

ON THE DIGITALIZATION OF LOCAL PUBLIC SERVICES FOR BUSINESS

INVESTMENT COUNCIL MEETING

Tirana, July 2025

CONTENT



OBJECT AND
METHODOLOGY

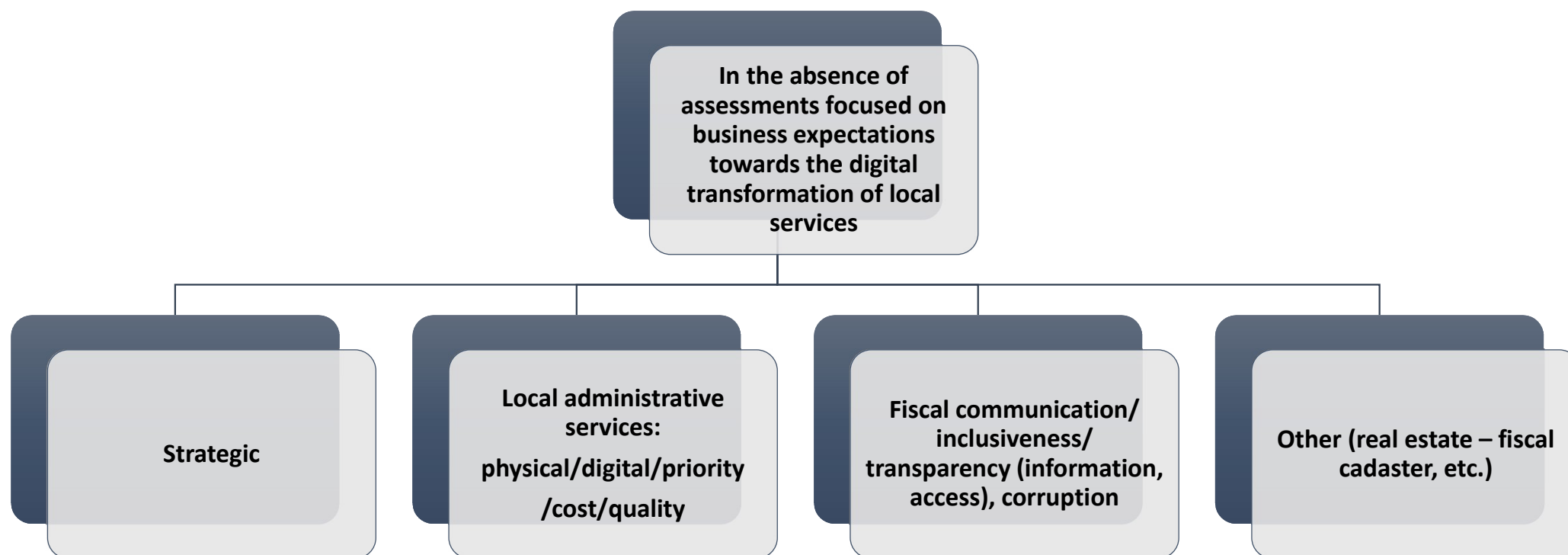
MAIN FINDINGS

RECOMMENDATIONS

WHAT IS THE CONCERN?

The digital transformation of administrative services remains complex. At the local level, the national panorama appears fragmented (*asymmetrical/limited capacities in human resources, technology, infrastructure and institutions*). The government has undertaken serious commitments, with interventions at the national and regional levels. To maximize the potential/trust that digitalization carries, the contribution/engagement of actors also plays an essential role, where an important actor is the private sector.

What are the challenges so far and what are the business expectations?



METHODOLOGY

Desk Research

- National and international reports, laws/sub-legal acts
- Analysis of official data from secondary sources
- Synthesis of findings and recommendations to date
- The Secretariat's work to date on issues in local government
- Analysis of issues from individual businesses and business associations filed with the Secretariat during the period 2015-2024

Consultations

- Direct consultations at the local level with representatives of the municipalities of Elbasan, Korça, Kolonja, Durrës, Lushnja and Tirana
- Consultations at the technical level (focus groups) with representatives of businesses in Korça and Durrës
- Focus group with experts and business associations (Tirana, April 14, 2025) with the participation of the Tirana Chamber of Commerce and Industry, the Builders Association, the Real Estate Association and other interested associations/actors.

Questionnaire

- Structured Questionnaire (submitted online)
- Focus – Analyzing business challenges hindering the digital transformation of local services
- 163 anonymous responses

ISSUES REFERRED BY BUSINESS

– IC DATABASE, 2015-2024

- ✓ ***Small business taxes*** - High, disproportionate and imposed on commercial units according to secondary addresses and not only once in the name of the entity.
- ✓ ***The blocking of bank accounts by the tax administration*** is uncoordinated with second-tier banks and penalizes them and their clients (taxpayers). The blocking of the administrator's personal bank accounts as a means of coercion for the settlement of obligations by the company is an abusive practice.
- ✓ ***The temporary tax on educational infrastructure*** has now become permanent. It is not based on the spirit of the new legislation on local self-government finances.
- ✓ ***Outdated and unpublished Decisions of Municipal Council.***
- ✓ ***Interaction through e-Albania is problematic.***
- ✓ ***The level of taxes/tariffs and the return on quality services to business are in inverse proportion.***
- ✓ ***The social housing tax is unfair*** - The Municipality illegally issues bylaws with the VKB at a time when these acts should be issued by the Government.
- ✓ ***There is a lack of transparency*** on the use of revenues collected from the infrastructure impact tax from new construction.
- ✓ ***Lack of cooperation with the Shkodra DRT on business formalization.***
- ✓ ***Local taxes and fees for entities in the field of agribusiness are not appropriate.***

CONTEXT - POLICY VISION

Cross-Sectoral Strategy for Decentralization and Local Governance 2023 –2030

GOAL

Expanding digital governance at the local level to deliver government services and programs in a more efficient, transparent and cost-effective manner.

OBJECTIVES:

Objective 1: Informing decision-making and defining a clear roadmap for all levels and stakeholders involved in the Digital Transformation of Local Government.

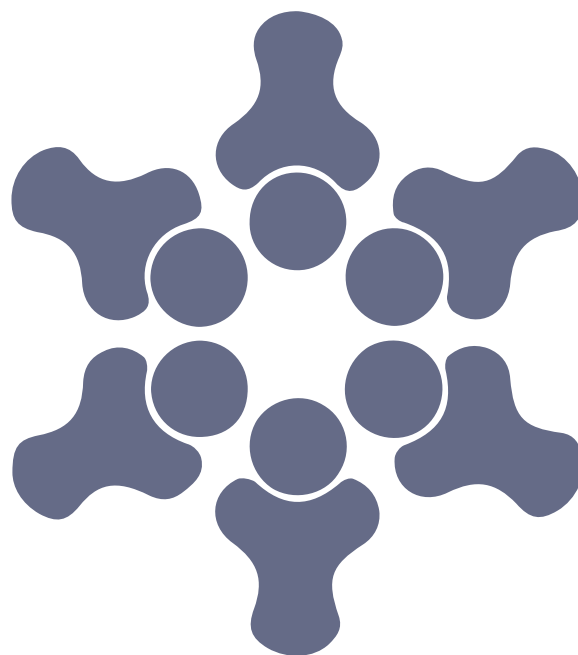
Objective 2: Digitalizing the provision of local services and integrating them into the e-Albania portal.

MEASURES:

1. Implementation of electronic services on the e-Albania platform. 2. Implementation of the application handling and management system. 3. Creation of an electronic system of electronic records and documents. 4. Implementation of the e-inspection system. 5. Implementation of the e-fines system for the Municipal Police. 6. Establishment of an online system of local taxes and fees. 7. Establishment of a financial system for accounting and warehouse management. 8. Development of unified official websites for each municipality. 9. Implementation of a system for managing public works. 10. Establishment of a system of electronic acts of the Municipal Council and their publication. 11. Establishment of a centralized hardware infrastructure for local government ICT systems. 12. Coordination with LGUs and support for the most efficient provision of local services in electronic form based on standard operating procedures, service provision guidelines, etc.

The Digital Readiness Assessment of Municipalities and Public Services in Albania has been completed

A performance grant based on Indicators has been approved – Budget Law 2025



2. FINDINGS

2.1 FINDINGS - LIMITED STRATEGIC COMMITMENT

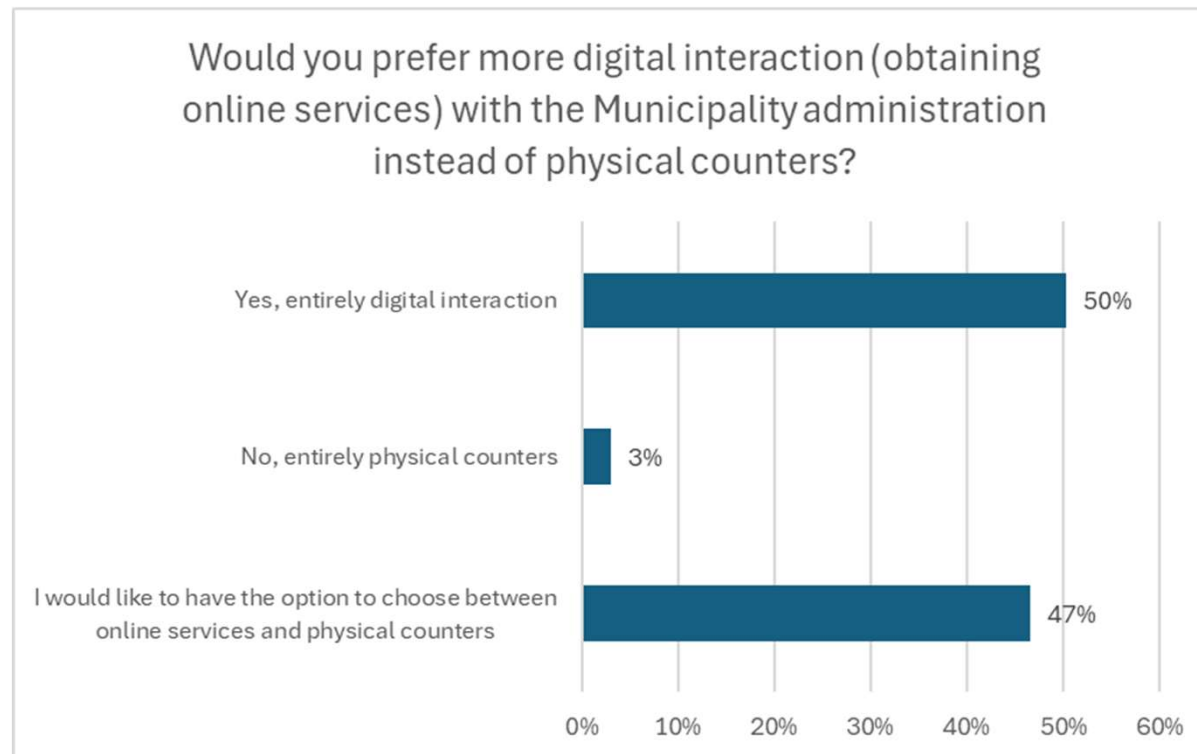
Strategic plans do not sufficiently acknowledge the private sector as a key stakeholder in local development

No performance indicators exist for business services, despite their impact on local revenue and development



2.2a FINDINGS - DIGITAL OR PHYSICAL INTERACTION?

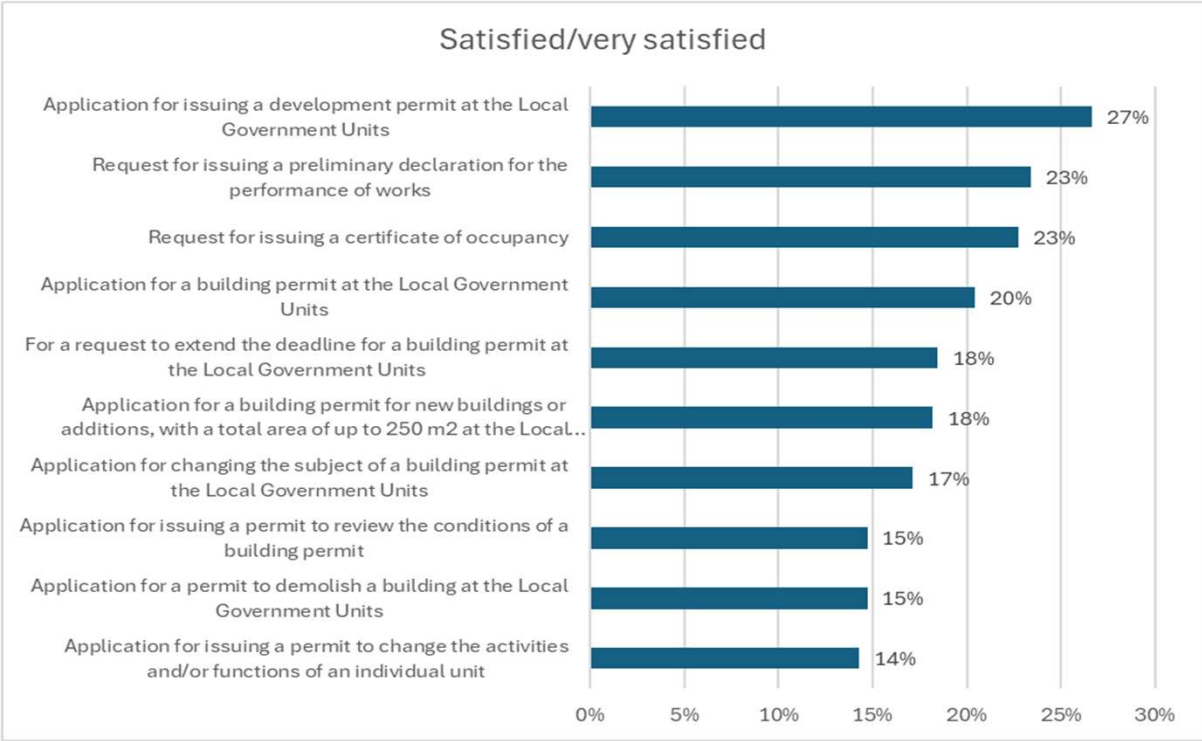
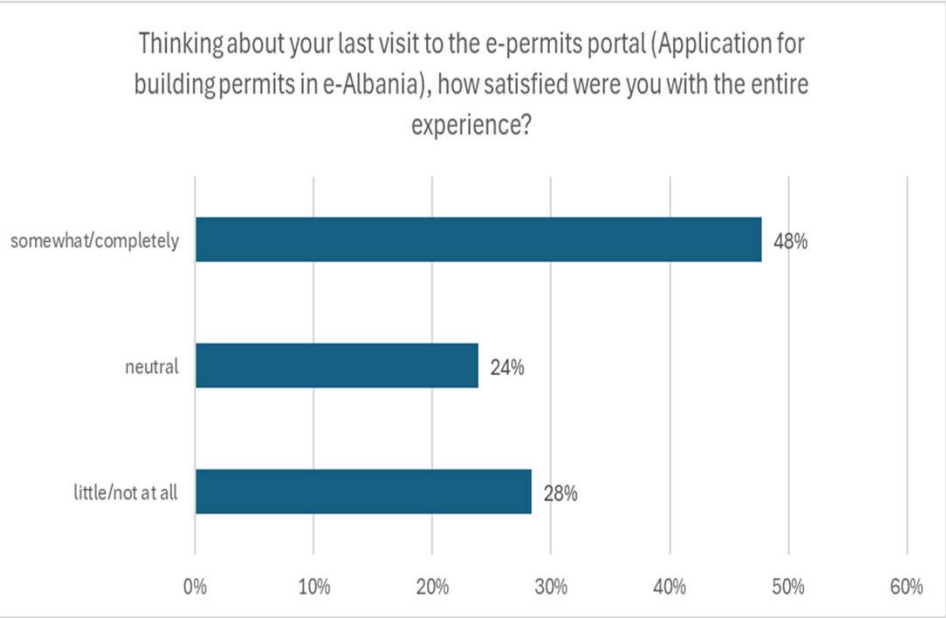
Digitalization is a facilitating tool, yet businesses are skeptical of its benefits due to weak institutional support and local administrative capacity



EXAMPLE 1 - E-PERMITS PLATFORM

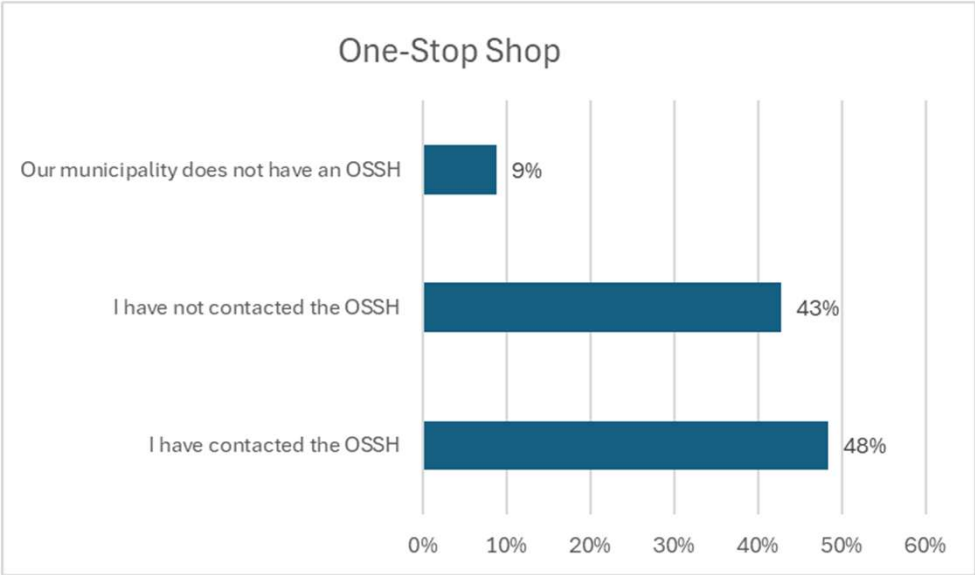
Among businesses that have used the service, 48% reported a somewhat positive experience, primarily due to perceived time savings in accessing the service.

Municipalities face issues such as system failures, poor maintenance, and unclear division of responsibilities.



EXAMPLE 2 – ONE STOP SHOPS

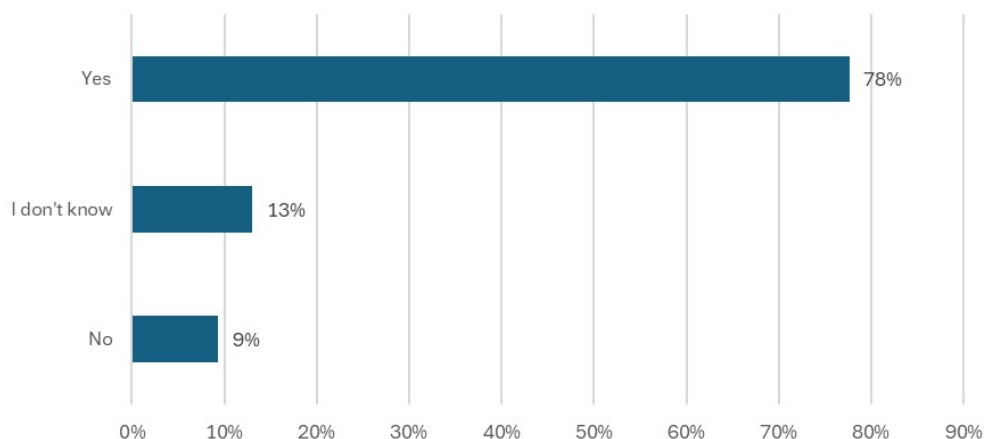
Implemented in around 52 municipalities, one-stop shops are seen as moderately successful. They are especially appreciated by both businesses and local administrations for simplifying procedures related to 'Request/Complaint' services.



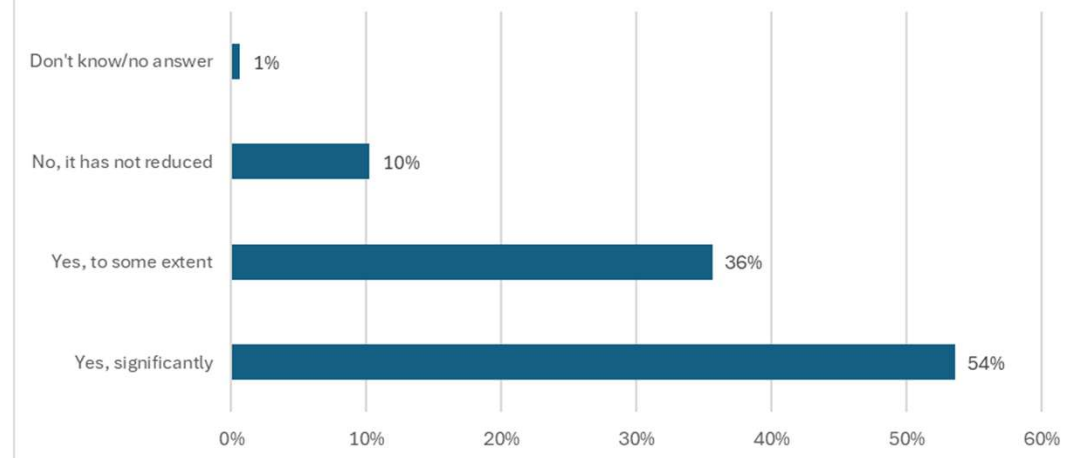
2.2b FINDINGS - DIGITALIZATION AND ADMINISTRATIVE BURDEN

Positive business expectations toward the digitalization of local services are largely driven by its potential to reduce administrative burdens through lower costs, time savings, and decreased bureaucracy.

In your opinion, receiving local public administrative services electronically (digitalized) will help reduce the administrative burden for your company (time spent, financial costs, etc.) to obtain services.

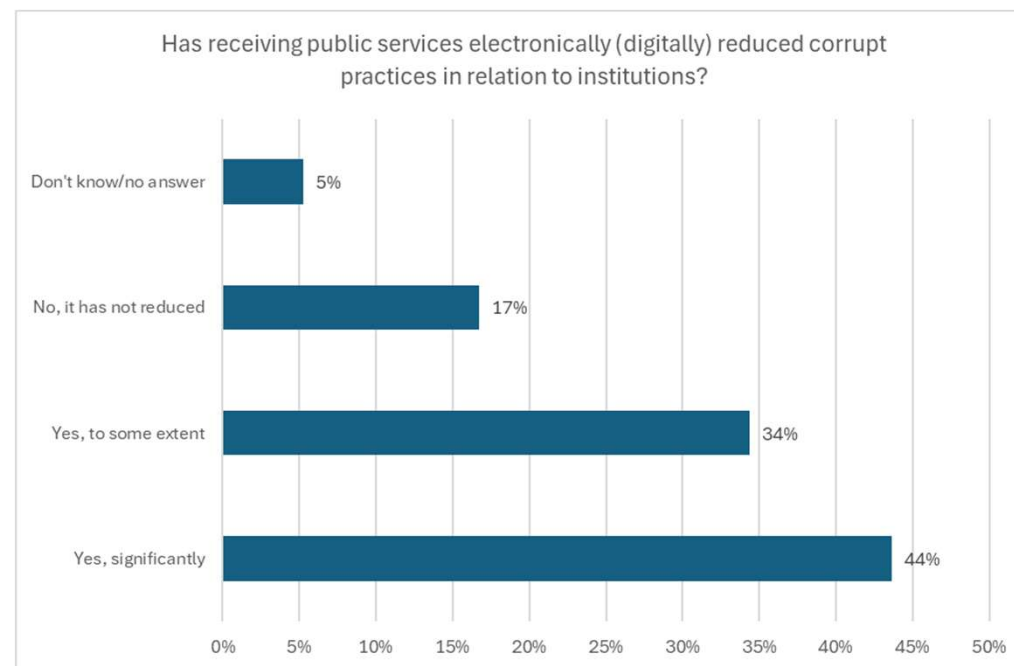
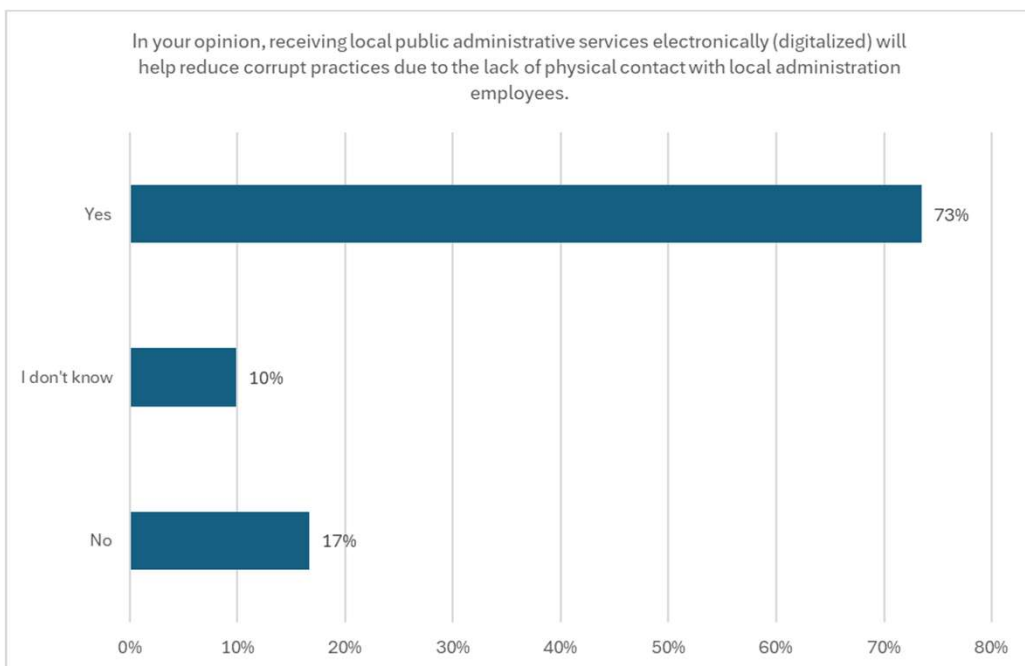


Has receiving public administrative services electronically reduced the administrative burden for your company?



2.2c FINDINGS - DIGITALIZATION AND CORRUPTION

Less physical contact with administration is seen as a factor in reducing corruption.



2.2d FINDINGS - ACCESS TO LOCAL DIGITALIZATION

FRAGMENTED

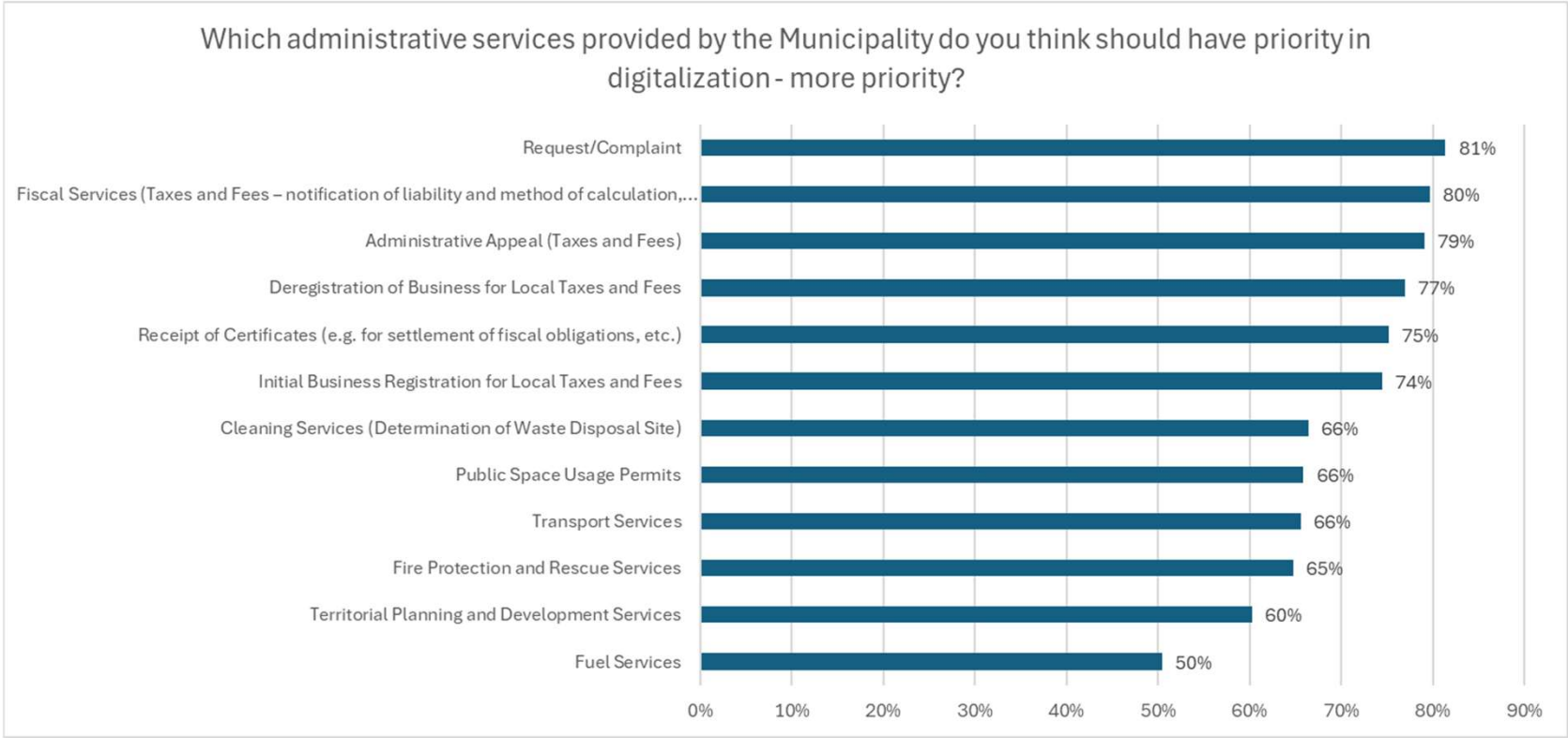
At the national level, the provision of digitalized services by local government units remains **uneven** and, in some areas, quite limited.

Some municipalities, supported either through their own budgets or by development partners, **have invested in platforms and digitized internal workflows**, primarily for fiscal services offered to businesses and citizens."

Tirana Municipality offers two online services to businesses: **notification and collection of mandates for fiscal obligations, and certification of payment for all local fiscal duties**. These services are accessible through the municipality's platform as well as the e-Albania platform

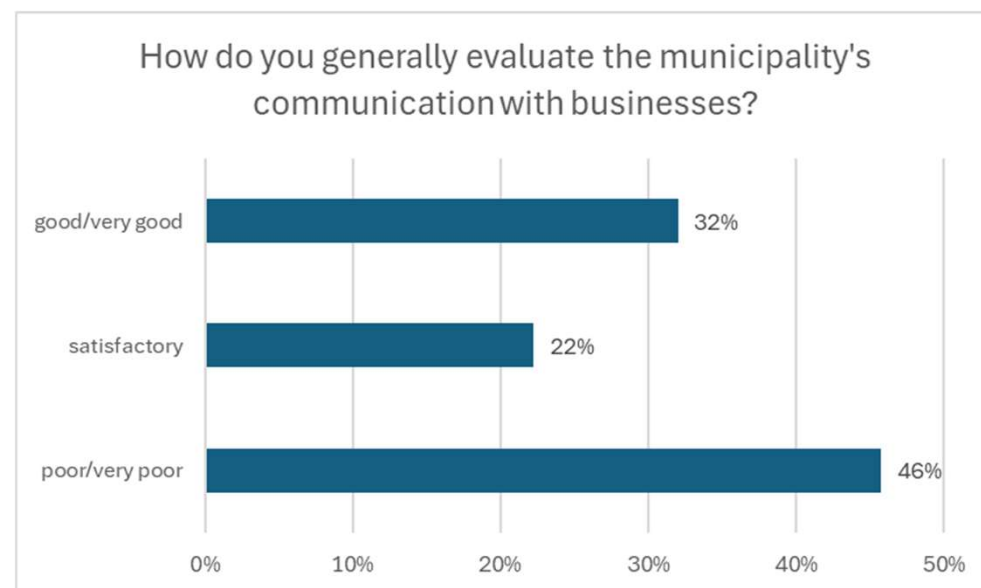
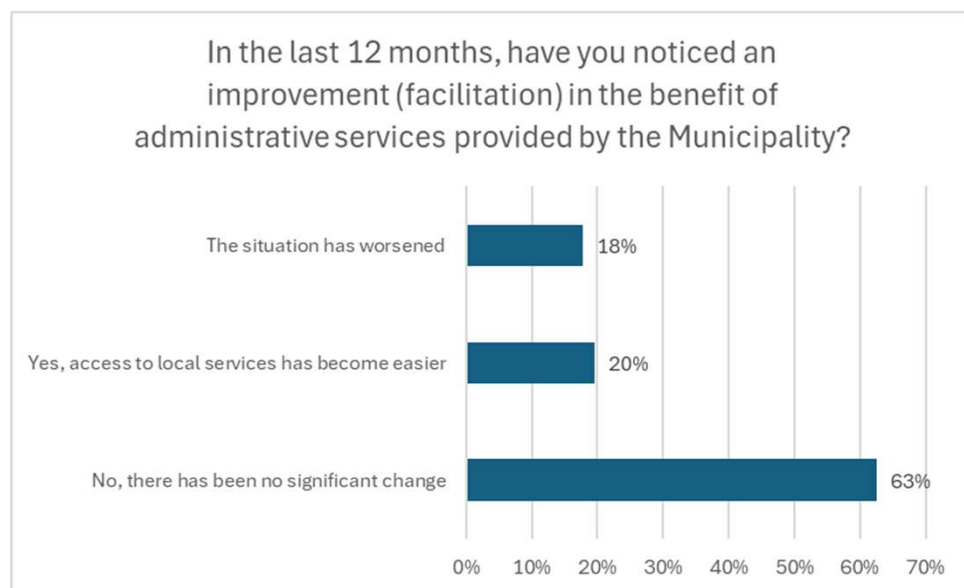
2.3a FINDINGS - PRIORITIZATION IN DIGITALIZATION

Priority - Handling requests and complaints, fiscal services such as notification, calculation of obligations and payment, as well as the administrative appeal process.



2.3b FINDINGS - COMMUNICATION AND QUALITY OF LOCAL SERVICES

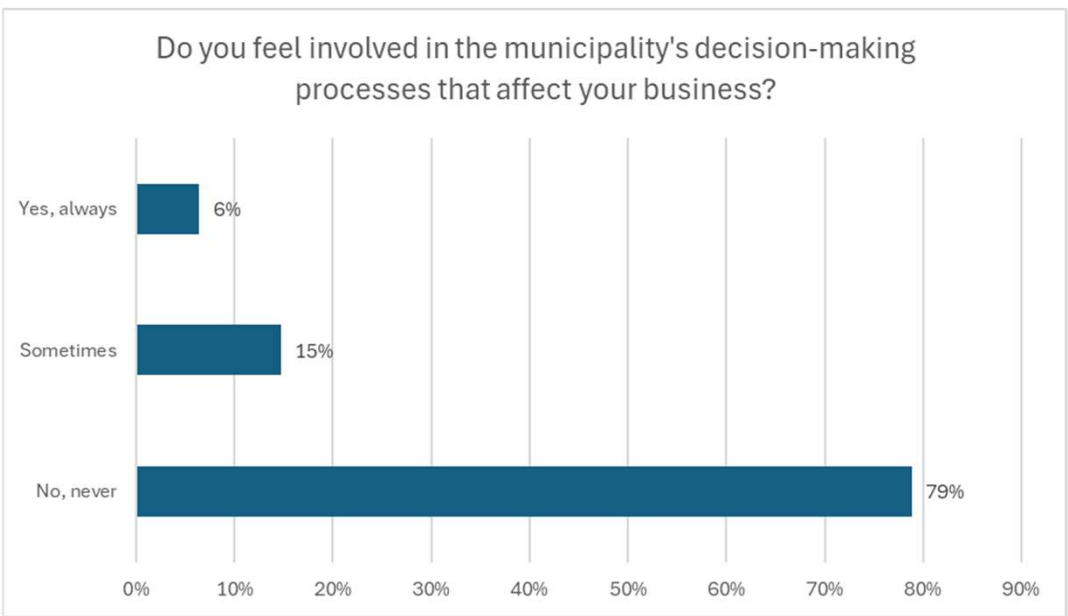
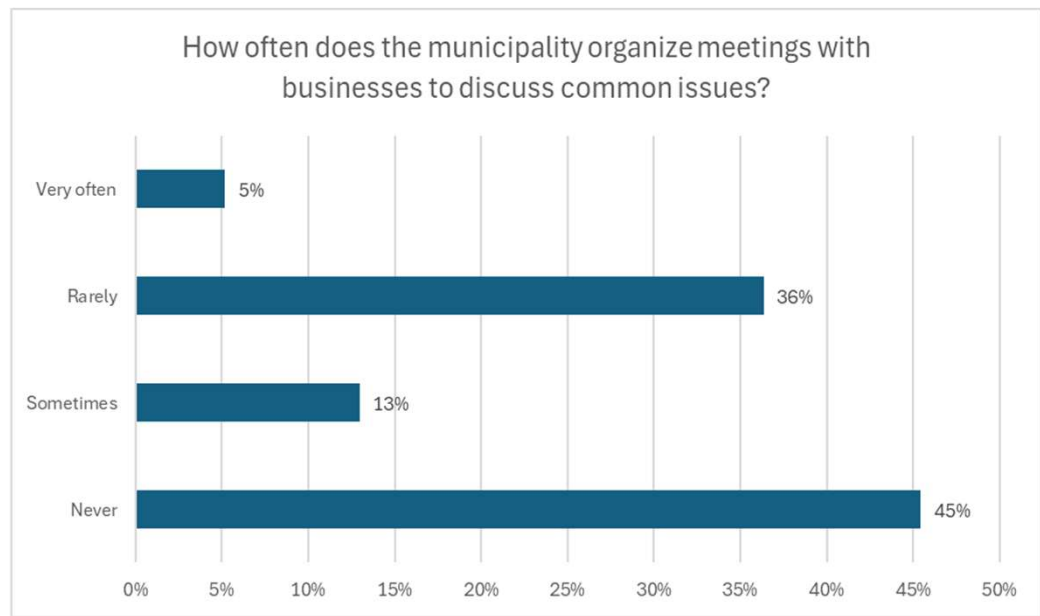
Only 20% of businesses have noticed an improvement in accessing local services over the past 12 months, while 46% continue to find communication from Local Government Units unsatisfactory.



2.3c FINDINGS - INVOLVEMENT IN DECISION-MAKING

Although municipalities hold public consultations (e.g., on fiscal packages), **businesses do not feel sufficiently involved** in decision-making processes that directly impact their operations.

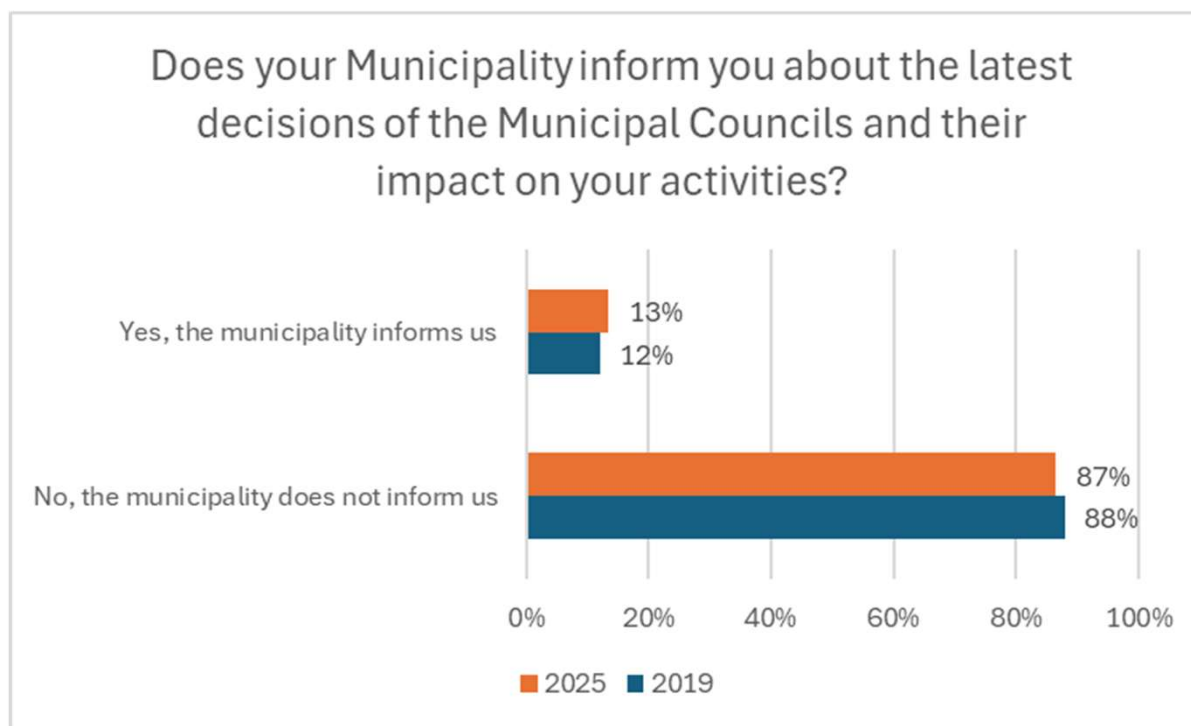
Meanwhile, on-site consultations with several municipalities have revealed issues such as the **lack of organized business groups or chambers** that could effectively represent their collective interests.



2.3d FINDING - INFORMATION

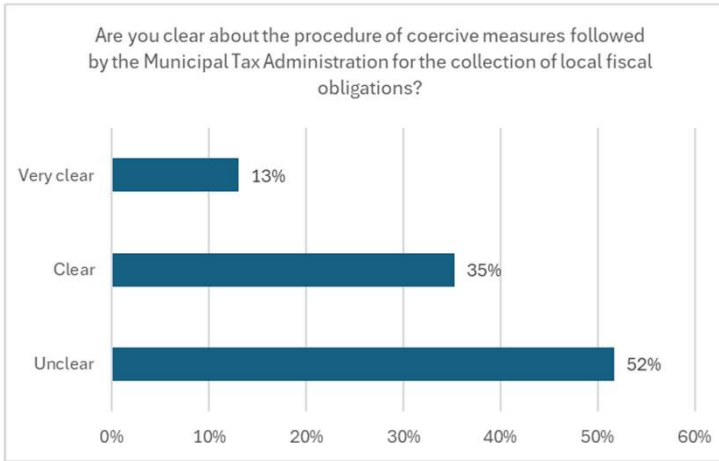
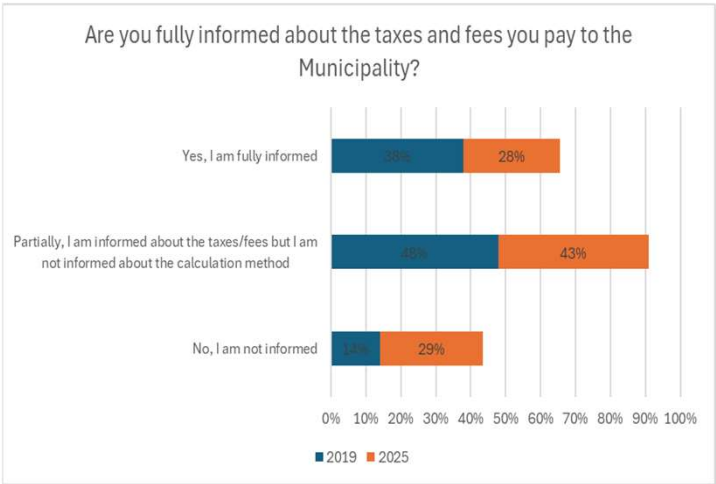
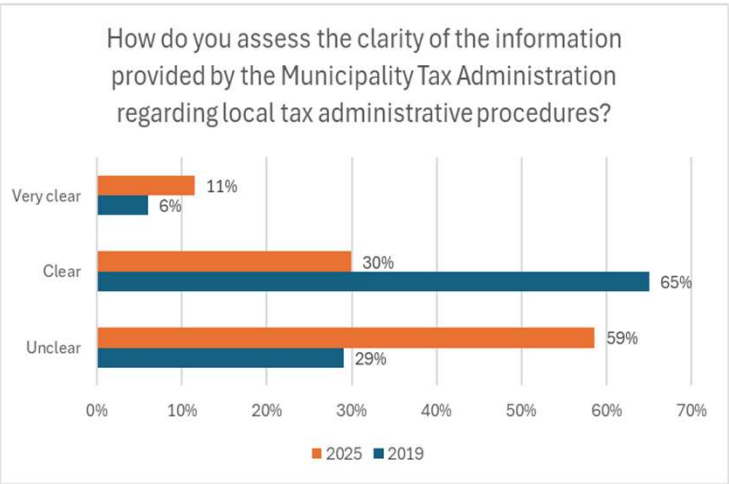
Insufficient communication regarding the latest municipal council decisions affecting daily business operations is highlighted as a significant challenge

Compared to business perceptions in 2019, this issue remains persistent at similar levels



2.3e FINDINGS - LOCAL FISCAL TRANSPARENCY

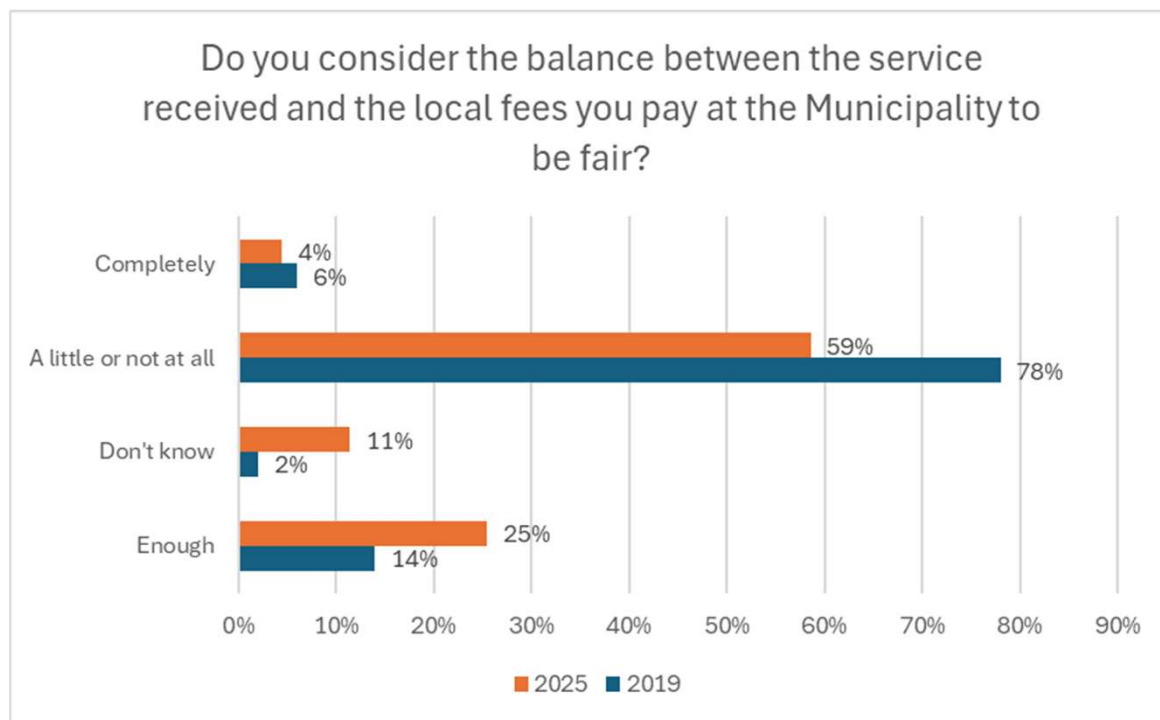
Businesses perceive a lack of information and clarity, especially limited access to details and transparency concerning taxes, fees, administrative procedures, and enforcement measures implemented by municipalities. This further complicates their ability to comply with local regulations and obligations



2.4 FINDINGS - BUSINESS (2019-2025) ON COST/QUALITY RATIO

Three in five companies feel the payments they make do not fairly reflect the quality of services received

Perceptions have significantly improved since 2019.



2.4a FINDINGS - REAL ESTATE

The central government's failure to consult local governments on laws and DCMs that impact local self-government units often leads to problems, resulting in deadlocks between municipalities and businesses. An example is the mid-2023 fiscal year change in the reference price for real estate, which caused fines and tensions.

Failure to engage relevant interest groups in the formulation of fiscal policies concerning real estate transactions.

During consultations with various municipalities, **it became clear that they are adopting a rational approach to registering their properties**, prioritizing those with potential to generate income. However, despite a public commitment made in 2020 to register all state-owned properties, a significant portion of municipal assets remains unregistered.

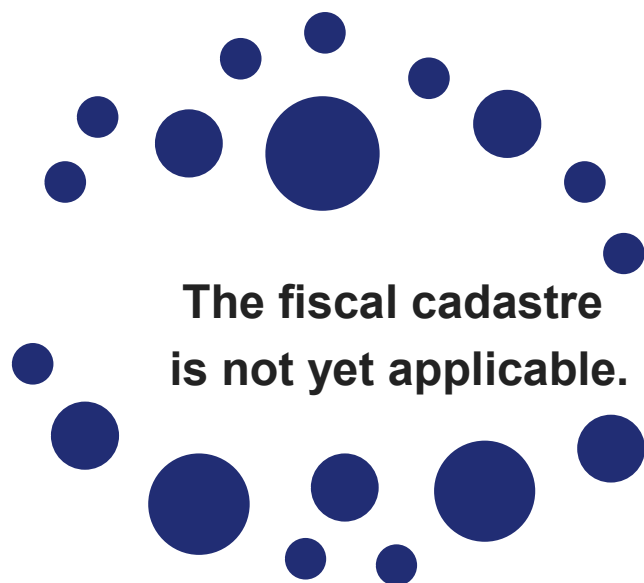
2.4b FINDINGS - OTHER

Since 2019, the Local Tax Directorates' procedure for blocking bank accounts—an issue referred to the Secretariat—**has become more standardized**. Nonetheless, persistent bureaucratic delays in unblocking orders cause operational challenges for businesses. While businesses report turnover mandatorily and in real time via the fiscalization system, comparable efficiency has not been achieved within public institutions."

The lack of institutional coordination with regional tax directorates was highlighted by municipalities as one of the main reasons that creates challenges regarding the timely calculations of local taxes and fees and more.

Analysis of municipal performance indicators indicates that **the role of local governments in fostering economic development remains minimal**. This aspect, identified by IC in 2020, is still regarded as the least effectively executed function among local self-government units.

2.4c FISCAL CADASTRE - PROGRESS AND CURRENT STATUS



**The fiscal cadastre
is not yet applicable.**

Currently, municipalities continue to apply the new building taxation methodology using locally available data, as the Fiscal Cadastre system remains under approval

According to the GDTP, the problems encountered during the use of the Fiscal Cadastre Information System are related to:

The low population of the Central Data Registry. As a result, in the short term, it is considered necessary to intervene with auxiliary measures, including the import of municipal registers, as a preparatory step towards the creation of a proper database for the administration of the real estate tax.

Delays in the inter-institutional integration of systems - the incomplete integration of the system with the databases of partner institutions. Specifically, the exchange of data is still not complete between AKSHI – ASHK – DPGJC.



3. RECOMMENDATIONS

3.1 RECOMMENDATIONS - VISION AND LEADERSHIP

Recommendation 1. Local Government governing bodies, beyond sustained political commitment and leadership of digitalization reforms, should draft:

- (a) clear objectives and measurable performance indicators that reflect the needs of all stakeholders, including businesses. The quality of digital services to businesses must be prioritized within strategic, budgetary, and operational planning.
- (b) service performance indicators should be regularly monitored and reported, ensuring accountability and continuous improvement in delivering efficient, business-friendly local administration.

3.2 RECOMMENDATIONS - CAREFUL APPROACH AND PRIORITIZATION

Recommendation 2. A gradual and well-coordinated transition from physical service delivery to digital systems—anchored within municipalities through dedicated task forces involving cross-departmental representatives—can help build trust and manage expectations around the quality of digital services. This transformation should be supported by clear budgetary allocations and continuous staff upskilling.

- The private sector recommends complementing digitalization with dedicated physical service desks for small businesses, integrated with national digital systems, to provide guidance and resolve issues related to licenses, construction permits, tax consultations, and other administrative processes—thus reducing delays. As an initial step, priority should be given to enabling online access to key services such as information requests, tax filings, business registrations, fee payments, complaints, and certificates, with seamless integration into the e-Albania platform.

3.3 RECOMMENDATIONS - INSTITUTIONALIZATION OF PUBLIC INVESTMENT COORDINATION AND DATA EXCHANGE

Recommendation 3. Local public investments in infrastructure and digital systems should be strategically aligned with national platforms and initiatives to ensure secure, reliable, and sustainable institutional coordination, particularly in data exchange between the central tax administration and municipalities.

- (a) An efficient and secure mechanism should be established for real-time data exchange between the General Directorate of Taxes (GDT) and municipalities. This would allow local authorities to verify business turnover, avoid double taxation, and ensure timely and accurate tax notifications. Controlled access for municipal employees to national tax databases could significantly improve service delivery and revenue collection. (b) Automated inter-institutional notifications and alert systems would help prevent delays and reduce administrative disputes. To further enhance transparency and engagement, businesses should also receive automatic updates (e.g., via email or SMS) regarding proposed municipal council decisions that may affect them.

3.4 RECOMMENDATIONS - REGULATORY FRAMEWORK

Recommendation 4. Local government should ensure that the digitalization process is guided by a regulatory framework that upholds key ethical and legal principles.

- including the protection of personal and private data, environmental safeguards, and cybersecurity standards.

3.5 RECOMMENDATIONS - IMPROVEMENT/ HARMONIZATION OF THE LOCAL LEGAL FRAMEWORK AND INCLUSION

ESSENTIAL FOR THE IMPROVED IMPLEMENTATION OF LOCAL FISCAL POLICIES

Recommendation 5. To ensure equitable access and shared benefits from local development initiatives, stronger collaboration between local governments and the private sector—particularly small businesses, is essential. This collaboration should be rooted in knowledge-sharing, continuous training, and inclusive dialogue, with a particular focus on digitalization and fiscal policy reforms.

- Early and structured engagement with institutions is vital to ensure that business perspectives are reflected from the outset in the drafting and revision of legislation related to local taxation

3.6 RECOMMENDATIONS - STRENGTHENING SUPPORT MECHANISMS FOR DIGITAL BUSINESS TRANSFORMATION

Recommendation 6. It is essential that chambers of commerce and business associations play an active role in facilitating the digital transition. In partnership with local authorities, they should jointly invest in capacity-building efforts for local stakeholders. These efforts should aim to strengthen participation in the design and implementation of local reforms—especially those targeting simplification of tax obligations and reduction of bureaucratic barriers.

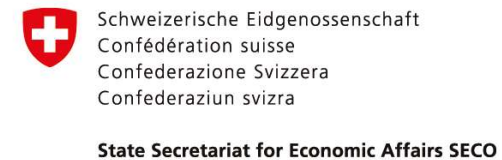
- Advocacy initiatives should be grounded in data-driven analysis and supported by case studies that illustrate the adverse effects of complex or poorly implemented procedures on enterprise development. Moreover, they should engage in offering targeted training programs, advisory services, and thematic seminars (including IA) focused on strengthening digital competencies, data analysis, innovation, and entrepreneurship. Special attention should be given to promoting the effective use of national digital platforms such as e-Albania, thereby improving access to public services and fostering a more competitive and modern business environment.

3.7 RECOMMENDATIONS - REAL ESTATE VALUATION

Recommendation 7. Development and Implementation of a Sustainable and Transparent Methodology for Real Estate Valuation through a broad consultative process with stakeholder groups. It is recommended that a sustainable and standardised methodology for market valuation and reference pricing be developed in close cooperation with the business community and professional organisations.

- This methodology should include (i) the delineation of fiscal cadastral zones and sub-zones, (ii) the definition of criteria for assessing real market values, and (iii) a new value map that is public, evidence-based, and regularly updated.

THANK YOU!



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