



The European Union's IPA Programme for Albania

TECHNICAL ASSISTANCE FOR INTEGRATED SOLID WASTE MANAGEMENT SYSTEM FOR TWO SELECTED MUNICIPALITIES IN ALBANIA

(EuropeAid/138181/DH/SER/AL)

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The opinions expressed in this Report are those of the authors and do not necessarily reflect the opinions of the EU Delegation or any other organisation mentioned in the report. As a result, this will be verified before implementation of any of the recommendations contained herein.



LIST OF ABBREVIATIONS

ACRONYMS	MEANING
ΔΔΜ	Association of municipalities in Albania
AP	Action Plan
BAT	Best Available Techniques
BATNEEC	Best Available Techniques Not Entailing Excessive Costs
BOT	Built Operate Transfer
CBA	Cost Benefit Analyses
CM	Council of Ministers
DCM	Decision of Council of Ministers
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIA	Environmental Impact Assessment
EIB	European Investment Bank
€	Euro
EU	European Union
EUD	European Delegation
FS	Feasibility Study
GIS	Geographic Information System
GOA	Government of Albania
GTZ	Gesellschaft fuer Technische Zusammenarbeit (Society for Technical Cooperation for Sustainable Development) = GIZ (since 2011)
IFI	International Financing Institution
IMC	Inter-municipal cooperation
INTF	Integrated Network of Treatment facilities
KfW	Kreditanstalt für Wiederaufbau (German Bank for Reconstruction)
LGU	Local Governmental Unit (= see LSG)
LSG	Local Self Government
LWM	Law on Waste Management
MoE	Ministry of Environment
MoF	Ministry of Finance
MEI	Ministry of European Integration
MTI	Ministry of Transportation and Infrastructure
MUD	Ministry of Urban Development
NEI	National Environment Agency
NPISSA	National Plan for Implementation of SSA
NPEI	National Plan for European Integration
NWMAG	National Waste Management Advisory Working Group (à see PIU)
NWMP	National Waste Management Plan
REC	Regional Environmental Centre for Central and Eastern Europe
PIU	Project Implementation Unit (technical working group = project task force)
PoE	Public owned Entity (owned by local authority=PUC=PUSP)
PPP	Public Private Partnership
PUSP	Public Utility Service Provider
PSC	Project Steering Committee
SAA	Stabilisation and Association Agreement
SME	Small and Medium Size Enterprise



ACRONYMS	MEANING
SoF	State owned entitv
SW	Solid Waste
SWM	Solid Waste Management
TA	Technical Assistance
TAR	Territorial and Administrative Reform
TNA	Training Needs Analysis
ToC	Table of Concordance
ToR	Terms of Reference
UNEP	United Nation Environmental Programme
WG	Working Group
WB	World Bank
WHO	World Health Organization
WWT	Waste Water Treatment
ACRONYMS	LIST OF PROJECT RELATED UNITS
Mg	Mega gram = 10^6 gram = 10^3 kg = 1 metric ton



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0 Executive Summary

0.1 Përmbledhje ekzekutive

Strategjia dhe plani kombëtar aktual tregojnë një nevojë për kosto të investimeve prej 264 milion Euro për investime kapitale dhe një mesatare vjetore prej rreth 64 milion Euro për kostot operacionale dhe të mirëmbajtjes për ofrimin e shërbimeve për të gjithë qarkun. Kjo rezulton në kosto vjetore prej rreth 101 milionë euro / vit duke marrë në konsideratë nevojat për investime kapitale, kostot e O & M dhe elementë të tjerë të kostos siç janë amortizimi, inflacioni dhe kostimi i kapitalit tjetër. Për periudhën buxhetore afatmesme 2017 - 2019, qeveria ka ndarë gjithsej 18,5 milionë euro si ndarje të kostos dhe kontribut në strukturat e financimit të huaj në sektorin e mbetjeve. Këto kosto mbulojnë kostot lokale kryesisht pagesa e Tatimit mbi Vlerën e Shtuar (TVSH) dhe shpenzimet e tjera të tilla siç mund të jenë shpronësimi i tokës dhe taksa të tjera vendore.

Përballueshmëria e përgjithshme për rajonin e Kukësit vlerësohet në 3.146 lekë / vit për zonat rurale dhe 4.323 lekë / vit për zonat urbane, rezulton në një mesatare prej 3.734 lekë / vit e barabartë me rreth 27.6 euro / vit, e cila është 5,7 herë më shumë se tarifa aktuale e shërbimit. Përballueshmëria e përgjithshme për rajonin e Gjirokastrës vlerësohet në 6,045 Lekë / vit për zonat rurale dhe 8,087 Lekë / vit për zonat urbane, rezulton në një mesatare prej 7,066 Lekë / vit, e barabartë me rreth 52.3 Euro / vit, e cila është 12 herë më shumë se tarifa aktuale e shërbimit.

Në krahasim me përballueshmërinë e llogaritur teorikisht dhe tarifën aktuale të ngarkuar, si dhe normën e ulët të pagesës, është e qartë se duhet të identifikohen arsyet për këtë gadishmëri të ulët për të paguar, të zhvillohen strukturat taksave dhe të tarifave, dhe të instalohen sisteme të artikuluara dhe inkasuara të popullsisë, duke mbështetur komunën në mbledhjen e tarifave nga gjeneruesit e mbetjeve.

Shkalla e varfërisë në rrethin e Kukësit vlerësohet sipas LSMS¹ 2012 në 22.5% të popullsisë², ndërsa në rrethin e Gjirokastrës shkalla e varfërisë tregon një shifër prej 10.6% të popullsisë. Kjo pjesë e popullsisë përgjithësisht përjashtohet nga taksat dhe tarifave vendore. Sistemi i ardhshëm i integruar i menaxhimit të mbetjeve të ngurta, si dhe struktura e tarifave dhe tarifave do të duhet të marrin parasysh këtë rrethanë kur bëhet fjalë për diskutimet e ndër-subvencionimit.

Bazuar në INSTAT, ndihma sociale dhe përfitime të tjera janë si burim i të ardhurave kryesore e vlefshme kjo për 46.7% të të gjitha familjeve në Kukës dhe 8.92% të familjeve në rrethin e Gjirokastrës.

28.5% e familjeve në Kukës varen nga të ardhurat nga dalja në pension, kurse në Gjirokastrë rreth 39.3%. Me burim kryesor të të ardhurave nga pensionet³ të cilat përbëjnë 28.5% të gjitha familjeve në rrethin e Kukësit dhe 39.3% në Gjirokastrë, është gjithashtu një sinjalizues i një trendi migrimi. Identifikimi i sistemit më të volitshëm të menaxhimit të integruar të mbetjeve të ngurta, i cili gjithashtu mund të mbulojë strukturat sociale vulnerabël familjare, do të jetë një nga sfidat më të mëdha brenda periudhës së ardhshme. Prandaj, projekti do të fillojë aktivitetet në bashkitë / rajonet me studimin e përballueshmërisë dhe identifikimin e standarteve ekonomike për secilën nga zonat.

0.2 Executive Summary

The current national strategy and plan indicates a need of investment costs of 264 million Euro on capital investments and an annual average of about 64 million Euro on operational and maintenance costs for service delivery for the entire county. This results in annualized costs of about 101 million Euro/year taking into consideration capital investment needs, O & M costs and other cost elements such as depreciation, inflation and other capital relevant costing.



For the mid-term budget period of 2017 – 2019 has the government allocated a total of 18,5 million Euro as cost sharing and contribution to foreign financing structures in the waste sector. These costs covering local costs mostly payment of Value Added Tax (VAT) and other expenditures such as might be land expropriation and other local taxes

The overall affordability for the region of Kukes is estimated at 3,146 ALL/year for rural areas and 4,323 ALL/year for urban areas, results in an average of 3,734 ALL/year equal the equivalent of about 27.6 Euro/year, which **5,7 times** the current service fee.

The overall affordability for the region of Gjirokaster is estimated at 6,045 ALL/year for rural areas, and 8,087 ALL/year for urban areas, results in an average of 7,066 ALL/year equal the equivalent of about 52,3 Euro/year, which is **12 times** the current service fee.

In comparison of the theoretically calculated affordability and the current charged fee as well the low payment rate, it is obviously that reasons for this reduced willingness to pay have to be identified, reasonable tariff and fee structures developed and with the population articulated and incasso systems to be installed, supporting the municipality in collecting the fees from the waste generators.

The poverty rate in the district of Kukes values according to the LSMS¹ of 2012 at 22.5 % of the population², while in the district of Gjirokaster shows the poverty rate a figure of 10.6 % of the population. This part of the population is generally exempted from local taxes and tariffs. The future integrated solid waste management system as well as tariff and fee structure will have to take this circumstance into consideration when it comes to cross-subsidizing discussions.

Based on INSTAT, are social assistance and other benefit as source of main income valid for 46.7 % of all families in Kukes and 8.92 % of the families in the district of Gjirokaster.

28.5 % of families in Kukes are depending on the income from retirement, where in Gjirokaster around 39.3%. Which main source of income are pensions³ constitute 28.5 % of all families in the district of Kukes and 39.3 % signalling also a migration trend.

The identification of the most affordable integrated solid waste management system, which can also cover social vulnerable family structures, will be one of the biggest challenges within the next period. Therefore will the project start the activities in the municipalities / regions with the excessive survey of affordability and the identification of economical benchmarks for each of the areas.

¹ Source: Living Standard Measurement Survey 2012

² Definition according to INSTAT

³ Definition according to INSTAT



1 Finance and Socio-Economic Assessment

1.1 Financial Resources Allocated for Waste Management

The Strategy and the Plan have provided for a list of resources from where activities relevant to waste management could be financed. The Strategy and the Plan have stated that implementation shall be based on an expected unprecedented allocation of funds from state budget, local budget and other resources. The Plan has concluded that the total cost for the implementation of the Strategy is estimated at about 264 Million Euro, with an annualised cost (including total operation and maintenance cost and capital investments) equal at about 101 million Euro.

The Strategy and the Plan assume the establishment of the Environment Fund as the main funding source of required investments until the membership of Albania to EU, time after which Albania is expected to from other financial sources.

1.1.1 Financing from Central Government State Budget

As it is understood from the Strategy, main financial resources for capital investments shall be ensured through the establishment of the Environment Fund and various programs in respect to the momentary status of Albania with regard accession and membership to EU; whereas operation and maintenance costs are expected to be financed from the local budget.

Whereas, the establishment of the Environment Fund is not achieved, the Plan, on the other side, has specified that during the last decade, the amount of funds allocated to support waste management from various foreigner aid programs including EU, is estimated at about only 22 million Euro or as much as about only 1% of the total foreign aid financing. These data indicate that funding for the sector is very low and that substantial policy, institutional and governance changes are required to fuel more funds for the sector.

Within the implementation time span of Strategy, during the first three years (2011 – 2014), financing from the state budget stands at an average rate of about 3,5 million Euro/year, allocated into three different ministries, including ME, MTI and MUD. From 2015 and the following 2016, state budget allocation for the sector is increased up to 4.8 million Euro in 2015 and as much as 16.3 million Euro in 2016, registering therefore an increase of about 60% as compared to 2015.

The state budget forecast for the next three years 2017 to 2019 continuous funding the sector with almost the same rate respectively 16,6 million Euro, 16.2 million Euro and about 20.8 million Euro. The increase as planed is expected to go for financing the construction of Elbasan, Fier and Tirana incinerators.

The following table indicates allocation of funds from various resources from 2013 to 2016 and the allocation forecast that has already been prepared under the Mid – Term Budget Program and as approved with the law no. 130/2016 “On the budget for the year 2017”.

Table 1: Allocation of financial resources in waste management sector in Albania 2013-2019, (Source Budget law, 2017; calculation of the author).

Ministries		Year						
		2013	2014	2015	2016	2017	2018	2019
MTI	Internal funding	19,254	119,983	53,406	100,000	189,200	150,000	150,000
	Foreign funding	500,000	340,000	300,000	300,000	500,000	600,000	1,200,000
	Total (000 ALL)	519,254	459,983	353,406	400,000	689,200	750,000	1,350,000
	<i>Total (000 Eur)</i>	<i>3,763</i>	<i>3,333</i>	<i>2,561</i>	<i>2,899</i>	<i>4,994</i>	<i>5,435</i>	<i>9,783</i>



Ministries		Year						
		2013	2014	2015	2016	2017	2018	2019
MUD	Internal funding	0	0	480	960	7,700	0	0
	Foreign funding	0	0	0	0	0	0	0
	Total (000 ALL)	0	0	480	960	7,700	0	0
	<i>Total (000 Eur)</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>7</i>	<i>56</i>	<i>0</i>	<i>0</i>
ME	Internal funding	8,372	458	309,994	1,858,397	1,538,015	1,432,121	1,459,192
	Foreign funding	0	0	0	0	65,000	65,000	70,000
	Total (000 ALL)	8,372	458	309,994	1,858,397	1,603,015	1,497,121	1,529,192
	<i>Total (000 Eur)</i>	<i>61</i>	<i>3</i>	<i>2,246</i>	<i>13,467</i>	<i>11,616</i>	<i>10,849</i>	<i>11,081</i>
Total state budget (000 ALL)		527,626	460,441	663,880	2,259,357	2,299,915	2,247,121	2,879,192
<i>Total state budget (000 Eur)</i>		<i>3,823</i>	<i>3,337</i>	<i>4,811</i>	<i>16,372</i>	<i>16,666</i>	<i>16,283</i>	<i>20,864</i>

As indicated in the above table, for the mid-term budget period of 2017 – 2019, the government has allocated a total of 18,5 million Euro as cost share with foreign financing in the waste sector. These costs will cover local costs mostly payment of Value Added Tax (VAT) and other expenditures such as might be land expropriation and other local taxes.

As it is earlier stated, the implementation of the Strategy and the Plan will cost about 264 million Euro on capital investments and an annual average of about 64 million Euro on operational and maintenance costs of service delivery. Summing up the Strategy and the Plan have annualized costs at about 101 million Euro/year taking into consideration capital investment needs, O & M costs and other cost elements such as depreciation, inflation etc.. Nevertheless, nor the strategy neither the Plan tend to offer an annual tentative need for the sector, nor they provide for an annual cost estimated detailed action plan.

1.1.2 Financing from Local Government Budget

Local government budget is composed of unconditional transfer from the state budget and revenues that they generate from local taxes and fees for public services. In 2016⁴, most of the local budget or about 65.2 % comes from the state budget whereas about 34.8 % is created from their own revenue resources. Referring to the same source, at the end of 2016, municipalities have spent about 48.7 billion ALL or an equivalent of about 360 million Euro, out of which 21% or 75,7 million euro of their budget is spent for funding of public service including cleaning and waste management service, greening, public lightning and similar service.

Local government funding cover mostly operational and maintenance costs for the delivery of waste management service and less for capital investments.

Table 2: Data on local government budget allocated for waste management service (Source MTI)

Municipality	Local Budget for Waste Management (ALL/Year)		
	2014	2015	2016
Berat	97,350,531	113,382,613	159,904,035

⁴ Co-Plan, Status Report on Local Finances, 2017 (www.financatvendore.al)



Municipality	Local Budget for Waste Management (ALL/Year)		
	2014	2015	2016
Diber	73,602,873	74,868,873	74,868,873
Durres	47,742,000	306,326,519	396,241,105
Elbasan	142,366,478	164,137,842	233,677,791
Fier	213,416,300	195,077,900	429,678,054
Gjirokaster	52,235,000	58,942,000	80,527,000
Korce	121,462,152	137,613,642	176,669,138
Kukes	29,636,702	44,282,830	47,197,722
Lezhe	30,585,510	67,918,735	69,343,735
Tirane	1,190,508,787	1,427,448,551	1,935,776,435
Shkoder	137,278,000	160,279,000	195,895,639
Vlore	214,170,964	326,495,000	437,252,000
Country (ALL)	2,350,355,297	3,076,773,505	4,237,031,527
Country (Euro)	17,410,039	22,790,915	31,385,419

The above table indicated annual budget summarised at the region level based on data received from municipalities. Data indicate for an increase of the local budget from about 17.4 million Euro in 2014 to 22,8 million Euro in 2015 and about 31.3 million Euro in 2016, showing for an increase of about 56% in 2016 (after the Territorial and Administrative Reform) as compared with 2014 (before the TAR). Local budget spent for funding of waste management service in 2016 counts for about 40% of the budget allocated to public services that local government units are accounted.

Although the increase is substantial, it is still as low as 56 % as compared to the O & M costs of about 64 million euro/year as calculated and estimated in the Strategy and the Plan. Therefore, it is obvious that further improvement of the quantity and quality of the integrated waste management service to achieve comparable standard and objectives as defined by Strategy and the Plan, would require exploring additional substantial financial resources.

The following table elaborates on the actual cost coverage based on the actual average annual size of the fee charged from municipalities on waste management service delivery.

Table 3: Financing of waste management service from LGU in 2015. (Source MTI, calculations from the author)

	Population	Nr. of Fam ir Qarks – INSTAT 2015	Fam tari in ALL/yea	Budget for WM in 2015 [in ALL/yea]	Annual Fee per family [in ALL/year]	Budgetary under - coverage in %]	Required fe per year [ALL / Fam month]	Requiree fee per year [Eur / Fam / month]
	(as reported b municipalities 2015)							
BERAT	205,694	38,493	1,020	113,382,613	2,946	-65%	245	1,83
DIBER	169,084	29,573	888	74,868,873	2,532	-65%	211	1,57
DURRES	370,059	66,650	1,267	306,326,519	4,596	-72%	383	2,86
ELBASAN	504,849	73,044	771	154,613,842	2,117	-64%	176	1,32
FIER	443,394	82,074	575	195,077,900	2,377	-76%	198	1,48
GJIROKASTER	125,774	21,287	586	58,592,000	2,752	-79%	229	1,71
KORCE	333,893	60,171	1,197	126,724,438	2,106	-43%	176	1,31



	Population	Nr. of Families – INSTAT 2015	Fam tari in ALL/yea	Budget for WM in 2015 [in ALL/yea]	Annual Fee per family [in ALL/year]	Budgetary under - coverage in %]	Required fee per year [ALL / Fam month]	Required fee per year [Eur / Fam / month]
	(as reported by municipalities 2015)							
KUKES	111,292	17,126	650	45,182,830	2,638	-75%	220	1,64
LEZHE	206,957	32,236	1,167	67,918,735	2,107	-45%	176	1,31
TIRANE	973,724	196,218	2,660	1,336,387,427	6,811	-61%	568	4,24
SHKODER	332,624	54,429	1,510	160,279,000	2,945	-49%	245	1,83
VLORE	320,137	50,961	1,063	326,495,000	6,407	-83%	534	3,98
TOTAL (ALL)	4,097,481	722,262	1,113	2,965,849,177	3,361	-73%	280	2,0

As indicated in the above table the average service fee for the country is at the level of about 1,113 ALL/year per household or equal to about 8.2 Euro/household/year. This amount covers at an average level only 73% of the actual costs. In order to cover actual costs and assuming a 100% collection rate, the average service fee that municipalities should charge is estimated at 3,361 ALL/year or 280 ALL/month or the equivalent of about 2.0 Euro/month.

Local government budget is composed of unconditional transfer from state budget and revenues deriving from service fee collection.

Taking the budgetary figures into account for the coverage of costs caused by the WM service (not taken the service rate into account) is compared to current fee structure an under-coverage of operation and maintenance costs are subsidised from other revenues or / and unconditional state transfer.

2 Socio-Economic Assessment

2.1.1 Affordability to Pay

Planning of local solid waste management according to the legal standards and extended over the midterm period as to fulfil the strategic objectives of the National Plan is expected to result in service fees higher than the current levels; even more so considering that fee levels currently and historically applied have not generally been cost-based, while have mostly reflected the ineffective fee collection system and weak economic situation especially of families in rural areas.

Therefore, in planning a local solid waste management of higher quality standards, a socio-economic assessment of the two selected regions, namely Kukës and Gjirokastrë, has been considered.

The affordability to pay for the solid waste management service is defined as an affordable percentage of annual household income. The range from 0.7 % to 2.5 % of annual household income has been evaluated from the World Bank as affordability standard.

The basic annual household income of the two selected regions of Kukës and Gjirokastrë are estimated from INSTAT, Household Budget Survey of 2006-2007, distinguishing between urban and rural areas; the estimated values for the last three years have been obtained applying on this basic statistic the yearly change of CPI from April 2008 until April 2017. The following table presents the results for the two districts:

Table 4: Average annual household income, Region of Kukës



Year	Kukes Annual household income ALL	
	Rural Area	Urban Area
Apr-17	318,830	438,138
Apr-16	312,885	429,969
Apr-15	311,949	428,682
Average ALL	314,555	432,263

Table 5: Average annual household income, Region of Gjirokaster

Year	Gjirokaster Annual household income ALL	
	Rural Area	Urban Area
Apr-17	612,765	819,649
Apr-16	601,340	804,366
Apr-15	599,541	801,961
Average ALL	604,549	808,659

The affordability to pay is estimated from the average annual household income of the last three years, as is presented in the following table for the two regions:

Table 6: Estimated affordable level of local fee for SWM service, Region of Kukes

Affordability level % of household income	Kukes Rural Area	Kukes Urban Area
0.7%	2,202	3,026
1.0%	3,146	4,323
1.5%	4,718	6,484
2.5%	7,864	10,807

Table 7: Estimated affordable level of local fee for SWM service, Region of Gjirokaster

Affordability level % of household income	Gjirokaster Rural Area	Gjirokaster Urban Area
0.7%	4,232	5,661
1.0%	6,045	8,087
1.5%	9,068	12,130
2.5%	15,114	20,216

Considering the current level of service fees across municipalities in the country, the standard of **1 till 1.5 %** of household income should be the threshold affordable level of tariff for the local solid waste management service for families. For the region of Kukes, this is estimated at 3,146 ALL/year for rural areas and 4,323 ALL/year for urban areas or the average of 3,734 ALL/year equal the equivalent of about 27.6 Euro/year. In average terms, for the region of Kukes this amount stands as for as **5,7 times higher** than the current service fee.

For the region of Gjirokaster, this is estimated at 6,045 ALL/year for rural areas, and 8,087 ALL/year for urban areas or the average of 7,066 ALL/year equal the equivalent of about 52,3 Euro/year. In average terms, for the region of Gjirokaster this amount stands as for as **12 times higher** than the current service fee.



2.2 The poverty level

The poverty level of the two districts is expected to be a limiting factor for the affordability of families to pay. From INSTAT, Living Standard Measurement Survey 2012, in the district of Kukes 22.5 % of the population lives below the poverty line⁵ and in the district of Gjirokaster this figure counts for 10.6 % of the population. This part of the population is generally exempted from local taxes and tariffs. Its level is considerable, especially in Kukes.

Due to the principle of cost recovery, this is expected to increase the burden of the part of the population, which lives above the poverty line and who is subject of payment. Likewise, the burden of families who regularly pay the tariff is expected to increase due to families who, based on historical data, do not regularly pay a tariff for the local solid waste management service; this group is indeed systematically present across municipalities, at a variable percentage.

2.3 Vulnerable groups

Families which main source of household income is social assistance or other benefits⁶ constitute a vulnerable part of the population, which is also expected to be a limiting factor for the affordability to pay of families in the two districts. Based on INSTAT, in the district of Kukes social assistance or other benefits are the main sources of income for 46.7 % of all families; in the district of Gjirokaster for 8.92 % of all families. The factor is limiting significantly in the case of Kukës.

Families which main source of income is pensions⁷ constitute 28.5 % of all families in the district of Kukes and 39.3 % in the district of Gjirokaster; while their level of affordability is not expected to be high, this level is correlated with the continuously positive emigration trend in the country, which is mostly present among working age groups⁸.

⁵ Definition according to INSTAT

⁶ Definition according to INSTAT

⁷ Definition according to INSTAT

⁸ INSTAT 2014, Migration in Albania





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