

# Reimbursement policies for low-income families due to electricity price increases

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# Subsidy scheme

- Number of benefiting families;
- Amount of the energy to be subsidized;
- Amount of subsidy;
- Subsidy mechanism.

# Points to clarify

- Social program benefits for the families and individuals with low income;
- Identification of benefiting categories;
- Need for protection of families from increases in electricity prices;
- New mechanism for the compensation of price increases.

# Applied programs

- 120,000 low-income families in cities and villages, or 17 percent of the total number of the Albanian families, receive economic assistance amounting to 4 billion leks in total.
- 60,000 disabled persons (the blind, the paraplegic and the tetraplegic), and 33,000 persons that have become incapacitated or are handicapped due to injuries received at work are also supported. Their disbursement amounts to 6.5 billion leks in total.
- Department of Social Services also offers public services amounting to 400 million leks in 26 institutions, benefiting total of 1,200 recipients.
- All categories benefit 110 million U.S. dollars.

# Benefits by status

Besides the pension benefits, 33,000 persons with work-related injuries benefit from the following:

- Additions to disability pension, 2,000-3,000 leks/month;
- Reimbursement for medicine, fuel, and electricity;
- They are exempt from the direct customs duties on vehicles;
- Free use of the public transportation system.

# Benefits by status - continued

12,000 blind persons benefit from the following:

- Financial help of 68,000 leks/month in addition to the economic assistance for the affected family;
- Secondary school and college students receive 200-300 percent of the blindness payment;
- They are exempt from the payment of the direct taxes;
- Free use of the public transportation system;
- Reduced telephone and electricity rates.

# Benefits by status - continued

600 paraplegics and tetraplegics and 600 caretakers benefit from the following:

- Financial help of 68,000 leks/month.
- Free medical treatment for sicknesses resulting from their trauma;
- Reimbursement for medicine and fuel, and exemption from direct taxes and customs duties on vehicles;
- Free use of the public transportation system;
- Reduced telephone and electricity rates.

# Criteria for identifying the benefit categories

- A family is considered to be a unit which receives offers of service of sale of electricity and social assistance.
- A family should receive only one reimbursement despite the fact that it has disabled persons in its composition or that it benefits from other forms of economic assistance;
- Subsidies are also extended to:
  - Lonely retired pensioners or those who take care of other retired people (care givers);
  - Persons that have become handicapped due to injuries received at work;
  - Families that have disabled, blind, paraplegic or tetraplegic members.

# No to cross-subsidies

- Category assessment:
  - Families receiving economic assistance;
  - Retired persons;
  - Handicapped persons;
  - Disabled persons.

# Study extension

A study was extended in low-elevation and mountainous areas, as well as in urban and rural areas:

- Municipalities: Kamez, Laç, Shkoder, Fier, Elbasan.
- Communes: Vaqar, Kthelle, Rrethinat, Dermenas, Hotolisht.

16,646 families receiving economic assistance were examined

947 families (or 6% of the total) were observed

- 53% of the families lived in cities
- 47% of the families lived in villages

# Results of the observation

Families receiving economic assistance in cities have:

- 1.7 times more retired persons than those living in communes;
- 2.6 times more work handicapped persons than those residing in communes;
- 3 times more paraplegics and tetraplegics than families living in communes;
- There are no differences between the number of other disabled persons living in cities and those living in communes.

# Number of families to be compensated

- 96,000 out of 120,000 families receiving economic assistance;
- 27,000 out of 560,000 families with the retired persons;
- 27,000 out of 33,000 work-handicapped persons;
- 37,000 out of 60,000 disabled persons.
- 182,000 families compensated in total.

# Why compensating those in need?

- For families receiving complete economic assistance, 9.6 percent of the compensation income is directly attributed to economic assistance;
- For families receiving partial economic assistance, 12.5 percent of the compensation income is directly attributed to economic assistance;
- For the handicapped persons, 6.2 (partially handicapped) – 8.3 (fully handicapped) percent of the compensation is directly attributed to economic assistance;
- For the disabled persons, 1.2 percent of the compensation income is directly attributed to the disability payment;
- For the retirees living alone, 3.5 percent of the compensation is related to their retirement pension.

# Amount of subsidized energy should be differentiated

- The water heating should not be exempt from subsidies. This implies that:
  - 218 from 300 kWh envisaged in the strategy, including water heating, will be subsidized in urban areas.
  - 160 from 230 kWh envisaged in the strategy, including water heating, will be subsidized in rural areas;
- This will promote electricity bill payments.

# Subsidy amounts and the timeline

- Increase in electricity price should be reimbursed every year until the cost and the price reach the equilibrium.
- Amount of subsidized kWhs will be constant including the heating of technological water.

# Subsidy mechanism

- Municipalities/Communes have lists of assistance recipients and these lists are usually handed over to the regional branch of the Albanian Power Corporation (KESH).
- Lists serve to identify families that benefit from the subsidies when they pay their electricity bills. Based on these payments, the Albanian Power Corporation receives the funds from the Ministry of Labor, Social Affairs and Equal Chances.
- Subsidized families can be provided with a “coupon” equal to the amount of the subsidy and they include this coupon together with their electricity bill.