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**LOCAL GOVERNANCE
PROGRAM IN ALBANIA**

SUCCESS STORY

The First Commercial Loan Signed in Albanian Local Government

The ability of local governments to borrow the necessary funds for investment projects will allow municipalities to provide better services to the population and to effectively promote local economic growth.



The Director of BKT Mr. Pekhan Isipek and Mayor of Fushe-Kruje Municipality Mr. Ismet Mavriqi signing the first commercial loan to a local government unit in Albania.

USAID's four-year \$7.3 million Local Governance Program in Albania (LGPA) improves governance in select municipalities and builds public-private partnerships to create a "business friendly" environment in which the local private sector can flourish. USAID activities seek to increase investment, create jobs, raise incomes, and ultimately, expand municipalities' tax revenues.

On June 4, 2009, Fushë-Krujë Municipality became the first Albanian local government to obtain a commercial loan. The loan, in the amount of 100 million Lek (approximately US\$1 million), will be used to complete the Northern Ring Road around the city, identified by the community as an essential investment project necessary to promote economic growth in the city and to improve safety (an estimated 500 heavy trucks circulate through the city per hour). The new road will divert both inter-city traffic and, more importantly, large, heavy goods vehicles around the city center.

The strong economic development of the municipality highlights the need to construct this road. Several existing factories (including a cement factory, a brick factory, and lime sites) use the existing road through the city center, causing congestion, safety hazards, and pollution. Bob Solomon, the Director of Corporate Development at the Fushë-Krujë Cement Factory, highlighted the importance of the road to businesses when he stated, "The construction of the Northern Ring Road will greatly improve our operations. When the road is completed, it will reduce operating costs for us and our partners and increase our efficiency."

The Northern Ring Road is a total of 2.8 km and consists of two segments: the existing national road (1.2 km) and the existing rural road (1.6 km). The first segment of the road is the responsibility of the central government which is improving this section. The second segment, unpaved and only 5-5.5 meters wide, is the responsibility of the Fushë-Krujë Municipality.

The municipal government, with the technical assistance of USAID's Local Governance Program in Albania (LGPA), prepared a medium-term Local Economic Growth Plan for the municipality using a participatory process. The top priority identified in this action plan was the construction of the Northern Ring Road. In order to implement this project, LGPA assisted the municipality to apply for and negotiate a loan with the National Commercial Bank (BKT). The loan was further supported by USAID's Development Credit Authority, which provides support to the banking sector through loan guarantees to encourage lending to municipalities.

The total cost of the project is estimated at 127 million Lek. In addition to the loan, the municipality will use 27 million Lek from its budget.

"The loan to Fushë-Krujë," said Mr. Pekhan Isipek, Director of BKT "was granted because it is a great project and one that is based on sound economic analysis and promotes economic growth in the city. We are confident that the municipality is a good partner and is in an excellent position to repay the loan. BKT is pleased to be a partner in the first municipal loan in Albania."