shkodër. While WSS of Selenica, Vora, Himara, Tirana, Vlora, and Kamza are licensed for a 4-year term as individual companies. What stands out throughout the year 2023 is the fact that regional companies have mostly applied for changes in water supply and wastewater tariffs. WSS Vlorë has requested a 33% increase for water supply and 13% for wastewater service or WSS Vora 13% water supply and 11% wastewater service. While WSS Berat, Elbasan and Shkodër have received the rejection for not completing the documentation and important transparency criteria, e.g.:

- lack of hearings with the public according to the approved procedure¹⁰
- lack of opinion of the local governments on the proposed tariffs expressed in the relevant decision and confirmed by the Region' Prefect.

¹⁰ ERRU. Decision 43. date 05.10.2023 “On the rejection of the application of the Regional Water and Sewerage Company Berat Sh.A. Changes to the Tariff Level.

LOCAL GOVERNMENT IN ALBANIA

This panorama, from the reorganization of WSSs into regional companies with 51% shares of the Ministry and 49% of the local government, shows the first signs that decision-making is very delicate for citizen transparency, how new tariffs will be set, public consultation or inclusiveness in the name of financial efficiency.

In 2023, the duration of water supply for citizens was for 16.6 hours per day, which is 0.3 hours more than in 2022. While for the second indicator for the coverage of the population with water supply service, it was on average at the level of 78% in the year 2022, against 76.2% in 2023 (with a decrease of 1.8%). Referring to the data collected by ERRU for 2023, the duration of water supply was on average 16.6 hours/day in 2022, while the coverage of the population with WS was 76.2%¹¹. Coverage with wastewater services is at 54.4% with a slight increase compared to 2021¹².

Table 2. Performance indicators for water supply and wastewater, 2023.

| No | Performance indicator | Unit | 2021 | 2022 | 2023 ¹³ | Trend |
|----|------------------------------|------------------------|------------------------|------|--------------------|----------|
| 1 | Non-Revenue Water | % | 64.7 | 63.7 | 64% | Increase |
| 2 | O&M Cost Coverage | % | 103 | 90.3 | 104% | Decrease |
| 4 | Current Collection Rate | % | 94.1 | 97.3 | 102 | Increase |
| 5 | General Collection Rate | % | 80.7 | 82.8 | 86 | Increase |
| 6 | Metering Ratio | Staf/ 1000 connections | 5.28/4.9 ¹⁴ | 4.73 | 4.6 | Same |
| 7 | Staff Efficiency | hrs/day | 13.8 | 16.3 | 16.6 | Decrease |
| 8 | Continuity of Water Supply | % | 77 | 78 | 76.2 | Decrease |
| 9 | Wastewater Sewerage Coverage | % | 51.9 | 54.4 | 55 | Increase |
| 10 | Water Supply Coverage | Kwh/m3 | | 0.65 | 0.5 | Increase |
| 11 | Non-Revenue Water | | | 2.8 | 3.1 | Decrease |

Source: ERRU Report 2023

11 ERRU, 2023, pg.9

12 ERRU, 2023, pg.9

13 Ndrriçim Shabani, Klevis Jahaj (2024). Digital transformation in the water and sewerage sector. ERRU, 6 February 2024; Transformimi Dixhital në Sektorin e Ujësjellës Kanalizimeve – Erru.al

14 The staffing efficiency of 4.6 staff per 1000 connections also includes security personnel subcontracted to the private sector, while 4.9 staff per 1000 connections does not include the latter.

Referring to the table above, it can be observed that the Main Performance Indicators for 2023 appear to have increased in terms of improving the performance of the financial situation, which was the main objective of the reform.

But in other indicators, the difference is negligible. Water and sewage coverage continue to have a problematic situation and even decrease in 2023 by 1.8% compared to 2022.

For 2023, the Ministry of Infrastructure and Energy reports that during 2023, the focus has been on increasing billing and revenue collection and a 10% increase in revenue has been achieved compared to 2022. According to this report, there are 33 urban areas and 98 rural areas across the country that are supplied with quality drinking water 24 hours a day. The "Municipal Infrastructure V" program is financed by the German government through KfW, the Swiss government, the European Union as well as the Albanian government and foresees investments in the cities of Shkodra, Lezha, Elbasan, Fier, Berat and Vlora. Within the project there will be about 266 kilometers of new water supply network, 17.4 kilometers of new sewage network, 14,000 new connections and reconstruction of existing connections, as well as about 13,000 new meters installed.

ERRU reports on improvements in key performance indicators of regional companies, also as a justification for the reform undertaken. But, looking at the consumer portal for the water and sewerage service, we notice that the distribution of the service according to the municipalities is diverse with municipalities that offer these services according to these levels of services where it is owned that the majority of citizens are very dissatisfied and dissatisfied with red color and orange. See Figure 1 and 2 below.

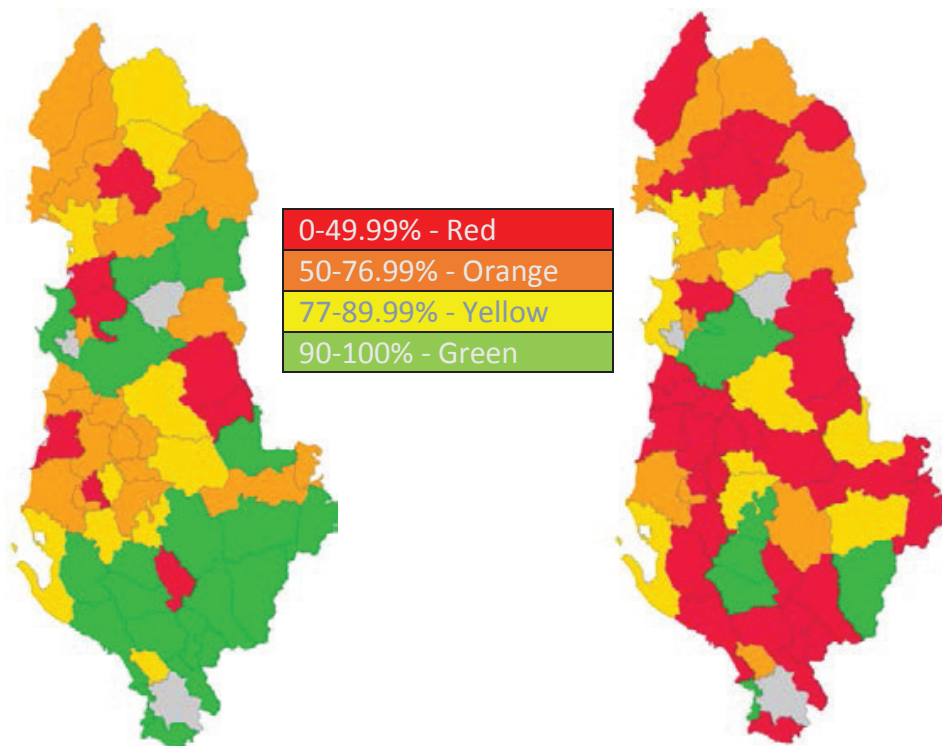


Figure 1. Water supply coverage 2023

Figure 2. Sewerage coverage 2023

As the data and analysis show, the regionalization reform of water supply and sewerage (although in the second year) is far from its objective. First, starting from the fact that we have 6 municipalities still not part of regionalization, this is not good news, secondly, the management of new municipalities seems chaotic, and thirdly, water supply and sewerage, especially in the 11 coastal municipalities, remains problematic. fourth, the number of workers in the sector for 2023 is 7711 instead of 7815 in 2022.

As a conclusion, these companies are still not well oriented in the economic market. We recommend a better understanding and increase of business-oriented capacities.

The table below shows the fees for the water supply and sewerage service for 2023.

Table 3. Fees for the water supply and sewerage service for 2023

| Regional Company | Water supply Variable fee | | | Sewerage Variable fee | | | Fixed fee | | |
|----------------------------------|------------------------------|---------|---------|--------------------------|--------|---------|------------|---------|---------|
| | Household | Public | Private | Household | Public | Private | Household | Public | Private |
| REGIONAL COMPANY KORÇË | | | | | | | | | |
| Korçë ** | 72/38/28 | 117/110 | 140/100 | 42 | 64 | 64 | 140 | 140 | 140 |
| Devoll | 38 | 100 | 110 | | | | 50 | 50 | 50 |
| Maliq ** | 45/22.5 | 100 | 105 | | | | 54/50 */27 | 54/50 * | 54/50 * |
| Pustec | | | | | | | | | |
| Kolonjë | 38 | 100 | 110 | 10 | 13 | 18 | 100 | 100 | 100 |
| REGIONAL COMPANY POGRADEC | | | | | | | | | |
| Pogradec ** | 60/30 | 111/100 | 111/100 | 30/15 | 40/30 | 40/30 | 200/100 | 300/100 | 300/100 |
| Prrenjas | 42 | 100 | 100 | 15 | 25 | 26 | 100 | 100 | 100 |
| REGIONAL COMPANY DURRËS | | | | | | | | | |
| Durrës | 70 | 120 | 130 | 50 | 60 | 60 | 150 | 150 | 150 |
| Kavajë | 38 | 80 | 100 | 15 | 20 | 20 | | | |
| Shijak | | | | | | | | | |
| Krujë | 35 | 80 | 100 | 8 | 12 | 12 | 100 | 200 | 200 |
| Rrogozhinë | 48 | 90 | 100 | 10 | 12 | 12 | 50 | 100 | 100 |
| REGIONAL COMPANY LEZHË | | | | | | | | | |
| Lezhë | 58 | 135 | 145 | 18 | 22 | 27 | 200 | 200 | 200 |
| Mirditë | 30 | 100 | 115 | 10 | 15 | 15 | | | |
| Rubik | 30 | 70 | 100 | 7 | 10 | 15 | | | |
| Kurbin | 30 | 80 | 120 | | | | 50 | 50 | 50 |
| REGIONAL COMPANY DIBËR | | | | | | | | | |
| Dibër | 27 | 65 | 85 | | | | | | |
| Bulqizë ** | 25 | 75/55 | 83.3 | 10 | 17 | 17 | 100 | 100 | 100 |
| Mat | 23 | 60 | 80 | 2 | 4 | 6 | | | |
| Klos | | | | | | | | | |
| REGIONAL COMPANY KUKËS | | | | | | | | | |
| Kukës | 30 | 80 | 100 | 10 | 20 | 30 | 50 | 100 | 100 |
| Tropojë ** | 30/40 | 80 | 80 | 13 | 22 | 22 | 100 | 100 | 100 |
| Has | | | | | | | | | |
| REGIONAL COMPANY ELBASAN | | | | | | | | | |
| Elbasan | 40 | 130 | 130 | 9 | 30 | 30 | 200 | 400 | 400 |
| Librazhd ** | 42/26 | 100/60 | 100 | 15 | 25 | 26 | 100 | 100 | 100 |
| Gramsh | 32 | 90 | 90 | | | | 60 | 150 | 180 |
| Cërrik | | | | | | | | | |

LOCAL GOVERNMENT IN ALBANIA

| | | | | | | | | | |
|------------------------------------|---------|---------|---------|----|----|----|---------|---------|---------|
| Belsh | | | | | | | | | |
| Peqin | 48 | 120 | 120 | 12 | 16 | 16 | 100 | 200 | 200 |
| REGIONAL COMPANY FIER | | | | | | | | | |
| Fier | 52 | 105 | 125 | 13 | 18 | 20 | 200 | 200 | 200 |
| Patos | 70 | 135 | 135 | 20 | 20 | 20 | 200 | 200 | 200 |
| Mallakastër | 50 | 100 | 120 | 10 | 10 | 10 | 100 | 200 | 200 |
| Roskovec | 52 | 105 | 125 | 15 | 20 | 20 | 100/50* | 100/50* | 100/50* |
| REGIONAL COMPANY GJIRKASTËR | | | | | | | | | |
| Gjirkastrë ** | 46/25 | 133/60 | 138/60 | 11 | 18 | 18 | 100/80* | 100 | 100 |
| Tepelenë | 33 | 100 | 120 | 12 | 20 | 20 | 90 | 400 | 250 |
| Këlcyrë | | | | | | | | | |
| Përmet | 40 | 110 | 120 | | | | 100 | 100 | 200 |
| Libohovë | | | | | | | | | |
| Dropull | | | | | | | | | |
| Memaliaj | | | | | | | | | |
| REGIONAL COMPANY LUSHNJË | | | | | | | | | |
| Lushnjë ** | 62 | 110/130 | 110/130 | 17 | 21 | 24 | 100 | 100/200 | 100/200 |
| Divjakë | | | | | | | | | |
| REGIONAL COMPANY BERAT | | | | | | | | | |
| Berat ** | 50/40 | 130 | 130 | 14 | 24 | 24 | 100 | 200 | 200 |
| Kuçovë | 50 | 130 | 130 | 14 | 24 | 24 | 100 | 200 | 200 |
| Dimal | 40 | 90 | 100 | | | | | | |
| Skrapar | 35 | 100 | 110 | 10 | 10 | 10 | 100 | 100 | 100 |
| Poliçan | 50 | 100 | 110 | 12 | 15 | 15 | 100 | 100 | 100 |
| REGIONAL COMPANY SARANDË | | | | | | | | | |
| Sarandë | 60 | 140 | 140 | 25 | 45 | 45 | 200 | 200 | 200 |
| Finiq | | | | | | | | | |
| Konispol ** | 50/66.7 | 83.3 | 83.3 | | | | | | |
| Delvinë | 58 | 120 | 120 | 18 | 35 | 35 | 167 | 200 | 200 |
| REGIONAL COMPANY SHKODËR | | | | | | | | | |
| Shkodër | 40 | 110 | 110 | 15 | 20 | 20 | 100 | 100 | 100 |
| Fushë Arrëz | | | | | | | | | |
| Pukë | 35 | 130 | 140 | 8 | 16 | 16 | 100 | 100 | 100 |
| Vau Dejës | 42 | 120 | 120 | 7 | 20 | 20 | 83 | 167 | 167 |
| Malësi e Madhe | 50 | 120 | 120 | 12 | 15 | 15 | 167 | 167 | 167 |
| REGIONAL COMPANY TIRANË | | | | | | | | | |
| Tiranë | 65 | 140 | 155 | 11 | 30 | 35 | 200 | 200 | 200 |
| Kamëz | | | | | | | | | |
| Vorë | 65 | 140 | 155 | 15 | 30 | 35 | 200 | 200 | 200 |

| REGIONAL COMPANY VLORË | | | | | | | | | |
|------------------------|----|-----|-----|----|----|----|-----|-----|-----|
| Vlorë | 45 | 100 | 100 | 15 | 25 | 25 | 100 | 150 | 150 |
| Selenicë | 30 | 80 | 100 | | | | | | |
| Himarë | 55 | 100 | 100 | 30 | 50 | 50 | 200 | 200 | 300 |

 Companies that do not have tariffs approved by ERRU

* *Separate fixed rates for water and sewerage*

** *Different rates for city and rural areas*

4.2 Urban waste collection and treatment

2023 was a good year in terms of visitors and tourists. Apart from the positive side in terms of economy and tourism, these statistics constitute a great challenge in terms of urban waste management, adding even more pressure to the fragile municipal systems in the country. In this context, the launch of two important projects for the urban waste management system supported by the EU, GIZ, and AFD worth 31 Million EUR is more important. This assistance will support the circular economy in the field of waste management and will help the physical infrastructure in the District of Gjirokastra and Kukës.

During 2023, the situation in Albania with data reporting foresees a self-declaration by the municipalities directly to the National Environment Agency (AKM) (based on Decision of CoM no. 687/2015 as amended). AKM has a consolidated data base for the management of waste collected from municipalities as well as from industries that have an impact on the environment. AKM has the obligation to verify the data declared/reported by the municipalities and then it is uploaded to the Pollutant Release and Transfer Register and prepares the annual report and further shares it with the Ministry of Tourism and Environment as well as institutions other central ones, local government units and the National Institute of Statistics. During 2023, there is no information if the municipalities have submitted according to the relevant legislation and Decision of CoM the data to AKM by January 31, 2023. However, the authors, referring to the statistics of waste weighing in 2022 for each municipality and the increase in the total number of tourism from 7.5 million (2022) to 10 million (2023) can evidence that the total amount of waste generated at the local level is estimated at more than 705,304 thousand tons reported in 2022.

Table 4. Weighing of waste in Albania, 2023

| Municipality/year | 2021 | 2022 | 2023 |
|--|------|------|------|
| No. of municipalities weighing waste in landfills or incinerators | 18 | 18 | 18 |
| No. of municipalities that weigh the waste at the disposal site by KTA | 27 | 16 | 16 |
| No. of municipalities that do not weigh the waste in the final disposal site | 16 | 0 | 0 |

The average population coverage at the country level for 2023 is 78%. During 2023, there was again an increase in funding from the budget at the local level compared to 2022, but in a few cases there is reference to improving the quality of the service or expanding the **coverage, which is on average 78-80%**. Meanwhile, the municipalities refer that they manage to collect the cleaning fee at a rate of 60%¹⁵. But the problem remains that the cleaning fee in most municipalities is negligible, and a strong indicator of poor performance in providing quality service. 2023 has marked a regression in terms of strategic projects of incinerators, where the one in Elbasan is not functional and the waste of this region has returned to being thrown into the river, as reported by the investigative media¹⁶. The incinerators in Elbasan and those of Feri and Tirana, present growing concerns in terms of not only compliance with EU waste legislation, including the principle of the waste hierarchy and recycling objectives, but also a major financial challenge for municipalities. The cost of the incinerator varies between 25 usd in Elbasan, 29 usd in Tirana, or 26 usd in Fier¹⁷.

For many municipalities, 2023 has been very challenging regarding urban waste management. During 2023, the government increased the grant from 500 million lek in 2022 to 700 million lek to help 30 municipalities in financial difficulties for the payment of the cost of depositing waste in incinerators or sanitary landfill, trying to avoid the situation of 2021. The beneficiary municipalities are: Belsh, Cërrik, Dropull, Elbasan, Fushë-

15 Same

16 Inceneratori nuk punon, por mbetjet në Elbasan po digjen (zeriamerikes.com)

17 Note: Durrës Municipality produces 43,545 tons per year and the landfill fee alone is 1.2 M EUR, not including transport costs and cleaning and collection costs

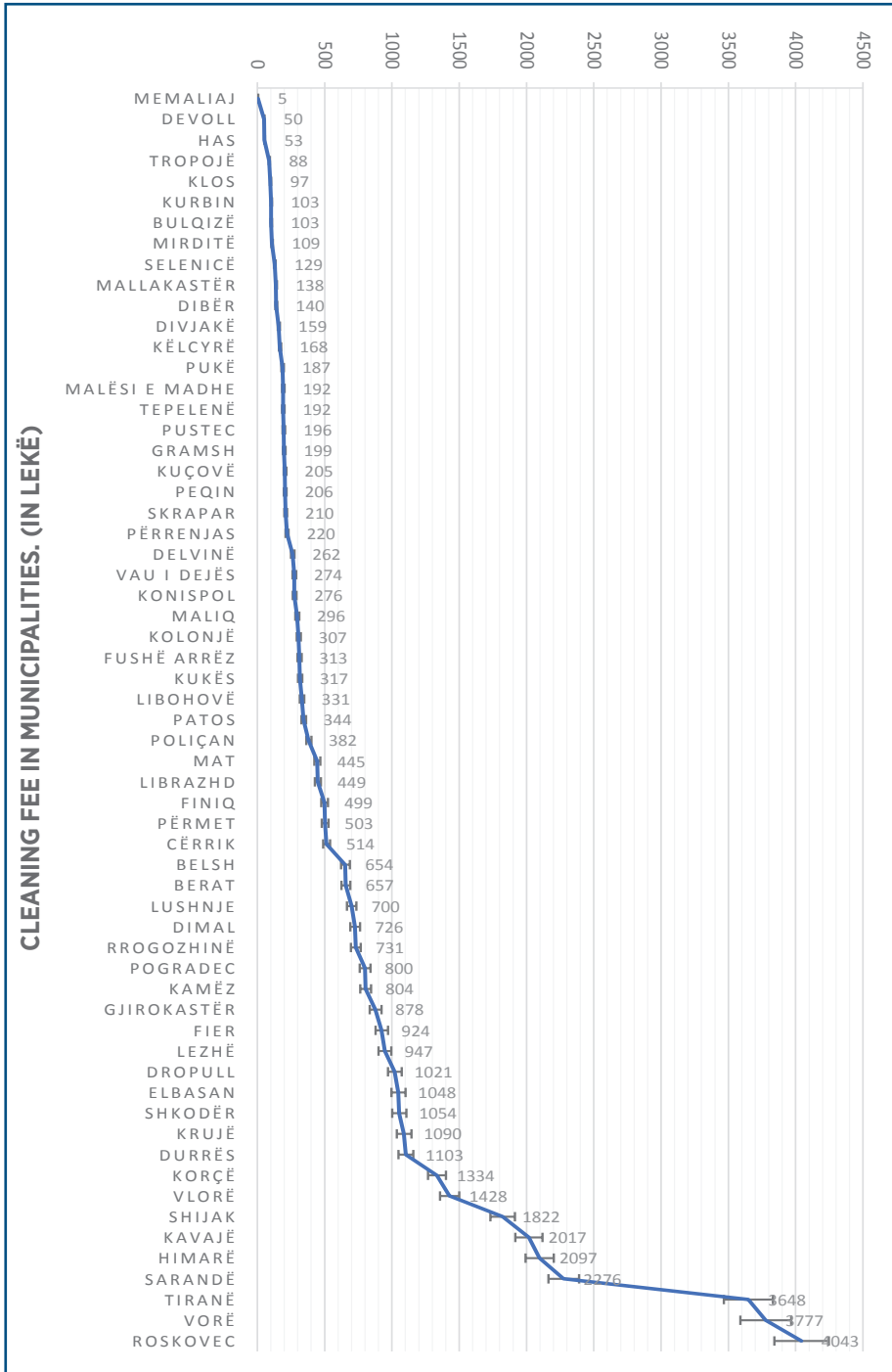


Chart 4. Cleaning fee in municipalities. (in Lekë)

Arrëz, Gjirokastrë, Gramsh, Himare, Kamëz, Kavaje, Këlcyre, Krujë, Kurbin, Lezhë, Libohova, Librazhd, Malësi e Madhe, Memaliaj, Peqin, Përmet, Përrenjas, Pukë, Rogozhinë, Sarandë, Shijak, Shkodër, Vau i Dejës, Vorë. The distribution of funds is related to the volume of waste and the distance where the municipality of Durrës has benefited 236 million out of 700 in total for 30 municipalities¹⁸.

We recommend increased attention, especially in integrated waste management schemes, to invest in awareness and education, to build mechanisms and schemes for the separation and separation of waste at source, to invest in recycling and the circular economy, to build facilitating mechanisms for transporting waste to final points such as incinerators or legal landfills.

4.3 Rural roads and infrastructure

This function implies implementation of interventions in the road infrastructure to achieve optimal standards in the entirety of the roads within the jurisdiction of a municipality, which includes city roads within the municipality and rural roads, which connect the city with the center of the village. The total length of Albania's road network is about 15,000 km and includes national, regional, local and urban roads. The Ministry of Infrastructure and Energy is responsible for the policy and regulatory framework and technical standards. Regarding the institutional arrangement for the administration and management of the road network, the Road Authority of Albania is responsible for 3606 km of national roads and the local government units for 9400 km of regional and local roads. The Albanian Development Fund supports LGUs in the implementation of rural infrastructure projects through competitive government grant funding and a variety of other donor-funded projects. The Secondary and Local Roads Project is co-financed by EBRD, EIB and KfW through a Financial Cooperation Loan that aims to improve local infrastructure, increase access to essential services and markets, especially in rural areas, and ultimately contribute to poverty alleviation and economic development. During 2023, the total transfer for this function was 580,368,000 Lek¹⁹ 6% less as compared to 2022, as shown in chart 5.

18 Incenerimi i mbetjeve "gllabëron" buxhetet e bashkive, rrisin tarifat me 50% - Qendra Fol

20 Ministria e Financave. Buxheti Vendor 2023



Chart 5. Transfers for roads. Source: Ministry of Finance and Economy

Referring to the partial data and from the Albanian Development Fund, from a total of 9800 km of secondary and local roads, the first phase of the inventory has been completed with detailed data for about 4247 km, identified as main roads of the rural road network. Meanwhile, the second phase of the inventory is being implemented and technical projects have been developed for 1200 km of new road segments. In addition, Albanian Development Fund has trained about 1000 LGU employees for the operation and maintenance of the rural road network, making available to the LGU a software for calculating the budget for the maintenance of the secondary and local road network of the municipalities.

However, the lack of a detailed inventory of local roads administered by the local government and related investments remains a concern. The inventory would enable a higher transparency of investments and orientation of local policies for this function where decision-making is based on a system of many criteria and not on political preferences.

What stands out in terms of this responsibility of the municipalities is related to the fact that, even though the roads are rural, the investment is central. But we recommend that the municipalities themselves should direct their financial resources to cover the investments in rural road infrastructure with their income, in order not to always be dependent on central funding.

The year 2023 did not mark any progress in the 100 villages program. Although it came as a strong centrist promise to compensate for the 'Urban Renaissance' program, the program for 100 villagers remained totally pale and did not progress. This is because this program lacked the objective, lacked actors and responsible, lacked financial resources.

We strongly recommend that support for tourist and non-tourist villages be prioritized by central and local government on an ongoing basis. A conditional budget from the government and the municipalities themselves could be a more pragmatic solution to create the livable and renewed "village".

4.4 Educational services

Program for educational services is financed mainly from incomes from the unconditional sector transfer for personnel payments, the conditional transfer for the payment of scholarship students and the general unconditional transfer that the municipalities benefit from based on the number of students fact in general high school. Net expenditures are expenditures that are covered by the municipality's own revenues and are used to provide and maintain school facilities and pay support staff salaries. In view of the income from the unconditional sectoral transfer during 2023 we observe an increase of 2% compared to 2022 in support staff and in pre-university education²⁰. Chart 6 below presents the figures from the sectoral grant for services provided at the local level.

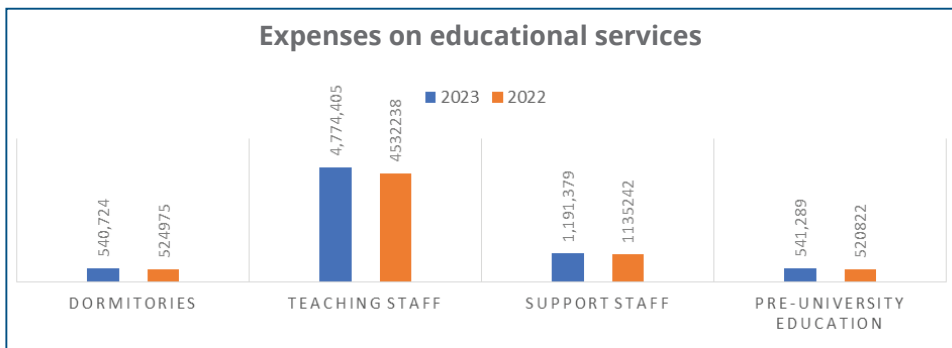


Chart 6. Expenses on educational services. Source: EU4Schools

20 MFE. Local budget 2023

In the partial statistics published by the Ministry of Finance for 2023, (Chart 6 above) we note that the general expenditure on education, pre-university education dormitories, educational staff, support staff and pre-university education occupies a weight of 11.6% of the entire local transfer²¹.

4.5 Post earthquake reconstruction in 11 municipalities

The Albanian Government's Reconstruction Program presented at the donors' conference held in February 2020 in Brussels presented damages and the need for Intervention in the amount of 1.076 billion Euros or (about 131 billion Lek - February 2020 exchange rate). This value was calculated by the Albanian Government as damages and the need for intervention after the earthquake of 26 November 2019. These needs were identified for Housing and Urban Infrastructure, Public Buildings mainly Health and Education. At the donors' conference, the Albanian Government received promises of aid and credit worth 1.15 billion Euros (or 140 billion ALL).

In the **fourth year** after the disaster (March 2023), the Government and the Albanian State have budgeted, allocated and consolidated a total of 75 billion ALL. Specifically, in 2020, 16.6 billion ALL were consolidated, in 2021 there are 29.5 billion and in 2022 there are 28.9 billion ALL realized expenses. The current year 2023 has a Budgeted Plan for the Reconstruction Program in the amount of 5 billion lek, adding and carrying over the funds allocated with VKM (but unused in 2022), which makes this amount 6.3 billion. Finally, we can say that the Government is finalizing the budgeting of this Program with 80 billion ALL.

5 billion ALL were planned for 2023 in the Reconstruction Fund. At the end of 2023, it is intended to close the Reconstruction Program, since the Reconstruction Fund does not result in the Government's Medium-Term Budget plan for the years 2024 and beyond. In the procedures for managing the reconstruction process, it is determined that at the end of the budget year, unspent funds from this Reconstruction Fund are inherited in the following year and used for the same purpose.

21 MFE. Monitoring report of local budget for first 9 months of 2023. financa.gov.al

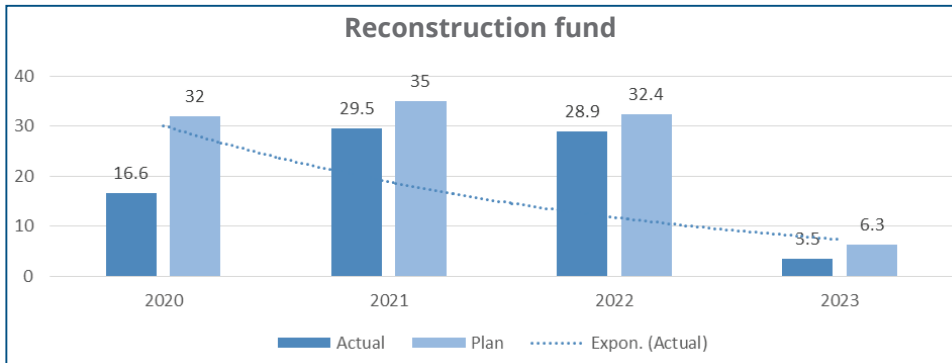


Chart 7. Reconstruction fund in billion lekë.

In this analysis, we will also analyze the fund for education and individual grants, since the data are published by the UNDP EU4School program, and Opendata for individual grants.

The government has identified 64 educational facilities that need reconstruction or construction from scratch in 11 specific municipalities. In this context, it is very clear the process undertaken by the European Union through the EU4Schools program where of the 64 educational buildings included in the reconstruction program:

64 technical projects out of 64 have been completed; The construction of 52 of them has been completed; 8 objects are in the process of reconstruction; Currently, 62 construction contracts out of 63 objects have been signed²².

Part of the Reconstruction Program are 11 municipalities, namely Tirana, Durrësi, Vora, Kamza, Shijaku, Rogozhina, Kruja, Lezha, Kurbini, Rrësheni and Kavaja, where 18 billion lek have been distributed as transfers per individual for the reconstruction or repair of homes damaged by Earthquake November 2019. This amount constitutes 22.5% of the total value of the Reconstruction Fund determined in the State Budget until 2023.

According to an analysis carried out by OpenData, for four election months (March 2021, April 2021, April 2023 and May 2023) about 15% of the total transfers, grants for individuals for reconstruction (individual grants), worth 2.75 billion, have been transferred to citizens Lek. The

22 <https://eu4schoolsportal.al/progress.aspx>

rest, which is 85%, or ALL 15.22 billion, was distributed in non-electoral months²³. On average, per election campaign months (March and April 2021; April and May 2023) about 695.5 million ALL have been distributed, while in non-electoral months (June 2020 - May 2023) monthly transfers mark an average of about 491.1 million ALL. In the election month, an average of 204.4 million ALL more than in other months, or 42% more, were distributed.

| | Electoral campaign | Non-electoral months |
|---------------------|--------------------|----------------------|
| Municipality | 15.5% | 84.5% |
| Lezhë | 41.0% | 59.0% |
| Vorë | 31.6% | 68.4% |
| Krujë | 18.4% | 81.6% |
| Durrës | 16.2% | 83.8% |
| Shijak | 12.4% | 87.6% |
| Rrogozhinë | 12.1% | 87.9% |
| Kamëz | 11.8% | 88.2% |
| Tiranë | 8.5% | 91.5% |
| Kavajë | 6.1% | 93.9% |
| Kurbin | 4.6% | 95.4% |
| Rreshen | 3.1% | 96.9% |

4.6 Municipal social services

In Albania, 493 public, non-public and mixed social services are provided, by 339 institutions, namely 122 public and 217 non-public entities. As the table below shows, 46% are public social services, against 42% that are non-public services. Only 12% of social services are of mixed form, public and non-public.

23 Pagesa për Grante Individuale Rindërtimi pas Tërmetit, përqendrimi në Fushata Zgjedhore, krahasim 2020 – maj 2023 – Open Data Albania (ndiqparate.al)

Table 5. Social service provision per region. Source: UNDP

| Category / Region | Public | Non public | Mixed | Total |
|-------------------|------------|------------|------------|-------------|
| Berat | 19 | 3 | 1 | 23 |
| Durrës | 23 | 18 | 4 | 45 |
| Dibër | 5 | 10 | 3 | 18 |
| Elbasan | 31 | 41 | 0 | 72 |
| Fier | 16 | 4 | 3 | 23 |
| Gjirokastrë | 26 | 10 | 2 | 38 |
| Kukës | 8 | 2 | 2 | 12 |
| Korçë | 17 | 16 | 6 | 39 |
| Lezhë | 5 | 16 | 7 | 28 |
| Shkodër | 9 | 15 | 19 | 43 |
| Tiranë | 44 | 65 | 5 | 114 |
| Vlorë | 24 | 7 | 7 | 38 |
| TOTAL | 227 | 207 | 59 | 493 |
| In % | 46% | 42% | 12% | 100% |

Municipalities are the main financiers of services of public institutions, 54%, followed by “mixed” forms of financing services, respectively 24%. The Ministry (the central level of administration) finances 19% of the services of public institutions²⁴. While in terms of geographical distribution, the largest number of services are offered in the district of Tirana (114), followed by Elbasan (72), Durrës (45), Shkodër (43), Korçë (39), Vlorë (38), Gjirokastrë (38), Lezhë (28), Fier (23), Berat (23), Dibër (18) and Kukës (12). Analyzing the data of the number of services according to the population per 10,000 inhabitants (since there is no official standard), only the number of the population was used, where it is clear that the Gjirokastrë district has a higher average with 5.26 per 10,000 inhabitants and Fieri with 0.74/10,000 inhabitants.

If social services are analyzed by category as shown in Chart 8, the in-depth analysis also according to the criterion of “Services according to beneficiary groups” shows that:

25 Raporti-SSS-final-OK.pdf (undp.org)

- in 54 municipalities, or almost in 90% of all municipalities in the country, there is a lack of services for excluded young people, for victims of trafficking as well as young people in conflict with the law.
- 49 municipalities or 80% of all municipalities in the country do not have services for ethnic minorities, Roma and Egyptians.
- 47 municipalities or 77% of the country's municipalities do not have services for adults with disabilities,
- 36 municipalities or almost 60% of the country's municipalities do not have services for the elderly.
- 32 municipalities or more than 50% of the country's municipalities do not have services for children without parental care,
- while about 30% of the country's municipalities do not offer services for children with disabilities.

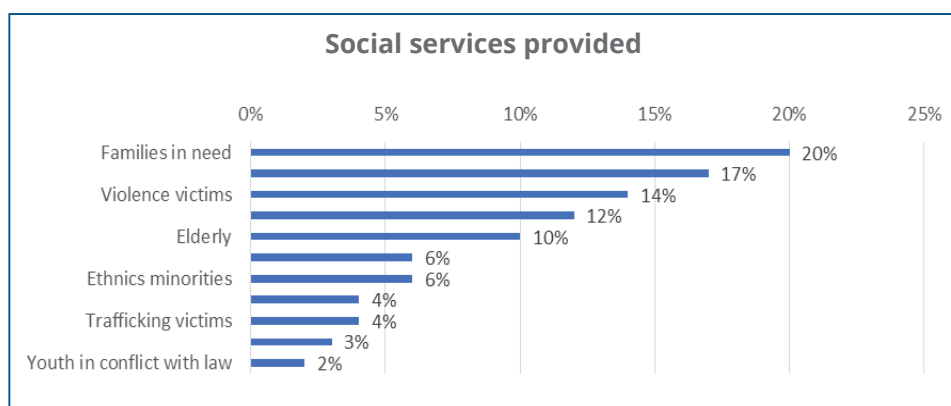


Chart 8. Categories of municipal social services. Source:UNDP

Law no. 57/2019 “On Social Assistance”, Article 8 defines the categories of beneficiaries for the disabled and disabled for work. While the law 57/2019 “On Social Assistance in RS” and VKM no. 597/2019 “On determining the documentation procedures and the monthly measure of the benefit of financial aid and the use of the additional fund on the conditional fund for financial aid ”, defines the rules for applying to benefit from the financial aid scheme and the appeal method. The Municipal Council has the right to approve the granting of economic aid from the conditional fund for economic block aid up to 6% and or with other local budget funds, for those families that have not benefited from the scheme.

During the year 2023, a decrease in the number of beneficiaries with the scoring system is observed compared to 2022 with a difference of -4190, while we have a decrease of 197 people and in the scheme of 6%, which is determined by the Municipal Council.

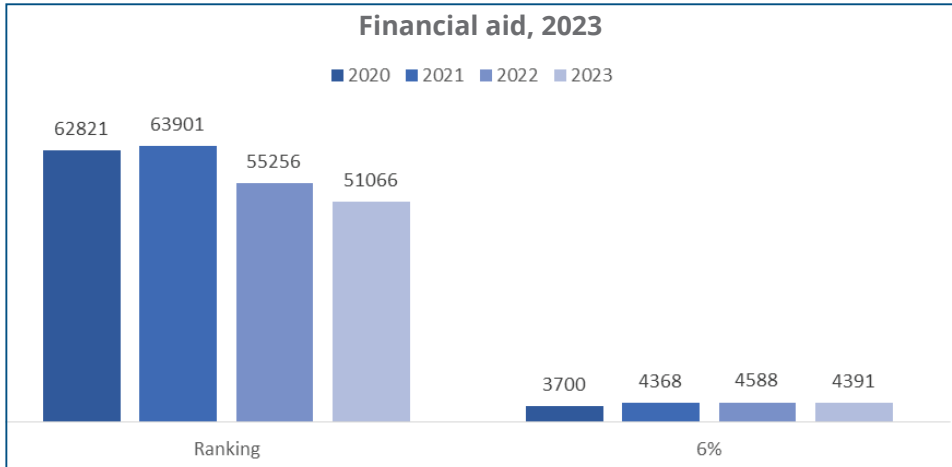


Chart 9. Financial aid per system and per 6%

While in 2023, the families treated with the 6% fund is 4391, which is greater than the average of the previous years, as can be seen in the graph above. In general, the financial aid scheme, either with points or with 6%, has been dynamic and has had an impact, and VKM no. 85 10.02.2021 enabled the doubling of financial aid in the first 6 months to mitigate the effects of COVID-19. The changes in the total number come as a result of the supplement given during the covid-19 pandemic last year and also the 2% increase in the no. of beneficiary families of the scheme.

4.7 Environmental protection

The function of environmental protection is a challenge for municipalities, without visible progress. Municipalities' functions are mainly related to "Environmental Awareness", "Environmental Education and Information", and "Nature Protection", but many of them do not plan personnel in their budget for this. The LGU's responsibilities for environmental protection include ensuring air, soil and water quality, as well as educational activities. The government created a new Agency for Waste Management and the

Circular Economy. However, there are no urban waste management trainings planned for 2023. The Swiss Strong Municipalities Program supported 16 municipalities for local management planning during 2023.

The report of the Ministry of Finance shows an increase in spending on “Environmental Protection”. The Municipality of Tirana has financed about 40% of the expenses for this function. However, the analysis shows a lack of capacity in Albanian municipalities for environmental management. Only a small part of them have departments, sectors or special inspectorates for this issue.

This situation shows that the environment is not a priority at the local level. Of the 41 transferred functions, 30% are related to the environment, but the services for this remain unfunded. The European Union estimates that the budget for the environment is limited, leading to a lack of expertise and administrative capacity²⁵.

In the view of the Institute of Municipalities of Albania, these functions cannot continue to be unfunded even 10 years after the territorial reform. The government should establish the obligation of budgeting and implementation of the environment in the Integrated Planning System and the municipalities should budget human resources, investments and activities for these services.

4.8 Agriculture and rural development

The functions of municipalities in the field of agriculture and rural development are regulated in Law 135/2015 in Article 26 which lists the specific powers in this regard²⁶. These powers are also provided in the budget program where the municipality plans expenses mainly in 3 main directions: a) management of irrigation and drainage infrastructure;

25 EU progress report 2022, pg.111

26 The administration, use and maintenance of the irrigation and drainage infrastructure, transferred to their ownership, according to the law.

Administration and protection of agricultural land and other categories of resources, such as barren land, etc., according to the law.

Creation and administration of the local agricultural and rural information and advisory system, according to the legislation in force.

Creation and administration of local grant schemes for agriculture and rural development, financed by the local budget and/or co-financed by third parties, guaranteeing balanced gender access.

b) agricultural services, inspection and consumer protection; c) forest administration.

Chart 10, below presents an overview of the specific transfer in 2023 where there is an increase in both functions. In the function of forest administration, the transfer increase is in the value of 14.7 million ALL or 4% more than in 2022, while in the function of “irrigation and drainage” the increase is in the value of 27.2 million ALL or 3% more than in 2022.

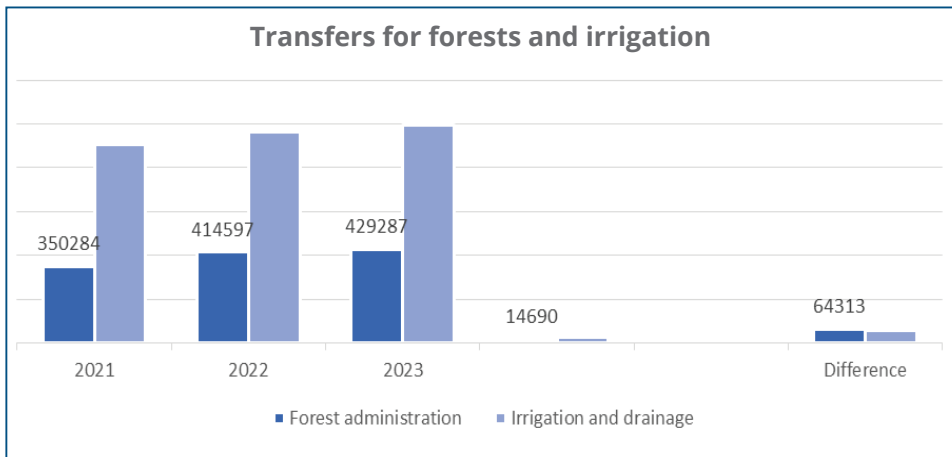


Chart 10. Transfers for forests, irrigation and drainage. Source: MFE (2023)

Despite this increase, as far as the structure of expenses in 2023 is concerned, as can be seen from the chart, the largest share of expenditure goes for the staff, which account for about 47.6% of the total expenses, followed by the item of operating expenses with about 26.1%, and investment expenses which account for about 22.8% of total local government expenses in the 9th month of 2023. In general, the function of agriculture and rural development is managed by the Ministry of Agriculture, through Agency for Agriculture and Rural Development or central agencies. The local government, in general, does not have many powers in the field of agriculture. The extension or advisory service for farmers where local government will play a key role is negligible and continues to be centralized.

4.9 Economic development

The delegation of powers and responsibilities for local economic development to the municipalities in accordance with the organic law approved in July 2015 aimed at raising capacities in this area with a very high priority. According to the Law, the exclusive functions of municipalities in local economic development include: i) preparation of programs for local economic development, ii) support for small business development, provision of financial grants to support small and medium business activities and iii) realization of services in support of local economic development. The factual reality is that this function is one of the lowest in implementation since almost all municipalities have “failed” to return to poles of economic development. Despite the fact that local economic development is the main pillar of the Intersectoral Strategy of Decentralization and Local Autonomy (2023-2030).

The government established the Ministry of Local Government in September 2023, a positive signal in the economic direction as well. The situation is such that municipalities fail to produce economic development, there is a lack of local economic enterprises, lack of assessment of their assets and return to economic value. A study carried out by the OSCE Presence in Albania for the evaluation of the natural capital of municipalities is a very positive instrument, which addresses the inventory of natural assets and their monetization in economic value²⁷.

However, according to a study by the Investment Council, municipalities have direct decision-making on average in 55% of available financial resources²⁸. This situation is not favorable to increase their economic development. In general, the role of municipalities in the economic development of the territory is still perceived as modest, since they do not have many instruments that they can use to serve as incentives for businesses.

Local assets are a source of income, but still for the most part they cannot be used by the municipalities. The only case that we can bring as a start in this direction is the TEDA project - Technological and Economic Development Zone in Kashar by the Municipality of Trane and the Ministry of Economy, Culture and Innovation.

27 A.Haxhimali, K.Kodra, A.Shehu (2022). Natural Capital of Municipalities. Tiranë, 2022. osce.org

29 IC. Transparency, services and local economic development. January 2020

In the opinion of the experts of the Institute of Municipalities of Albania, we should focus on:

- *the proper functioning/creation of functional local and regional cooperation platforms for economic development at the local and regional level, with the participation of municipalities, businesses, the community, financial institutions, etc.*
- *increasing transparency on the decision-making of municipalities in relation to local development projects and programs: through their periodic and preliminary publication, so that businesses can prepare their business plans in time.*
- *Registration of assets/immovable properties under the administration of municipalities. Their publication, transparency on the status of the process of transfer and registration of these properties, as well as making them valid for use in support of economic development and in function of income generation.*
- *Sustainable priorities and the implementation and implementation of the TEDA project in the Municipality of Tirana and the replication of the model in other regions/municipalities with concrete economic development plans.*

4.10 Public security

The functions of public safety constitute a very important role at the local level, since the municipalities are closer to the communities and therefore to their social structure. Municipalities have a role in the fire service or the creation of public safety councils:

Local Public Safety Councils are more than safety forums. Essentially, they are platforms that operate through a democratic process of inclusiveness and participation, a process that is open to input from all actors that make up local communities - from local administrators to law enforcement, from public health care institutions to civil society. , youth and religious leaders. Therefore, it is a forum and a process that carries great potential to ensure a safer life in the community, while at the same time building bridges between all local actors who have a role to play in increasing transparency and accountability of local institutions and the growth of democracy at the local level.

The Municipal Fire Service today has 190 firefighting vehicles (including supporting firefighting vehicles such as ladder trucks, fire trucks, etc.) From the moment this service was decentralized, 45 vehicles were added to this service, from the 105 vehicles it had in 2014, today it has 190 tools. In recent years, about 30 vehicles have been purchased and about 15 vehicles have been donated by counterpart fire services.

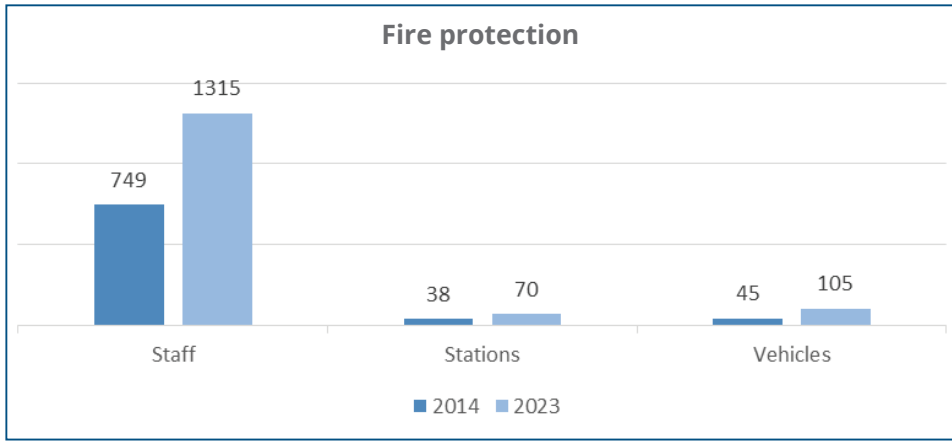


Chart 11. Fire service. Source: Ministry of Interior 2023

There are 70 fire stations in 61 municipalities in the country, from 38 that were in 2014, with 1,315 employees. This number increased during the decentralization period. In 2014, this number was 749 employees. Law 152/2015 “On fire protection and rescue service” defines one employee for 1500-2000 inhabitants and that each station must have no less than 14 firefighters, professional personnel. According to these legal standards, the system lacks almost 250-300 employees for a population of 2.8 million inhabitants.

In the Fire Service of the municipality of Tirana, with more personnel than any other municipality, 3 specific teams have been set up, trained and completed: i) 1 team for intervention in cases of earthquakes; ii) 1 team for intervention in cases of rescue from heights or depths; iii) 1 team for for chemical, biological, radiological and nuclear protection; iv) and 1 team for for specialized interventions. According to the report from the Fire Department under the Ministry of the Interior, for the entire year 2023, 9,248 cases of intervention were recorded, among them 7,020 are interventions in cases of fires, the rest are interventions to save human life or property.

We recommend for more support in these three directions in this sector: a) financial support to improve infrastructure and technology, b) financial support for human resources, c) support for capacity building.

4.11 Conclusions on public services

The local government continues today not to budget a number of delegated functions. From the evaluation of the performance of the functions for 2023, it is observed that the indicators of success are only the “increase” or “decrease” of the government grant.

This, in fact, proves an unchanging dependence of the local government on the central government. Many budget expenditures according to the economic nature of functions such as “Environmental awareness”, waste management, or agriculture continue to be the same, at the minimum threshold of the exercise.

The same situation appears for the economic account related to the field of agriculture and rural development.

During 2023, there was again an increase in funding from the budget at the local level to the extent of +10% compared to 2022, but in a few cases there is reference to improving the quality of the service or expanding its coverage.

Meanwhile, municipalities report that they manage to collect 60% of the cleaning fee.

In the field of water and sewerage, the local government has not made any significant progress, but despite this, the UK’s sectoral reform has been seen as a step back in the reform of decentralization and local autonomy where most of the shares of the WSS are leaning towards the central government (51%) versus municipalities (49%).

The water supply situation is 76.2% of the population and the daily average is 16.6 hours/day, only 0.3 hours/day more than in 2022. While the national coverage in the field of water treatment is 55%, which proves that progress in this sector requires investments central capital.

5. Budgetary performance of municipalities for 2023

The budgetary performance of local government units throughout the year 2023 has been characterized by a positive trend both in terms of income and expenditure. This performance was within general expectations for economic growth above 3% in 2023, generated mainly by domestic demand, both private consumption and investment. However, a very important role was played by the fairly good performance of service exports (especially tourism)²⁹.

Table 6. Budget Performance of Local Government Units for 2023

në milionë lekë

| | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | Comparison 2023 actual vs. 2022 actual (in %) |
|-------------------------------|----------------|----------------|----------------|----------------|---|
| Local tax revenues | 21,975 | 26,666 | 27,638 | 31,686 | 18.82% |
| Local expenditures (total) | 51,626 | 52,585 | 58,694 | 68,837 | 30.90% |

As shown in the Table, the actual tax revenues for 2023 resulted in an increase of about 4 billion ALL or 18.9% more than 2022.

On the other hand, local expenditures for 2023 resulted in a significant increase of 30.9% compared to the same period of 2022, which has reflected the increase in income from taxes and local fees as well as the highest level of income from unconditional transfers of the central budget. In the following, the actual progress of the 2023 budget indicators for LGUs will be presented, offering a comparison with the progress of the previous year.

29 Kuadri Makroekonomik dhe Fiskal 2025-2027 <https://financa.gov.al/wp-content/uploads/2024/01/Kuadri-Makroekonomik-e-Fiskal-p%C3%ABr-periudh%C3%ABn-2025-2027-VKM-Nr.-41-dt.-24.1.2024.pdf>

5.1 Financial resources

The total financial resources of the local government until the end of 2023 recorded a value of 73.3 billion ALL, an increase of about 15.2% compared to the same period of the previous year.

Table 7. Financial resources per category (in lekë)

| | 2022 Actual | 2023 Actual | Difference (absolute) | Difference (in %) |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Own revenues | 31,725,743,040 | 35,048,913,604 | 3,323,170,564 | 10.47% |
| Unconditional and Specific Transfers | 28,863,571,194 | 34,891,876,612 | 6,028,305,418 | 20.89% |
| Shares taxes | 3,030,878,854 | 3,370,161,765 | 339,282,911 | 11.19% |
| Total | 63,620,193,088 | 73,310,951,981 | 9,690,758,893 | 15.23% |

Source: Ministry of Finance and Economy, Local Finance Portal financatvendore.al

As evidenced by the Table, the income from the unconditional and specific transfer is the main factor of this increase, resulting in about 6 billion ALL more than the same period of 2022 or with an increase of 20.9%.

This significant increase in this item is mainly dedicated to additional funding from the central budget during 2023 related to the repayment of arrears and the new salary increase policy.

While the LGU's own revenues continue to increase throughout this period, marking an increase of 3.3 billion ALL or about 10.5% more than in 2022. Revenues from allocated taxes increased by about 11.9% more compared to the same period of 2022.

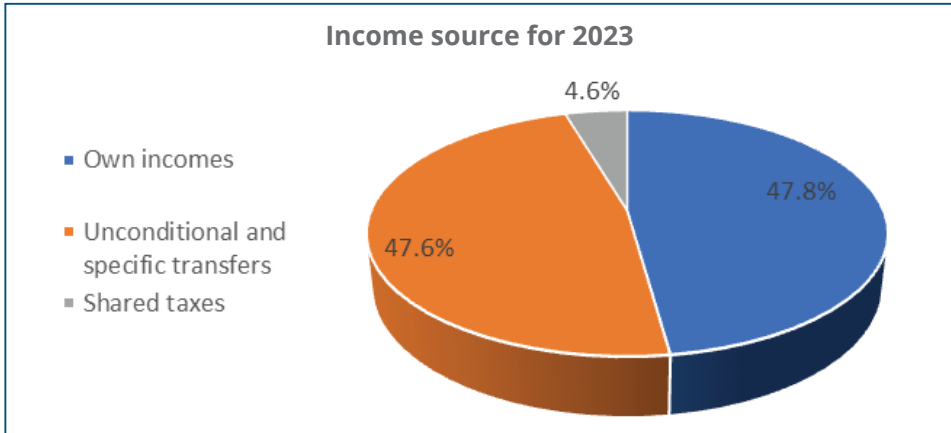


Chart 12: Municipal revenues per source

As shown in the graph above, the municipalities' own revenues constitute 47.8% of the total, being the first source with a small difference with the revenues from the unconditional and specific transfers. Shared taxes make up 4.6% of the municipal budget.

5.2 Performance of revenues from own local sources

Revenues from own local sources (local taxes and fees, activities with assets and others) recorded a value of about 35 billion ALL, with an increase of about 10.5% in annual terms, or about 3.3 billion ALL more than the level recorded in the previous year.

The positive performance of the income from own sources was mainly determined by the contribution of income from taxes (+15.7%) and local fees (+9.4%) in this period. In the item of income from taxes, it can be observed that *the tax on the impact on infrastructure (+2.87 billion ALL) and tax on property (+233.3 million ALL) had the biggest impact on this increase.* While the increase in fee income is mainly conditioned by the positive performance of income from fees for administrative and other services (798.3 million ALL) and income from local public service fees (+222.9 million ALL).

LOCAL GOVERNMENT IN ALBANIA

Table 8. Income from own resources by category. Source: MFE

| Emërtimi | 2022 | 2023 | Difference (absolute) | Difference (in %) |
|--|-----------------------|-----------------------|-----------------------|-------------------|
| Të ardhurat nga Taksat | 18,280,021,325 | 21,146,137,160 | 2,866,115,835 | 15.7% |
| Small business tax | 88,319,432 | 66,587,396 | -21,732,036 | -24.6% |
| Property tax | 5,088,732,958 | 5,322,062,090 | 233,329,132 | 4.6% |
| <i>Tax on agricultural land</i> | 582,822,445 | 615,658,664 | 32,836,219 | 5.6% |
| <i>Building tax</i> | 4,505,910,513 | 4,706,403,426 | 200,492,913 | 4.4% |
| <i>Urban land tax</i> | 0 | 0 | 0 | 0.0% |
| Hotel tax | 290,470,126 | 408,317,686 | 117,847,560 | 40.6% |
| Infrastructure Impact Tax | 10,135,970,015 | 13,007,768,725 | 2,871,798,710 | 28.3% |
| Tax on transfer of immovable property | 799,912,989 | 607,585,324 | -192,327,665 | -24.0% |
| Road Sign tax | 361,888,061 | 354,938,178 | -6,949,883 | -1.9% |
| Others | 1,514,727,744 | 1,378,877,761 | -135,849,983 | -9.0% |
| Fee Revenues | 12,267,891,943 | 13,422,504,107 | 1,154,612,164 | 9.4% |
| Revenues from local public service fees (cleaning, greenery, etc.) | 5,399,484,879 | 5,622,369,768 | 222,884,889 | 4.1% |
| Revenues from utility tariffs for occupying public spaces | 1,620,048,490 | 1,753,450,510 | 133,402,020 | 8.2% |
| Revenues from fees for administrative and other services | 5,248,358,574 | 6,046,683,829 | 798,325,255 | 15.2% |
| Net local borrowing | 81,846,631 | 44,592,619 | -37,254,012 | -45.5% |
| Other local income | 1,095,983,141 | 435,679,718 | -660,303,423 | -60.2% |
| Total | 31,725,743,040 | 35,048,913,604 | 3,323,170,564 | 10.5% |

The graph below shows the performance of the municipalities in income from taxes, fees and others for 2023 comparing it with 2022. 34 out of 61 municipalities have managed to have a positive income performance for this period, while the remaining 27 municipalities had a negative performance in this regard. The main contribution to this increase comes from municipalities described as “large”: the municipality of Tirana (+2.3 billion ALL), the municipality of Durrës (+300.8 million ALL) and the municipality of Kamëz (+702.7 million ALL). On the other hand, the negative performance is again attributed to the so-called “big” municipalities, such as the municipality of Vlorë (-178 million ALL), the municipality of Kukës (-112.2 million ALL), the municipality of Shkodër (-132.9 million ALL) and the municipality of Korçë (-100.3 million ALL).

The situation is more or less the same for tax revenues, where the largest contribution comes from the municipalities of Tirana (+ ALL 1.9 billion), Kamëz (+ ALL 623 million) and Kavajë (+ ALL 189 million). The municipalities of Himarë (-42 million lek), Shkodër (-49 million lek) and Vlorë (-138 million lek) had the weakest performance.

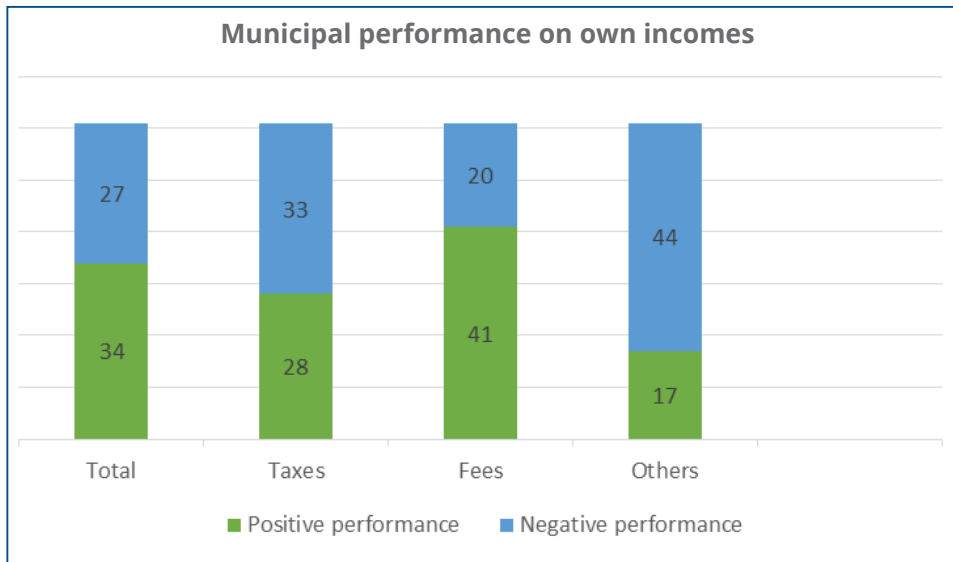


Chart 13. Performance of own revenues for 2023 Source: MFE

While the majority of municipalities (41) have a positive performance in fee revenues compared to 2022, other revenues show a negative performance in 44 municipalities and positive in 17 municipalities.

In the following, we will analyze the progress of the collection of the building tax and the infrastructure impact tax for the 61 municipalities analyzed. From the collected data it appears that 35 municipalities have performed positively in the collection of the building tax, where Tirana municipality (+141 million ALL), Durrës municipality (+47.3 million ALL), Fier municipality (+22.1 million ALL), Roskovec municipality stand out. (20.3 million ALL) and Lushnjë municipality (+11.7 million ALL). In relative terms, it is worth mentioning the municipality of Tepelën (+75.3%) and the municipality of Peqin (+51.5%), which have experienced a significant increase in income from this tax, compared to last year. This positive performance achieved in these municipalities has contributed to the total revenue from this tax for 2023 resulting in an increase of 4.4% compared to the same period in 2022. Despite this general upward trend, 26 municipalities are identified which result with negative performance in this aspect where the municipality of Vlorë (-47.1 million ALL), the municipality of Kavajë (-19.7 million ALL) and the municipality of Krujë (-13.3 million ALL) stand out.

The weight of the individual revenues of the municipalities to the total is presented in the graph below. Municipalities in this chart have collected 2% or more of total building tax revenue. The municipality of Tirana stands out, which collects more than half of the total, followed by Durrës (6.3%), Elbasan (3.7%), Fieri (3.4%), Vlorë (3.1%), Roskoveci (2.6%), Korça (2.5%), Vora (2.4%), Saranda (2.3% and Kamza with 2%).

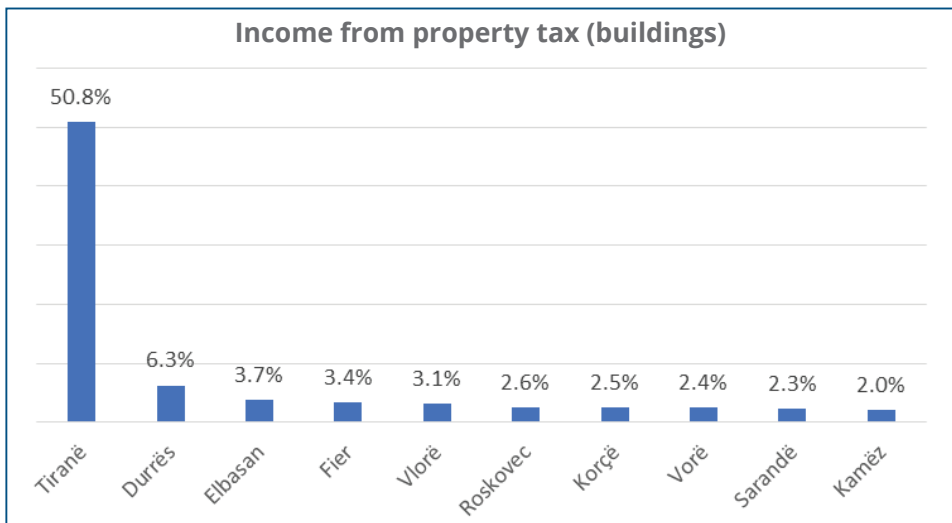


Chart 14. Municipalities with the largest income from the property tax (building)

Source: MFE

Regarding the progress of tax revenues and the impact on infrastructure illustrated in table 9 below, the positive performance observed throughout the year 2023 is mostly attributed to the Municipalities of Tirana (+2 billion ALL), Kamëz (+621.4 million ALL), Kavajë (+219.5 million ALL), Lezha (+101.5 million ALL) and Saranda (96.3 million ALL). Meanwhile, a number of municipalities such as Vlorë municipality (-88.6 million ALL), Himarë municipality (-54.6 million ALL) and Fier municipality (-34.9 million ALL) have performed poorly compared to the same period last year. This can be explained by the fact that the income from this tax depends exclusively on the request for a building permit as well as on their approval by the LGU, which makes this tax not very predictable and therefore irregular in nature. *Given that for some of the Municipalities analyzed, the income from this tax has an important proportion in the total income from local taxes, these Municipalities should be careful in planning the income from this tax in the medium term periods in order not to encounter situations of “overly optimistic forecasts” that could materialize the possibility of creating arrears alongside their budget expenditures.*

The weight of the individual municipalities in relation to the total is presented in the graph below. Municipalities in this chart have collected 2% or more of total infrastructure impact tax revenue. The municipality of Tirana stands out, which collects more than 72% of the total, followed by Kamza (8.4%), Kavaja (2.9%), Durrësi (2.8%), Himara (2.3%), Saranda (2.2%) and Vlora (2.1%).

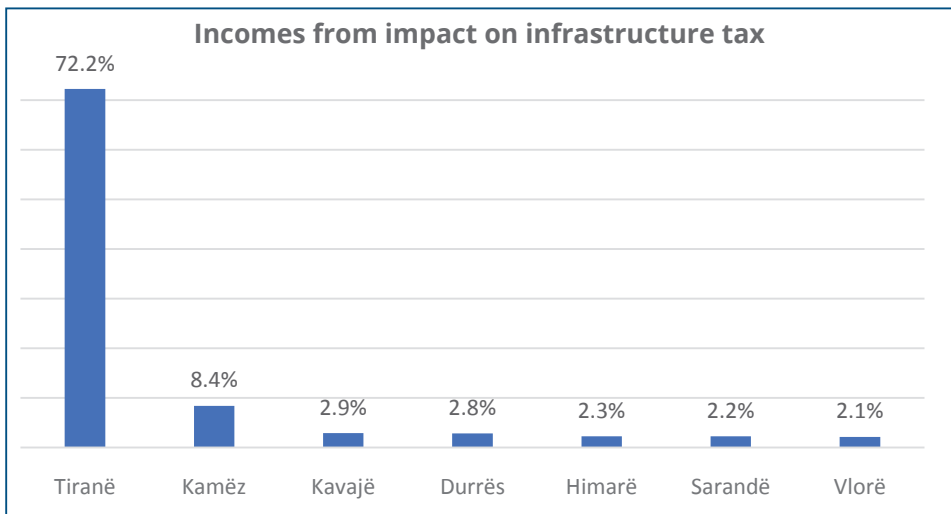


Chart 15. Municipalities with the largest revenues from infrastructure impact tax

Source: MFE

5.3 Expenditures of Local Government Units

In terms of expenses incurred through own resources³⁰, 61 Municipalities spent about ALL 68.3 billion in 2023. Compared to the previous year, about ALL 9.9 billion more or 17% were spent. This positive trend is observed in all three sub-groups of expenses, where the capital expenses stand out, which resulted by about 38.7% more than the same period last year, as well as the expenses for wages and insurance (+17.7%) influenced from the new salary policy materialized during 2023 and the increase in the total number of LGU employees compared to 2022.

Table 9. LGU expenses from its own resources (in ALL)

| | Actual 2023 |
|------------------------------------|-----------------------|
| Expenses from own resources | 68,336,317,873 |
| Salaries | 29,449,805,197 |
| Operational and others | 22,735,602,814 |
| Capital | 16,150,909,862 |

Source: Ministry of Finance and Economy, Local Finance Portal financatvendore.al

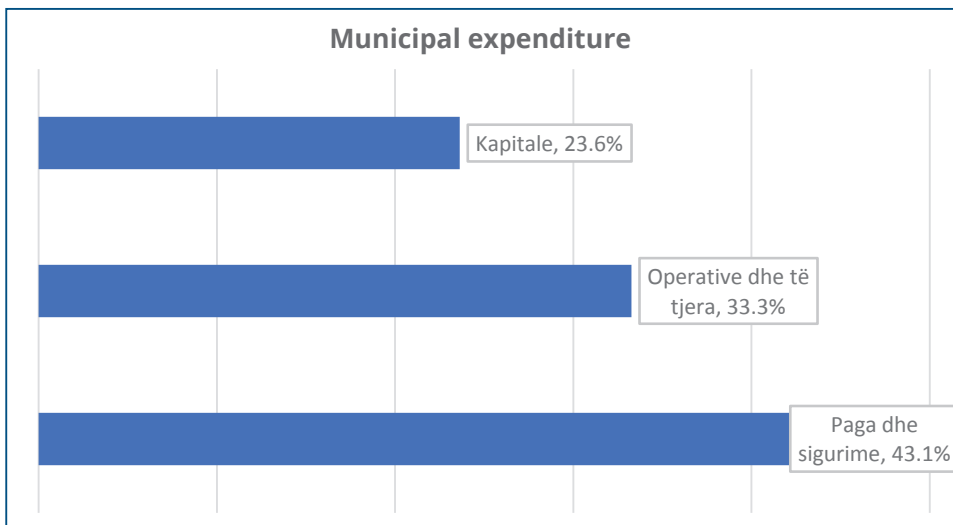


Chart 16. LGU expenses from its own resources (in ALL)

³⁰ This includes revenue from taxes and fees, allocated taxes and unconditional and specific transfer

As can be seen in the graph above, most of the municipalities' expenses are for salaries and social and health insurance contributions with 43.1%, followed by operating and other expenses with 33.3% and capital investment expenses with 23.6%.

5.3.1 Progress of expenditures according to Local Government Units

By analyzing the data on the total expenses incurred by the 61 municipalities in 2023 (compared to the same period in 2022), a positive overall performance is found (Table 10) where 52 of the 61 municipalities have spent more in 2022 compared with the same period last year. Of the 9 identified municipalities that have a negative performance in this regard, the Kukës municipality stands out with -110.6 million ALL and the Kavajë municipality with -84.5 million ALL compared to 2022. It is also worth noting that the municipality of Tirana has the largest weight of performance positive in the total expenses of 61 Municipalities for 2023 with 5.2 billion ALL more than 2022.

LOCAL GOVERNMENT IN ALBANIA

Table 10. Differences in absolute value of total local expenses at the municipality level 2023 vs. 2022 (in ALL)

| Municipality | Salaries | Operational | Capital | Total |
|--------------|-------------|--------------|--------------|--------------|
| Belsh | 23,099,309 | -4,699,213 | 29,315,388 | 47,715,484 |
| Berat | 80,968,684 | -31,171,316 | 131,117,943 | 180,915,311 |
| Bulqizë | 48,085,090 | 28,047,862 | 49,554,240 | 125,687,192 |
| Cërrik | 32,773,472 | -1,712,865 | 17,248,139 | 48,308,746 |
| Delvinë | 17,145,166 | -2,779,695 | 4,958,746 | 19,324,217 |
| Devoll | 27,673,528 | -39,183,076 | -2,830,182 | -14,339,730 |
| Dibër | 104,770,204 | -50,130,762 | 21,804,631 | 76,444,073 |
| Divjakë | 53,328,547 | -28,099,761 | 6,630,773 | 31,859,558 |
| Dropulli | 18,830,624 | 12,650,216 | -48,575,099 | -17,094,259 |
| Durrës | 186,944,039 | -118,462,322 | 190,983,533 | 259,465,250 |
| Elbasan | 190,460,024 | -9,942,534 | 159,859,146 | 340,376,636 |
| Fier | 127,792,714 | -9,281,112 | 77,917,295 | 196,428,897 |
| Finiq | 15,441,363 | -16,431,312 | 1,978,482 | 988,533 |
| Fushë Arrëz | 22,276,195 | -9,817,158 | 3,027,388 | 15,486,425 |
| Gjirokastër | 52,787,822 | -12,750,628 | 64,984,567 | 105,021,761 |
| Gramsh | 29,649,934 | -18,805,040 | 59,748,131 | 70,593,025 |
| Has | 24,884,898 | -223,095 | 1,431,109 | 26,092,912 |
| Himarë | 30,421,989 | 45,927,749 | 76,314,632 | 152,664,370 |
| Kamëz | 278,469,480 | 17,292,190 | 579,833,298 | 875,594,968 |
| Kavajë | 61,556,409 | -89,104,032 | -56,914,042 | -84,461,665 |
| Këlcyrë | 15,900,391 | 847,576 | 1,857,913 | 18,605,880 |
| Klos | 8,179,946 | -9,525,783 | 9,125,407 | 7,779,570 |
| Kolonjë | 30,580,284 | 10,712,073 | -11,680,472 | 29,611,885 |
| Konispol | 7,474,705 | -1,396,528 | -27,170,267 | -21,092,090 |
| Korçë | 122,971,645 | -48,532,926 | 27,851,068 | 102,289,787 |
| Krujë | 49,067,677 | -10,039,947 | 42,029,666 | 81,057,396 |
| Kuçovë | 23,799,266 | 16,816,653 | 27,802,692 | 68,418,611 |
| Kukës | 48,387,171 | -48,405,207 | -110,634,533 | -110,652,569 |
| Kurbin | 54,282,880 | 1,677,292 | 39,602,996 | 95,563,168 |
| Lezhë | 89,561,329 | 1,116,142 | 94,187,627 | 184,865,098 |
| | 6,107,069 | 9,648,268 | | |

| | | | | |
|----------------|----------------------|----------------------|----------------------|----------------------|
| Libohovë | 45,188,781 | -8,796,660 | -10,326,178 | 5,429,159 |
| Librazhd | 102,511,151 | -64,256,302 | 210,898,906 | 247,291,027 |
| Lushnjë | 67,108,060 | -14,518,600 | 89,309,090 | 127,563,939 |
| Malësi e Madhe | 52,107,727 | -26,726,085 | -10,060,850 | 42,528,610 |
| Maliq | 24,857,098 | -32,971,028 | 40,097,685 | 65,479,327 |
| Mallakastër | 44,213,785 | -7,693,821 | 86,171,520 | 78,057,590 |
| Mat | 22,157,827 | 10,714,032 | 6,511,408 | 43,031,372 |
| Memaliaj | 57,580,917 | -43,717,433 | -10,594,216 | 22,277,643 |
| Mirditë | 30,314,347 | -7,333,862 | -21,417,845 | -7,554,361 |
| Patos | 43,166,836 | 20,725,359 | 85,945,957 | 108,926,442 |
| Peqin | 29,517,097 | 4,659,368 | -6,519,254 | 57,372,941 |
| Përmet | 67,509,855 | 35,703,803 | 100,813,508 | 134,989,973 |
| Pogradec | 21,518,365 | -7,173 | -77,464,072 | 25,749,586 |
| Poliçan | 20,400,559 | 9,497,092 | 13,014,058 | 34,525,250 |
| Prrenjas | 23,672,501 | -12,417,573 | 15,276,993 | 45,174,644 |
| Pukë | 6,585,213 | 256,175 | 7,501,343 | 18,756,271 |
| Pustec | 37,517,616 | -8,411,799 | -3,255,386 | 3,586,002 |
| Roskovec | 18,972,022 | -3,508,811 | -85,499,057 | -56,393,240 |
| Rrogozhinë | 55,663,582 | 76,183,096 | 15,508,200 | 30,971,411 |
| Sarandë | 23,255,458 | 13,606,476 | 93,914,788 | 225,761,466 |
| Selenicë | 31,074,802 | -23,733,530 | 8,632,634 | 45,494,568 |
| Shijak | 147,676,474 | 95,832,546 | -44,495,640 | -37,154,368 |
| Shkodër | 32,059,182 | -2,784,960 | -47,398,867 | 196,110,153 |
| Skrapar | 22,989,956 | 4,427,138 | -15,581,531 | 13,692,691 |
| Tepelenë | 1,181,220,242 | 1,481,603,034 | -5,925,698 | 21,491,396 |
| Tiranë | 44,085,075 | 12,280,575 | 2,560,569,719 | 5,223,392,995 |
| Tropojë | 16,949,929 | -20,967,122 | 1,897,267 | 58,262,917 |
| Dimal | 40,498,187 | -1,669,459 | -26,032,528 | -30,049,721 |
| Vau i Dejës | 190,417,108 | -176,885,714 | 107,384,302 | 146,213,030 |
| Vlorë | 45,931,877 | 116,556,874 | 17,697,864 | 31,229,258 |
| Vorë | 4,430,393,483 | 1,009,887,343 | -52,342,689 | 110,146,062 |
| Total | | | 4,505,591,646 | 9,945,872,471 |

Source: Ministry of Finance and Economy, Local Finance Portal financatvendore.al

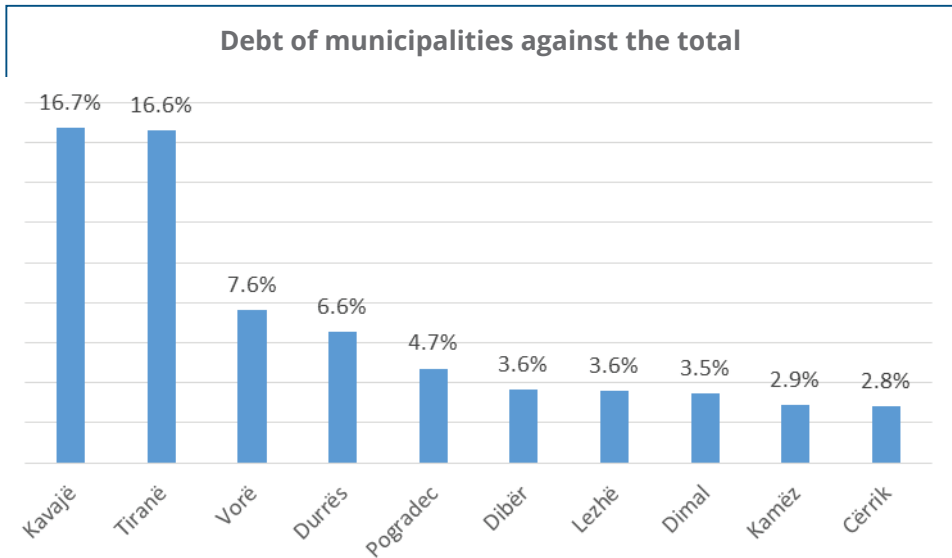
5.4 Arrears of LGUs

From the data published by the Ministry of Finance and Economy, it can be observed that at the end of 2023, the total arrears of LGUs reach about ALL 4.75 billion, simultaneously marking a decrease of ALL 1.1 billion compared to 2022. It is worth mentioning the fact that this performance was influenced by the specific support given by the central budget during the year 2023 of 2 billion ALL for this purpose. However, the performance of the 61 municipalities in this aspect is mixed, referring to the data, it can be seen that *14 of the 61 municipalities have increased the value of arrears, where the Durrës municipality stands out (+201 million ALL), the Lezhë municipality (+75.4 million ALL), Elbasan municipality (+ ALL 74.3 million) and Klos municipality (+ ALL 53.7 million)*. On the other hand, there is a positive progress in the settlement of arrears from the municipality of Tirana (-391.6 million ALL), the municipality of Dibër (-219.6 million ALL), the municipality of Kuçovo (-156.5 million ALL), and the municipality of Pustec (-145.9 million ALL).

It is worth noting the fact that the municipality of Këlcyrë and the municipality of Patos for the third year in a row do not create any arrears towards third parties. The table with the progress of obligations for all municipalities is in the appendix of this report.

The graph below presents the 10 municipalities with the largest debt, as a percentage of total arrears. The municipalities of Kavaja and Tirana lead each with over 16.5% of the total debt, followed by Vora (7.6%), Durrësi (6.6%), Pogradeci (4.7%) and the municipalities of Dibra, Lezha, Dimal, Kamza and Cërrik.

In the analysis of the main components of the arrears recorded until the end of 2023, it is observed that almost half of the total arrears are accounted for by liabilities to third parties for public investment projects (2.25 billion ALL). While the obligations arising from the services performed by third parties as well as for court decisions amount to ALL 539 million and ALL 342 million respectively. In the item "Other", with a total of 1.2 billion ALL, the overwhelming part is occupied by the electricity arrears of the LGU to OSHEE sh.a.



Graph 17. Debt of municipalities against the total Source: MFE

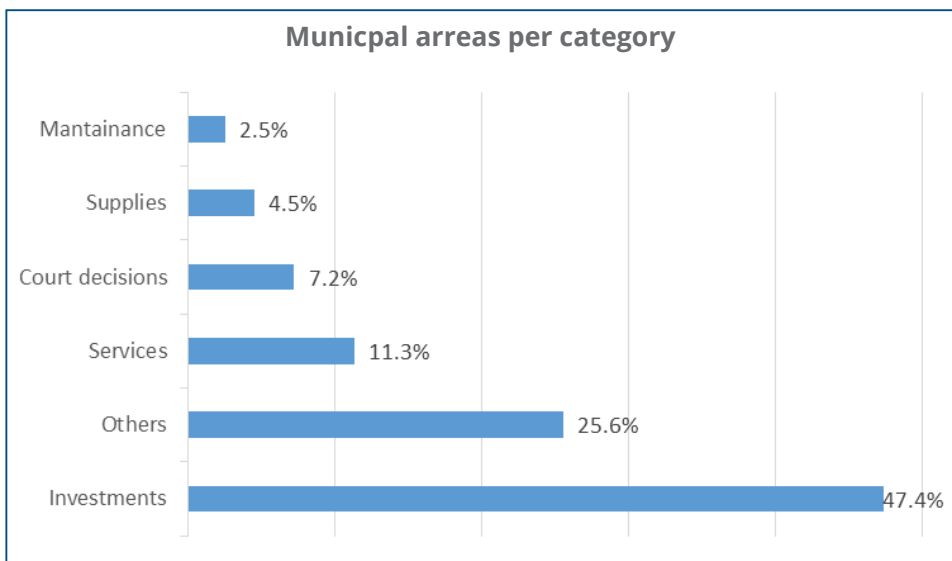


Chart 18. LGU's arrears by category Source: MFE

The graph above presents the specific weight of the main categories of arrears of municipalities for the year 2023. Other categories such as social security, health insurance, personal income and other taxes together constitute 1.6% of the total debt.

In relation to the actual expenses incurred by the 61 Municipalities from their own resources, it is evident that *5 of the 61 Municipalities analyzed are in a situation of Financial Difficulty defined in Article 56 of Law No. 68 dated 27.04.2017 "On Self-Government Finances" local, since their arrears exceed the limit of 25% of annual expenses.* Despite the fact that the relative values of arrears for Kavaja (76.7%) and Vorë (50.9%) Municipalities are below the level of 80% of the aforementioned legal limit, *these Municipalities should make greater efforts both in terms of income and that of expenses to further reduce this high level of obligations throughout the year 2024 and beyond.*

The table below presents the report of expenses and liabilities for the 5 municipalities of Cërrik, Kavaja, Klos, Dimal and Vora which are in financial difficulties and for the municipality of Memaliaj which is in financial problems.

Table 11. Municipalities in difficulties or financial problems for 2023 (in ALL)

| Municipality | Expenditure (own revenues) | Arrears | Percentage | Situation |
|--------------|-------------------------------|---------|------------|------------------------|
| Cërrik | 459.6 | 135.1 | 29.4% | Financial difficulties |
| Kavajë | 1035.8 | 793.9 | 76.7% | Financial difficulties |
| Klos | 302.1 | 77.5 | 25.7% | Financial difficulties |
| Dimal | 447.1 | 164.5 | 36.8% | Financial difficulties |
| Vorë | 713.6 | 363.3 | 50.9% | Financial difficulties |
| Memaliaj | 246.7 | 51.0 | 20.7% | Financial problems |

Source: Ministry of Finance and Economy, Local Finance Portal financatvendore.al

For these two municipalities, this article foresees the following steps to enable the exit from the situation of serious financial difficulty:

"...The Ministry of Finance, upon receiving the notification from the head of the local self-government unit or when it finds out by itself, proposes to the Council of Ministers the measures to get out of the situation of serious financial difficulty. In this case, the Council of Ministers decides:

- a) *to provide financial support in the form of aid or loan, also determining the plan for the exit of the local self-government unit from the situation of serious financial difficulty, as well as the plan for returning the amount given;*
- b) *mandate the Ministry of Finance to negotiate the restructuring of debts and unpaid obligations;*
- c) *declare the local self-government unit under financial supervision and authorize the Ministry of Finance as its financial supervisor, strictly respecting the following conditions:*
 - i) *the local self-government unit cannot take any decision that could lead to an increase in its financial obligations;*
 - ii) *the local self-government unit cannot establish new public services, establish public enterprises or any other institution;*
 - iii) *the local self-government unit cannot repay any financial obligation, created before the announcement of the case of financial difficulty, except for the obligations expressly defined in the financial rehabilitation plan.”*

6. Number of employees

During 2023, according to the Government’s financial information system (SIFQ), the total number of actual employees for the 61 local government units was 36,995 employees. **Compared to 2022, there is an increase of 332 more employees.** 48 of the 61 municipalities analyzed, as can be seen in the graph below, have increased the number of employees compared to the same period last year, where the municipality of Kamëz (+201 employees), the municipality of Tirana (+127 employees) and Lushnjë municipality (+66 employees). On the other hand, there are municipalities that have a decreasing trend in the number of employees, where Shkodër municipality (-359 employees), Memaliaj municipality (-131 employees) and Vlorë municipality (-25 employees) stand out.

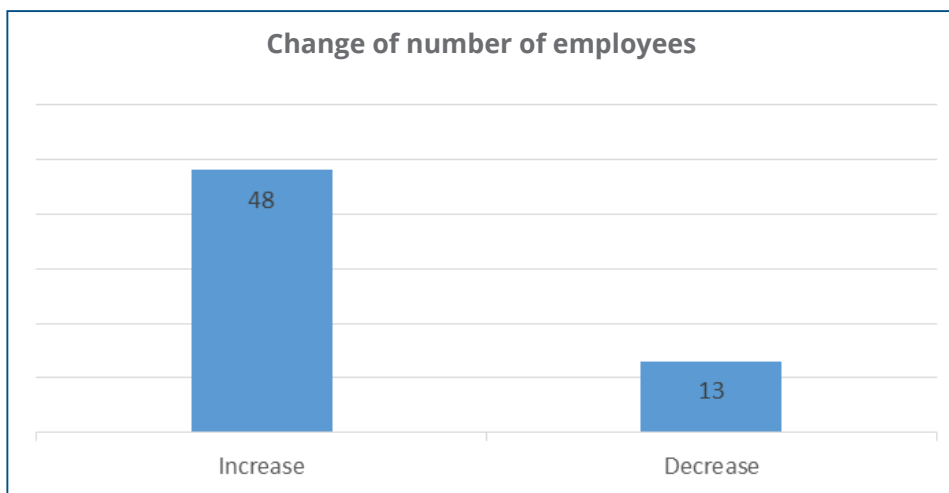


Chart 19. Change in the number of LGU employees for the period 2022-2023

The positive effects of increasing the number of employees are related to stimulating economic growth, improving public services and contributing to community development. This can lead to improved infrastructure, increased civic engagement and a boost to local businesses as more people have disposable income.

However, increased headcount can strain budgets if not managed effectively, requiring careful planning to balance benefits and costs.

A very high number of municipal employees can lead to bureaucratic inefficiencies, increased operational costs, and challenges in coordination and communication. Decision making can become slow and accountability can be diluted with a large workforce.

Furthermore, managing a large workforce can be resource intensive and can result in difficulty adapting to changing circumstances.

The factors that determine the number of employees are mainly related to the size, community needs, functions and responsibilities or tasks that the municipality has. There is no universal rule, as staffing levels depend on local government decisions and priorities.

We strongly recommend that human resources in the municipality are treated as assets, as human capital and institutional memory that produce public goods, services with administrative and legal responsibility, and never for electoral interests.

Annex 1: Unconditional sectoral transfers for 2024

(in millions leke)

| Municipality | General Unconditional Transfer | Unconditional sectoral transfers | | | | | | | | | | Total | | | |
|--------------|--------------------------------|---|---------------------------------------|-------------------|--------------------------|-----------------|-------------------|-----------------------|--------|-------------------------|--------------------------------|--------|--------------------------|------------------------|--|
| | | Dormitories of pre-university education | Preschool education | | Pre-university education | Fire protection | Social protection | Forest administration | Roads | Irrigation and Drainage | Clubs "Partisan" and "Student" | | Increase in salary level | Urban waste management | |
| | | | Divided by formula for teaching staff | For support staff | | | | | | | | | | | |
| Belsh | 163,764 | 0 | 30,920 | 1,681 | 1,506 | 15,647 | 0 | 1,053 | 9,716 | 11,159 | 0 | 11,309 | 3,061 | 249,816 | |
| Berat | 418,077 | 29,350 | 122,272 | 49,011 | 16,805 | 36,740 | 25,445 | 6,731 | 5,987 | 16,793 | 0 | 28,702 | 0 | 755,913 | |
| Bulqizë | 350,683 | 0 | 61,934 | 12,175 | 0 | 21,996 | 0 | 16,540 | 35,454 | 14,986 | 0 | 16,182 | 0 | 529,950 | |
| Cërrik | 199,627 | 4,927 | 52,285 | 6,661 | 6,787 | 17,432 | 0 | 2,580 | 2,231 | 17,963 | 0 | 13,998 | 6,632 | 331,122 | |
| Delvinë | 86,948 | 0 | 23,534 | 6,126 | 2,195 | 15,783 | 0 | 3,016 | 4,185 | 11,159 | 0 | 11,645 | 0 | 164,592 | |
| Devoll | 257,125 | 0 | 62,897 | 4,210 | 3,041 | 16,032 | 0 | 5,413 | 12,889 | 12,965 | 0 | 14,922 | 0 | 389,495 | |
| Dibër | 550,281 | 25,807 | 143,809 | 36,145 | 11,497 | 29,303 | 0 | 9,807 | 17,378 | 15,890 | 0 | 31,559 | 0 | 871,475 | |
| Divjakë | 282,939 | 0 | 62,422 | 1,838 | 1,582 | 15,037 | 0 | 1,057 | 9,624 | 34,001 | 0 | 19,375 | 0 | 427,876 | |
| Dropull | 106,820 | 0 | 3,139 | 534 | 1,401 | 15,647 | 0 | 5,357 | 6,230 | 7,025 | 0 | 10,973 | 14,692 | 171,818 | |
| Durrës | 1,211,509 | 24,376 | 221,249 | 61,876 | 23,078 | 58,109 | 0 | 3,819 | 29,703 | 51,232 | 0 | 43,910 | 240,791 | 1,969,654 | |
| Eibasan | 959,175 | 30,500 | 257,699 | 71,066 | 40,781 | 40,220 | 22,632 | 14,477 | 21,622 | 16,793 | 0 | 50,800 | 18,263 | 1,544,028 | |
| Fier | 837,900 | 22,809 | 196,399 | 50,848 | 13,439 | 39,455 | 27,589 | 4,810 | 10,542 | 66,917 | 0 | 51,976 | 0 | 1,322,686 | |
| Finiq | 160,443 | 0 | 10,199 | 1,667 | 0 | 24,348 | 0 | 4,307 | 3,473 | 17,696 | 0 | 11,561 | 0 | 233,693 | |
| Fushë Arrëz | 103,802 | 0 | 26,575 | 12,253 | 5,686 | 23,070 | 0 | 22,250 | 16,616 | 3,197 | 0 | 11,561 | 918 | 225,929 | |
| Gjirokastrë | 285,728 | 19,374 | 92,534 | 30,632 | 7,396 | 34,468 | 0 | 8,407 | 9,481 | 10,852 | 0 | 16,182 | 26,120 | 541,175 | |
| Gramsh | 286,762 | 6,921 | 80,415 | 11,027 | 4,528 | 19,756 | 0 | 17,967 | 24,038 | 11,159 | 0 | 18,031 | 4,183 | 484,787 | |

| | | | | | | | | | | | | | | |
|----------------|---------|--------|---------|--------|--------|--------|-------|--------|--------|--------|---|--------|--------|------------------|
| Has | 191,982 | 7,214 | 39,640 | 4,210 | 3,614 | 17,600 | 0 | 17,840 | 1,972 | 12,714 | 0 | 13,157 | 0 | 309,943 |
| Himarë | 159,741 | 0 | 17,044 | 1,147 | 757 | 18,268 | 0 | 9,417 | 5,521 | 11,159 | 0 | 12,737 | 25,508 | 261,298 |
| Kamëz | 714,246 | 0 | 232,810 | 36,468 | 12,324 | 52,696 | 0 | 584 | 0 | 4,100 | 0 | 52,985 | 38,057 | 1,144,270 |
| Kavajë | 303,680 | 13,639 | 81,999 | 20,830 | 7,966 | 19,914 | 0 | 1,057 | 6,932 | 22,426 | 0 | 29,458 | 58,157 | 566,059 |
| Këlcyrë | 83,088 | 0 | 9,440 | 1,838 | 3,515 | 15,828 | 0 | 3,791 | 9,481 | 11,159 | 0 | 10,973 | 17,345 | 166,459 |
| Klos | 185,516 | 0 | 30,478 | 6,739 | 2,210 | 15,647 | 0 | 8,949 | 12,446 | 3,197 | 0 | 12,821 | 0 | 278,003 |
| Kolonjë | 160,068 | 10,419 | 37,401 | 6,739 | 5,027 | 18,535 | 0 | 18,131 | 11,040 | 19,847 | 0 | 10,889 | 0 | 298,095 |
| Konispol | 82,462 | 0 | 12,565 | 1,681 | 0 | 15,647 | 0 | 2,052 | 2,137 | 12,062 | 0 | 7,528 | 0 | 136,135 |
| Korçë | 598,629 | 23,461 | 165,468 | 53,299 | 23,132 | 35,124 | 0 | 18,075 | 8,094 | 51,897 | 0 | 29,878 | 0 | 1,007,057 |
| Krujë | 396,148 | 0 | 95,838 | 20,138 | 4,444 | 21,762 | 0 | 7,092 | 8,795 | 18,599 | 0 | 17,191 | 41,322 | 631,329 |
| Kuçovë | 226,489 | 0 | 68,984 | 22,667 | 8,372 | 17,023 | 2,811 | 1,772 | 2,490 | 14,986 | 0 | 16,938 | 0 | 382,534 |
| Kukës | 428,363 | 20,840 | 104,071 | 38,596 | 6,022 | 62,699 | 2,678 | 13,535 | 23,764 | 7,025 | 0 | 23,240 | 0 | 730,833 |
| Kurbîn | 315,779 | 0 | 95,956 | 27,691 | 18,574 | 18,416 | 0 | 3,428 | 4,787 | 23,330 | 0 | 16,770 | 10,713 | 535,444 |
| Lezhë | 459,562 | 9,971 | 114,248 | 33,695 | 20,538 | 43,195 | 0 | 9,435 | 6,402 | 26,039 | 0 | 29,206 | 8,264 | 760,556 |
| Libohovë | 54,837 | 0 | 6,969 | 1,681 | 1,412 | 15,647 | 0 | 3,206 | 7,855 | 3,206 | 0 | 5,091 | 5,408 | 105,313 |
| Librazhd | 368,755 | 0 | 78,858 | 12,175 | 3,841 | 16,652 | 0 | 10,494 | 29,792 | 14,986 | 0 | 20,047 | 3,673 | 559,274 |
| Lushnje | 566,894 | 9,917 | 159,266 | 37,905 | 13,944 | 17,448 | 0 | 2,059 | 9,066 | 53,703 | 0 | 35,004 | 0 | 905,205 |
| Malësi e Madhe | 390,293 | 4,512 | 66,639 | 3,676 | 6,474 | 31,408 | 0 | 19,695 | 15,972 | 14,905 | 0 | 25,089 | 5,816 | 584,477 |
| Maliq | 400,661 | 0 | 90,212 | 4,744 | 12,521 | 15,647 | 0 | 6,879 | 10,729 | 45,360 | 0 | 22,820 | 0 | 609,574 |
| Mallakastër | 210,177 | 0 | 67,213 | 18,992 | 8,169 | 17,385 | 0 | 3,468 | 8,860 | 14,986 | 0 | 13,830 | 0 | 363,079 |
| Mat | 250,009 | 13,514 | 63,714 | 22,667 | 8,818 | 18,893 | 0 | 10,686 | 31,100 | 13,233 | 0 | 20,888 | 0 | 453,521 |
| Memaliaj | 138,087 | 0 | 36,863 | 6,126 | 9,196 | 15,854 | 0 | 3,912 | 5,418 | 3,206 | 0 | 9,796 | 12,244 | 240,702 |
| Mirditë | 265,539 | 23,463 | 55,109 | 20,624 | 9,316 | 24,401 | 0 | 18,069 | 23,163 | 17,060 | 0 | 19,207 | 0 | 475,951 |

LOCAL GOVERNMENT IN ALBANIA

| | | | | | | | | | | | | | | |
|--------------|-------------------|----------------|------------------|------------------|----------------|------------------|----------------|----------------|----------------|------------------|---------------|------------------|----------------|-------------------|
| Patos | 171,935 | 0 | 48,782 | 15,316 | 4,381 | 21,006 | 0 | 1,167 | 2,232 | 16,631 | 0 | 20,636 | 0 | 302,085 |
| Peqin | 180,660 | 0 | 44,672 | 6,048 | 4,631 | 16,345 | 0 | 1,747 | 5,323 | 11,159 | 0 | 18,955 | 12,244 | 301,784 |
| Përmet | 156,410 | 7,038 | 25,262 | 6,126 | 5,735 | 19,316 | 0 | 6,921 | 8,397 | 11,159 | 0 | 14,334 | 9,897 | 270,596 |
| Pogradec | 483,138 | 0 | 153,598 | 9,111 | 11,703 | 21,627 | 0 | 19,330 | 25,199 | 12,062 | 0 | 35,172 | 0 | 770,940 |
| Policën | 130,813 | 0 | 30,892 | 8,254 | 6,130 | 17,242 | 0 | 4,676 | 4,220 | 4,035 | 0 | 8,956 | 0 | 215,218 |
| Përrenjas | 232,055 | 0 | 49,793 | 5,970 | 4,348 | 18,208 | 0 | 8,950 | 22,704 | 13,233 | 0 | 15,342 | 6,938 | 377,540 |
| Pukë | 147,321 | 14,663 | 35,438 | 15,316 | 9,014 | 21,471 | 0 | 14,749 | 7,954 | 3,197 | 0 | 10,889 | 2,755 | 282,767 |
| Pustec | 46,518 | 0 | 6,869 | 331 | 0 | 20,366 | 0 | 1,039 | 383 | 6,308 | 0 | 7,276 | 0 | 89,089 |
| Roskovec | 148,096 | 0 | 34,597 | 2,985 | 2,879 | 15,647 | 0 | 1,167 | 4,875 | 7,928 | 0 | 13,746 | 0 | 231,921 |
| Rrogozhinë | 195,957 | 0 | 36,474 | 7,273 | 2,920 | 15,037 | 0 | 1,722 | 0 | 11,159 | 0 | 12,149 | 16,631 | 299,323 |
| Sarandë | 180,074 | 19,698 | 51,511 | 15,928 | 4,364 | 21,237 | 0 | 3,079 | 0 | 7,025 | 0 | 16,350 | 43,465 | 362,731 |
| Selenicë | 228,819 | 0 | 31,564 | 5,436 | 11,404 | 17,717 | 0 | 5,479 | 3,384 | 17,475 | 0 | 11,813 | 0 | 333,090 |
| Shijak | 195,877 | 0 | 43,296 | 7,965 | 3,686 | 20,210 | 0 | 1,057 | 59 | 7,025 | 0 | 12,401 | 21,630 | 313,206 |
| Shkodër | 893,758 | 62,068 | 148,964 | 64,940 | 30,659 | 46,597 | 38,183 | 13,543 | 23,061 | 31,980 | 0 | 43,238 | 16,325 | 1,413,315 |
| Skrapar | 163,289 | 11,880 | 40,491 | 13,800 | 10,974 | 21,515 | 0 | 10,236 | 15,567 | 16,343 | 0 | 12,989 | 0 | 317,085 |
| Tepelenë | 114,721 | 7,214 | 37,788 | 9,802 | 4,354 | 16,213 | 0 | 6,128 | 7,585 | 3,205 | 0 | 10,805 | 16,325 | 234,139 |
| Tiranë | 3,435,480 | 96,393 | 698,062 | 317,344 | 108,334 | 134,539 | 0 | 11,795 | 24,361 | 23,851 | 32,650 | 297,050 | 0 | 5,179,858 |
| Tropojë | 272,814 | 0 | 49,242 | 14,090 | 4,404 | 19,358 | 0 | 17,536 | 10,731 | 3,717 | 0 | 14,250 | 0 | 406,141 |
| Dimal | 182,931 | 0 | 54,053 | 534 | 1,919 | 15,783 | 0 | 1,039 | 4,638 | 20,927 | 0 | 14,418 | 0 | 296,242 |
| Vau i Dejës | 299,147 | 9,350 | 45,721 | 1,069 | 2,899 | 15,037 | 20,363 | 7,906 | 7,026 | 13,868 | 0 | 21,224 | 2,245 | 445,854 |
| Vlorë | 761,086 | 27,628 | 235,137 | 80,254 | 38,948 | 48,566 | 0 | 7,022 | 3,344 | 44,886 | 0 | 37,440 | 0 | 1,284,312 |
| Vorë | 173,293 | 0 | 49,628 | 2,985 | 6,068 | 15,037 | 0 | 1,054 | 601 | 11,159 | 0 | 22,148 | 24,589 | 306,562 |
| Total | 22,006,781 | 556,946 | 5,130,902 | 1,372,957 | 609,662 | 1,546,805 | 139,700 | 468,559 | 646,628 | 1,037,307 | 32,650 | 1,489,808 | 714,211 | 35,752,917 |

Annex 2: Arrears of LGUs for the period 2021-2023

(në milionë lekë)

| No. | Municipality | 2021 | 2022 | 2023 | Difference 2023 - 2022 | Difference (in %) 2023 - 2022 |
|-----|----------------|-------|--------|-------|------------------------------|-------------------------------------|
| 1 | Tiranë | 653.2 | 1179.7 | 788.1 | -391.6 | -33.2% |
| 2 | Kavajë | 820.0 | 837.5 | 793.9 | -43.6 | -5.2% |
| 3 | Vorë | 515.6 | 412.9 | 363.3 | -49.6 | -12.0% |
| 4 | Pogradec | 320.6 | 278.4 | 224.0 | -54.4 | -19.6% |
| 5 | Lezhë | 278.6 | 95.0 | 170.4 | 75.4 | 79.5% |
| 6 | Roskovec | 175.9 | 65.1 | 81.7 | 16.6 | 25.5% |
| 7 | Kamëz | 261.2 | 210.8 | 137.9 | -72.9 | -34.6% |
| 8 | Vlorë | 115.2 | 113.5 | 47.5 | -66.0 | -58.1% |
| 9 | Malësi e Madhe | 322.8 | 69.0 | 99.0 | 30.0 | 43.5% |
| 10 | Durrës | 306.8 | 110.5 | 311.5 | 201.0 | 181.9% |
| 11 | Dibër | 140.6 | 392.5 | 172.9 | -219.6 | -55.9% |
| 12 | Kuçovë | 124.2 | 173.0 | 16.5 | -156.5 | -90.5% |
| 13 | Elbasan | 107.8 | 49.2 | 123.5 | 74.3 | 151.0% |
| 14 | Berat | 170.6 | 36.0 | 18.6 | -17.5 | -48.5% |
| 15 | Lushnjë | 98.5 | 35.8 | 42.9 | 7.1 | 19.8% |
| 16 | Divjakë | 103.8 | 37.6 | 7.0 | -30.6 | -81.4% |
| 17 | Belsh | 214.5 | 45.2 | 28.4 | -16.7 | -37.1% |
| 18 | Dimal | 133.5 | 156.0 | 164.5 | 8.5 | 5.5% |
| 19 | Tropojë | 77.2 | 71.0 | 48.7 | -22.3 | -31.4% |
| 20 | Rrogozhinë | 93.9 | 77.9 | 77.9 | 0.0 | 0.0% |
| 21 | Cërrik | 181.3 | 157.8 | 135.1 | -22.7 | -14.4% |

LOCAL GOVERNMENT IN ALBANIA

| No. | Municipality | 2021 | 2022 | 2023 | Difference 2023 - 2022 | Difference (in %) 2023 - 2022 |
|-----|--------------|-------|-------|------|------------------------------|-------------------------------------|
| 22 | Poličan | 78.6 | 40.6 | 27.0 | -13.6 | -33.5% |
| 23 | Selenicë | 54.5 | 61.8 | 52.8 | -9.0 | -14.5% |
| 24 | Fier | 193.1 | 113.7 | 36.8 | -76.9 | -67.6% |
| 25 | Himarë | 27.7 | 26.6 | 3.6 | -23.0 | -86.6% |
| 26 | Kukës | 108.0 | 83.8 | 78.0 | -5.8 | -7.0% |
| 27 | Mirditë | 49.7 | 31.6 | 22.5 | -9.1 | -28.7% |
| 28 | Pukë | 47.4 | 38.5 | 30.6 | -7.9 | -20.4% |
| 29 | Klos | 41.6 | 23.9 | 77.5 | 53.7 | 224.9% |
| 30 | Tepelenë | 39.2 | 26.2 | 33.9 | 7.7 | 29.4% |
| 31 | Devoll | 51.6 | 115.6 | 93.9 | -21.7 | -18.8% |
| 32 | Sarandë | 30.9 | 7.8 | 1.2 | -6.5 | -84.2% |
| 33 | Librazhd | 19.8 | 10.0 | 2.0 | -7.9 | -79.6% |
| 34 | Korçë | 11.7 | 0.3 | 0.1 | -0.2 | -52.4% |
| 35 | Delvinë | 51.4 | 49.0 | 32.8 | -16.3 | -33.2% |
| 36 | Finiq | 52.7 | 34.7 | 22.3 | -12.4 | -35.8% |
| 37 | Krujë | 36.9 | 28.5 | 26.4 | -2.1 | -7.5% |
| 38 | Peqin | 63.9 | 103.4 | 70.9 | -32.5 | -31.4% |
| 39 | Skrapar | 26.7 | 15.6 | 15.1 | -0.5 | -3.1% |
| 40 | Bulqizë | 8.0 | 7.7 | 7.1 | -0.7 | -8.5% |
| 41 | Has | 16.9 | 8.8 | 0.6 | -8.2 | -93.3% |
| 42 | Memaliaj | 17.4 | 13.4 | 51.0 | 37.6 | 280.2% |
| 43 | Mat | 20.6 | 20.5 | 26.1 | 5.6 | 27.5% |
| 44 | Gramsh | 32.5 | 12.6 | 15.2 | 2.5 | 19.9% |

| No | Municipality | 2021 | 2022 | 2023 | Difference 2023 - 2022 | Difference (in %) 2023 - 2022 |
|--------------|--------------|----------------|----------------|----------------|------------------------------|-------------------------------------|
| 45 | Prrrenjas | 12.7 | 1.6 | 1.3 | -0.3 | -16.6% |
| 46 | Kurbin | 19.9 | 65.8 | 35.4 | -30.4 | -46.2% |
| 47 | Maliq | 62.1 | 10.6 | 45.0 | 34.4 | 324.1% |
| 48 | Konispol | 35.3 | 14.3 | 16.2 | 2.0 | 13.8% |
| 49 | Kolonjë | 5.3 | 0.3 | 0.3 | 0.0 | 0.0% |
| 50 | Mallakastër | 10.6 | 10.4 | 10.4 | 0.0 | 0.0% |
| 51 | Shijak | 7.1 | 33.2 | 0.1 | -33.1 | -99.6% |
| 52 | Libohovë | 5.7 | 28.9 | 13.8 | -15.1 | -52.4% |
| 53 | Fushë-Arrëz | 5.9 | 4.8 | 0.0 | -4.8 | -100.0% |
| 54 | Vau-Dejës | 9.6 | 3.3 | 12.6 | 9.2 | 276.2% |
| 55 | Përmet | 6.2 | 45.5 | 30.1 | -15.4 | -33.8% |
| 56 | Gjirokastrë | 0.0 | 9.2 | 1.0 | -8.2 | 0.0% |
| 57 | Shkodër | 3.4 | 0.6 | 0.6 | 0.0 | 0.0% |
| 58 | Pustec | 1.2 | 146.7 | 0.8 | -145.9 | -99.4% |
| 59 | Dropull | 2.7 | 9.0 | 4.5 | -4.5 | -50.0% |
| 60 | Këlcyrë | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| 61 | Patos | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| TOTAL | | 6,484.5 | 5,862.9 | 4,752.8 | -1110.1 | -18.9% |

Source: Ministry of Finance and Economy, financa.gov.al

Institute for Albanian Municipalities

Who are we?

The Institute for Albanian Municipalities is a civil society organization, with an interest in contributing to local, regional and national progress and development, for good governance and decentralization through assistance, research, studies and professional training, using legal and democratic means.

What do we do?

- Increasing the administrative skills of civil servants and creating new capacities in local administrations
- Work towards increasing the efficiency and effectiveness of human resources in administration, strengthening rural leadership and commitment to gender equality
- Increasing decision-making skills in local and central bodies
- Support for the restructuring of administrative bodies according to more sustainable and effective models, according to international standards
- Support for establishing networks for activities and services of common interest between local government units
- Increasing the participation of citizens in decision-making
- Improvement of the information system, of the transparency of the local government.

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