

# REPUBLIC OF ALBANIA

UNITARY COUNTRY

EURO-ASIA

## BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME Local currency - Albanian lek (ALL)

### POPULATION AND GEOGRAPHY

AREA: **28 750** km<sup>2</sup>

POPULATION: **3.2** million inhabitants (2014),  
an increase of 0.30 % per year (2010-2014)

DENSITY: **111** inhabitants/km<sup>2</sup>

URBAN POPULATION: **57.4%** of national population

CAPITAL CITY: **Tirana** (13.9 % of national population)

Sources : World Bank Development Indicators, IMF-GFS, UNDP-HDR, ILO

### ECONOMIC DATA

GDP: **32.2** billion (current PPP international dollars)  
i.e. 10 057 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.17%** (2014 vs 2013)

UNEMPLOYMENT RATE: **17.5 %** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 149** (BoP, current  
USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **25%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.733** (high), rank **85**

## TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>61</b> MUNICIPALITIES (BASHKITË) AND COMMUNES (KOMUNË) AVERAGE MUNICIPAL SIZE: <b>52 459</b> INHABITANTS	-	<b>12</b> REGIONS (QARK)	<b>73</b>

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** The Republic of Albania is a unitary country, divided into 12 regions (*Qark*), with limited role, and 61 urban and rural municipalities (*bashkitë* and *komunë*). Following its application for EU membership, the Republic of Albania launched a new initiative to further the decentralization and reform the country's territorial organization in 2011. In 2014, the Law No. 115/2014 "On Administrative-Territorial Division of the Local Government Units in the Republic of Albania" reduced the number of local governments' unites from 373 to 61. The communes and municipalities to be eliminated after this division function as constituent administrative units of the new municipalities. Future objectives are (1) administrative and financial consolidation of the municipalities and institutional and (2) infrastructure support to the 12 regions and 61 new municipalities.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** Local governments' autonomy has been consecrated by the decentralization laws. According to this principle and legislation, their competences and resources are clearly defined in coherence with a prevailing subsidiarity principle. Local governments have few social sector responsibilities. They share responsibilities with the central government on matters such as social services, health care and education. Their own competences are : infrastructure, water supply and sewerage, cleaning and waste removal.

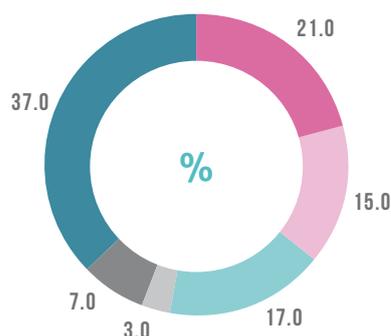
## SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	4.1%	14.6%	100%
CURRENT EXPENDITURE	3.1%	-	75.7%
STAFF EXPENDITURE	0.9%	12.9%	22.4%
INVESTMENT	1.0%	23.0%	24.3%

Despite the progresses allowed by the decentralization reform, the fiscal autonomy of local governments has regressed over the past years, and the relative weight of local budget expenditures in the state budget remains relatively low. Investment is a key function of SNGs representing 24.3% of their expenditure, yet the share of local investment in public investment, at 23.0%, remains below the EU average.

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE



In 2013, most of the budget were dedicated to operating expenditures: the primary sector of SNG spending are social protection and general public services. However they do spend very limited or none resources on health, environmental protection, recreation and culture, and education.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	3.7%	15.5%	100%
TAX REVENUE	0.6%	3.5%	16.5%
GRANTS AND SUBSIDIES	2.8%	-	76.5%
OTHER REVENUES	0.3%	-	7.1%

Local governments revenues are divided between grants (conditionnal and unconditional national transfers) for the most part, and own revenues. The concept of unconditional transfer for local governments was adopted in the State Budget Law of 2001, and developed further with the - fiscal reform package adopted by Parliament in December 2002 that increased the autonomy of municipalities and communes to generate revenues from local taxes and fees and determine their rates. Albania has the smallest local government sector in terms of public revenues of the NALAs region.

**TAX REVENUE.** Own tax revenues include property tax, small business tax and other local taxes. According to the ongoing decentralization reform, small business tax shall be assessed, collected, controlled, gathered and transferred to the accounts of the local government budget by the General Directorate of Taxes through its regional departments. The basis of taxation and the calculation key of the taxes are specifically listed in the law, as well as judicial remedies available for contributors. Yet for now 60% of local government taxes revenue comes from income tax for small business, and 40% from local taxes and tax on property (buildings). Albanian LGU's are also, according to Albania's Organic Law, able to receive shared taxes : 18% of the taxes on motor vehicles, but in 2013 this resource has been greatly reduced, and has not been implemented yet.

**GRANTS AND SUBSIDIES.** Grants and subsidies represent in total up to 76.5% of subnational revenues in 2013. The share of unconditional transfers increased with the decentralization reform and almost doubled to reach 46% of LGU's revenues in 2012. However, this progress has been hampered by the difficulties encountered to redefine the formula used to allocate the grant. Competitive grants were also introduced in 2006 as a mechanism to increase performance and objectivity in funding local government investments. In 2010, the Regional Development Fund was established to manage these conditional grants.

**OTHER REVENUES.** In addition to these taxes, local governments can collect fees and charges for public services. Revenues from local fees have grown extremely rapidly, almost doubling since 2005 and representing more than 16 percent of own-source revenues in 2014.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	1.6%	2.3%

Local borrowing appears to be very low in Albania, as the Ministry of finance imposes limitations, and due to the country national level of public debt, which exceeded 70% of GDP in late 2013.

A joint- study of:



Sources: IMF-GFS • Law no. 9632/2006 • Law no. 9896/2008 on local governments' borrowing • Ministry of finance and USAID • Ministry of local government (2014), Analysis on the local government situation in Albania • The National Crosscutting Strategy for Decentralization and Local Governance (NCSDLG) 2015-2020 • Open data Albania • Law no. 181/2013 available on <http://www.reformaterritoriale.al/en/> • Network of Associations of Local Authorities of South-East Europe (2016), Fiscal Decentralization Indicators for South-East Europe: 2006-2014