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Budget Analysis of SDG Related Spending in Albania: 2015 - 2019

Final REPORT

Antonin Braho, Sabina Ymeri
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Acronyms

AFMIS	Albanian Financial Management Information System
ALL	Albanian Lek
Covid-19	Coronavirus disease
EAMIS	External Aid Management Information System
EU	European Union
GoA	Government of Albania
HBS	Household Budget Survey
IMF	International Monetary Fund
Instat	Institute of Statistics
IPSIS	Integrated Planning System Information System
LFS	Labour Force Survey
MIC	Middle Income Country
MEYS	Ministry of Education, Youth and Sports
MoHSP	Ministry of Health and Social Protection
MSWY	Ministry of Social Welfare and Youth
MTBP	Medium Term Budget Programme
NSDI	National Strategy for Development and Integration
OECD	Organisation for Economic Cooperation and Development
SDG	Sustainable Development Goal
SILC	Survey on Income and Living Conditions
UN	United Nations
USD	United States Dollars
WB	World Bank

Executive Summary

This budget analysis focuses on public spending in the Republic of Albania between 2015 and 2019 towards the achievement of the Sustainable Development Goals (SDGs). It documents Albania's efforts towards pursuing SDGs in economic and social development policies, through tracking of its public expenditure. Data on public spending between 2015 to 2019 has been complemented with other secondary data sources such as Albania's SDGs performance vis-à-vis other countries based on international databases.

The data and analysis provide a snapshot of actual spending vis-à-vis the SDGs and the pillars and sectors of the National Strategy for Development and Integration (NSDI), further to the typical budget classification system. As a result, spending for SDGs in total and for each SDG individually is easily traceable. It is further possible to complement these data with forecast budget estimates in the medium term, to obtain a longer time series for purposes of analysis; as well as estimate financing needs and claims on domestic resources and financing from external donors.

Albania suffered two consecutive social and economic shocks in late 2019 and during 2020, following the devastating earthquake in November 2019 and the onset of the Covid-19 crisis. As a result, Albania's economy shrank by 2.5 % year-on-year in the first quarter of 2020, the sharpest contraction of Albanian economy since 2013. Amplified needs for welfare measures increased the pressure on Albanian public finances, which otherwise had to cope with hard constraints of keeping fiscal deficit and public debt at bay.

Approximately 17 billion USD (1 990 billion ALL), or 85% of total budget outlays between 2015 and 2019 from domestic and foreign sources have contributed towards the achievement of SDG related targets between 2015 and 2019 in Albania. The main cost driver for the overall development strategy is social development and cohesion, which takes up approximately half of the total budget in the 2015 – 2019 period. Tackling poverty and inequalities costs about 43% of total public resources in Albania; while another 21% of expenditure is allocated to health and education during 2015 – 2019.

Sustainable growth through efficient use of resources, encompassing government measures in transport, water infrastructure and environment accounts for 18% of total budget outlays on average between 2015 and 2019. The relative weight of the good governance, democracy and rule of law pillars, financing governance activities and the functioning of several independent institutions, has increased from 17% to 19% during the same period. Financing for the "Growth through Competitiveness and Fiscal Stability" pillar of the NSDI is rather small at 1,4% in average of the budget. While the private sector is expected to contribute the most towards growth and increased competitiveness; it is interesting to note that beside market surveillance and public financial management, these pillars encompass activities in the area of support for research and development and science. The role of the public sector in supporting the rebuilding of the economy and addressing social inequalities needs to be stronger than ever in the wake of the pandemic induced crisis.

Water infrastructure, energy and environment are the key sectors of interest for foreign financing. Over 40% of total foreign financing resources (409 million USD) were invested in the SDG 9 - energy sector, particularly electricity and almost 30% in SDG 6 - the water sector (294 million USD).

The report also provides a deep dive into patterns, emerging trends and underlying factors for progress in two SDGs related with development of human capital: education and poverty, revealing that increased spending levels are desirable, but not necessarily sufficient to achieve sustainable progress. Improvement in efficiency and effectiveness of spending may serve as multipliers for expected improvements in outcomes; which are in turn strongly affected by structural change in the economy and society, encompassing multiple SDG policy areas.

Overall, trends in public resource investment show increased commitment towards investment in policy areas related with social dimensions and the development of human capital (SDG 1: No Poverty; SDG3: Health and Well-Being; SDG 4: Education; SDG 5: Gender Equality). Albania appears to be on track towards improvement of SDG goals in these policy areas – the actual outcome of today's

investment will only materialize years from now and is inherently linked with overall economic growth and welfare improvements.

Public investment in economic dimension SDGs is fluctuating: despite moderate growth in public funding, levels remain modest – and so are outcomes. Albania's progress in terms of labour productivity and competitiveness of key economic sectors, such as agriculture, is slow and lags behind the EU and some countries in the region. Concerted efforts need to be sustained to improve the governance and regulatory frameworks as well as the labour supply and demand (including qualifications) in these key sectors. Likewise, investment towards environment and mitigation of climate change risks remains limited, which poses further risks to the productivity of the economy and security of people's livelihoods in the future.

The report explores the trends and patterns in investment of public resources towards achievement of SDG goals, as a starting analysis to understand the extent to which commitment towards policy goals is substantiated in government behaviour through targeted incremental interventions. A more thorough analysis is due however in each of the policy areas; to understand what are the cost determinants for each SDG; how these are impacted by developments outside of the public sector as well as interactions between interventions in the various areas – including positive and negative spill-overs. This should serve as a starting point for policymakers to set priorities for implementation; exploit positive externalities and be mindful of developing mitigation measures where needed.

INTRODUCTION

The overall objective of the assignment is to inform and advise policy decisions regarding how to make available more financial resources in the national budget for investment in the 2030 Agenda and Sustainable Development Goals without jeopardizing fiscal sustainability. This assignment aims to support the Government of Albania to prepare a budget analysis of SDG related spending in Albania, analyse the progress made since 2015-2017, as well as make recommendations on the path to accelerate SDG achievement until 2030.

Context for the analysis

The Sustainable Development Goals (SDGs)[1], adopted in 2015 by the United Nations General Assembly, are increasingly recognised by countries all over the world as road maps and building components to craft policy alternatives with the general aim to deliver social and economic development outcomes at national, regional, and global level. The fact that SDGs are intended to be achieved over a relatively long time period, by 2030, makes them suitable to adapt to various strategic frameworks, with different time requirements – which is an additional aspect supporting increased interest in SDGs. The process of mainstreaming SDGs for policy purposes is underpinned by the UN and Government efforts to make SDGs actionable by specifying targets and indicators for each SDG to measure progress towards adopted targets. Although the adoption of the Global Indicator Framework came two years later, namely by UN Resolution of 6th July 2017)[2], this was an important development motivating the generation of a large number of tools and indexes that are used at national, regional, or global level for monitoring and visualizing progress towards the achievement of SDGs.[3]

As a set of policy objectives, SDGs are equally appealing to countries and societies, both at the lower and higher development levels. Poverty, inequality, preservation of natural resources and environment fragility, threat from climate changes, conflict and insecurities, pandemics are all issues of high and legitimate concern for individuals and communities across borders: we are all hunted by these implications at various stages and concerned with their impact for our existence. The Covid-19 pandemic revealed- this time on a global scale- the extreme fragility of human existence, the degree to which we are all connected, and the very simple truth that what we decide and how we act at every single moment of our individual or communal lives have consequences that stretch far beyond our "normal" setting. In this respect SDGs provide, albeit not a perfect, but a multifaceted way of conceiving interconnected policies, as the most "natural" way of addressing our concerns for our current and future existence.

This report is an effort to show how Albania's efforts for embracing and aligning SDGs in public economic and social development policies are motivated by the same factors that drive the performance of the rest of international community of nations in SDGs. The need for appropriate, stable and effective preparedness and resilient public policies in place for dealing with natural disasters or pandemics is an important caveat for every government; yet, it couldn't be more pressing, for Albania, which at the end of 2019 – just before the onset of the Covid-19 pandemic – had been hit by a devastating earthquake costing the life of more than 50 people, displacement of thousands, loss of

[1] The 17 SDGs are: (1) No Poverty, (2) Zero Hunger, (3) Good Health and Well-being, (4) Quality Education, (5) Gender Equality, (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (8) Decent Work and Economic Growth, (9) Industry, Innovation and Infrastructure, (10) Reducing Inequality, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production, (13) Climate Action, (14) Life Below Water, (15) Life On Land, (16) Peace, Justice, and Strong Institutions, (17) Partnerships for the Goals

[2] https://unstats.un.org/sdgs/indicators/indicators-list/

[3] See, for instance Sustainable Development Report https://dashboards.sdgindex.org linking several databases for all 17 SDGs; or UNESCO's page of SDG indicators http://data.uis.unesco.org

public and private property estimated above EUR 1 bln€[4]. Altogether, the earthquake and Covid-19 impact have caused the Albanian economy to shrink by 2.5 % year-on-year in the first quarter of 2020. This is the sharpest contraction of Albanian economy since the third quarter of 2013. In a similar trend to other countries in the world, the most hardly hit sectors of economy were trade, transport and accommodation & food services (-3.7 %); information & communications (-5.1 %); financial and insurance (-7.2 %); professional & administrative services (-8.4 %); education & health (-0.3 %); and utilities (-3.8 %)[5]. Increased spending needs for social care and protection for the most affected groups of population have increased the pressure on Albanian public finances, which otherwise had to cope with hard constraints of national priorities of a downward trajectory on fiscal deficit and public debt. The annual economic contraction rate for 2020 was estimated at -3.3%.[6]

The implications of the shocks in late 2019 and during 2020 on employment levels amount to the unemployment rate increasing to 12.3% at the end of last quarter for 2020; compared to 11.6% at the end of 2019. The negative impact of the shock on labor dynamics will be lasting in the medium to long term, even after Albania returns to steady growth- this especially true for youth and women, linked with higher incidence of unemployment, informality, length of structural unemployment rates, access to social care, and protection services. These impacts are compounded by long-lasting factors presenting increasingly important risks for future economic recovery. Increasingly dry and hotter winters, rising seas' levels, irregular rainfall seasons are expected to influence the country path of economic and social development because of its geographic location (long coastal line), high dependency on hydropower for energy needs, human and natural disasters related to floods, to mention a few. The country's reliance on fossils and hydrocarbons for an important share of its inward foreign direct investment is an additional risk for its economic potential along the path of transition to more green forms of energy sources.

The dilemma the government and Albanian society is facing, therefore, is not whether economic recovery will be possible; it's rather whether this particularly unique situation, presents in itself a unique opportunity to relaunch the economy in a way, that is greener, climate friendly, resilient, and able to deliver sustainable positive sustainable outcomes to Albanian people. The importance of 2019-2020 developments cannot be overstated: the sectors that were mostly hit belong to most important drivers of national economic and employment performance. As such these sectors are crucial for country social and economic development in the future. Yet, it's at the very abyss of such disasters and events, that the implications of choices in the economy, health, education, culture, environment, habitat, housing, energy sector etc, reveal themselves with regard to what's worth and what really matters. There is therefore the hope that another set of policies may be crafted and implemented, and here SDGs offer a quite valuable point of start for reflection and discussion. In so doing, Albania is, no doubt, in unison with other countries that are facing the same dilemma and acting accordingly.

Methodology and Data Sources

While it sounds natural to choose public policies as the focus on SDGs, because of their attractiveness to policy development national cycle, we review public spending (expenditure) aiming to look for factors affecting the past performance, which would feed into *what* and *how* continuous improvements can be made in the country path of achieving SDGs by 2030. Whether the choice to review the role of government rather than the private sector, in SDGs is biased, is legitimate. Yet, this consideration is irrelevant in this particular case, as the government withdrawal in order to leave "the market" break free is, in itself, still a government policy decision. On the other hand, the choice of public spending as a starting point is advantageous because it offers a view on *what* is prioritized on a policy level and *how* it's implemented; thus, a pattern can be detected and assessed with regard to potential achievement of SDGs in the future. This is not to say that the focus on public spending since

[4] See ALbania : Post Distaster Need Assessment (2020) and Erebara, Gjergj "Albania Sets Quake Repair Cost at Over Billion Euros", Balkan Insight, (5 February 2020).
[5] MoFE Macroeconomic Outlook 2020-2023, Imf and World Bank Country Reports, 2020-2021 ;
[6] World Bank Western Balkans Regular Economic Report: Spring 2021

2015 is all what it matters; otherwise, it will amount to committing the fatal error of WYSIATI (What You See Is All There Is)[7], that is: jumping direct on the conclusions about Albania performance on SDGs because of our cognitive ease with those data, therefore draw incorrect conclusions because of understanding illusions.

The report supplements the evidence on Albanian public spending between 2015 to 2019 with public expenditure data from before the SDG framework 2010-2015, and other secondary data sources such as Albania's SDGs performance compared to other[8] countries according to international SDGs dashboards, World Bank Development Indicators, Instat and Eurostat Data, micro data and researches etc. The wealth of such information has helped us to understand some of Albania's policies - for instance why the outcomes of education related spending in Albania (PISA tests, innovation patents, market professional skills and jobs filling rates) remain poor while the commitment to spending on capital and current education expenditures has been a priority for any government in the last decade. Another example is the case when such secondary information has proven to be valuable for understanding why the social inclusion and protection policies and related spending in Albania are still considered important only as matters of redistribution and inequality rather than essential factors that will have an increasing impact on future growth potential of Albanian economy. One of our motives therefore here has to reframe the understanding of these, and much more other issues, in practical terms in order to fit in recommendations and starting points for policy measures discussions in the areas of SDGs.

Structure of the Report

The first section of the study contributes to the refinement of the model used in the previous exercise of 2018 on the premise that the best models are those that help to understand rather than claim to be perfect because explain everything. Consistent with general view on impossibility of a proving the completeness of any theoretical model[9], we try to develop and explain how the model of aligning SDGs to policy and budgeting cycle can be done in various steps and with actual current tools in use across different levels of government activity. The general model of 2018 uses a weighting matrix for mapping SDG to NSDI main components and aligns to budget cycle planning and spending by a joint key of programme and institutional classification of expenditures. Without the presumptuous claims of having the last world on it, in the current study we explain why in our opinion such a way of aligning is simple, practical, compatible with international best practices on Public Finance Management (PFM), Strategic Planning (SP), and actual Albanian respective legal frameworks on both of them. Furthermore, we describe some of the key principles, technics and hints in order to increase and continuously improve the objectivity of the model by reference to particular instance of medium-term budget planning (MTBP), macroeconomic and fiscal forecasting, and performance monitoring for both strategies and budgets (via the bias of strategy performance indicators). We feel that the timing is right for introducing and explaining all these elements, and to facilitate such a process a voluminous work has been done on data mapping, integration, and graphics in order to visualize, what it takes and how the final outcomes may be like. This analytic and quantitative work, presented in various graphs and tables in the report, is done in excel and provided as additional output of this study in order to be as easily as possible modified, manipulated with the further aim of including it in national procedures of strategic planning and budget execution.

The major achievement of integration of information systems for strategic planning and budgeting (AFMIS, IPSIS and EAMIS) represent a good opportunity to show that SDGs alignment and embedment into integrated systems is feasible at a relatively low cost. Should the Albanian Government decide to align SDGs not only to policy planning, but also to policy execution procedures and systems (e.g. budget execution and monitoring), it will help the country improve national SDG's performance through increased efficiencies in various short spending areas or budget lines, thus

[7] Daniel Kahneman *Thinking Fast and Slow*, Penguin 2011, pg 85.
[8] https://dashboards.sdgindex.org/
[9] Bernd Buldt, , "The Scope of Gödel's First Incompleteness Theorem", 2014, Logica Universalis, v. 8, pp. 499–552. doi:10.1007/s11787-014-0107-3

improving effectiveness of public spending towards SDGs long term targets in the long term. The very fact that the country is at the beginning of a new political cycle, and also Strategic Planning cycle, is another argument why the timing of this exercise is right for future SDGs agenda in Albania.

The second section of the study provides an overview of actual Albanian performance for each SDG, one page profile, in simple patterns of excel graphs compared to other similar countries (that is on the same level of development), in the region, or EU. SDG's performance data are supplemented by patterns of national spending calculated on the basis of procedures underlined and explained in the first section. Each page data summarizes patterns that emerge in very short paragraphs as entry points for further analysis on sectorial level. The aim of the section is to awaken the "appetite" for analysis, reflection and policy stances of national stakeholders on SDGs after having gone through the first section what they can possibly "digest" in short to medium term. Sources of data together with graphs, and tables in excel, provided as annexes to report, are intended to serve as basis of discussion for validation or correction of arguments and judgments in the report. As such, we would like to present and share them with intended stakeholders in order to enhance the further dialogue, and potential improvements in the future.

The third section is dedicated to analysis of patterns, trends emerging in the second section and detection of factors, causes, and potential policy stances with regard to SDGs in two social sectors, namely education, and social affairs (social protection and care, and social inclusion). The focus on these two sectors allows the learning by doing in the sense that through analysis and argumentation we are trying to reach an understanding of different methods, and available tools to national audience to provide justified policy stances for desired policy outcomes on SDG's targets related areas. It goes without saying that the analysis can be done also for other sectors of interest for policy purposes. Yet, the multitude of information, and the volume of work for all sectors is in our view is so large that it goes beyond the available resources of current assignment; therefore, other similar or different studies may be one of the options to follow in the future.
Our professional conviction and general motive in this section has been to avoid policy stances based on limited macro-evidence only, without giving proper thought to counterfactuals, particular evidence on the micro level, which, although largely present in Albania or similar countries, gets, quite often undetected or neglected, because of common biases that we all as individuals or researchers show in different moments of our individual/scientific activities. The sources of discussions with colleagues, public officials, currently and in the past, available literature in Albania and elsewhere, have been among the most important sources of intellectual and search for clarity and factors in play, as far as these two sectors, and others, are concerned. In this regard we are clearly grateful and very much indebted to them for any good thoughts in this study, if any.

By the end of sections, we conclude with a summary of findings and recommendations as a reflection on various issues discussed through sections. Last but not least, we have tried to supplement the study with a list of bibliographical sources. The footnotes are meant to provide more formal and detailed analysis for well-informed readers, with the general aim of maintaining the main text of the study as simple and fluid as possible for general audience.

REFRAMING/REFINING MODEL: TOOLS, AND PROCESSES

Principles

The basic reasoning behind the alignment of SDGs to national budget programs, through mapping of NSDI II, in the previous report of 2018, was that, in line with standards of good PFM systems and Public Administration Management (PAM), policies and budgets should be aligned in order to meet the demands for credibility and accountability. The adherence to such standards is explicit not only in national strategic documents (PFM Strategy and NSDI II) but also in legal frameworks governing these activities, namely Organic Budget Law, and Decision of Council of Ministers on Strategic Planning. The *formal* alignment mechanism of policies to budgets through programmes at institutional/administrative level was already available as Albania has adopted all three levels of budget classification (economic, administrative, and programmatic) since before 2010. Adding one level of policy considerations, such as SDGs, would be therefore totally feasible and absorbable in the systems of procedures governing the practice of strategic planning and public finance management for as long as SDGs and national strategies could be aligned. This last alignment was the object of the baseline mapping exercise SDGs to national strategies (NSDI II) in 2017[10], which linked individual SDGs to each pillar and objectives of NSDI II.

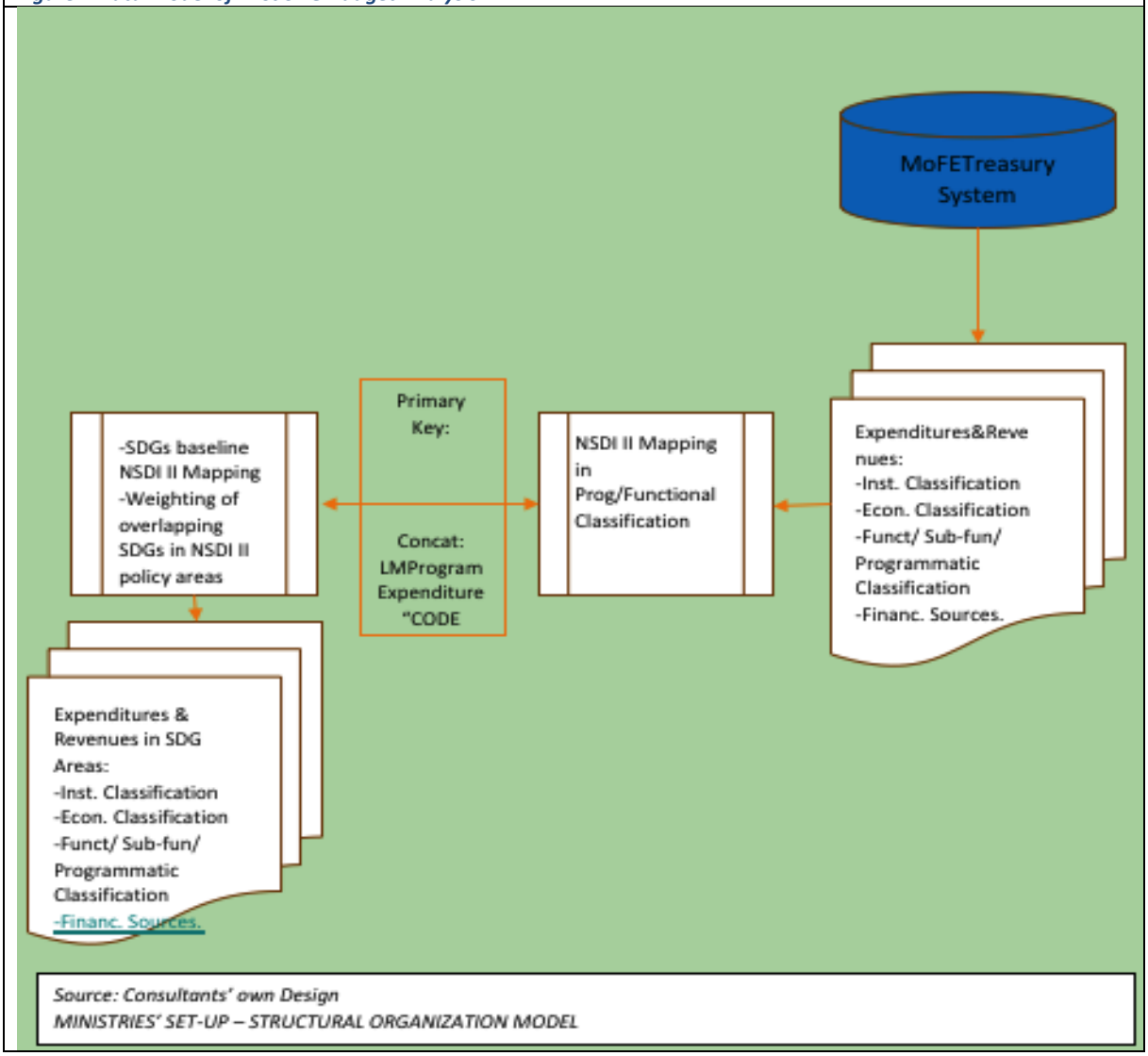
The SDG's budget analysis and performance report quantified each particular linkage of SDG's to NSDI II, by attaching a specific weight, which reflected the potential that each component of NSDI II could contribute to achievements of respective SDGs target that component was aligned. The potential of contribution was judged on the basis of stated objectives for each NSDI component, and expected outcomes. It was suggested, and advised that such initial judgments had to be analyzed, refined, and subsequently updated with the factual information on actual outputs for each strategic components of NSDI II on the basis of its progress monitoring and revision processes. Consultants in discussion with national authorities established then a matrix of weights that was the quantification of mapping of SDGs to NSDI II, as a necessary, yet, insufficient condition for achievement of SDGs budget analysis. What was missing was the factual (rather than formal) concrete and particular linkages of NSDI II policies to each expenditure existing programme in every administrative units of highest level. As such, it's the last piece of information (the sufficient in addition to necessary) that allowed the aggregation of any piece of information for expenditures, at the finest detail of economic nature (capital, goods, services, salaries, transfer), for SDGs related budget analysis. The list of these particular linkages was established by consultants on the revision of programmes objectives for each line ministry and encoded as 'primary key' in the following schematic presentation of data model.

Fast forward to 2020, two major events have happened: first the achievement of integration between Integrated Strategic Planning Management System (IPSIS) and Albanian Financial Management Information System (AMFIS)[11]; and second one, the establishment and consolidation of sector wide approaches to expenditures policies and programming in Albania. Both events have important implications for the present study, which deserve a thorough discussion and analysis; yet, because of space constraints we are trying to summarize our considerations as much as possible in the following paragraphs of this section.

[10] Albania Baseline Mapping of NSDI II to SDGs, UNDP (2016)

[11] AFMIS includes among others Albanian Goverment Finanacial Management System (AGFIS), which is a budget execution information system, alias treasury system, and the Budget Management System with Medium Term Budget Planning Module in its core serving de facto as budget formulation (i.e. planning and programming) and performance management system. On another note AFMIS is linked and integrated with other systems on the revenues sides like extenal aid (EAMIS), Customs and Taxes, and Human Ressources Management Information System (HRMIS).

Figure 1 Data Model of First SDG Budget Analysis.



The integration of IPSIS to AFMIS in 2020 actualizes the formal link between polices and budget classification in a flow of business processes compatible with chart of accounts and therefore enable any discussion of policy development in Albania to the fullest scale, that is from inception to monitoring and implementation. The integration structure forms the audit trail, which clarifies who does what, and how, with immediate positive impact on policy and budget credibility and accountability of public decisions related to both policy and budget cycle. The implication for this study is therefore that the primary key in our data model, for the first time, has been established formally now at national level, and is operational through integration of IPSIS and AFMIS.

The data model lists the NSDI structure as a single primary key field, as part of Master Data Table, which includes several fields of primary keys under IPSIS, one for each sectorial and cross cutting strategies, which are formulated, approved, and implemented as part of national sectorial policies. This does not affect the result of this study and its implications. The field of primary keys in our study, includes primary keys for each priority area pertaining to components of NSDI II, which, as such, correspond to various sectorial policies implemented as instrumental to of sector strategies. To illustrate the primary key corresponding to priority policy area of employment and vocational training in our data and study, will correspond to primary keys of sectorial strategy of employment and vocational training in Albania. NSDI II serves as an umbrella or integration of all sectorial strategies, which means that policy priorities underlined in NSDI II constitute the grounding foundation for sectorial, and cross cutting strategies; otherwise NSDI II as meta, overarching main national policy document loses its primacy, and becomes redundant.

The accounting principle of identity and equality for any instance of expenditure is taken into account for comparison purposes between different levels of analysis and purposes: that is the same instance of expenditure corresponding to economic, administrative, programmatic classification cannot count more than once in the budget reporting for NSDI versus sectorial strategy for the same level of analysis. It means that where while there are many instances of overlaps/ complementarities or synergies among different sector strategies in IPSIS and eventually the SDGs, their total financial implications for SDG's budget analysis, cannot be translated to overlapping financial implications of NSDI II – otherwise there will be a mismatch with national general macroeconomic indicators are concerned. Two methodologies used in the data projections and analyses in cases of overlapping priority policy areas are presented below:

- Recognizing the expenditures according to the institution, which incurred the highest cost for financial outlays relevant to national policy at question. This is the case where some kind of expenditures programmes are simply indivisible, mostly for indirect cost (e.g. General Administration and Management) related expenditures for sectorial strategies. In line with budget programming rules, costing and programme management methodologies, a Lead Agency is identified and appointed; therefore, the recognition of some expenditures to lead agency although they may benefit other agencies or institutions that have shared responsibilities assigned for the policy at question. For other indirect costs, the sharing of burden for financial costs between policy areas is decided based on the level of outputs, weighted in line with the respective contributions of these outputs for the policy at question.
- Recognizing the expenditures as reported and incurred which means that even for overlapping sectors the financial outlays are clearly identified at the extent that they are direct and proportional to outputs of activities contributing to policy implementation for participating institutions/agencies

Comparing our methodology with Baseline budget formulation guidelines in the MoFE, we find no discrepancies that may put in question the way the general analysis of past expenditures is done in this study to what actually is currently going on through IPSIS-AFMIS integration. On the other hand expenditure data used in our study for the period 2010-2020 are downloaded by World Bank BOOST Database[12] as copy of treasury data compliant with national general macro fiscal indicators for the same period. Preserving the mapping methodology of SDGs to NSDI II, as already explained, and using these already compliant data we arrive in the following table of SDG aggregates compliant with country macro fiscal indicators. In other words, the calibration of the model is done in compatibility with requirements of macro fiscal reporting in Albania.

The second development in terms of an increased role of sectorial policies after 2017, seems to be linked with the level of sector policy support given by important donors supporting Albania in various structural and sectorial reforms; such as EU with several budget support policies, IMF with policy support lending policies, WB with sectors supporting loans (especially in Energy, Water and Sanitation, Social sector etc). The eligibility, negotiation, and agreement on such forms of support requires strategic documents as evidence of long terms commitments, reliability and credibility of national policy stances. The relevance and attractiveness of the approach is understandable in terms of increased efficiencies because of economies of scale of larger financing, lower donor coordination costs and reporting, and effectiveness of policy measures to tackle interlinked obstacles and impediments to desired outcomes across different policy areas. However, as the boundaries of sectors for the sake of financial programming are defined on the basis of expenditures programmes and administrative units responsible for it, the existence of sectorial approaches amount to one more additional layer of considerations in this study. As such the general methodology and tools used in our opinion are appropriate to deliver the same detailed level of analysis even in sectorial level as we'll demonstrate in the Section 3 of this study.

[12] https://datacatalog.worldbank.org/dataset/albania-boost-platform

Figure 2 Compliance of SDG related Expenditure summary with national macrofiscal indicators

transfer	Excluding transfe				
Sum of executed	**Column Labels**				
Row Labels	**2015**	**2016**	**2017**	**2018**	**201**
ALL SDG (Crosscutting)	5.260.178.268	5.774.437.682	6.400.988.821	4.866.369.617	5.319.086.72
No SDG relevance identified	58.046.429.360	53.134.911.644	65.854.741.076	70.440.438.210	69.523.966.39
SDG 1	1.862.424.146	3.721.207.466	335.363.110	922.117.594	933.836.22
SDG 10	20.929.865.794	14.011.811.442	11.465.256.337	12.743.627.237	14.172.839.90
SDG 11	2.526.642.098	2.890.944.903	8.020.911.754	1.295.537.080	2.896.416.87
SDG 11, SDG 12, SDG 17 (PPPs)	240.872.002	536.904.691	904.673.896	2.699.343.325	3.624.340.20
SDG 12	285.061.262	252.045.699	270.465.328		
SDG 13, 14, 15	2.250.387.022	4.419.585.588	4.731.813.024	4.251.067.724	3.576.218.99
SDG 16	28.169.526.715	28.237.336.966	28.471.020.029	30.682.367.939	32.671.446.56
SDG 16, SDG5	1.743.997.411	1.126.262.530	1.704.444.503	1.110.389.920	1.750.271.35
SDG 17	501.753.454	522.690.428	652.458.891	748.074.396	912.075.86
SDG 2	3.736.332.546	3.899.481.362	2.547.627.636	3.180.030.296	2.121.542.32
SDG 2, SDG 12	1.951.208.740	2.757.438.773	1.974.508.756	2.280.161.687	1.860.245.23
SDG 4	33.723.069.350	34.431.382.760	35.812.191.539	38.490.426.595	41.056.367.59
SDG 4, SDG 11	1.887.073.312	1.965.221.824	2.188.453.835	2.699.839.497	3.129.599.11
SDG 6	15.472.490.535	19.961.050.859	17.800.473.003	13.643.006.191	14.200.860.53
SDG 7	2.183.082.023	6.271.347.400	8.749.481.811		
SDG 8	4.529.883.063	5.394.191.999	4.643.126.414	4.676.119.286	4.991.204.51
SDG 8, SDG 10	107.401.890.654	114.344.099.755	119.169.219.023	125.419.494.181	131.241.454.83
SDG 8, SDG 10, SDG 17	38.723.496.328	36.005.400.134	31.741.611.228	33.793.833.170	34.961.748.55
SDG 8, SDG 11, SDG 12	360.345.153	484.729.955	543.493.739	300.128.309	654.944.77
SDG 9	39.201.352.324	29.273.931.116	37.214.773.133	42.748.250.211	39.867.655.59
SDG 9, SDG 17	1.601.108.900	441.191.304	903.098.085	3.270.595.954	4.197.641.01
SDG I, SDG 10	21.984.606.833	21.812.968.321	22.302.573.032	22.399.622.910	24.604.211.31
SDG11					
SDG3	39.694.032.351	41.342.910.834	44.839.539.259	48.627.391.957	51.069.030.13
SDG3, SDG 16	2.825.988.195	2.068.796.677	2.138.167.764	2.016.872.187	2.064.528.78
Grand Total	**437.093.097.839**	**435.082.282.112**	**461.380.475.027**	**473.305.105.473**	**491.401.533.42**

SOURCE:

Tools, techniques, and processes

The choice of primary key as joint link of expenditure programme and the institutional administrative unit has been designed to facilitate the process of discussion and interaction with national stakeholders about feasibility and benefits of expenditures programming and monitoring for SDG related policy purposes with the least minimal cost for existing national systems of PFM and SP. The interface between IPSIS and AFMIS could be on the level of activities, outputs, economic nature of expenditures or other options- whatever solution that has been adopted or may be modified, as part of IPSIS and AFMIS rollover, will affect budget programmes in some administrative unit, whose input in terms of expenditures is *a sine qua non* for the policy to be implemented. It goes without saying that this involvement of expenditures programme at some administrative unit means that the highest institutional hierarchical unit gets involved as well, which is exactly what the data model used in this study report does. In other words, whatever modality of data reference (i.e. one to one, one to many, many to many) used for linking data tables of AFMIS with data tables of IPSIS, they all share the same characteristics of field of primary key used in the generation of Master Table in this study. While we are confident that we are connecting the right dots, it does not mean that this is the absolute perfect configuration of national policies for achieving SDGs targets – as a set of policies (and expenditure) will most certainly affect more than one SDG.

The data model of our study *cannot* be a perfect nor complete; nor could be there a model of this sort; if ever there is or will be one in an ideal world, there is no way for us to demonstrate it in a rational, logical way *in our real* world[13]. Yet, although there are no perfect and complete theoretical models, there are, however, good and bad models that can help to understand the reality. Otherwise, we hardly could have had any chance to advance in our knowledge and improve our way of doing things. In a similar way there should be a way to describe good models. One may classify the models as good on the basis of i) how simple they are, ii) how modifiable they can be in order to increase the

[13] See Godel's incompleteness theoreme in Bernd Buldt, , "The Scope of Gödel's First Incompleteness Theorem", 2014, Logica Universalis, v. 8, pp. 499–552. doi:10.1007/s11787-014-0107-

understanding of what's the reality is all about, iii)and what kind of effort is required by their users to go through these modifications in iterative processes of improvements. Our claim in this study is that the weighting matrix of alignment of SDGs to NSDI II is a particular feature that makes our data model very simple, and handy for further improvements in order to understand the country potential of achieving SDGs targets through better aligned national policies.

Importantly, the relative weights of budget programmes to SDGs in the matrix were not decided arbitrarily. SDGs cover the whole array of developments, and a comprehensive analysis of the progress, interaction and gaps for achieving the SDGs requires a broader range of skills to grasp the full implications of SDGs like: i) the relation between climate change and agricultures yields on crops (agricultural background and skills needed) ii) the relation between nutrition of intellectual capacity (nutritionist, and health specialists needed), iii) the feasibility of green technologies (engineering skills needed), iv) and many others.

The model was partly inspired by **a previous UNDP study providing an assessment study on Albania progress on achieving SDGs[14], and consultation with other consultants that have gone through the revision of strategic Albanian documents[15], and were all part of a concerted UNDP methodological approach to mitigate the finite nature of individual skills and expertise on the topic**. Establishing multi skills team enlarges the skills possibility frontiers, whereas going through written documents brings in inputs of a consultation processes of national specialized stakeholders that have participated in elaboration of such documents. The setting of values of weighting matrix was therefore the result of discussion and profound reflection on all these sources of information in order to factor in the "wisdom of the crowd"[16], that is, different internal, and external perspectives of informed audiences, and aggregate through a 360° "dragonfly"[17] synthesis of arguments (thesis), and counter arguments (antithesis).

What we, the same group of consultants behind this repeated exercise, know better this time is that whatever quality our weighting matrix would have been, it could have never been perfect and complete as one off product. The perspectives, arguments, and counterarguments were after all conditioned by the feedback of those people we had the opportunity to consult, and are grateful that responded, or accepted to discuss on these issues and matters.

The data model presented here, would be highly improved if they will be integrated in the iterative processes of policy planning and budgeting. Every instance of iteration is another chance to factor in new relevant information, and calibrate new internal and external insights and advances in knowledge. One may illustrate the point by pointing out that the iteration of macro fiscal framework is the key mechanism for improving macroeconomic forecasting. In a similar way the iteration process of MTBP is key for improving their quality and their relevance, the revision and the iteration of NSDI and strategy cycle is key to improvement of their quality and accuracy. An iteration process may be seen as an experiment through which the value of some variable, being used to describe or assess some natural phenomena, approaches their true value or occurrence in the real world. The reasoning behind is known under different guises like the statistical law of large numbers[18]; the central limit theorem, Aristotle concept of wisdom of acquiring the virtue through custom, "wisdom of the crowd", and… so on.

Going back to our data model, values in weighting matrix values for various policy areas and institutions may be assessed, using the same logic, that is based on value information e (units, or monetary) of inputs/outputs, which is processed in every round of MTBP formulation, and afterwards can be updated in both systems of AFMIS and IPSIS. More than this, responsible officials for budget programming and formulation have the possibility to assess the most accurate values of potential budget impact on SDG performance, for each institutional unit across budget programmes.

[14] Albania: Mapping, Acceleration and Policy Support (2017), UNDP

[15] Albania Baseline Mapping of NSDI II to SDGs, UNDP (2016)

[16] Philip Tetlock and Dan Gardner « Supper Forecasting – the Art and Scienc of Prediction » Penguin, 2015

[17] Ibid

[18] Dekking, Michel (2005). A Modern Introduction to Probability and Statistics. Springer. pp. 92. ISBN 9781852338961.

The module of budget performance monitoring can be used to factor in historic, and current values of budget spending for any administrative unit, and for each budget programme in any iteration of budget formulation/revision. Working with averages or exact values to the finest details (i.e. point values) will depend on the kind of skills and confidence build over time. The point is that working with SDGs is and cannot be more different than working with any level of strategic objective that both IPSIS and AFMIS are designed to handle. In this perspective, for officials responsible for policy planning, SDG targets would correspond to concrete and intelligible view on outcomes, which can be assessed for their budget implications through the chain inputs/outputs (in units or values) of activities necessary for implementing various national/sectorial policies/strategies, whereas intermediary steps and performance indicators would correspond to those statistics that are currently used, and increasingly adopted as part of a concerted global everywhere as a global effort and alliance on worldwide SDG's achievement. The possibilities are therefore limitless; yet; the modelling effort required to encode these possibilities in both IPSIS and AFMIS are minimal as both systems are designed to the purpose underlined in this paragraph. Whether one choses to work through active input-in information fields, or passive automatically updated fields will depend on the degree of sophistication [19] both systems will reach in the future. Now that we have dealt with ***what*** can be done, we'll try to show in the next chapters ***why*** all this matter is important and ***how*** can be done. We turn the attention to these topics in the next steps by giving first a global view of information of what's at stake in all SDGs, and then dealing at macro and micro level with two sectors in the third chapter.

[19] One of factors for instance might be: how far one needs to go back to assess whether level of input/output stated by an administrative unit for an expenditures programme is justified in terms of past historic performance? Would it be better to enter the value that the programme manager is putting forward or an average value that reflects the historic performance (expected value)? As it concerns the latter would the average value concern only the programme at question or all programs this agency is responsible for? And for whatever option selected, should all unit values of input/output be saved or only their corresponding monetary values?

ALBANIA's SDG AND BUDGET RELATED PERFORMANCE: NUMBERS AND STATISTICS

In this chapter we provide information on Albania SDG - related statistics on two levels of evidence, i) the country's SDG performance compared to other countries and regions in the world, and ii) the level of national effort for each SDG. The first kind of evidence is based on the international SDG dashboard[20] (*Figure 5 Albania's performance across all SDGs*) that provides a comparative view for all UN Countries. In accordance with these estimates, Albania is on track for achieving only three of the seventeen SDGs; but is faced with significant challenges in the majority of other sectors. It must be emphasised that there are several other resource databases that can be used; what matters is that these use the same metrics and generally accepted statistics for measuring the current SDG performance. The second evidence on the level of national public spending for each SDG comes from our master data table and shows the levels of spending aligned to SDGs on the basis of data model explained so far.

Each evidence source is further substantiated in three views for each SDG - providing the context for a more detailed discussion and understanding of factors at play. While the choice of 3 views for each dimension seems to be arbitrary, we have tried to keep the information contained and manageable for the reader. It means that specific readers may have an interest in additional analysis The first evidence focuses on Albania performance for SDG at question, relative to other countries in the Western Balkans, to EU Countries, and to upper middle income countries group where Albania belongs. Albania's SDG performance is compared against the range of countries in the benchmarking category, that is minimum to maximum value, of SDG performance of respective comparative group of countries.

The second evidence of national SDG public budget related performance will provide a graph on the trend of SDG related spending in the last 5 years, combined with a view of the trend of expenditure programmes in the previous 5 years, a second graph on the most important national institutions that are responsible for the programs contributing to the specific SDG, and the last graph on the level of economic nature of expenditures (capital and recurrent expenditure). The chapter starts with a summary profile of all SDGs of Albania based on the sources of international dashboards; followed by an analysis and regrouping of the data for the country analysis.

In addition, we try to identify patterns or features that can serve as entry points for analysis and discussion in policy areas relevant to SDGs. This is the task of the third chapter where we use these SDG profiles to understand the determinant factors in two sectors: education, and social policy.

The availability of information on SDG performance, besides the benefits of metrics in monitoring and reporting, helps in facilitating the process of policy planning as it makes the identification of long-term outcomes much easier. For knowledgeable professionals concerned with public policy credibility, establishing an appealing and convincing story to decisions makers on policy alternatives is challenging if "hard statistics" are not there as an entry point for policy priority. Equally important, policy crafting is also a political process: providing contextual information on policy alternatives in similar countries, or in countries we are more familiar with or interested in, seems to a very practical way to ensure buy-in of decisionmakers, who otherwise could be reluctant to commit because of potential political costs.

The fact that many strategic policies, for which outcomes can be described through these indicators, are adopted often at the beginning of new political cycles (e.g. after general elections, new government formation etc.) is one more reason why the information provided in this chapter is useful. Political actors seem very keen to avoid detailed information on their proposed policies during elections in order to minimize negative effects for their electoral pools. An old saying in statistics community goes: "counterfactuals never win elections. They, certainly, can make you… lose one"!

[20] https://dashboards.sdgindex.org/ with evidence by Sachs et al. (2020): The Sustainable Development Goals and Covid-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

However, no serious policy could be endorsed, once in office, without an assessment of potential implications.

Last, the information on SDGs provides practical indicators to orient the costing and budgeting of policy alternatives. Budgeting experts in the Ministry of Finance, may be interested to hear arguments on what a country will have achieved after five years of great strategic sectorial plans. Counterfactual information showing in figures and visuals what has been achieved may be interesting for these officials. However, we do think that few arguments would be more attractive to such budget officials than how much those tangible results will cost, and how can we demonstrate that. This chapter provides information about setting simple quantifiable objectives, targets, and choice of appropriate outputs relevant for policies that aim to deliver on SDG's targets. Whether number of pupils enrolled in elementary school, employed or unemployed individuals, surface of protected areas, number of people having access to the water network…and so on - these sorts of indicators prove to be handy in costing and budgeting activity of respective agencies and departments.

Aware that there may be SDGs where much more detailed information is gathered nationally, or is available internationally, the list of indicators is not exhaustive. Far from it, it's a work in progress that we do hope it may be improved by national authorities as the practice of SDG related policy development and budgeting improves. There are SDGs where the information on Albania's performance is missing entirely (e.g. SDG 12). There are other SDGs, where such evidence and statistics can be offered by national or international stakeholders. Instances of these improvements may include crucial statistics about the policy priorities for instance on education outcomes (PISA tests, or in numerical literacy, or aptitude tests), indicators on life learning outcomes, statistics on inequality, and similar. Instances of stakeholders that may contribute further include first and foremost the Institute of Statistics (Instat) with its data exchange programme with Eurostat on SDGs, specialised NGOs, and international donor community supporting Albania, especially UN Agencies, World Bank, EU, and biletaral donors like SDC, GIZ, the Swedish Government etc.

Overview of Total Budget Spending

Approximately 17 billion USD (1 990 billion ALL), or 85% of total budget outlays between 2015 and 2019 from domestic and foreign sources have contributed towards the achievement of SDG related targets between 2015 and 2019 in Albania (Table 1). The main cost driver for the overall development strategy is social development and cohesion, which takes up approximately half of the total budget in the 2015 – 2019 period. This pillar includes expenditure incurred in the sectors of health, education, culture and social protection. Sustainable growth through efficient use of resources, encompassing government measures in transport, water infrastructure and environment accounts for 18% of total budget outlays in average between 2015 and 2017. The relative weight of the good governance, democracy and rule of law pillars, financing governance activities and the functioning of several independent institutions, has increased from 17% to 19% during the same period. Financing for the "Growth through competitiveness and fiscal stability" NSDI pillar is rather small at 1,4% in average of the budget. While the private sector is expected to contribute the most towards growth and increased competitiveness; it is interesting to note that beside market surveillance and public financial management, these pillars encompass activities in the area of support for research and development and science.[21]

Table 1 Total Budget Spending according to NSDI II – SDG Mapping

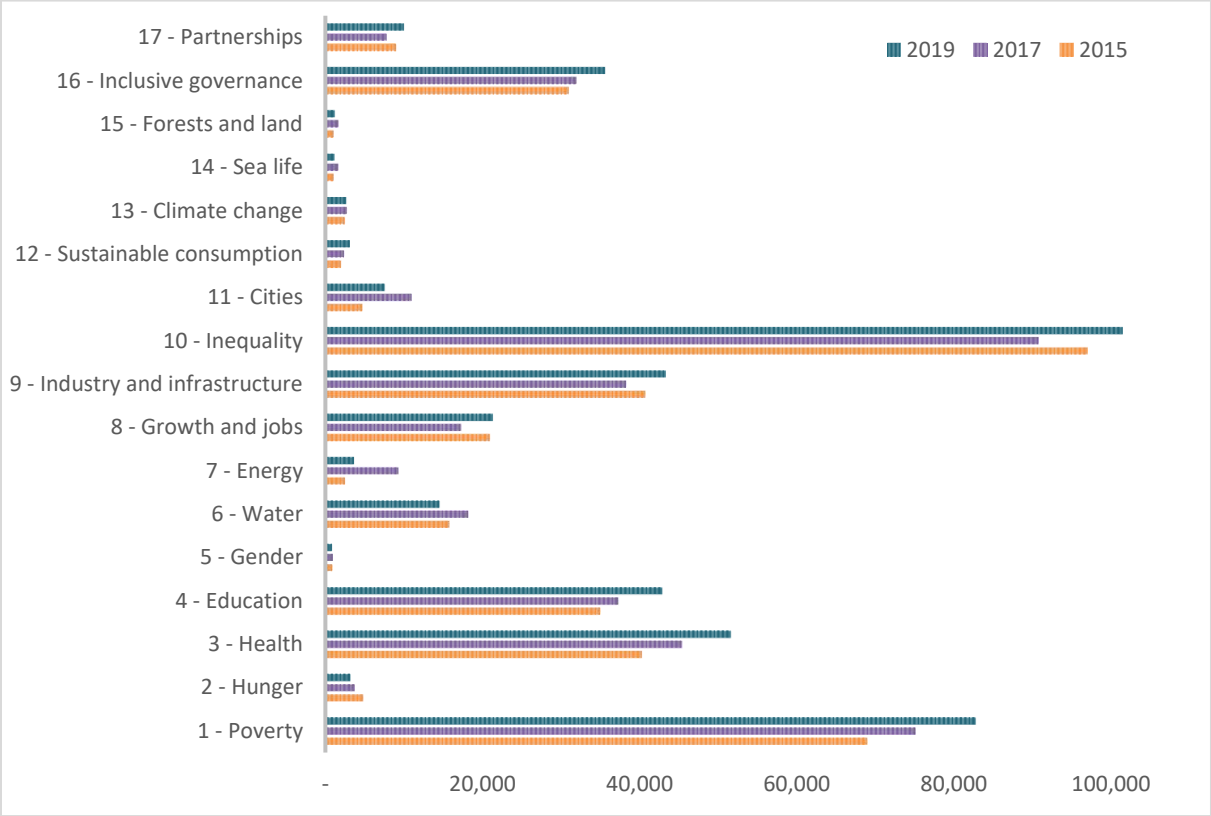
Mln ALL	**2015**	**2016**	**2017**	**2018**	**2019**
GOOD GOVERNANCE, DEMOCRACY AND THE RULE OF LAW	77 843	75 070	85 364	89 427	90 354
ALL SDG (Crosscutting)	5 260	5 774	6 401	4 866	5 319

[21] SDG relevant outlays amounted to approximately 60% of the total budget in the baseline assessment – the mapping was revisited in line with the methodology and stakeholder consultations.

No SDG relevance identified	36 362	33 711	42 706	46 065	42 674
SDG 10	2 980	3 630	3 290	3 687	3 822
SDG 11	-	-	-	-	1 139
SDG 16	28 170	28 237	28 471	30 682	32 671
SDG 16, SDG5	1 744	1 126	1 704	1 110	1 750
SDG 17	502	523	652	748	912
SDG3, SDG 16	2 826	2 069	2 138	2 017	2 065
GROWTH THROUGH COMPETITIVENESS	6 547	8 210	4 066	7 086	7 547
No SDG relevance identified	60	62	66	76	74
SDG 1	1 862	3 721	335	922	934
SDG 2, SDG 12	1 951	2 757	1 975	2 280	1 860
SDG 8	1 023	1 216	788	536	481
SDG 9	48	13	-	-	-
SDG 9, SDG 17	1 601	441	903	3 271	4 198
GROWTH THROUGH FISCAL STABILITY AND ENHANCEMENT OF COMPETITIVENESS	57 000	46 852	40 605	43 255	45 690
No SDG relevance identified	326	464	688	404	377
SDG 10	17 950	10 382	8 175	9 057	10 351
SDG 8, SDG 10, SDG 17	38 723	36 005	31 742	33 794	34 962
SOCIAL DEVELOPMENT AND COHESION THROUGH HUMAN INVESTMENT AND DEVELOPMENT	220 703	230 810	241 144	255 672	270 223
No SDG relevance identified	12 506	12 736	12 977	14 147	14 613
SDG 4	12 506	12 736	12 977	14 147	14 613
SDG 4, SDG 11	1 887	1 965	2 188	2 700	3 130
SDG 8	3 506	4 178	3 856	4 140	4 510
SDG 8, SDG 10	107 402	114 344	119 169	125 419	131 241
SDG I, SDG 10	21 985	21 813	22 303	22 400	24 604
SDG3	39 694	41 343	44 840	48 627	51 069
SUSTAINABLE GROWTH THROUGH EFFICENT USE OF RESSOURCES	75 001	74 140	90 201	77 865	77 589
No SDG relevance identified	8 792	6 162	9 418	9 747	11 786
SDG 11	2 527	2 891	8 021	1 296	1 757
SDG 11, SDG 12, SDG 17 (PPPs)	241	537	905	2 699	3 624
SDG 12	285	252	270	-	-
SDG 13, 14, 15	2 250	4 420	4 732	4 251	3 576
SDG 2	3 736	3 899	2 548	3 180	2 122
SDG 6	15 472	19 961	17 800	13 643	14 201
SDG 7	2 183	6 271	8 749	-	-
SDG 8, SDG 11, SDG 12	360	485	543	300	655
SDG 9	39 153	29 261	37 215	42 748	39 868
Grand Total	437 093	435 082	461 380	473 305	491 402

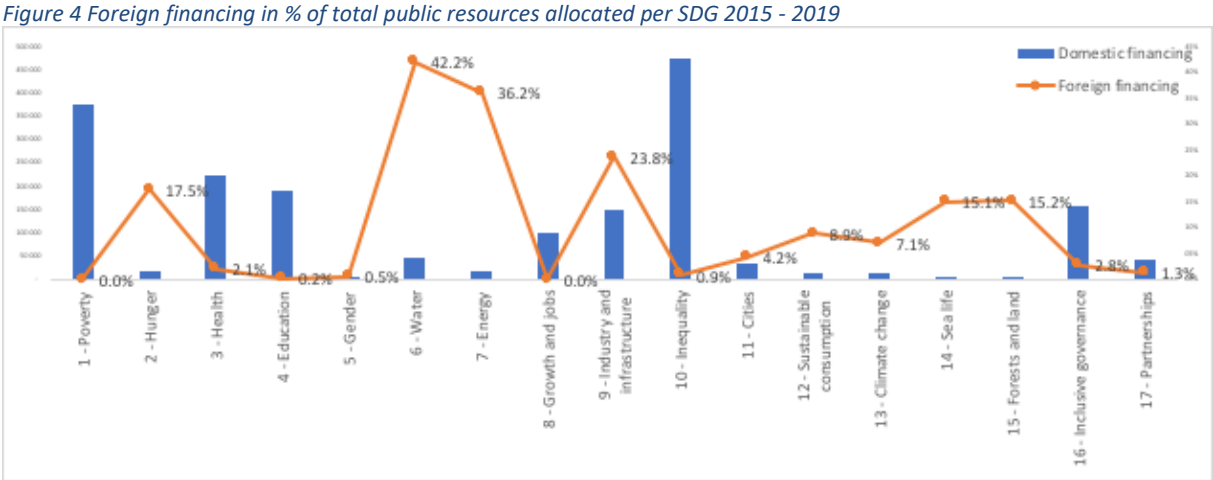
Tackling poverty and inequalities costs about 43% of total public resources in Albania; while another 21% of expenditure is allocated to health and education during 2015 – 2019. Similarly, SDG 9 – related with industry, innovation and infrastructure accounts for 10% of total SDG related outlays during the same period. Environment related SDGs continue to be financed very modestly in all years under review. (Figure 3)

Figure 3 Level of spending of individual SDGs (mln ALL)



Water infrastructure, energy and environment are the key sectors of interest for foreign financing. Over 40% of total foreign financing resources (409 mln USD) were invested in the SDG 9 - energy sector, particularly electricity and almost 30% in SDG 6 - the water sector (294 mln USD). These sectors account in turn for respectively 8% and 2.6% of total financing from domestic resources. Similarly, about 2,7% of total foreign financing was allocated to the environment and climate change related SDGs during the five year period (SDG 13, 14 and 15), towards which in turn only 1,3% of total domestic public resources were devoted.[22]

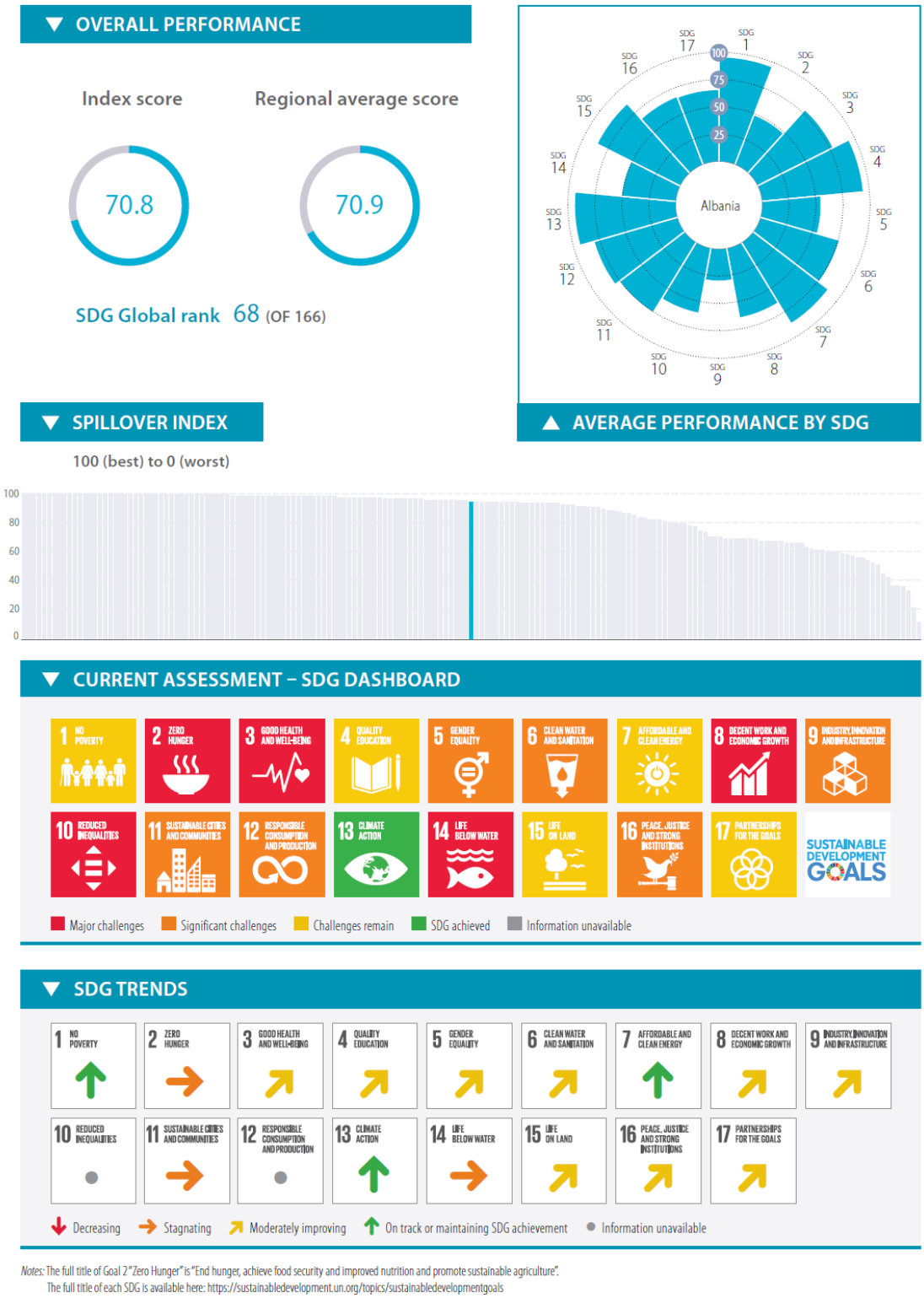
Figure 4 Foreign financing in % of total public resources allocated per SDG 2015 - 2019



[22] This review covers foreign financing that was channelled through the country's systems.

General Albania Performance across all SDGs

Figure 5 Albania's performance across all SDGs



Notes: The full title of Goal 2 "Zero Hunger" is "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".
The full title of each SDG is available here: https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

Sustainable Development Report 2020 The Sustainable Development Goals and Covid-19

ALBANIA

Performance by Indicator

SDG1 – No Poverty	Value	Year	Rating	Trend
Poverty headcount ratio at $1.90/day (%)	0.4	2020		
Poverty headcount ratio at $3.20/day (%)	4.4	2020		
SDG2 – Zero Hunger				
Prevalence of undernourishment (%)	6.2	2017		
Prevalence of stunting in children under 5 years of age (%)	23.1	2009		
Prevalence of wasting in children under 5 years of age (%)	9.4	2009		
Prevalence of obesity, BMI ≥ 30 (% of adult population)	21.7	2016		
Human Trophic Level (best 2–3 worst)	2.4	2017		
Cereal yield (tonnes per hectare of harvested land)	4.8	2017		
Sustainable Nitrogen Management Index (best 0–1.41 worst)	0.8	2015		
SDG3 – Good Health and Well-Being				
Maternal mortality rate (per 100,000 live births)	15	2017		
Neonatal mortality rate (per 1,000 live births)	6.5	2018		
Mortality rate, under-5 (per 1,000 live births)	8.8	2018		
Incidence of tuberculosis (per 100,000 population)	18.0	2018		
New HIV infections (per 1,000 uninfected population)	NA	NA		
Age-standardized death rate due to cardiovascular disease, cancer, diabetes, or chronic respiratory disease in adults aged 30–70 years (%)	17.0	2016		
Age-standardized death rate attributable to household air pollution and ambient air pollution (per 100,000 population)	68	2016		
Traffic deaths (per 100,000 population)	13.6	2016		
Life expectancy at birth (years)	76.4	2016		
Adolescent fertility rate (births per 1,000 adolescent females aged 15 to 19)	19.6	2017		
Births attended by skilled health personnel (%)	99.8	2018		
Percentage of surviving infants who received 2 WHO-recommended vaccines (%)	94	2018		
Universal health coverage (UHC) index of service coverage (worst 0–100 best)	59.0	2017		
Subjective well-being (average ladder score, worst 0–10 best)	5.0	2019		
SDG4 – Quality Education				
Net primary enrollment rate (%)	94.5	2018		
Lower secondary completion rate (%)	96.3	2018		
Literacy rate (% of population aged 15 to 24)	99.3	2018		
SDG5 – Gender Equality				
Demand for family planning satisfied by modern methods (% of females aged 15 to 49 who are married or in unions)	4.9	2018		
Ratio of female-to-male mean years of education received (%)	97.1	2018		
Ratio of female-to-male labor force participation rate (%)	72.7	2019		
Seats held by women in national parliament (%)	29.5	2020		
SDG6 – Clean Water and Sanitation				
Population using at least basic drinking water services (%)	91.0	2017		
Population using at least basic sanitation services (%)	97.7	2017		
Freshwater withdrawal (% of available freshwater resources)	7.9	2005		
Anthropogenic wastewater that receives treatment (%)	2.7	2018		
Scarce water consumption embodied in imports (m^3/capita)	5.7	2013		
SDG7 – Affordable and Clean Energy				
Population with access to electricity (%)	100.0	2017		
Population with access to clean fuels and technology for cooking (%)	77.4	2016		
CO_2 emissions from fuel combustion for electricity and heating per total electricity output ($MtCO_2$/TWh)	1.0	2017		
SDG8 – Decent Work and Economic Growth				
Adjusted GDP growth (%)	-1.1	2018		
Victims of modern slavery (per 1,000 population)	6.9	2018		
Adults with an account at a bank or other financial institution or with a mobile-money-service provider (% of population aged 15 or over)	40.0	2017		
Unemployment rate (% of total labor force)	12.3	2019		
Fatal work-related accidents embodied in imports (per 100,000 population)	0.2	2010		

SDG9 – Industry, Innovation and Infrastructure	Value	Year	Rating	Trend
Population using the internet (%)	71.8	2017		
Mobile broadband subscriptions (per 100 population)	62.8	2018		
Logistics Performance Index: Quality of trade and transport-related infrastructure (worst 1–5 best)	2.3	2018		
The Times Higher Education Universities Ranking: Average score of top 3 universities (worst 0–100 best) *	0.0	2020		
Scientific and technical journal articles (per 1,000 population)	0.1	2018		
Expenditure on research and development (% of GDP)	0.2	2008		
SDG10 – Reduced Inequalities				
Gini coefficient adjusted for top income	41.7	2012		
SDG11 – Sustainable Cities and Communities				
Annual mean concentration of particulate matter of less than 2.5 microns in diameter (PM2.5) (µg/m^3)	18.2	2017		
Access to improved water source, piped (% of urban population)	92.4	2017		
Satisfaction with public transport (%)	50.5	2019		
SDG12 – Responsible Consumption and Production				
Municipal solid waste (kg/capita/day)	1.8	2015		
Electronic waste (kg/capita)	7.1	2016		
Production-based SO_2 emissions (kg/capita)	49.3	2012		
SO_2 emissions embodied in imports (kg/capita)	4.7	2012		
Production-based nitrogen emissions (kg/capita)	17.0	2010		
Nitrogen emissions embodied in imports (kg/capita)	2.0	2010		
SDG13 – Climate Action				
Energy-related CO_2 emissions (tCO_2/capita)	1.5	2017		
CO_2 emissions embodied in imports (tCO_2/capita)	0.4	2015		
CO_2 emissions embodied in fossil fuel exports (kg/capita)	0.0	2016		
SDG14 – Life Below Water				
Mean area that is protected in marine sites important to biodiversity (%)	60.1	2018		
Ocean Health Index: Clean Waters score (worst 0–100 best)	56.7	2019		
Fish caught from overexploited or collapsed stocks (% of total catch)	NA	NA		
Fish caught by trawling (%)	86.3	2014		
Marine biodiversity threats embodied in imports (per million population)	0.0	2018		
SDG15 – Life on Land				
Mean area that is protected in terrestrial sites important to biodiversity (%)	76.1	2018		
Mean area that is protected in freshwater sites important to biodiversity (%)	99.0	2018		
Red List Index of species survival (worst 0–1 best)	0.8	2019		
Permanent deforestation (% of forest area, 5-year average)	0.0	2018		
Terrestrial and freshwater biodiversity threats embodied in imports (per million population)	0.6	2018		
SDG16 – Peace, Justice and Strong Institutions				
Homicides (per 100,000 population)	2.3	2017		
Unsentenced detainees (% of prison population)	44.3	2018		
Percentage of population who feel safe walking alone at night in the city or area where they live (%)	63.0	2019		
Property Rights (worst 1–7 best)	3.3	2019		
Birth registrations with civil authority (% of children under age 5)	98.4	2018		
Corruption Perception Index (worst 0–100 best)	35	2019		
Children involved in child labor (% of population aged 5 to 14)	5.1	2016		
Exports of major conventional weapons (TIV constant million USD per 100,000 population) *	0.0	2019		
Press Freedom Index (best 0–100 worst)	29.8	2019		
SDG17 – Partnerships for the Goals				
Government spending on health and education (% of GDP)	6.7	2016		
For high-income and all OECD DAC countries: International concessional public finance, including official development assistance (% of GNI)	NA	NA		
Other countries: Government revenue excluding grants (% of GDP)	25.6	2018		
Corporate Tax Haven Score (best 0–100 worst) *	0.0	2019		

* Imputed data point

Source: Sustainable Development Report 2020

SDG 1: No Poverty

The Albanian government has spent on average 2,6% of the GDP on SDG 1 between 2015 and 2019. Spending on SDG1 is dominated by cash benefit outlays in Albania's poverty alleviation cash programme and other social transfers programmes. The cash benefit programme is composed of two main sub-programmes: cash benefit payment for poverty alleviation (social assistance – ndihma ekonomike NE); and cash payment benefits for people with disabilities to help with their care costs and to compensate them for their inability to work, which are managed by the Ministry in charge of social affairs[23]. The third component of the programme includes activities in the realm of social care services; however its relative weight to the overall programme budget is very modest.[24]

Table 2 SDG 1 related expenditure 2015 – 2017 per capita and in % of GDP

SDG 1	2015	2016	2017	2018	2019
Per capita spending (Lek)	24 033	25 298	26 256	27 412	29 062
In % of GDP	2,4%	2,5%	2,6%	2,7%	2,9%

The key government institutions involved with these goals are the Ministry of Health and Social Protection, (previously the Ministry of Labour and Social Affairs); the Institute for Social Insurance as well as the municipalities. The highest share of expenditures is in the form of transfers to individuals and services – government programmes accounted for under this SDG include social transfers related with pensions as well as poverty and disability benefits.

Albania's performance appears relatively good vis-à-vis other comparator countries. Importantly, Albania is on track to fight extreme poverty (under USD 1.9 a day); with only 0.4% of the population under that poverty line. It must be noted that the analysis and statistics do not take into account the effect of the Covid-19 crisis.

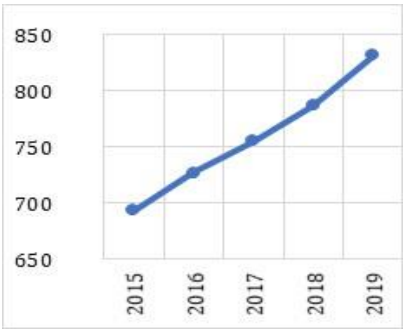
Compared to EU Poverty Headcount Ratio (%) $1.90/day	Compared to EU Poverty Headcount Ratio (%) at $3.20/day	

[23] Ministry of Social Welfare and Youth (MSWY) until 2017; Ministry of Health and Social Protection (MHSP) from September 2017.

[24] It is worth noting that these figures do not include the contributory pension programme managed by the Social Security Fund, which could arguably have poverty-related outcomes. It includes supplementary pension schemes subsidized by the state budget in the form of social transfers to respond to social conditions.

Compared to WB Poverty Headcount Ratio (%) at $1.90/day

Compared to WB Poverty Headcount Ratio (%) at $3.20/day

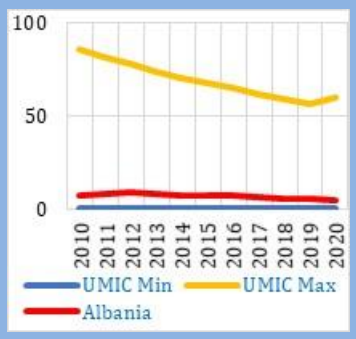


Main Spending Institutions (Mill ALL) for years

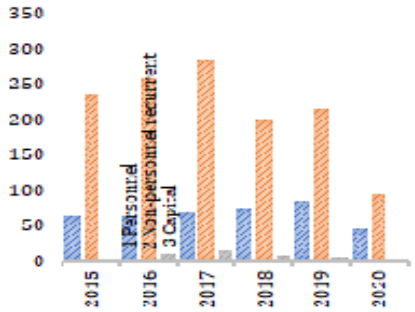
Compared to UMIC Poverty Headcount Ratio (%) $3.20/day

Compared to UMIC Poverty Headcount Ratio (%) at $3.20/day

Spending by Economic Nature



SOURCE : https://dashboards.sdgindex.org/



SOURCE : Consultant database 2021

SDG2: Zero Hunger

Budget programmes classified under SDG2 relate mainly with agricultural production and support to agriculture, falling under the Agricultural and Rural Development policy area of the NSDI (on average approximately 75% of outlays). Other NSDI policy areas also contribute to this SDG, namely Consumer Protection and Market Supervision (on average 20%).

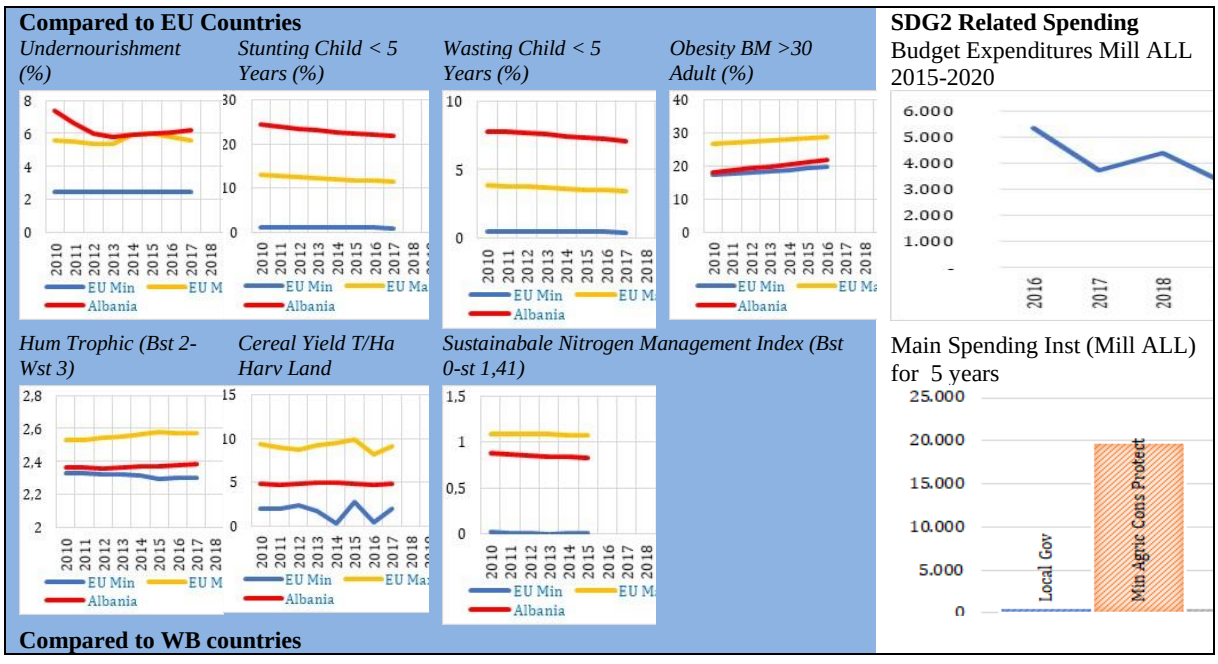
Table 3 SDG 2 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 2	2015	2016	2017	2018	2019
Per capita spending (Lek)	1 672	1 858	1 291	1 525	1 110
In % of GDP	0,2%	0,2%	0,1%	0,2%	0,1%

Public spending on SDG2 related goals has averaged 0,1% of GDP in the 2015 – 2019 period, with a significant decrease in both 2017 and 2019 when per capita spending fell well below the previous years. Contributions to this SDG derive primarily from the Ministry of Agriculture and Rural Development in the "Support to agricultural Production" budget programme, which encompasses a series of measures ranging from the activity of Regional Agriculture Directorates, to the Agency for Agriculture and Rural Development (AZHBR). Spending under this programme declined in both years as a result of a steep decrease in the execution of the farmer subsidies programme under AZHBR, which has allocated approximately 85% and 53% less funds in transfers in 2017 and 2019 respectively than in the previous years. Measures under this programme are directly related with SDG2 targets on increasing the agricultural productivity and incomes of small-scale food producers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

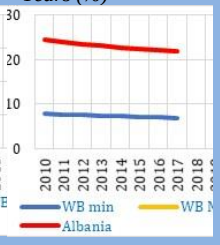
However, a very important aspect of SDG2 is related with poverty and nutrition. This aspect is not captured under this mapping exercise – but developments in poverty patterns and related policies; access to basic services and measures that ensure access to resources for all are inherently pertinent to this programme (i.e. very strong linkages with SDG 1).

Overall, progress towards achieving this SDG target is not good. Several nutrition related indicators have stalled or deteriorated; or are well below respective targets in EU and the Western Balkans. (i.e. undernourishment, while both stunting and obesity remain challenging).



Undernourishment (%)

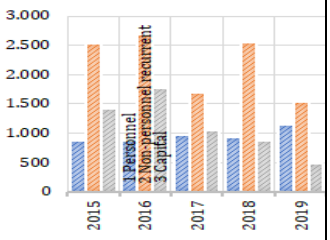
Stunting Child < 5 Years (%)



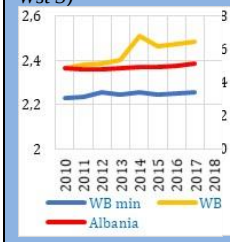
Wasting Child < 5 Years (%)

Obesity BM >30 Adult (%)

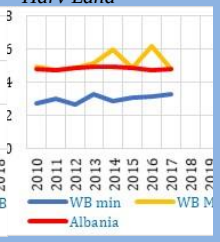
Spending by Economic Nature



Hum Trophic (Bst 2-Wst 3)



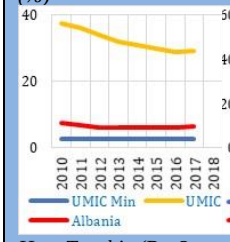
Cereal Yield T/Ha Harv Land



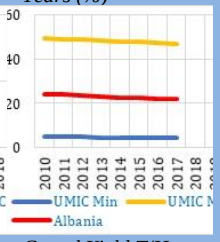
Sustainabale Nitrogen Management Index (Bst 0-st 1,41)

Compared to UMIC Countries

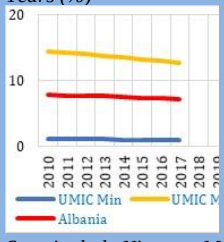
Undernourishment (%)



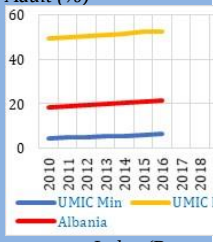
Stunting Child < 5 Years (%)



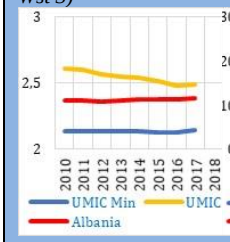
Wasting Child < 5 Years (%)



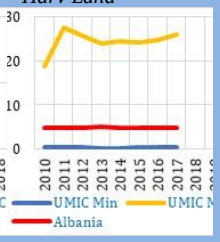
Obesity BM >30 Adult (%)



Hum Trophic (Bst 2-Wst 3)



Cereal Yield T/Ha Harv Land



Sustainabale Nitrogen Management Index (Bst 0-st 1,41)

SOURCE

SOURCE

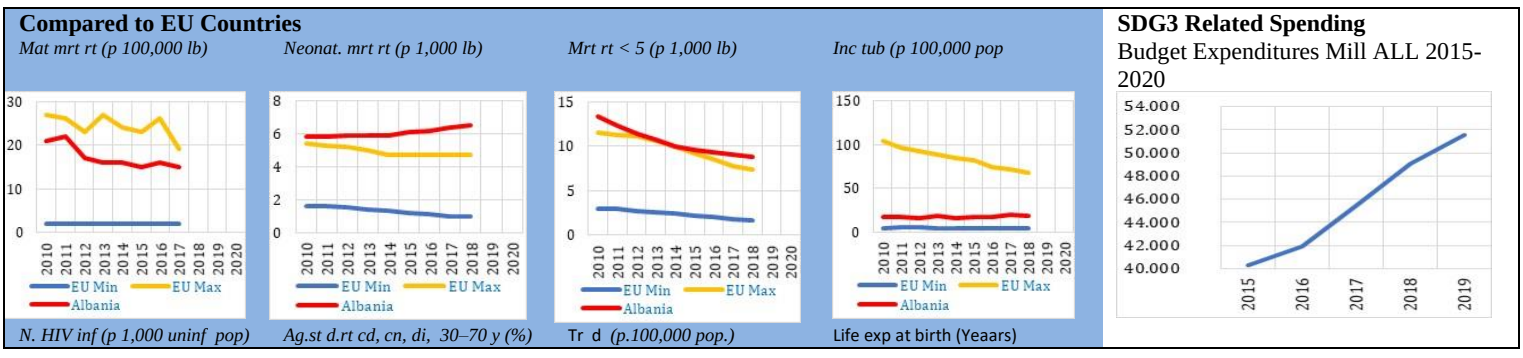
SDG 3: Good Health and Well Being

Health – related expenditure amounted to 228 billion lek in the five years under review, amounting to an annual average of more than 46 billion and peaking in 2019 at 51 billion lek. The main programmes under this SDG are expenditures in primary healthcare (almost half of total SDG contributions) and secondary healthcare services (41%). Public spending on SDG3 has averaged 1,6% of GDP, peaking in 2019 at 1,8% at GDP due to the fast increase in funding allocations.

Table 4 SDG 3 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 3	2015	2016	2017	2018	2019
Per capita spending (Lek)	13 960	14 567	15 793	17 111	18 023
In % of GDP	1,4%	1,5%	1,6%	1,7%	1,8%

The annual increase in spending is driven by increases in the primary healthcare programme, mainly related with the reimbursement programme for primary healthcare centers and drugs under the Healthcare Insurance Fund. Spending under this SDG is balanced in terms of economic nature of expenditure: personnel expenditure average 26% annually; operation and maintenance expenditures are on average 20% of total expenditure, while transfers to individuals and households average 28% on an annual basis. Investments vary between approximately 5% and 8% of total expenditure (after a steep decrease in 2017). Capital improvement expenditure is allocated predominantly to the secondary healthcare programme. The spending related to Covid 19, during 2020, is yet to be reflected in national accounts as actual implemented budgets are consolidated and approved by the Ministry of Finance. During 2020, the government made several amendments to the state budget; and dramatically increased budget allocations to the health sector, to provide adequate resources in the context of the pandemic. Moreover, international partners such as the EU and several bilateral donors provided generous support to the country. However, despite the expected spike in health spending; it is quite clear that the Covid-19 pandemic will have had a negative impact on SDG – 3 achievements, due to increased mortality rates (both linked with Covid as well as negative outcomes may have been experienced for other diseases, due partly to hospital overcrowding and reduced availability of health services). Vulnerabilities of the public health system will need to be addressed to increase capacities, prevention programmes and overall resilience. Overall, Albania's performance in SDG3 was mixed even before the crisis – with worrying trends of increasing infant mortality rates. It must be noted that private health spending in Albania is significantly large – out-of-pocket expenditure has surpassed public spending in healthcare during the last decade.[25]



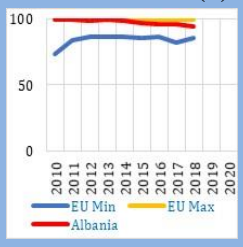
[25] Tomini F, Tomini S. Can people afford to pay for health care? New evidence on financial protection in Albania. Summary. Copenhagen: WHO Regional Office for Europe; 2020.

Ad ft rt (b. p.1000 f. 15-19 y)

Births w/ personnel (%)

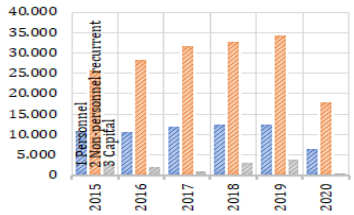
Surv inf rec 2 WHO- vac (%)

UHC Ind sv cov (wst 0–100 bst)



Subj we-bng (wst 0–10 bst)

Spending by Economic Nature



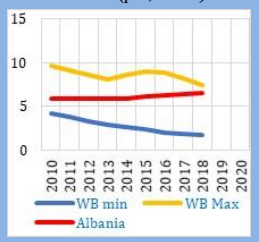
Compared to WB countries

Mat mrt rt (p 100,000 lb)

Neonat. mrt rt (p 1,000 lb)

Mrt rt < 5 (p 1,000 lb)

Inc tub (p 100,000 pop

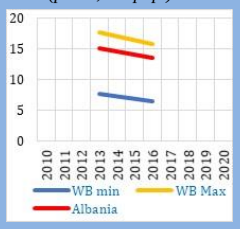


N. HIV inf (p 1,000 uninf pop)

Ag.st d.rt cd, cn, di, 30–70 y (%)

Tr d *(p.100,000 pop.)*

Life exp at birth (Yeaars)

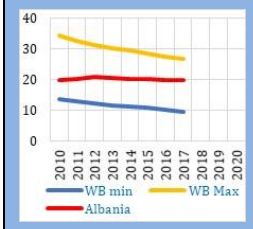


Ad ft rt (b. p.1000 f. 15-19 y)

B. att sk hth pers (%)

Surv inf rec 2 WHO- vac (%)

UHC Ind sv cov (wst 0–100 bst)



Subj we-bng (wst 0–10 bst)

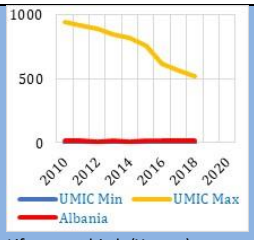
Compared to UMIC Countries

Mat mrt rt (p 100,000 lb)

Neonat. mrt rt (p 1,000 lb)

Mrt rt < 5 (p 1,000 lb)

Inc tub (p 100,000 pop

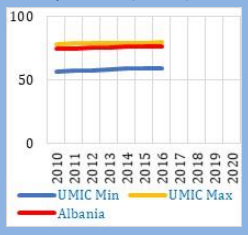


N. HIV inf (p 1,000 uninf pop)

Ag.st d.rt cd, cn, di, 30–70 y (%)

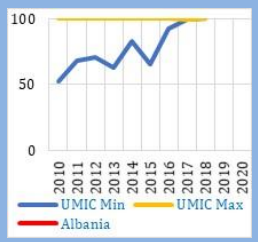
Tr d *(p.100,000 pop.)*

Life exp at birth (Yeaars)



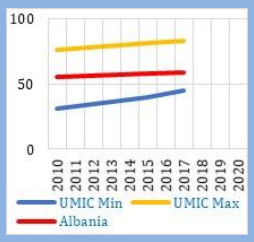
Ad ft rt (b. p.1000 f. 15-19 y)

B. att sk hth pers (%)



Surv inf rec 2 WHO- vac (%)

UHC Ind sv cov (wst 0–100 bst)



Subj we-bng (wst 0–10 bst)

SOURCE

SOURCE

SDG 4: Quality Education

Budget programmes classified under SDG4 relate primarily with the activity of the Ministry of Education, falling under the social policy area of the NSDI. The main budget programmes contributing to this development goal are naturally primary education (73% of total outlays at the central level) and secondary general education (21% of total outlays). Other programme with modest contributions include among others "Art and Culture" (1,8%); and management costs under the Ministry of Education (2%)

Table 5 SDG 4 related expenditure 2015 – 2017 per capita and in % of GDP

SDG 4	2015	2016	2017	2018	2019
Per capita spending (Lek)	12 120	12 433	12 961	13 968	14 988
In % of GDP	1,2%	1,2%	1,3%	1,4%	1,5%

Public spending on quality education amounted to 191 billion Lek in the three years under review. Spending on SDG 4 - Education has maintained a steady growth pace in terms of absolute figures between 2015 and 2019, in particular during the last two years (7 and 8% annual increase, respectively).
Increase in spending towards quality education is attributed primarily to increased financing in the primary education programme (including pre-school education), which has grown by 1,6 billion lek on average since 2016. [26]

Compared to EU Countries

Prim Enroll Rate (%)

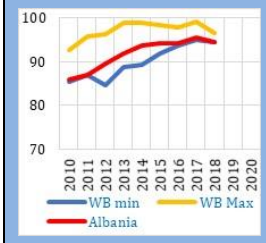
Lower sec compl rate (%)

Literacy Rate 15-24 %

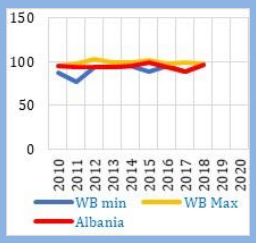
Albania 99.3

Compared to WB countries

Prim Enroll Rate (%)



Lower sec compl rate (%)



Literacy Rate 15-24 %

Albania 99.3

Compared to UMIC Countries

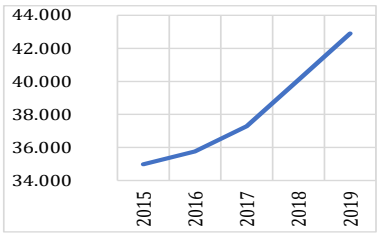
Prim Enroll Rate (%)

Lower sec compl rate (%)

Literacy Rate 15-24 %

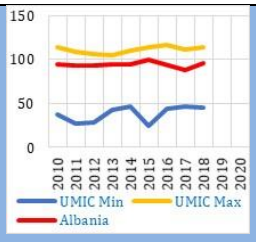
SDG 4 Related Spending

Budget Expenditures Mill ALL 2015-2020



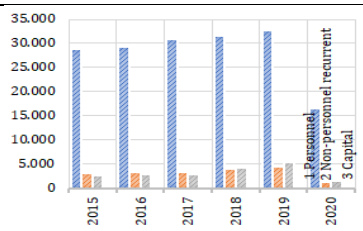
Spending by Economic Nature

[26] Please see Section 3 of this report for a broader discussion of SDG 4. Please note that programmes focusing on tertiary education as well as vocational education programmes have not been mapped under SDG4 in the context of Albania.



Albania 99.3

SOURCE



SOURCE

SDG 5: Gender Equality

The main programmes classified under the Gender Equality SDG relate with management activities for gender mainstreaming at the institutional level, primarily the Ministry in charge of social affairs.[27] This classification takes into account direct costs for gender related activities to avoid double counting. Where activities benefitting gender equality and/or women have no marginal cost for their engenderment, they have been attributed to the main cost center for purposes of this analysis. According to this perspective, spending on gender equality in Albania is modest at 0,03% of GDP.

Table 6 SDG 5 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 5	2015	2016	2017	2018	2019
Per capita spending (Lek)	305	247	324	226	293
In % of GDP	0,03%	0,02%	0,03%	0,02%	0,03%

It is worth noting that it is particularly difficult to identify gender-related spending. Targeted expenditures, which have been identified and classified under SDG 5 in line with the general methodology for this analysis, are usually related with management and administration costs as well as particular events on gender issues. This appears to be formally harmonized with the framework of indicators measuring progress against this SDG; including whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex; women's active participation in social and political life; and the free exercise of their rights. Other targets such as elimination of violence against women; property rights or unpaid care work may be less abstract in terms of linkages with actual budgetary activities, however they are typically accounted for under separate budget programmes in the respective sectors.[28] For instance, activities related with the prevention and elimination of violence against women; which are inherently linked with SDG5, have been accounted for under SDG 1 and 10 due to their linkage with social care service activities. Similarly, activities to promote women's property rights and participation in agriculture production have been accounted for under SDG2.

The extent to which gender related expenditure is mainstreamed across all sectors is far more important than expenditure identified under the gender equality bureaucracy of the government. The Albanian public financial management system has introduced gender responsive budgeting as a compulsory feature for budgeting processes at the central and local level. Until recently, GRB related outputs have not been easily traceable during budget execution – which is why reliable data is only available at the planning stage. With the modernization of the government financial information systems (AFMIS), the rate of execution of engendered outputs may become easily accessible.
UN Women Albania has worked with the Albanian Government, in particular the Ministry of Finance and all line ministries, to strengthen and expand gender responsive budgeting guideline and practice at budget planning level. With support from UN Women Albania, 9 budget programmes were engendered in 2015; and the number had grown to 37 different budget programmes for the planning process of the 2019 budget. In absolute figures, the gender responsive outputs constituted 4,8 billion lek, or roughly 1,14% of the total budget in 2015 and went up to over 32 billion lek, for 11 budget organisations by 2019. (See Table 7 below).

Table 7 Gender responsive budget outputs at planning level, 2015 – 2019

Line Ministry / Budget Institution *(000 Lek)*	2015	2016	2017	2018	2019

[27] As per the mapping based on the NSDI.
[28] Tp avoid double counting, gender related activities in specific sectors that relate with other SDGs, for which there are no marginal costs related with the engendment; have been accounted for only once under the respective SDGs.

Ministry of Economic Development, Tourism, Trade and Entrepreneurship	14 000	30 000	20 000	20 000	32 548
Ministry of Urban Development	-	2 034	2 000	2 000	
Ministry of Culture	12 916	44 418	82 200	85 660	46 953
Ministry of European Integration	28 719	28 020	2 200	26 983	51 000
Ministry of Agriculture, Rural Development and Water Administration	23 941	23 941	25 300	197 260	47 516
Ministry of Education and Sports	-	160 000	250 400	251 880	17 414 873
Ministry of Justice	-	582 408	535 443	562 692	199 986
Ministry of Interior Affairs / State Police	750	417 075	280 929	219 938	1 808 910
Ministry of Social Welfare and Youth	4 762 440	5 800 047	5 510 265	6 225 364	
Ministry of Health	-	770 000	8 395 626	8 800 400	8 192 704
Ministry of Environment	-	-	30 328	47 660	
Ministry of Finance			1 835	12 000	4 215 406
Ministry of Defense				41 650	507 217
Commissioner for Protection against Discrimination					6 237
Total planned by year	4 842 766	7 857 943	15 136 526	16 493 487	32 523 350
Of which: NE programme benefitting all members of household	4 700 000	4 506 416	4 506 416	4 800 000	4 629 500
Of which: Primary healthcare check up programme open to all adult population			8 294 496	8 792 000	
of which: social insurance transfers					3 856 328

Source: Un Women Albania and Ministry of Finance and Economy

The methodology used by UN Women to track gender responsive classifies all policy/programme measures addressing gender equality goals, including those where gender equality is not the primary objective, but incorporate actions to empower women and/or close the gender gap; as gender related/gender mainstreamed. In the case of Albania, the cash benefit poverty alleviation programme (NE) has been classified fully as a gender programme, on account of the government policy that women are entitled to withdraw the benefits on behalf of the household. Likewise, the primary health-care check-up programme has been identified as fully gender related in 2017 and 2018, on account of information that 60% of beneficiaries are women. In both these cases, the primary policy goals is not strictly related to addressing the gender gap and there are no marginal costs related with the gender dimension of the programme: the NE programme's main goal is to alleviate poverty; whereas the check-up programme's main goal is the well-being of the overall population, regardless of gender (this has been adjusted in 2019 where only a share of the programme has been accounted against gender outputs). In 2019, the social security programme portion contributing to compensations during maternity leave has been accounted for as a gender programme.

Based on the preliminary data (at planning level) provided by UN Women, a more conservative approach would suggest that spending on SDG 5 in Albania has increased from 1,168 Lek in 2015; to 10,847 Lek per capita in 2019. (Table 8).

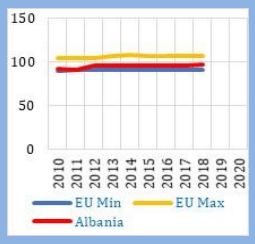
Table 8 SDG 5 2015 – 2019 budget per capita, based on Un Women Albania

Per capita planned expenditure for SDG 5 (Lek)	2015	2016	2017	2018	2019
SDG 5: Accounting for Engendered Budget Outputs: All engendered programmes					
Per capita expenditure	1 983	2 980	5 586	5 972	11 655
In % of GDP	0,2%	0,3%	0,6%	0,6%	1,2%
SDG 5: UN Women assumption with adjusted weights for NE (50%) and Health Check-up (60%)					
Per capita expenditure	1 168	2 196	3 073	3 298	10 847
In % of GDP	0,12%	0,22%	0,31%	0,33%	1,08%

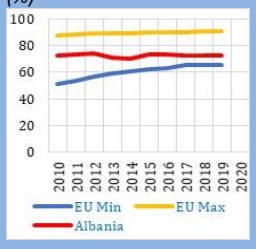
Compared to EU Countries

Fam pl dem sat 15-48 (%)

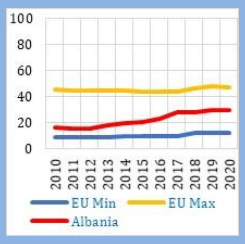
female-to-male NoY ed *(%)*



Fem to male Lab F Part rt (%)



Wom Parl Sits (%)

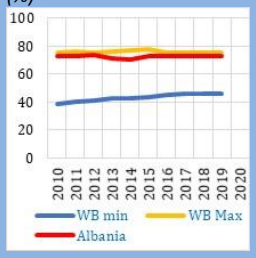


Compared to WB countries

Fam pl dem sat 15-48 (%)

female-to-male NoY ed *(%)*

Fem to male Lab F Part rt (%)



Wom Parl Sits (%)

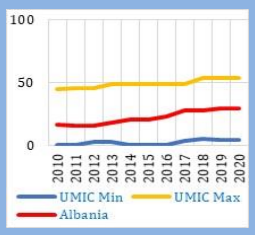
Compared to UMIC Countries

Fam pl dem sat 15-48 (%)

female-to-male NoY ed *(%)*

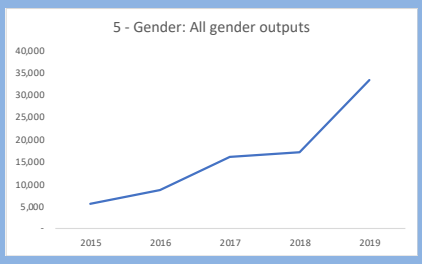
Fem to male Lab F Part rt (%)

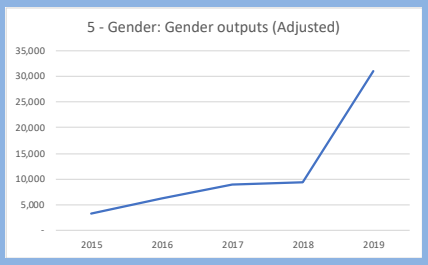
Wom Parl Sits (%)

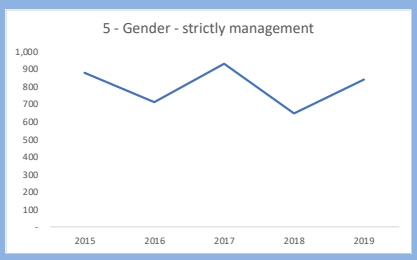


SOURCE

SDG5 Related Spending







SOURCE

SDG 6: Clean Water and Sanitation

Public spending on clean water and sanitation amounted to 82 billion lek between 2015 and 2019. The main budget programmes classified under this SDG include water supply and sewerage (74% at the national level and 26% at the local level) and irrigation and drainage (74% at the national level). The lion share of contributions to this SDG derive from the NSDI policy area on access to water and sewerage networks (98%).

Table 9 SDG 6 related expenditure 2015 – 2019 per capita and in % of GDP

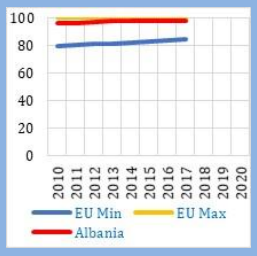
SDG 6	2015	2016	2017	2018	2019
Per capita spending (Lek)	5 469	7 060	6 319	4 853	5 070
In % of GDP	0,55%	0,71%	0,63%	0,49%	0,51%

Outlays in this sector are dominated by capital expenditure: 81% of overall expenditure is in investments in water and sanitation (77% or 90 billion lek) and irrigation and drainage (18,8% or 21,5 bln lek). Operation and maintenance expenditure is low at only 8,7 billion lek, or 6,5% of total expenditure; of which 75% is allocated in irrigation and drainage. Subsidies to water companies constitute 5,9% of total expenditure.

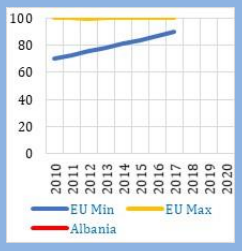
Compared to EU Countries

Basic Drink wat ser Use (%)

Basic Sanitary serv Use (%)

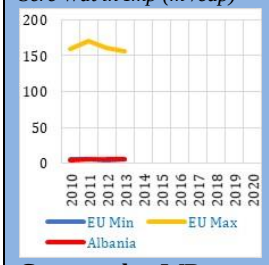


Safe Water Access (%)



Waste Treatt (%)

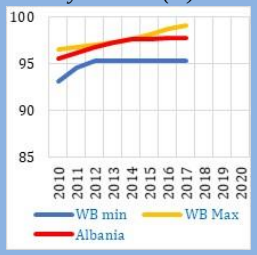
Scrc Wat in Imp (m^3/cap)



Compared to WB countries

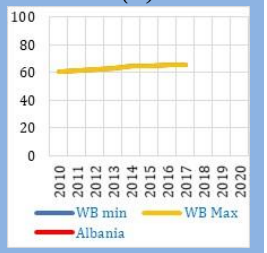
Drink water ser Use (%)

Sanitary serv Use (%)

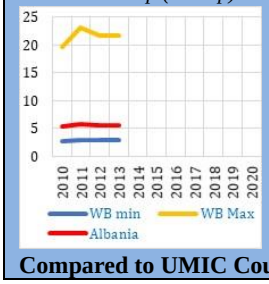


Safe Water Access (%)

Waste Treatt (%)



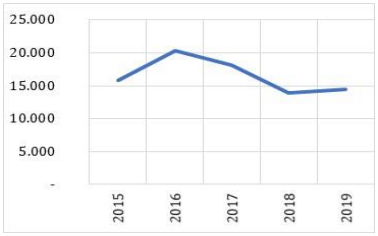
Scrc Wat in Imp (m^3/cap)



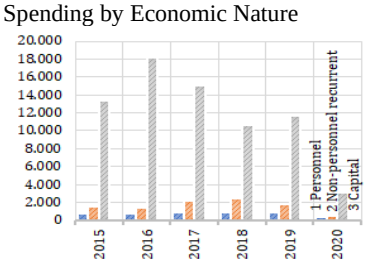
Compared to UMIC Countries

SDG6 Related Spending

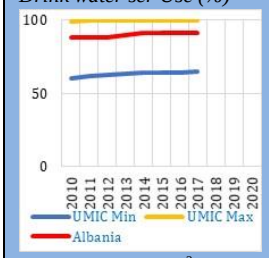
Budget Expenditures Mill ALL 2015-2020



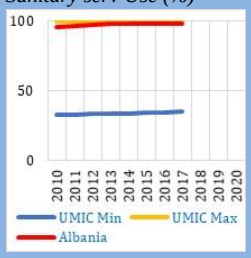
Spending by Economic Nature



Drink water ser Use (%)

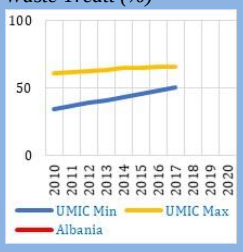


Sanitary serv Use (%)



Safe Water Access (%)

Waste Treatt (%)



Scrc Wat in Imp (m^3/cap)

SOURCE

SOURCE

SDG 7: Affordable and Clean Energy

Public spending on SDG 7 in the three years under review amount to 27,3 billion lek, of which more than one third was spent in 2017. This SDG is linked with the NSDI policy area on efficient use of resources, contributing 95% of spending under this outcome. The main budget programmes classified herewith fall under the activity of the Ministry of Infrastructure, namely the operation of the institutions (75%, of which 69% is investment) and support to energy (15% of which 11% is investment).

Table 10 SDG 7 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 7	2015	2016	2017	2018	2019
Per capita spending (Lek)	864	2 299	3 232	1 840	1 263
In % of GDP	0,09%	0,23%	0,32%	0,18%	0,13%

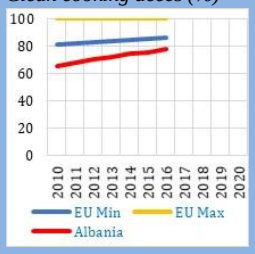
The outstanding growth in allocations to this SDG in 2017 (total 9,3 billion) is attributable mainly to the increase in the "Support to energy" budget programme, which accounts for 90% of the increase in 2017 as opposed to 2016; and to the investment programmes under the management of the Ministry of Energy in 2016, which account for 91% of the increase between 2016 and 2015. One of the main investment programmes under the Ministry of Energy in 2017 is related with the market preparations for introduction of solar panels. The growth was negative in 2018 and 2019, and allocations in 2019 appear to be approaching 2015 levels.

Albania's actual performance in this SDG is considered to be on track in terms of access to the network and the fact that almost all national energy needs are met by renewable energy sources. In this perspective low levels of public spending in this area may be considered as rational and justifiable: private actors are better suited to choose the most efficient energy mix provided that right and fair market condition exist. However, if the tipping point of transition from fuel to green sources of energy will be reached by 2023, the sustainability of energy sources for Albania may be of high concern. Questions around forms of energy that will support the country's rising needs for heating, industry and mobility (private and public transport), infrastructure will eventually emerge. Risks related to climate change impact on the volatility of hydropower generation capacity for the country will become a matter of public policy by necessity.

Compared to EU Countries

Access to electricity (%)

Clean cooking acces (%)



CO2 emissions (MtCO2/TWh)

Compared to WB countries

Access to electricity (%)

Clean cooking acces (%)

CO2 emissions (MtCO2/TWh)

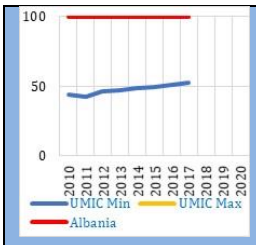
Compared to UMIC Countries

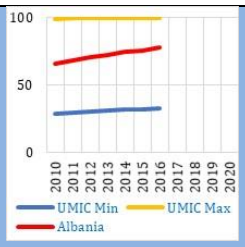
Access to electricity (%) *Clean cooking acces (%)* *CO2 emissions (MtCO2/TWh)*

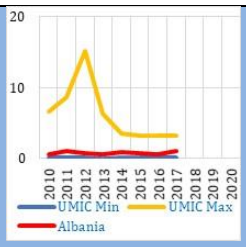
SDG7 Budget Expenditures

Budget Expenditures Mill ALL 2015-2020

Spending by Economic Nature







SOURCE

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SDG 8: Decent Work and Economic Growth

Total public spending for SDG 8 between 2015 and 2019 amounted to 98,5 billion lek. SDG 8 is linked with two main policy areas of NSDI II: Maintenance of macroeconomic stability (contributing the lion share of resources to this SDG, and Social Policy and Employment, the contribution share of the latter to SDG 8 having slightly decreased in terms of specific weight between after 2016 (from 21% to 19%), mainly due to the fast growth of debt related expenditure.
The main budget programmes under this SDG are domestic and foreign debt management (68% annual expenditure contribution on average or 67 billion lek total for three years) followed by VET and employment support (19,3 billion lek total for three years or 20% specific weight average for three years). Other programmes contributing to this SDG with very modest budgets are tourism, and support to economic development.

Table 11 SDG 8 related expenditure 2015 – 2017 per capita and in % of GDP

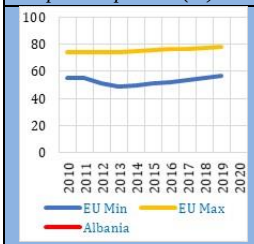
SDG 8	2015	2016	2017	2018	2019
Per capita spending (Lek)	7 245	6 453	6 015	7 106	7 452
In % of GDP	0,72%	0,65%	0,60%	0,71%	0,75%

A closer look at expenditure contributing to this SDG, reveals that total outlays outside from debt related expenditure amount to 33,5 billion lek over the three years. The main budget programme (excluding debt) is vocational education, at 35% of total expenditure, or 11,7 billion lek in total. Expenditure for VET education increased by 30% between 2016 and 2015, driven by an almost 6 fold increase in capital expenditure. In 2018, allocations to the vocational education subsector increased again by 25% as opposed to the previous year – again driven by capital improvements. Expenditure under this programme have remained at steady levels in 2019, with a slight reduction in investment but increase in personnel and operation expenditure. The budget programme on employment and active labour market measures contributes 23% or 7,7 billion lek in average, driven by personnel cost (26%) and subsidies to companies and individuals under the employment support programmes (59%). The latter appear to have steeply decreased in 2018. Financing for employment support programmes increased again in 2019, but remains below 2016 levels.

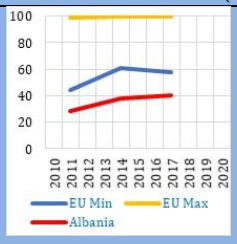
Investment towards this SDG is closely interlinked with other measures contributing to economic development, including agriculture, infrastructure and environment. Furthermore, SDG 4 outcomes – education have important bearings for outcomes under SDG 8, in terms of preparing the human capital that will drive economic growth in the future.

Compared to EU Countries

Empl to Pop Ratio (%)



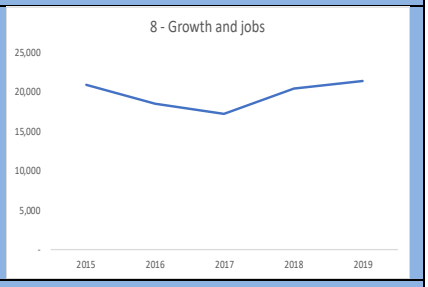
Access to Bank Acc >15 (%)



Unemplement Rate (%)

Other (%)

SDG8 Related Spending Expenditures



Compared to WB countries

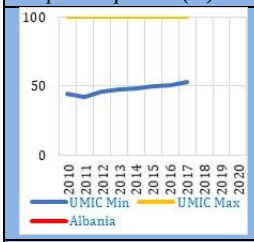
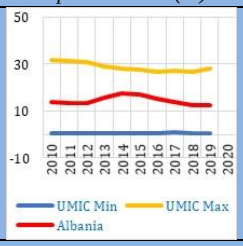
Empl to Pop Ratio (%)

Access to Bank Acc >15 (%)

Unemplement Rate (%)

Other (%)

Compared to UMIC Countries

Empl to Pop Ratio (%)	*Access to Bank Acc >15 (%)*	*Unemplement Rate (%)*	*Other (%)*	
				
SOURCE				SOURCE

SDG 9: Industry, Innovation and Infrastructure

Spending on Industry, Innovation and Infrastructure in Albania amounted to 198 billion lek between 2015 and 2019. 97% of resources for this SDG are contributed through the NSDI pillar on Efficient use of resources. It includes a variety of infrastructure related budget programmes, such as national road infrastructure (60% of expenditure) and public transport (28%), as well as other infrastructure such as railroads, seaports and air transport at less than 4% of total expenditure.

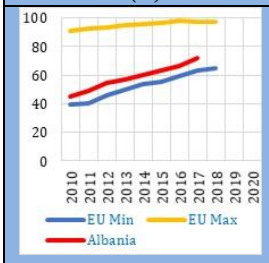
Table 12 SDG 9 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 9	2015	2016	2017	2018	2019
Per capita spending (Lek)	14 108	10 413	13 303	15 847	15 137
In % of GDP	1,4%	1,0%	1,3%	1,6%	1,5%

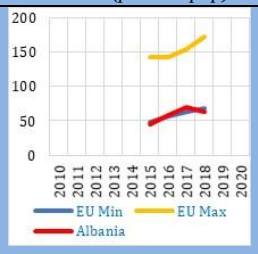
Other budget programmes linked with this SDG include Support to Science and the Academy of Science (0.7%), as well as a small share of energy related programmes such as mining and geo-sciences (the lion-share of these two programmes has been classified under SDG 7).
On average 86% of total outlays in this SDG related area are capital expenditures, concentrated mainly in road infrastructure (74%).

Compared to EU Countries

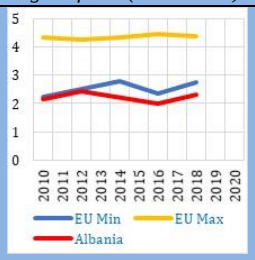
Internet Use (%)



Mobile Use (per 100 pop)



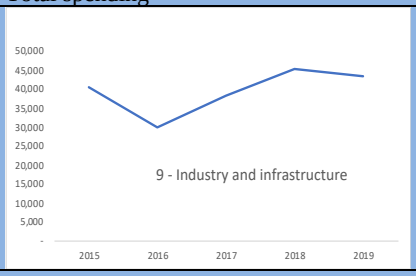
Log Perf Ind (1 wst- 5 bst)



Artic Scient (per 1000 pop)

SDG 9 Related Spending

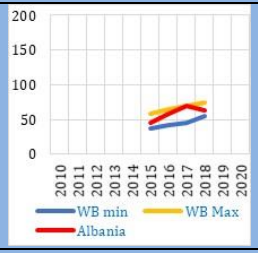
Total spending



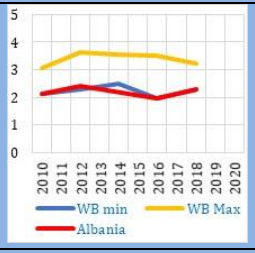
Compared to WB countries

Internet Use (%)

Mobile Use (per 100 pop)



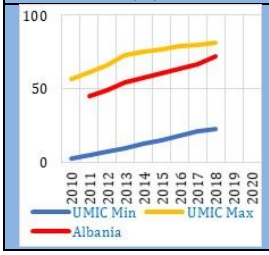
Log Perf Ind (1 wst- 5 bst)



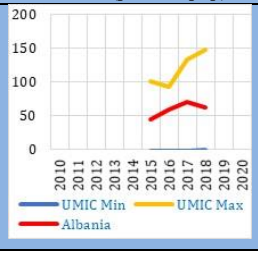
Artic Scient (per 1000 pop)

Compared to UMIC Countries

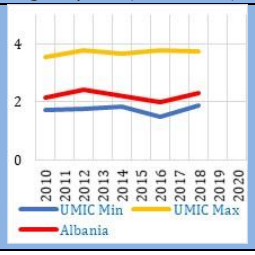
Internet Use (%)



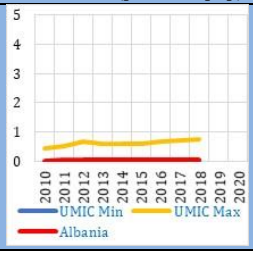
Mobile Use (per 100 pop)



Log Perf Ind (1 wst- 5 bst)



Artic Scient (per 1000 pop)



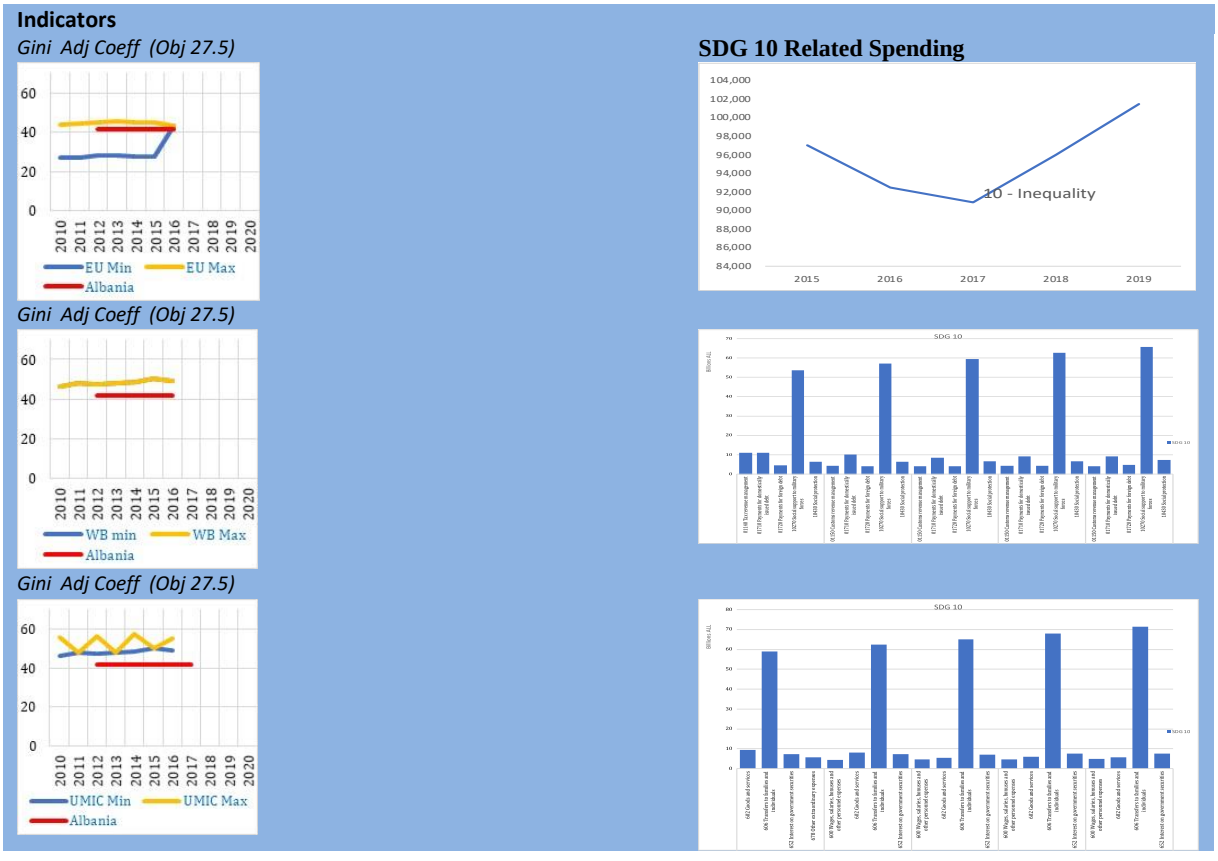
SDG 10: Reduced Inequalities

The NSDI II policy areas contributing to this development goal have been identified as Macroeconomic Stability and economic growth and Social Policy. The main budget programmes included herewith are domestic and foreign debt (74%); fiscal administration (12%) as well as social protection programmes (social care, support for religions, support for political persecutes for less than 10% of total outlays).
Total spending towards SDG 10 has amounted to 478 billion lek in the five years under review, mainly driven by debt cost allocated under this NSDI policy area/SDG (70 billion) and social insurance cost (approximately 300 bln ALL).[29] Other important cost drivers classified under this SDG include public financial management (PFM) and fiscal administration (Tax and Customs authorities) related expenditure.

Table 13 SDG 10 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 10	2015	2016	2017	2018	2019
Per capita spending (Lek)	33 622	32 157	31 570	33 449	35 461
In % of GDP	3,4%	3,2%	3,2%	3,3%	3,5%

When looking at spending outside of PFM related areas (PFM, payment execution, fiscal administration, debt), total spending in social protection programmes allocated to SDG 10 amounts to 34 billion in five years.
It is worth noting that some arguably relevant programmes for inequalities have not been classified under this SDG, such as the regional development programmes on health and education, to just name a few. Furthermore, global studies indicate that economic and other types of inequalities will become more pronounced in the aftermath of the Covid-19 crisis, which disproportionately affects vulnerable populations.



[29] Some of the debt costs were allocated to SDG 8.

SDG 11: Sustainable Cities and Communities

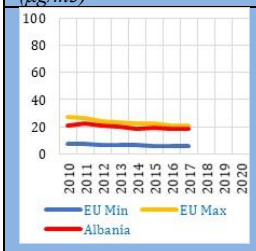
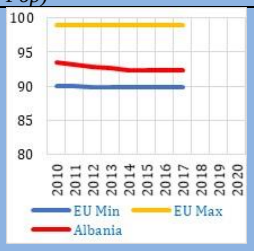
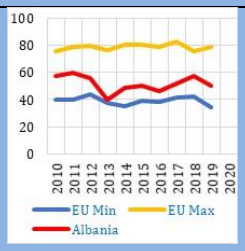
NSDI policy areas contributing to SDG 11 on sustainable cities and communities include Spatial Planning, and Regional development under the "Sustainable Growth through Efficient Use of Resources" Pillar. Total spending under this SDG amounts to 34,3 billion lek in the five years under review, of which more than one third of total expenditure was executed in 2017 (11 bln ALL). The major budget programmes contributing to this SDG include expenditure under the Housing and Territorial Planning programme in the (former) Ministry of Urban Development and local governments (34% of total expenditure); as well as "Development Programmes" under the same ministry, which accounts for 61% of total outlays in 2017 only[30], or 12% of total expenditure in all years (6 billion lek). Expenditure under this programme is related with capital expenditure under the Regional Development Fund, implemented since 2017 by the Albanian Development Fund, as well as a number of municipalities. It includes a variety of smaller and bigger projects in road infrastructure, water supply and public space and urban renovation initiatives. About 20% of total expenditure towards SDG 11 is allocated to cultural heritage activities.

Table 14 SDG 11 related expenditure 2015 – 2019 per capita and in % of GDP

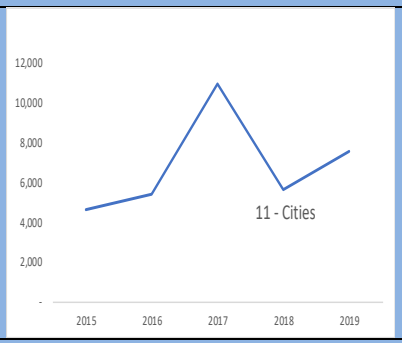
SDG 11	2015	2016	2017	2018	2019
Per capita spending (Lek)	1 623	1 891	3 817	1 981	2 636
In % of GDP	0,2%	0,2%	0,4%	0,2%	0,3%

20,4 billion lek were spent between 2015 and 2019 under the budget programme "Housing and territorial planning" at the national and local level. Despite the name of the programme, the majority of capital expenditure incurred in this area has been allocated for infrastructure refurbishment programmes at the municipal level mainly, and only a fraction was spent on spatial planning and similar studies, mainly from foreign financing. Spending on restoration and operation of cultural heritage sites is modest, but slightly increasing during the period – 10 billion lek were devoted to this sector over five years. Investment in social housing appears to be also relatively low.

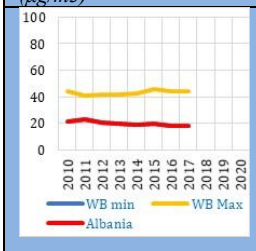
Compared to EU Countries

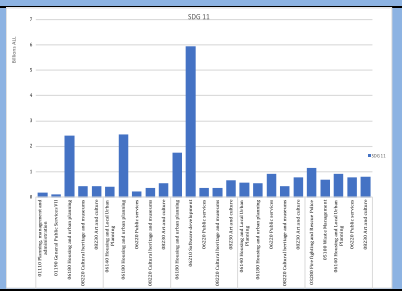
Poll Part (PM2.5) (µg/m3)	*Acc to Wat Pip (% Ub Pop)*	*Satisf pub Trans (%)*	*Others*
			

SDG 11 Related Spending

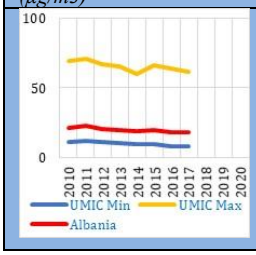
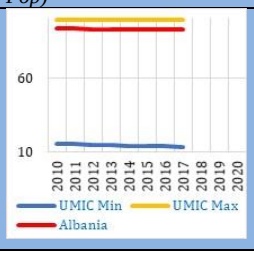
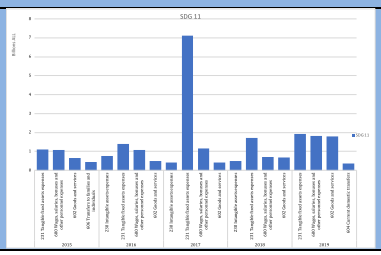


Compared to WB countries

Poll Part (PM2.5) (µg/m3)	*Acc to Wat Pip (% Ub Pop)*	*Satisf pub Trans (%)*	*Others*
			



[30] No expenditure incurred under this programe in 2015 to 2019

Compared to UMIC Countries				
Poll Part (PM2.5) (µg/m3)	*Acc to Wat Pip (% Ub Pop)*	*Satisf pub Trans (%)*	*Others*	
				

SDG 12 : Responsible Consumption and Production

NSDI policy areas linked with SDG12 include Consumer Protection and Market Supervision (49%); Waste Management and Efficient Use of Resources (21% each) as well as less prominent policy areas (in terms of spending contribution) such as support to public enterprises or tourism infrastructure. Spending under this SDG is quite modest at almost 13 billion lek total in the five years, but it appears to be increasing steadily.

Table 15 SDG 12 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 12	2015	2016	2017	2018	2019
Per capita spending (Lek)	688	913	827	988	1 083
In % of GDP	0,07%	0,09%	0,08%	0,10%	0,11%

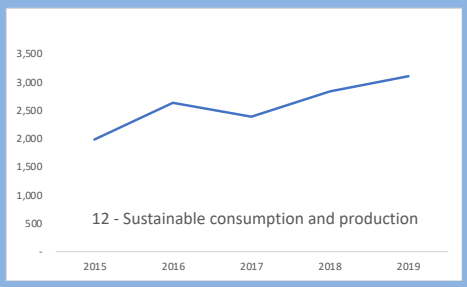
This is one of the most important areas of concern for Albania as there are no statistics generated for the time being on the country level. It ought to be different if climate change adaptability and resilience will be embraced in the future. Transformative strategies of production and consumption should be aimed at by appropriate policy mix of public measures and private sector incentives. The necessity of indicators and data to analyse policy and monitor progress cannot be overstated.

Compared to EU Countries (No Comparative Statistics in the dashboard) Ref to World Wide Studies

Municipal solid waste | Electronic waste | Production SO_2 emissions | SO_2 emissions Import

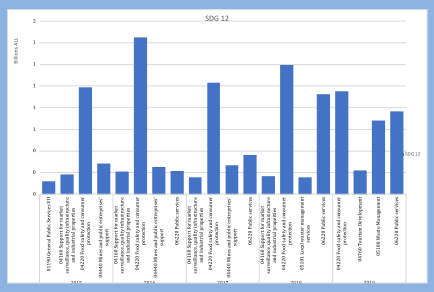
Production nitrogen emissions | Nitrogen emissions imports

SDG 12 Related Spending

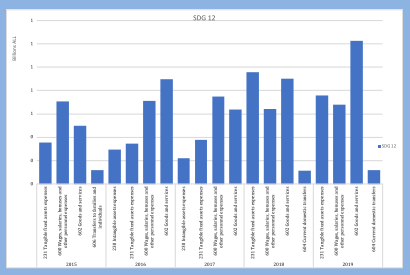


Compared to WB countries (No Comparative Statistics in the dashboard) Ref to World Wide Studies

Municipal solid waste | Electronic waste | Production SO_2 emissions | SO_2 emissions Import



Production nitrogen emissions | Nitrogen emissions imports



Compared to UMIC Countries Ref to World Wide Studies

Municipal solid waste	Electronic waste	Production SO_2 emissions	SO_2 emissions Import
Production nitrogen emissions	Nitrogen emissions imports		

SDG 13: Climate Action; SDG 14: Life Below Water; SDG 15: Life on Land

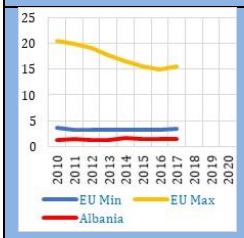
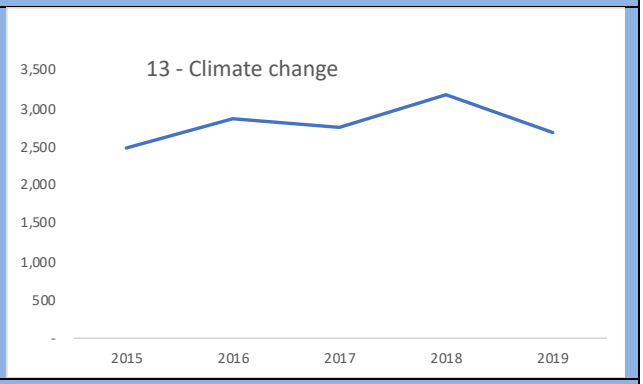
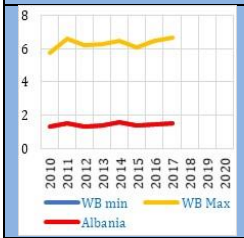
SDGs 13, 14 and 15 are closely linked with the Environment policy area of the NSDI II. Contributions towards SDG 13 – Climate action account for 51% of total allocation over the period, which is driven by the civil emergency programme – which has in fact so far been a reactive, rather than proactive policy instrument[31]. Other important budget programmes include Forest Administration (19%), and environmental protection programmes under the administration of the Ministry of Tourism and Environment, which carried out the lion-share of expenditure linked with the environment SDGs.

Table 16 SDG 13, 14 and 15 total related expenditure 2015 – 2017 per capita and in % of GDP

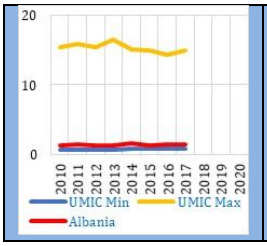
SDG 13, 14, 15	2015	2016	2017	2018	2019
Per capita spending	1 592	2 113	2 119	1 905	1 757
In % of GDP	0,16%	0,21%	0,21%	0,19%	0,18%

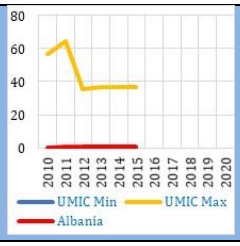
Total spending in environment related areas is quite modest at a total of 27,3 billion lek in three years. Despite some growth in resources allocated to the environment sector, experienced in 2016 and 2017 (over 6 bln lek in both years), outlays decreased again to about 5 billion lek annually in 2018 and 2019. The 2016 - 2017 growth was driven by increases in the forest administration and environment protection budget programmes.

SDG 13: Climate Action

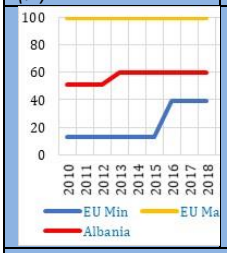
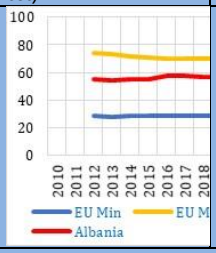
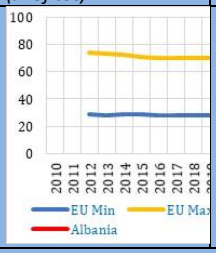
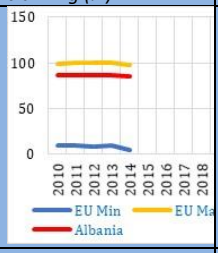
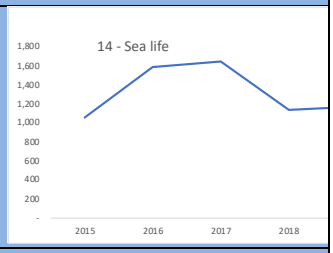
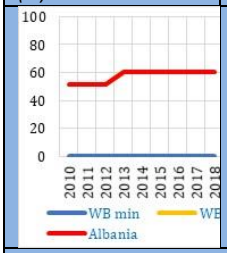
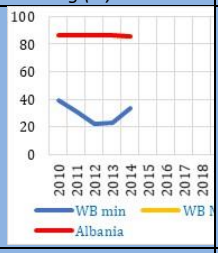
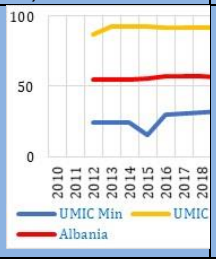
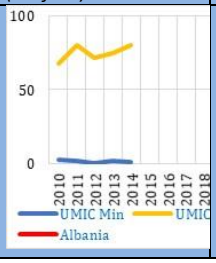
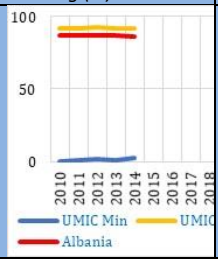
Compared to EU Countries				**SDG 13 Related Spending**
Prd em CO2 (tCO2/capita)	*Imp em CO2 (tCO2/capita)*	*Others*		
				
Compared to WB countries				
Prd em CO2 (tCO2/capita)	*Imp em CO2 (tCO2/capita)*	*Others*		
				
Compared to UMIC Countries				
Prd em CO2 (tCO2/capita)	*Imp em CO2 (tCO2/capita)*	*Others*		

[31] Expenditure incurred under this programme usually aims at alleviating damage from natural disasters.

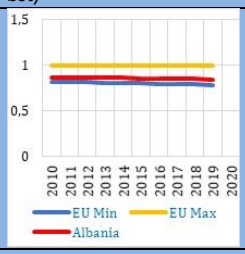
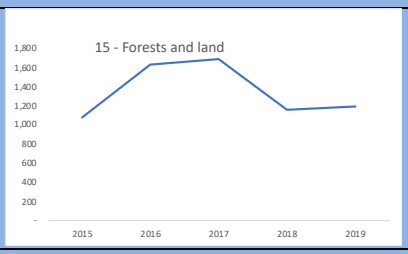
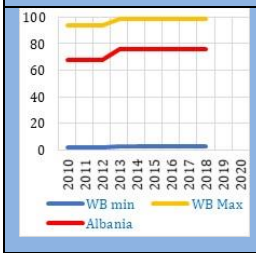
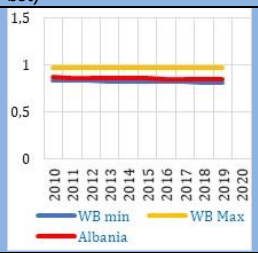
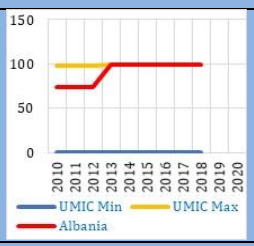
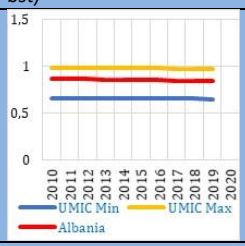




SDG 14 : Life Below Water

Compared to EU Countries				**SDG2 Budget Expenditures**
Mean Cov Prot Area (%)	*Oc H Ind: (Wst 0–100 bst)*	*Fish fr collap stocks (% of tot)*	*Fish caught by trawling (%)*	
				
Compared to WB countries				
Mean Cov Prot Area (%)	*Oc H Ind: (Wst 0–100 bst)*	*Fish fr collap stocks (% of tot)*	*Fish caught by trawling (%)*	
				
Compared to UMIC Countries				
Mean Cov Prot Area (%)	*Oc H Ind: (Wst 0–100 bst)*	*Fish fr collap stocks (% of tot)*	*Fish caught by trawling (%)*	
				

SDG 15 : Life on Land

Compared to EU Countries				**SDG 15 Related Spending**
Mean Land Prot Area (%)	*Mean Prot Fr Wat Sites (%)*	*Surv Spec Index (0 wst -1 bst)*	*Others*	
				
Compared to WB countries				
Mean Land Prot Area (%)	*Mean Prot Fr Wat Sites (%)*	*Surv Spec Index (0 wst -1 bst)*	*Others*	
				
Compared to UMIC Countries				
Mean Land Prot Area (%)	*Mean Prot Fr Wat Sites (%)*	*Surv Spec Index (0 wst -1 bst)*	*Others*	
				

SDG 16: Peace, Justice and Strong Institutions

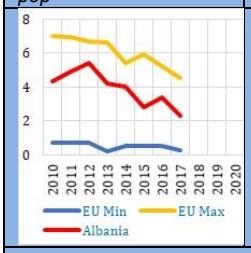
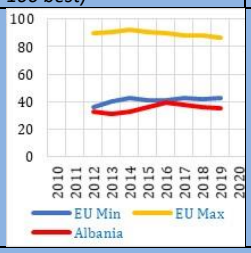
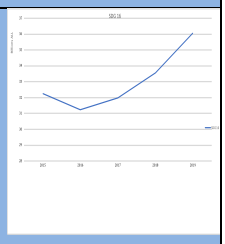
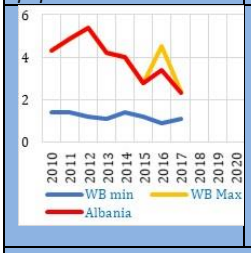
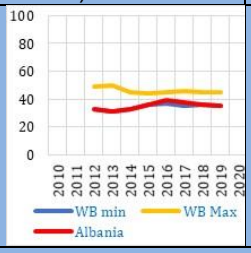
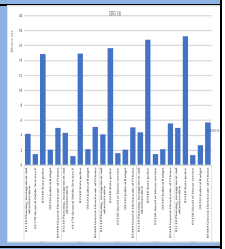
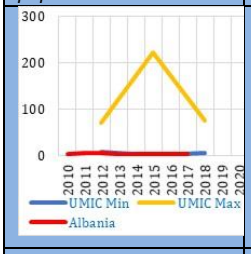
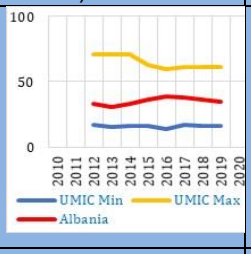
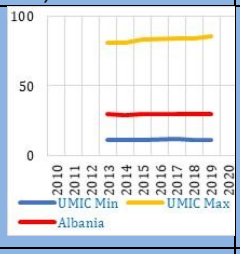
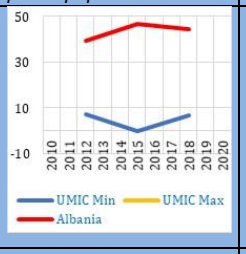
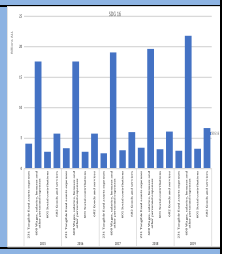
Budget programmes classified under SDG16 relate mainly with support for government functions, as well as the operation of several independent institutions. The main budget programmes contributing to SDG 16 in terms of specific weight are State Police (54% of total expenditure), the Penitentiary System (18%) and the Court Budget (5%). This SDG falls primarily under the Justice and Home Affairs pillar of the NSDI.

Public spending on SDG16 related goals has averaged 1,1% of GDP in the 2015 – 2019 period, without major fluctuations from year to year (between 30 and 31 billion lek each year). The Ministry of Interior executes 60% of the total spending related with this SDG and the Ministry of Justice 21%. Other institutions include the Prosecutor General, Parliament, Bailiff services, Central Election Committee, Constitutional court and the Vetting process administration and many more institutions.

Table 17 SDG 16 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 16	2015	2016	2017	2018	2019
Per capita spending	10 732	10 660	11 112	11 581	12 438
In % of GDP	1,07%	1,07%	1,11%	1,16%	1,24%

Over 68% of total expenditure related with SDG 16 is Personnel cost, while operation and maintenance amounts to 17% of total costs.

Compared to EU Countries				**SDG16 Related Spending**
Homicides per 100000 pop	*Corruption Perc Ind (0-100 best)*	*Press Free Ind (best 0-100)*	*Unsentenced % of prison pop*	
				
Compared to WB countries				
Homicides per 100000 pop	*Corruption Perc Ind (0-100 best)*	*Press Free Ind (best 0-100)*	*Unsentenced % of prison pop*	
				
Compared to UMIC Countries				
Homicides per 100000 pop	*Corruption Perc Ind (0-100 best)*	*Press Free Ind (best 0-100)*	*Unsentenced % of prison pop*	
				

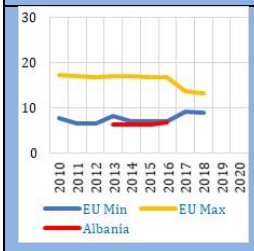
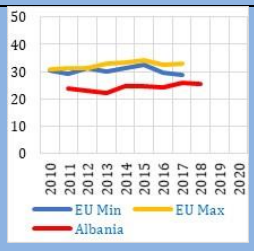
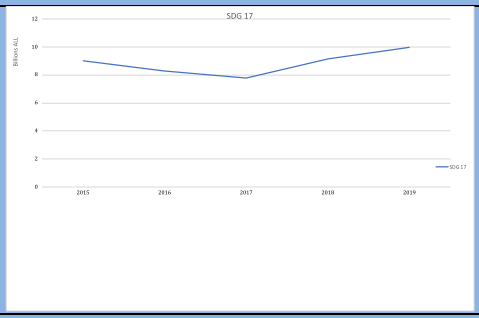
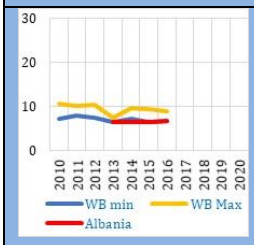
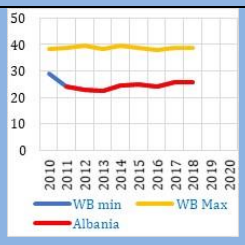
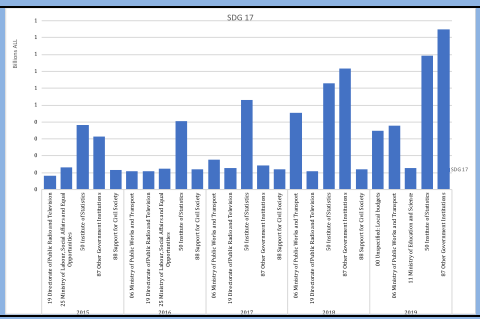
SDG 17: Partnerships for the Goals

Spending on SDG 17 is related with the NSDI policy area of maintenance of Macroeconomic Stability as well as justice and Home Affairs, Effective Government and Human Rights and Civil Society.

Table 18 SDG 17 related expenditure 2015 – 2019 per capita and in % of GDP

SDG 17	2015	2016	2017	2018	2019
Per capita spending	3 120	2 880	2 706	3 188	3 491
In % of GDP	0,31%	0,29%	0,27%	0,32%	0,35%

Spending on SDG 17 has amounted to 44 billion lek in the period 2015 – 2019. However, it must be noted that domestic and foreign debt outlays dominate spending in this area (90%, or 39,7 billion lek). Outside of debt related expenditure, SDG 17 related outlays amount to 4,3 billion lek in the five years. The single largest institution under this SDG (excluding debt) is the activity of the Institute of Statistics, at 1,32 billion lek in three years, or 34%. Instat's budget has increased by between 20% and 30% annually during the last three years. The Agency in Support of Civil Society account for 9% of spending contributions[32] towards this SDG, at 359 million lek in three years. Other central government institutions also contribute towards this SDG (12%), as well as several line ministries such as Education and Social Protection.

Compared to EU Countries				**SDG 17 Related Spending**
Health & Edu Exp (% GDP)	*Gov Rev excl Gr (% GDP)*	*Other*		*Public spending total 2015 - 2019*
				
Compared to WB countries				
Health & Edu Exp (% GDP)	*Gov Rev excl Gr (% GDP)*	*Other*		*Main institutions*
				
Compared to UMIC Countries				
Health & Edu Exp (% GDP)	*Gov Rev excl Gr (% GDP)*	*Other*		

[32] Excluding debt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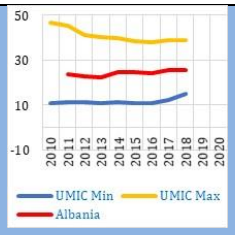
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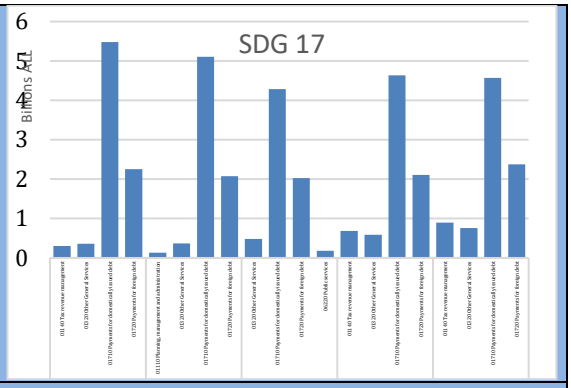
SDG 17
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SDG RELATED POLICIES: ANALYSIS AND RECOMMENDATIONS

Having gone through the evidence of SDG statistics and facts we turn now to detailed discussions of sectorial policies relevant to Albania's current SDG performance and potential improvements in the future, focusing on the sectors of education and social affairs. The chapter starts with some considerations about the relevance of these sectors in Albanian public policies, and continues with matters related to characteristics, performance patterns, desired policy outcomes, and potential options for public policy measures.

People matter

In his bestselling book « The Rise and Fall of Nations», Morgan Stanley chief Investment strategist Rushir Sharma dedicates an entire chapter to arguments why people are an important factor influencing national economic growth performance. According to Sharma, country characteristics pertaining to human factor are analysed amongst 10 general rules that may be used to detect the nations' potential for development (rise) or stagnation (fall). Yet, honest, and loyal to his investment background, Sharma reminds us once more of what renowned economists, and Nobel prizes like Becker and Romer, have made a central theme of in their economic theories: people matter, they are among the most precious assets a country has to deal with current challenges, and "bet" on its future.

On the supply side, the human factor, together with capital and land as factor endowments, may be a strength or a constraint to a country's development path. In this respect, Albania seems to have benefited from what Sharma and other economists call "demographic dividend"- a stable or increasing labour force because of past positive growth trends in working age population. Referring to INSTAT statistics for the period 2010-2019 this appears to be the case in Albania: the total population has decreased on average by less than 0.43 % per year; whereas working age population (15-64 years of age) has been very slightly increasing (on average 0.01%). While population growth has had positive effects for economic growth via both the perspective of supply (labour force) and demand (consumption), the gains from labour force productivity seem to be below potential[33]. Furthermore, these effects could very soon evaporate if the population shrinks in the future because of decreasing fertility rates, decreasing natural population growth rate in general; as well as outward migration trends. While decreasing fertility rate is already a phenomenon[34], Albania still has the possibility to positively affect – if not the natural population growth rate – at least the size of its (active) working age population via policy alternatives focusing on extending life expectancy and addressing migration flows.[35] Yet, and taking into consideration that for the last 20 years on average more than 37% of total population fall within the 15-40 age cohort, whatever alternatives of this sort hardly can mitigate for weak labour productivity. Recent efforts to mobilise financial and human capital inflow from the Albanian diaspora may bring additional value added. In other words, labour skills need to improve in order to take full advantage of human potential for supporting the country's future development path.

On labour skills, we should consider skills beyond formal education alone. Indeed, as Aristotle used to say, "all men by nature desire to know", and it's only by learning and practice that lifeworthy skills, knowledge, and wisdom to apply them are acquired. The process, known as education and

[33] Factoring in labor force participation rates provided by INSTAT Albania, we see an average growth rate of the labour force of 1.22%, whereas employment levels (based on administrative data) grew on average 2.7% annually for the same period 2010-2019. If, instead, we take as reference Labour Force Survey data, the average employment growth is in the order of 1.6%. Using real GDP data for the period 2010-2019 to calculate labour productivity, we calculate a growth rate of employed person on average 1.44%, which is lower than 2.7% and/or 1.6% employment growth. It means that additional individuals entering the job on average do not add incrementally the same level of output corresponding to their labour input. Comparing with the average values of other Western Balkans Countries (Eurostat) for available years in the same period, Albania is performing well compared to Kosovo and BiH; less so compared to Serbia. Factors behind may be either because the i) quantity of capital for additional labour unit is decreasing, ii) or there is a mismatch between technology and labour skills. Referring to other studies (i.e. World Bank 2019, Western Balkans Labour Market Trends) and other enterprise surveys in Albania, it seems that the case of mismatch between human skills and technology is rather the case.

[34] http://www.instat.gov.al/en/themes/demography-and-social-indicators/projection/

[35] Or, improving living conditions to halt emigration, or promote immigration.

lifelong learning, has taken an increasing role in public policies related with the education sector for many countries and is compatible with the famous theory of 'human capital' (Becker 1993)[36], endogenous growth theory, and all implications for human skills, innovation, and knowledge economy[37]. The section of analysis of education sector in this chapter will be dedicated to the analysis of those sector characteristics that pertain to such implications.

The focus of analysis is not only public spending for sectorial policies in education sector but also on expected outcomes that we have underlined: lifelong skills that can support both individual and social development in the future. Independent of where the people are living: in the north, centre, or south of Albania, there is always an expectation of what future benefits are expected by formal education and training. Our opinion is that some time these expectations are either not understood or assumed to be in line with what policy decision makers consider to be most rational and consistent expectations. On purely "rational" grounds, if benefits outweigh costs, one cannot but decide to follow further education and formal training. On this basis the main challenge of public policy would be to secure access to education therefore investments on building or renovating education facilities are all justified and to be supported by public spending. Supporting them with didactic tools and items, laboratories is also important for a qualitative education that provides effective and practical skills as precondition for entering in the job market. Hence, and again the public spending is rightly justified.

[36] The basic insight of the theoretical model is that investment in years of education and schooling imply certain costs in the form of foregone benefits from other alternatives of action. Therefore, each individual needs to make a decision on the right amount of education in terms of maximization of utility: individual preferences subject to budget constraints (that is cost and future benefits discounted to present value in order to be comparable to actual costs). Acquired skills and knowledge provide a range of benefits over a long-time horizon-in this sense they are similar to other capital investment for return in the future; hence the term 'human capital'. Yet, and again in similar way to capital, human capital obeys also to same rules of diminishing capital return, and depreciation. Knowledge and skills become outdated, because of advancement of knowledge and technology; therefore, the need for polishing and updating them through formal vocational, and on the job training processes.

[37]Becker remains faithful to neoclassic economic theory with his optimization and law of diminishing return. On the other hand Romer (1986) went a step further with his endogenous growth theory. He claims that totally new and original ideas may emerge as a result of combination, confrontation of formerly held, *and freely flowing* ideas or knowledge. The process, which is known as creative destruction, is at the origin of what we call innovation, and as such doesn't obey to… law of diminishing returns. Quite the contrary, it may be at the origin of constant or even increasing returns as new ideas give birth to creative industries, which in turn provide the possibility of other new ideas, and so on to infinity (Romer 1990). Human creativity becomes therefore a distinguishing mark of what is today known as "knowledge or innovative economy". It is one of the main factors that create wealth, and prosperity for individuals, firms and nations. Although one may be quite marveled by the simplicity of genial idea – as the saying goes 'all great ideas are simple'- it implies, though, the free flow of ideas and knowledge. However, new ideas do not come that easy unless you are in the vicinity of people and experience things that push your creativity to the highest levels. True, the fact that we are connected by internet and mass-media has democratized the communication space for these ideas. Yet, not for all of them. The most promising and profitable ones are not freely available. In the past the generation of such ideas of discoveries happened in sophisticated laboratories, or research facilities supported by high research and development investment budgets. Only big firms have "deep pockets" to finance these facilities, hence their strategy to protect new ideas and discoveries through patents. Protecting them has currently become a bigger investment than the generation of ideas itself. Covid-19 vaccine patents are one more occasion to recognize the truth of this mechanism: vaccines are not served to all countries at once in spite of their desperate needs. The fact that many companies have made the ownership of patents in itself a better investment than generation of ideas (through acquisition of original inventions, or ideas, public insights or related public products) amount to what is known as market power. Quoting Stiglitz, innovation and market power are the only true sources of wealth. If market power is pushed to extreme it prevents further innovation as it cuts its 'vital source of intellectual exchange; therefore the whole system becomes distorted and unfair. The wealth generated flows to quite few and inequalities inevitably emerge. It may be easy now to see why education quality, and innovation capacity are measured by number of patents owned or expenditure in RD. Equally we hope one may see why it's important to assure that the process has to be organised in such a way that it does not prevent access to further innovation and development, or lead to extreme inequalities through governance policy measures or engagement of public resources in RD, through support for public education free and open to all in order to preserve development opportunities in the future.

So, is the spending dedicated to salaries for teachers and education workers. Otherwise, school facilities will be like empty bookshelves or boxes[38], good for ticking annual growth targets, yet of no benefit for what we are looking at, that is lifelong skills. Public officials have learned from failures in the past, and are more and more aware of this fact, therefore spending on education sector has increased for both current and capital expenditure. Albania's growth trend in education for capital expenditure compares favourably to countries in the region. Yet, educational attainment of Albanian pupils, as measured by PISA tests, is largely unsatisfactory; indicating that education outcomes continue to be poor compared to countries with similar social and economic characteristics. Is there any other factor(s), which we forget to count somewhere; factors that other countries similar to Albania have considered and have proved to be right in assuring better education outcomes?

Macro and Micro Considerations for Education and Social Conditions

In the section of education, some key questions entail the need to turn to the basic premise of cost/benefit as a measure of one's likes/wants (i.e. preferences) for education and who decides what. Are the pupils or their parents who are deciding on the length of education for their children? On what premises and assumptions? How is the information about the situation of families and parents' concerns factored into the process of decision making about policy measures?

We therefore try to place the question not only on macro level but on family micro level and believe that there are important considerations that need to be taken into account. To illustrate the point: INSTAT's households spending survey shows that on average Albanian households are consuming over 3% of their total household consumption budget for education and the rest on other items[39]. 3% on average for household in addition to public spending on education as percentage of GDP[40] means that more than 3% of GDP are spent on education for Albania as a whole.[41] It is an important number to compare to other countries in order to provide an answer how to craft better education policies to achieve better outcomes.

The structure of expenditures is important to explain why families, parents, or individuals decide in the way they do. Other than food related spending, what other important items are prioritised - like transport, health, fuel, communication and others. Having to afford a decent life a family will have to mediate between today's wants and future likes. What then is the most likely spending item to be cut out, or, as economists in pure conventional terms like to say, the marginal rate of substitution? Considering that households' average spending levels are not the same in Northeast Albania compared to capital and South, what could be the effect of lower income generation opportunities on general budget constraints: a pure income effect across all expenditure categories or still substitution plays an important role? What about those items that are non-negotiable in the sense of commuting to another city in order to have a job (transport), to attend a funeral or other family expenses (recreational and community services), TV or internet because simply there are no other ways to know the latest news (communication). How important is education compared to all of these services? Who has the last word: the father or the mother? And finally, are the decisions taken in the best interest of the child or the family as a whole? Would providing support for free meals at school, transport for pupils from the most needy regions or families be better than just building schools? And how can we know that if we

[38] In old times of socialist area one famous humor piece, tv aired during new year eve, showed two people discussing on a new free access library opened in a city as part of public universal support for education and learning to all. One was explaining to the other how beautiful the new library was with big windows to let the day light in, big and solid oak book shelves, comfortable tables and chairs… and so on. After listening for a while and gazing in full admiration, the listener made the remark: " Uau… how great and beautiful! By the way… the books?!". In full honesty the reply on the other side went: "The books?! It's the only thing we are …missing!"

[39] http://www.instat.gov.al/en/themes/social-condition/household-budget-survey/publications/2020/household-budget-survey-2019/

[40] Expenditures account of GDP indicate that the amount spend in consumption is 80%, and 11% respectively for households and Government

[41] The government estimate on private expenditure on education amounts to 0,9% of GDP. The Instat account however with the surveys on family level shows rather a triple of amounts. It is likely that a considerable share of private spending goes to tertiary education. It's however crucial to understand what kind of expenditures both accounts refer to in order to discuss and approved the right policies.

are not comparing to other counterfactual situations in the past; or pilot spending programs or projects in the present? Is it therefore legitimate to invite to budget hearings also NGOs or community-based organization that can bring new perspective?

The type of goods and services purchased in relation to education is equally important: books, school activities, extracurricular activities or else. Unfortunately, we are not able to get that information at such granular level. We think that is it is an important factor explaining what Albanian citizens expect from education system, and what it costs them to succeed. If extra-curriculum activities are important for individuals to achieve higher education outcomes, and this expectation is shared by Albanian households on a large scale, should we leave all that choice to private schools or centers or should we rather provide public support for public community centres where services of this sort are offered to all at affordable prices. Are these facilities available in every community or only in big cities? Do they have an impact on individual decision of families to either migrate to these big cities or to choose and finance one of their children to attend schools in these cities? And if that is the case, who performs better in terms of educational outcomes: private or public school graduates? PISA indicates that students from private schools perform on average better than public schools; (even after controlling for different socio-economic backgrounds); while pupils from schools in urban areas perform better than those in rural areas. These results underline that education is very much a factor of multiple policies and measures need to be taken to close the gap for pupils coming from less advantaged backgrounds. At the same time, does it also indicate that results are not only about the level of expenditure?

A micro-level review provide clues that most likely budget allocation decisions are taken at family level; it is our opinion that they should be taken into consideration also in the assumptions that public officials use on deciding what sector gets what in every single corner of the country, and for major groups of population. Similar questions can be elaborated also with regard to vocational training and labour skills, research and development; etc and reviewing labour surveys or skills needs analyses and other studies carried out in Albania. Although this study does not intend to provide an exhaustive treatment of all these questions, we try to raise some key issues with the hope, with argument that there will be interest to pursue same avenues in the future.

While by nature, all humans want to know, the man is also a "social animal"- the saying attributed a to Aristotle remains still true in our time. Affirming it is not sufficient unless the implications, for our observations in further sections are explained. To start, in spite of our individual preferences, and how hard we try to be consistent and rational, in our choices -for instance with regard to education- there is a general agreement on the important role that our beliefs play on all of this[42]. Yet, what we believe is right, and justified, with regard to the matter at choice before deliberating at it, is fundamentally affected by our "social condition" like gender, race, community we live in, origin, status, or else. However, some of these determining elements may not be legitimised as policy aspects in the process of policy development or budgeting because they are not shared, or even understood by officials in charge. If for instance the policy would be to support the poorest with a poverty alleviation cash transfer (economic assistance) equitably across the country, what we may find out is that what is sufficient for regions with low living cost, is not the same as in other locations (e.g. Tirana).[43] The legitimate question about the rationale of cash support in this instance, cannot be addressed by a flat out rejection, or simply by conveying that to receive some assistance is still better than nothing. To do so it means to deny the needy the attention we have to pay to their social condition, and to what it may work best to address their situation in a positive way[44]. A better way *is to better understand the*

[42] The very concept of knowledge in epistemology is nothing but the equivalent of « true justified belief », hence our claim in this paragraph about one's beliefs about knowing oneself.

[43] The cost of living is different in different areas of the country, as can be noticed also in the Household Budget Survey. Also, the poverty gap varies and if transfers are aimed at closing the gap; the higher the severity of poverty, the bigger the transfer should be.

[44] Is the reason for NE a temporary, or long term employment, a temporary or permanent disability ? Are there other support schemes for which these people are eligible and can address the situation : vocational training for being reintegrated in labor market, child care service for single mothers, or couples with job offers in remoted location, possibility of assistance to fill in necessary paper work to get temporary access to such programs ? Do

question and its implications at individual level first, assess the implications at local/regional/national level to find whether effective policies are in place, otherwise design and implement new ones. Otherwise, and by answering in terms of "income effect" jargon for public policies, we tend to treat those in need as devoid of dignity, and intrinsically worthy of deserving the support to escape their inadequate current social condition.

In this regard, addressing gender disparities and women's rights is of highest importance. Demographic projections for the last ten years points to an increase of female population in Albania. Increasing their participation in the labour market is vital for maintaining a stable work force. In addition, the Time Use Survey (2011)[45] provides overwhelming evidence on gender disparities in unpaid work between men and women before and after marriage, for children below 7 years of age, and in rural versus urban areas. Increased attention is paid to women rights for equal payment and job status, via active replication of international standards, and promotion of women in public offices and parliament with positive discrimination quotas - yet none of these explains what level of effort and cost it takes for women in these positions to perform equally to men when such gender disparities exist. If for working women the issue is perplexing, one wonders how existential it may be for whom is desperately in need to have a job but cannot attend to because there are no jobs; or there are no child care facilities where they live. There is overwhelming evidence that especially preschool education is fundamental for education outcomes in later stage. The same goes also for nutrition needs of children with basic ingredients that help them develop fully their physic and mental capabilities; yet, many of them are deprived of quality food because their families cannot afford it. Yes, there is a supply by private sector for child care, with better children food menus, but no attention is paid to whether access can be guaranteed if one cannot afford to pay, which is the case for those in social assistance and in need for training and job search. What are the possibilities for public policy? Subsidizing private sector services based on accreditations of childcare service providers (how and when may it be achieved); or subsidizing local governments in order to provide these services. In this case how would development disparities between regions be addressed? What if some of the most remote regions cannot invest in such facilities because they are not viable, because in similar way to schools many families have left to big capital cities as there are no job opportunities. Does this fact change completely our perception about the necessity of regional support development programmes and investments by adding other social benefits to cost/benefit feasibility studies?

Integrated Policies and Financing

The education sector and social sector cannot be dealt with in a separate way. The problems and issues of concern are such that need an integrated approach as both sectors influence one another often in causal effect relationships. In a similar way, social considerations are also related to other sectors of economic activity like agriculture, and other economic activities (tourism). Other compelling arguments at micro level may be held on the interaction between health and environment. The point is that the web of interaction of factors in play should be dealt with through integrated policies, procedures, and institutional settings. In this regard Albania has already made notable progress with the introduction of Integrated Policy Management Groups for all sectorial policies. This provides already a very advanced policy setting to deal with a web of intersected issues, whose cause and effects stretch across sectors. In addition, Albania has already achieved a high integration of Management Information Systems for Development of Policies with Financial Systems that can sustain and guarantee and efficient implementation of effective policies. Inserting into the system an integrated SDG agenda with goals on policy side and targets/indicators on monitoring side is therefore feasible

such policies exist and are they effective on regional or local level ? Do we gain more by assigning increasing responsabilities to local level for social services without national subsidies or support ? What if Social Fund will take time, and how much time, to become a financially viable alternative to support these services? What if international NGOs providing some of the support in several areas are going to pull offer from Albania because of increasing per capita income ? Are there alternatives in place?

[45] The survey which was implemented first in 2010 has not been repeated in the last decade.. Clearly, it's one of the most compelling evidence why and how big gender disparities do exist not only on gender basis ; but also between generations. http://www.instat.gov.al/en/themes/social-condition/time-use-survey/publications/2011/albanian-time-use-survey-2011/

and a step forward in the need for integrated policies and procedures. Our aim in the first exercise and in this study is to show that a rigorous, PFM standards compliant way to budget all these integrated consideration at policy development and monitoring is also possible. Our next sections will show how we can do that in answering some of the questions asked in the previous section.

Considerations about financing of SDGs related policies to deliver their target are the next milestone addressed in our study. The fact that we are considering a 10 years period is already "presumptuous": and it is challenging to make meaningful forecasts or predictions at such a scale. In line with this reasoning what we are trying is to state some basic considerations, starting from current facts and available information, that have the potential to improve the financing availability[46] for SDG targets'

[46] Contributions to SDG achievements come from both the private and the public sector, but the role of the public sector is crucial not only through financing but also in providing policy clarity and direction and addressing possible market failures. In a post Covid crisis situation, as many countries try to restart the engine of economic growth, various legitimate claims for public resources are weighted against the existing and future binding constraints. In Albania these constraints are related with a limited fiscal space due to among other high public debt liabilities (including Public Private Partnership Budget Outlays); but also structural economic weaknesses that are further exacerbated by external risks such as climate change risks and vulnerabilities, adaptation measures, and energy diversification to name a few. The *potential average growth rate* of Albania as a middle income country is in the range of 3-3.8% according to various international benchmarks for world economies (IMF, WB, OECD, EBRD etc), with services, mostly Tourism, Agriculture, Construction and Energy and Light Manufacture as drivers of growth; while it appears to lag behind with digitalization and innovation trends. The government's projections throughout 2025 (See Annex 1 Fiscal Space Projections) are broadly in line with what we are stating in this footnote; however, the capacity of public authorities *to actually implement* public policies that can sustain these growth rates throughout the cycle has still to be demonstrated. Albania's tax revenues have averaged 26% of the GDP over the last decade and MoFE projects an increase of fiscal revenue by a maximum of 2% until 2025- a prudent projection based on the past history and administrative efficiency improvements (as a rule of thumb 1-3% improvement per year). The increase of fiscal space through more active measures of narrowing down the extent of informal economy depends on the actual structure of Albanian economy dominated by very small enterprises, single or family-owned enterprises (Instat 2020) – and better tax enforcement has been accounted for in the projections. Structural reforms – including in the social and health insurance systems have been undertaken or are under way but the impact is expected to be longer term. The prevention of illicit forms of economy and trade depends on advances of state of the law and compliance with fiscal laws of Personal, Corporate and Value Added Tax, which although advancing, remain a problem not only for Albania but also in the region. The forms of illicit trading according to Global Financial Integrity Report for Albania are not different compared to other countries in the region and even to newest EU Member States (Bulgaria and Romania)- although factual and rigorous studies and observations by specialized agencies are scarce. In terms of economic growth, competitiveness depends on the market stakeholders' capacities to innovate, compete and penetrate in larger regional and global markets. In spite of high degree of openness to trade and liberalization of Albanian economy, trade balances of Albanian economy remain negative and exports are dominated by raw materials and low added value processing. The path to growth depends on the ability to innovate and compete, which in itself could hardly be accomplished over short term, hence the need to recalibrate expectations for a rapid improvement of public fiscal space in Albania. The challenges for increasing the financial resources are therefore such that the most reasonable expectations for financing of various SDGs target in the short to medium term, seem to us, can be realistically aimed at increasing the efficiency of allocation of available funds rather than rapid increase of internal domestic financial resources. It's precisely on the increased efficiencies that one may be able to observe increases of Total Factor Productivity mentioned later in the section. On the other hand, the availability of external financing in the last years is marked by the increase of the share of budget support by EU and other multilaterals (IMF and WB) for various policy measures (Annex Fiscal Space). The budget support, which is triggered by accomplishments on policy measures targets, is one more reason to expect that opportunities for SDG financing in short to medium term on the public revenues will come through additional gains of moving along the budget constraints rather than shifting it upward altogether. This is not to say that there is no potential *to increase the total size of financing* dedicated to SDG financing even in short to medium run. In our view this increase can be first of all by improving the incentives of private sector to invest and realize the transformation of economic activity in line with SDG targets. The space and the methodology to explain how this process may unfold for private sector actors in the sectors of real and financial sector are fundamentally different and cannot be covered in this exercise. As such it needs a study in its own. Suffice to say that it entails the study of Albanian economy growth drivers by referring to national accounts and Input/Output Statistical Tables, analysis of risk/returns profiles of economic activity according to NACE II Statistics Classification System and Asset Pricing Theory used in Financial Markets Analysis. The study could identify the

achievement in the future. One of them is the reasonable framing of expectation of economic growth in the future with regard to current level of country factors' endowment (i.e. labour force, capital, land) and associated risks. In clear reference to other countries of regions we'll try to speak here of transformative strategies and country capability to cope with them. Another consideration, which tends to be neglected and we would like to stress is the question of allocation of resources and existing constraints for the relevant sector and beyond. In this regard, the sectorial priorities need to be rethought and harmonized with such constraints before overshooting with unrealistic financial requests for financing. The potential for optimizing the allocation of financial envelopes need also be underlined because of both potential positive growth impact (Total Factor Productivity) and non-divisibility of projects or programs especially in public government capital expenditures. The role of information for political aspect of budgeting will be emphasized in terms of what is the minimal level of information needed for public decision makers to resolve on the ultimate sharing of "the pie" of public resources between sectors. In this regard, some examples of relevant information for sectors are the ones that not necessarily have to be included in public discussion for instance, the share of private spending corresponding to sector policy outcomes, or third sector capacity (NGOs and community organizations) to provide services. At the end we emphasize the role of revisions of these considerations in medium term cycles in order to make sure that performance is held on track; otherwise corrective measures may be taken in order to put or bring them back on track of achieving SDG's targets.

A Closer Look at SDG 1: No poverty

Introduction

SDG 1 calls for an end to poverty in all its forms everywhere. This includes more than eradicating extreme poverty, and ranges from supporting decent standards of living for all men and women, to including the poor and vulnerable and putting in place adequate social protection benefits. SDG1 seeks to ensure equal rights to economic resources, as well as access to basic services and technology, property and financial services for all men and women; supporting communities affected by natural disasters and mobilization of resources for the implementation of programmes to end poverty. SDG 1 is likely the goal with the most interactions with other goals and policies.

In our model, the key cost determinants for achieving SDG 1 include social protection cash benefits (under the Ministry in charge of social affairs) as well as part of the contributory social transfers. Nevertheless, consultants' opinion is that the present "policy mix" on which the mapping of SDGs is based presents a very limited view of the policies the government employs to alleviate consumption poverty. Although cash transfers are essentially the key – if not the only one – policy tool to target poverty in Albania, there is an increasing awareness that multiple other dimensions play an essential role on the welfare and living conditions of citizens. These include, among others remittances, access to basic services such as health and education; employment and employability, support to micro and small enterprises and private sector activity, access to credit etc. The related policy measures for the latter fall under other SDGs with or without interlinkages detected under our *initial* mapping weighting matrix - clearly an indication of the need for a systematic revision and update of the matrix as such interlinkages of policy measures are actively discussed and agreed[47].

amount of financing, implied investment that one may see in short to medium term market opportunities related to SDGs in exchange for sustainable returns of investments, in the medium to long term, subject to risks and actual cost of capitals. In this regard national monetary and fiscal policies, associated with political stance and agreement at national scale, influence positively/negatively risks and actuals cost of capital- hence a certain behavior of private actors is induced in sectors of economic activity that are of crucial importance to SDGs.

[47] The need and recommendation to revise the weighting matrix in line with rationale and priorities of policy development agenda in Albania was already emphasized in the first exercise of SDG Budget Analysis, back in

Strategic Framework

The Social Protection Strategy outlines reform priorities for the 2015 – 2022 period for social protection and social care services. It integrates measures to empower and support people living in poverty, people with disabilities, children, women, elderly, youth, ethnic minorities and other vulnerable categories. The overall vision is building a social protection system to combat socio-economic inequalities with policies and mechanisms to protect all vulnerable or excluded individuals through prevention programs and social reintegration combined with employment schemes. The Strategy aims to mitigate poverty, ensuring access to social services for vulnerable people and ensuring inclusive education and early childhood development measures for all children. The strategy aims at reforming the social protection through transformation of the (i) poverty alleviation social assistance (NE) scheme into an active scheme enabling social re-integration; (ii) revision of the system of disability evaluation; (iii) deinstitutionalization - intervention and ensuring re-integration of children in families and community, while placing particular care for social and biological orphans, and (iv) ensuring delivery of integrated services.

The strategy aims that by 2022 there should be some impact in alleviation of extreme poverty. This is expected to be achieved through improved targeting of "extremely poor" individuals and households, and ensuring their social re-integration, by increasing to 10% the share of beneficiaries involved in the employment schemes and by turning the scheme from a passive into an active one. The government is making efforts to establish some institutional linkages between the policy streams of poverty alleviation and labour market support – which are governed by two separate ministries and executive agencies.

The social insurance programme is the largest social protection programme in Albania. Social insurance is governed by the Institute of Social Insurance, a special fund in the state budget, and it is based on the Bismarckian model. The pension fund is heavily subsidized by the state budget; although following a structural reform in 2014, its deficit is declining. Other than old age benefits, the pension scheme pays disability and survivor benefits to contributors; as well as provides coverage to contributors in the event of illness, unemployment, accidents at work and maternity; as well as supplementary pension for specific categories of beneficiaries which are covered by the state budget.

2018. The rationale behind such recommendation is related first to evidence on various determinants of poverty, or other policy concerns, that ought to be added to consideration on policy measures tackling the poverty at national level. In this regard, and as far as SDG1 is concerned, Banerjee and Duflo offer a compelling narrative and convincing arguments at both micro and macro level (See: Banerjee V. A and Duflo E. *Poor Economics, Pinguin Books*, London; 2015). While national contexts do still matter, again in relation to the law of big numbers, the statistical differences between manifestation of determinants of poverty in groups of individuals tend to disappear. In other words, although individually a poor male or female in Bangladesh, India, or even in US and EU, is different from someone considered " i varfer" in Albania, because of a particular determinant of poverty (of the list we mention in the paragraph quoted), the statistical differences between country led manifestations of these determinants tend to disappear if we consider groups rather than particular people, and a common picture of factors influencing poverty across the countries emerges. In this sense, and on a more generalized level, there are lessons to be learned and factors that need to be considered as part of policy national measures. The second line of reasoning behind the rationale of our recommendation of revision of weighting matrix is related to the process of policy development and budgeting in Albania. In this process, policy outcomes of different measures - crafted in line with policy determinants that are discussed in this study- are intended through different results/outputs of activity of public and non-public actors, which in turn are implemented through inputs (physically or financially measured resources). While the structure *of planned* outputs/results of policy measures are the *objective* basis on which the weighting matrix values of our model have to be calculated, the revision of actual values of inputs spent for actual results/outputs for every iteration of integrated planning, is a condition of possibility to have the most *objective and updated* value of weighting matrix pertinent to this model of SDG integrated policy and budget cycles. It goes without saying that the same logic needs to applied also to monitoring and reporting in order to make SDGs fully operational and not redundant.

Funding of Social Protection measures

Albania's social protection spending has constantly grown in nominal terms, but still remains far behind levels in the EU. Since 2015, slightly more than 9% of Albania's GDP is dedicated to social protection spending, which is far lower than the EU countries average of 26.55 of the GDP[48]. Despite a 60% growth in nominal terms between 2010 and 2019, social protection spending declined in real terms from 8.2% of the GDP to 7.3% of the GDP. The decline started in 2017 and has persisted during the last three years.

Table 19 Social Protection Spending in Albania 2010 - 2019

Year	Social Protection Spending (bln ALL)	Spending (% of GDP) Current prices	Spending (% of GDP) Constant prices,2010=100
2010	102,1	8,2%	8,2%
2011	107,5	8,3%	8,1%
2012	113,8	8,5%	8,2%
2013	122,6	9,1%	8,6%
2014	131,4	9,4%	8,8%
2015	132,4	9,2%	8,4%
2016	139,2	9,4%	8,4%
2017	144,1	9,3%	7,9%
2018	151,1	9,2%	7,5%
2019	159,0	9,1%	7,3%

Pensions and other social insurance benefits make up for over 80% of total spending in the social protection sector in the recent years. Although the social insurance system is not primarily a poverty fighting instrument; the design and regulation of the scheme in the last two decades have given it a strong distributional character, due to the difference between minimum and maximum pensions and with generous rural pensions; unlinked with the size of contributions. Since the pension reform in 2015, the redistributive character of the scheme was toned down, to increase incentives to contribute to the system. However, a means tested social pension was also introduced as of 2015 for the elderly above the age of 70 who are not otherwise eligible for any benefits (within or outside the social insurance scheme).[49]

Outside of the contributory social insurance scheme, the two main cash programmes in the system are the means-tested poverty alleviation programme (social assistance - NE) and disability benefits. The NE programme is the only means-tested benefit in the country. Although it has not grown in size during the past decade; it remains the most relevant anti-poverty policy measure. The social assistance benefit system was subject to a thorough reform in the recent years, aiming at improving targeting of poor households as well as integrating activation schemes. As a result, the number of beneficiaries has greatly been reduced: from over 97,000 household on the scheme in 2010; to 60,000 in 2019. The largest decline in the number of beneficiary household happened between 2017 and 2018 (when beneficiaries dropped from 81,000, to 53,000 families) as a result of the roll-out of the new management system for the social assistance.[50] The average size of the social assistance benefit has slightly increased but it remains very modest.

[48] European System of Integrated Social Protection Statistics (ESSPROS)

[49] Means tested programmes may lead to exclusion as well as higher administrative costs. An evaluation of the performance of the programme would shed more light into the profile of recipients , effectiveness as well as associated administrative costs. Alternatively, a "universal" coverage approach could be implemented, as also recommened by ILO's 4 pillar pension model.

[50] Instat.

Table 20 Spending and share to GDP of the two main cash social protection programmes

	Poverty alleviation NE (bln ALL)	NE in % of GDP (current prices)	Disability (bln ALL)	Disability in % of GDP (current prices)
2010	4,6	0,37%	11,6	0,93%
2011	4,5	0,35%	11,8	0,91%
2012	4,3	0,32%	12,5	0,94%
2013	4,1	0,31%	15,2	1,12%
2014	4,7	0,34%	18,0	1,29%
2015	4,5	0,31%	15,0	1,05%
2016	4,5	0,31%	15,2	1,03%
2017	4,8	0,31%	15,8	1,02%
2018	4,1	0,25%	16,4	1,00%
2019	4,3	0,24%	15,8	0,90%

The disability benefit programme is roughly four times bigger than the poverty alleviation programme, in terms of spending. The number of beneficiaries (as well as the size of disability benefits) has also increased, from about 53,000 beneficiaries in 2010, to 73,000 by 2020.[51] The disability programme is also undergoing a reform, aiming at improving the targeting and effectiveness and efficiency of the eligibility evaluation process; while at the same time expanding the evaluation processes beyond pure medical diagnoses, to broader social and psychological considerations and need for support. Like the contributory social insurance scheme; the disability benefit scheme is not an instrument that is originally targeting poverty. It is rather an income – substitution benefit, aiming at supporting beneficiaries acquire the necessary services and support. However, studies indicate that the disability cash programme plays a stronger poverty reduction programme than the NE, by reducing poverty by 1,2 percentage points.[52]

A newer cash benefit programme was introduced for the first time in 2019: the baby bonus programme; which pays substantial one-off benefits to new parents. In 2019, the baby bonus benefit was budgeted at ALL 2 bln, but it paid 2.4 bln in benefits; or more than half of the poverty alleviation programme. The baby bonus programme appears to be a policy instrument targeted at promoting population growth – rather than family welfare. Going forward, it will be interesting to monitor whether it will have any poverty increasing effects.

Other important aspects of the social protection system include social care services – which have only recently come under the attention of policymakers and remain seriously underfunded. Social care service financing is low at less than 5% of the cash programmes. A review of the costs for the standard basket of social care services in 2015 found that a minimum of ALL 2 bln would be needed annually to fund the minimum costs of social care service delivery.[53]

Active and passive employment measures are decisive policy instruments to fight poverty, increase welfare and living conditions, and gender equality – to just name a few. These dimensions have not been accounted for under SDG 1 for the present model – rather than under SDG 8. It goes to show again about the importance of cross-sectional analysis of strategic goals and the need to take into account complementarities and possible spillovers.

Key issues for fight against poverty

[51] State Social Service.

[52] Davalos, M., et al (2018) Distributional impact of Albanian Fiscal System, World Bank

[53] Matkovic, G. et al (2015), Concept Paper on Establishing a Package of Services in Albania and Financing Mechanisms, ESA Consulting

Albania has experienced positive and relatively strong GDP growth rates during the last decade, despite a relative slowdown in the aftermath of the global financial crisis in the mid-2015. Nevertheless, poverty rates are estimated to have increased,[54] as a result of high vulnerabilities in the labour market, low wages and limited coverage of social protection measures. The rising poverty also comes in the wake of increasing inequalities.[55] INSTAT's SILC survey for 2017 and 2018 (based on a different methodology, hence not comparable) indicates that in 2018, 23,4% of the population were at risk of poverty[56], a slight increased from 23.7 % in 2017, and 49% of the population was at risk of poverty or social exclusion in 2018[57]. This indicates that there is a divide between government policy to tackle poverty and limited poverty gains. Nevertheless, the risk of poverty for households and individuals drops from 39% before social transfers; to 26,3% of the population after social transfers (including pensions), indicating a relatively good targeting of the scheme. The targeted poverty scheme in Albania is quite modest in terms of coverage and the size of benefits – and well below the minimum standard of living. Several studies indicate that there are different policy choices to make when deciding on social transfers and measuring poverty;[58] while increasing cash transfers to a given level may be desirable but at one equilibrium the disposable income of the target household will not increase further, as a result of the decline in private cash transfers.

However, social protection plays an important role in poverty reduction and making growth inclusive for the poor. Poverty reduction should rely primarily on economic growth – provided that growth is sustainable. However, social protection has a positive multiplier effect, and can be a powerful policy tool especially in times of crises as also evidenced through the unprecedented government response across the globe through unprecedented social protection measures and programmes during the Covid pandemic. To that end, further attention needs to be dedicated to reforms aimed at strengthening the human capital: health and education, alongside strengthening of social protection systems by inter alia better integrating welfare and labour market programmes; adjusting social benefits to minimum living standards[59] and improving quality and outreach of social care services.

A Closer Look at SDG 4: Quality in Education

Introduction

SDG 4 aims at ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all. Its targets and indicators are related with a) quality education and learning outcomes for all boys and girls in primary and secondary school levels; b) improving access of all children to early childhood development opportunities and increasing enrolment rates in pre-school; c) increasing the participation rates of youth and adults to technical, vocational and tertiary education

[54] Based on World Bank estimates, the last available data on absolute and relative poverty are from 2012, when the LSMS 2012 indicated an increase in poverty levels for both absolute and relative poverty. World Bank estimates indicate poverty (estimated at $5.5 a day) slightly decreased from 34.5% in 2012, to 33.8% of the population in 2017; but may have risen again to 35.5% by 2019.

[55] The Gini index has increased from 0,29 in 2012, to 0.33 in 2017 (World Development Indicators estimate).

[56] The poverty threshold in 2018 was measures as All 160,742 per a one-person household, or about 450 ALL per day (current prices). The poverty threshold was ALL 337,558 for a four person household with two minors in the same year, which is 6 times higher than the NE benefit for this type of household.

[57] Down from 51% in 2017

[58] See, for instance, Bourguignon, F.; Fields, G; (1990) Poverty Measures and Anti-poverty Policy

[59] The discourse on Universal Basic Income was eagerly debated for a long time among researchers and practitioners, but the Covid-19 crisis brought it possibly closer than ever. (See Gentilini et al: Exploring Universal Basic Income: A Guide to Navigating Concepts, Evidence, and Practices, World Bank 2020). Alongside UBI, the Minimum Income Guarantee is a similar, but not identical concept that is being piloted in several programmes in different countries. Albania is not considering any similar tools, but some of the principles debated are of interest for the national welfare system as well.

and their skills for employment; d) eliminating gender and other disparities in education; e) ensuring that all men and women have adequate proficiency levels in key subjects; and f) facilitate inclusive and effective learning for all, including mainstreaming values for inclusive and sustainable development into education curricula. SDG4 related goals and policies are delivered in Albania primarily (although not exclusively) through the education system. The tertiary level of education (university) is not included in this review for two reasons: First, basic and secondary education are more inherently linked with key expected achievements under SDG4. As such, the mapping of Albania's strategic framework against SDGs has linked SDG4 directly and primarily with education. Secondly, data on public investment and achievement in the university system are not readily available.

Strategic Framework

Albania has improved access to education and learning outcomes of students in the last two decades. However, quality in education remains a key challenge. In the recent years Albania has embarked on a gradual education reform, entailing upgrading of its curriculum framework as well as revision of the governance mechanisms at the central, regional and local level for delivery of education.

The SDG4 goals and targets are well embedded into the Albanian strategic framework, primarily through the National Strategy for Pre-University Education (2014-2020), as well as the National Employment and Skills Strategy (NESS, 2015 – 2022). The vision of the education strategy is to create an education system that has students' needs and interests at its core; that creates opportunities and conditions conducive for students to build and develop their knowledge, skills, and values required by the society; that allows students to develop independently and to contribute to their welfare and that of the society, in a constructive way, and to face life's challenges.

Strategic objectives in pre-university education include improving access and increasing pre-university enrolment; maintaining the ratio between the number of students finishing basic education and those finishing higher education; as well as increasing enrolment and completion rates for children from vulnerable groups. Its four strategic objectives are specifically:

(A)- Enhance leadership, governance and resource management capacities
(B)- Inclusive quality learning
(C)- Ensure quality education
(D)- Contemporary professional training and development of teachers and headmasters

Priorities underpinning education reform aim at enhance leadership, governance and resource management capacities; inclusive quality learning; ensuring quality performance in line with EU standards; and contemporary professional training and development of teachers and administrators. The guiding principles of quality and inclusive education, unified education system, lifelong learning, quality assurance and standardisation, transparency and accountability as well as decentralisation and community support are mainstreamed into these strategic priorities, which is critical for creating the professional skills required by a fast-moving and modern market.

Despite progress in the education sector, a number of gaps remain to be bridged. Concerning access, it is crucial to sustain nearly universal enrolment rates in primary education and to urgently increase enrolments in pre-primary education. In Albania, issues related to income and social class inequality, the urban-rural divide, gender disparities, and discrimination against minorities remain of strategic concern in terms of equity, equality, vulnerability, and non-discrimination. Due to persistent challenges with social and economic conditions, pre-university education has thus far been unable to provide the same quality of education services to all students. Differences between urban and rural areas regarding the quality of schools and teachers and variation in resources related to teacher training, transportation, infrastructure and ICT use have led to differences in education quality and provision.

These challenges were highlighted in the evaluation of the education strategy[60], which also highlights that one of the main issues affecting quality of education in Albania are insufficient levels of funding.

The Government of Albania acknowledged that previous reforms in the pre-university education sector had mainly *addressed the supply side*.[61] Many young people entering the world of employment from the Albanian education system, however, have yet to develop the kind of skills required for a modern market economy. In this context the NESS seeks to integrate economic, education, vocational and entrepreneurship policies together by unifying employment and vocational education and training in an attempt to get closer to the labour market demands. The strategic framework puts knowledge and skills at the heart of the economic model and expects to trigger a positive impact on the long-term growth by promoting decent employment opportunities through more effective labour market policies and ensuring qualitative VET for young people and adults while at the same time lowering opportunities for informal employment and informal employment rates in non-agriculture sectors.

The vocational education system has been reorganised to adapt to the dynamics of market development and in full compliance with the European Qualifications Framework, but the quality of teaching and the volume of enrolment remain low. This issue is of particular concern for firms that require modern and adaptable skills and which are likely to be the main sources of future productivity growth and employment. As outlined in the NSDI, **the GoA aims to expand access and improve quality of education at all levels and to respond to the *demand requirements and social dynamics* of a rapidly changing Albanian economy.** The aim is to provide Albanians with high-quality basic and secondary education. Efforts are being made to improve access to and quality of vocational education.

The Ministry of Education, Youth and Sports (MoEYS) and its Agency for Quality Assurance in the Pre-University Education System[62] are the key institutions in charge of education policy, teaching standards, training and curriculum development, inclusive education and monitoring of the performance of the education . The Quality Assurance Agency is an executive agency in charge of providing professional expertise and advisory services, including drafting of educational curricula standards. The Ministry of Finance and Economy is specifically in charge of the management of vocational education and training, alongside labour market policies.

Funding of the education system

Total public expenditure on primary to tertiary education has gradually increased in the last decade in nominal terms, at an average rate of 3% annually. The most significant year-on year increases in the education budget were allocated in 2018 and 2019, with an 8% annual increase, higher than the rate of increase for general government expenditure in the respective years (3% and 4%, respectively).

Significant government funding was devoted to pre-university education levels (primary and secondary education, including vocational education), or more than three-quarters of the total public expenditure on education (about 8% of total government expenditure). Total public expenditure on education includes direct expenditure on educational institutions (wage cost for instructional and support staff and other operating costs of public schools), which constitute the lion-share of spending in the sector. Expenditure related with development of the education system as well as social inclusion related expenditure represent a small share of total government expenditure. Public spending on education in Albania as a percentage to general government expenditure is comparable to the average in OECD

[60] Wort, Popovci, Ikonomi (2019) Appraisal of the Pre-University Education Strategy 2014 – 2020.
[61] National Strategy for Development and Integration, 2015 – 2020.
[62] Established in 2019 through the merging of the Institute for Education Development and Education Inspectorate.

countries[63]. However, public expenditure on education in Albania as a percentage to GDP (3,4% in 2019) is substantially lower than the OECD average of 5,4%.[64]

Table 21 Public Expenditure in the Education Sector 2010 - 2021

	2010	2015	2016	2017	2018	2019
09 Education	**43 110**	**45 440**	**46 827**	**48 576**	**52 271**	**56 422**
Ministry of Education management exp.	790	676	748	662	666	739
Basic education (pre-school included)	25 193	25 991	26 039	27 182	29 432	30 982
Secondary education (general)	5 034	7 055	7 644	7 968	8 388	9 336
Secondary education (vocational)	2 267	1 699	2 195	2 201	2 744	2 823
Military education	1 135	544	523	530	544	542
University education	8 415	9 115	9 267	9 567	9 968	11 334
Funds for science and development	243	300	343	376	415	509
School of Magistrates	33	60	69	89	111	159
Total Pre-university	**32 494**	**34 746**	**35 878**	**37 351**	**40 564**	**43 140**
General Government Expenditure	**368 369**	**437 093**	**435 082**	**461 380**	**473 305**	**491 402**
GDP	**1 239 645**	**1 434 307**	**1 475 251**	**1 551 281**	**1 630 905**	**1 678 431**
Education in % of GGE	**11,7%**	**10,4%**	**10,8%**	**10,5%**	**11,0%**	**11,5%**
Pre-University Education in % of Sector	**75,4%**	**76,5%**	**76,6%**	**76,9%**	**77,6%**	**76,5%**
Pre-university Education in % of GGE	**8,8%**	**7,9%**	**8,2%**	**8,1%**	**8,6%**	**8,8%**
Education in % of GDP	**3,5%**	**3,2%**	**3,2%**	**3,1%**	**3,2%**	**3,4%**
Pre-University Education in % of GDP	**2,6%**	**2,4%**	**2,4%**	**2,4%**	**2,5%**	**2,6%**

Authorities and sources of public funding invested in education

Education policy and standards in Albania are a prerogative of the national government. However, the role of local governments has consistently increased. Traditionally, local governments have been responsible for the maintenance of pre-university education facilities and their support staff. Since 2016, municipalities were granted full responsibility for financing and managing pre-school educational institutions, including instructional staff. Provision of preschool education is particularly difficult and inadequate in rural areas where school premises, often in very poor conditions, are used for both primary education and preschool education. Pre-school education takes place in kindergarten and school preparatory classes (for children between 3 to 6 years of age) and it is not compulsory.

Funding for the pre-university education sector is dominated by central government spending, which accounts for approximately 70% of overall public spending in the sub-sector. The relative weight of local government spending - 31% on 2019 - increased dramatically with the full decentralization of pre-school education since 2016. Prior to that, local government expenditure in pre-university education varied between 15% and 11% of total public spending.

The lion share of public resources invested in education is allocated to primary education (including pre-school), in line with the objectives for universal primary enrolment. Although total nominal expenditure in primary education has increased; its relative share to the sector has gradually declined, from 58% in 2010, to 55% in 2019. The weight of secondary education has increased from around 17%

[63] In average, OECD countries spend 11% of overall public resources in primary to tertiary education in 2017, ranging from 7% in Greece to 17% in Chile. OECD 2020, Education at a Glance.

[64] Albania's public budget is relatively small as a share of GDP (30%); whereas the relative size of public budgets in OECD countries may exceed 50% of GDP.

of public spending in 2010 to about 22% in 2019. The increase is attributed largely to increases in general secondary education - while the share of spending in vocational education has stabilised at about 5% of total education spending.

Table 22 Projection of expenditure trends in the education sector 2020 - 2023

	2020	2021	2022	2023
09 Education	**64 985**	**55 151**	**57 101**	**57 101**
1110 MoEYS	690	722	763	763
Ministry of Education management exp.	38 560	30 389	30 411	30 411
Basic education (pre-school included)	10 814	8 999	9 628	9 628
Secondary education (general)	3 442	3 398	3 248	3 248
Secondary education (vocational)	706	620	620	620
Military education	10 060	10 096	11 451	11 451
University education	522	680	731	731
Funds for science and development	190	248	250	250
Total Pre-university	**52 816**	**42 786**	**43 286**	**43 286**
General Government Expenditure	**579 535**	**592 801**	**568 887**	**600 470**
GDP	**1 580 960**	**1 682 637**	**1 803 563**	**1 929 660**
Education in % of GGE	**11,2%**	**9,3%**	**10,0%**	**9,5%**
Pre-University Education in % of Sector	**81,3%**	**77,6%**	**75,8%**	**75,8%**
Preuniversity Education in % of GGE	**9,1%**	**7,2%**	**7,6%**	**7,2%**
Education in % of GDP	**4,1%**	**3,3%**	**3,2%**	**3,0%**
Pre-University Education in % of GDP	**3,3%**	**2,5%**	**2,4%**	**2,2%**
Add source				

Key issues in the education system

Compulsory education in Albania begins with primary education, starting typically at the age of 6. The period of compulsory enrolment is nine years of completed primary education. Enrolment rates among 3-6 years old were reported at about 75% in 2020[65], projected to increase to over 80% by 2021. ***Net enrolment rate*** at the pre-primary level (one year before compulsory school) was about 80% in 2017.[66] This rate is reported at 13.5% for Roma children between the ages of 3 – 5.[67] Despite efforts in recent years to improve school infrastructure and to upgrade and modernise early learning standards and curricula for preschool, the physical conditions and infrastructure – buildings, furniture, didactic material remain challenges to be met in Albania. Moreover, there were large disparities in teacher – pupil ratios, varying from 3 to as many as 33; while pre-schools in remote areas struggled to find qualified staff.[68] Enrolment rates are lower in rural areas, while there is a lack of supply in urban areas.

[65] Ministry of Education, Youth and Sports, 2021

[66] OECD, 2020, The Albanian Education System in OECD Reviews of Evaluation and Assessment in Education

[67] Fuller, Khamsi (2017), Early Childhood Education in Albania at a Glance: Subsector Review

[68] Levitas, T; Stafa. E. (2019), Early Childhood Education at the Intersection of Albanian Municipal Finance and Governance, PLGP. The issue is important and is again stressed in the PISA 2018 Test Analysis and Interpretation (PISA 2018 Results Volume 5: Effective Policies, Successful Schools). One of the drivers of good performance in PISA test is the availability of pre school education with the highest impact on those that have attended 1 to 2 years pre-school facilities compared to those with no pre- school education at all. The availability of preschool facilities is therefore a necessity even in remote areas that cannot be mitigated by family sources (grand parents or family members) unless there are community driven practices for training and improvement of skills for those that provide such services as second based solutions (by third sector involvement, or active support by public spending measures (recruitment) of retired former teachers). Additional measures that have been proved successful in other countries may be also fiscal incentives for private companies providing pre-school facilities for children of their employees, etc.

Inequalities are noticeable in early childhood education, and poverty affects enrolment and attendance, with only 25% attendance rates among the poor compared to 60% among the richest quintile[69]. Overall, while still adjusting to Albania's territorial reform, there is a need to improve physical infrastructure of schools, quality of learning, availability of didactic means, curricula and teachers' capacities. Public funding to the pre-school system has increased since the devolution of the responsibility to the local level. Since 2018, a per-pupil adjusted formula was adopted to address these disparities and funding was increased to equalise conditions between municipalities and enable them to reach a more reasonable standard[70].

Enrolment rates in primary education are close to universal and have improved since the mid-2000s. The net enrolment rate in 2017 was 96.5% in 2018 for primary compulsory education, slightly higher for males (97.4%) than for females (95.6%). School abandonment rates are however high in Albania, in particular at secondary level. According to the Ministry of Education, the main reasons for dropping out of school include distance from school (in particular at lower secondary level); pressure to contribute to family income or responsibilities; as well as risk factors such as disability, ethnicity, migration and poverty.[71]

Quality in education

Quality in education remains a key challenge. Despite considerable improvements in PISA tests between 2000 and 2018, Albania continues to occupy low ranks among all participating countries: half (52%) of the 15-year olds perform poorly (at PISA levels I or II) in reading and less than half (42%) of them in mathematics. Albania's improvement in PISA test results between 2018 and 2016 was one of the biggest improvements in participating countries. Nevertheless, results indicate that Albanian students are quite behind their peers in the EU as well as some of the neighbouring countries. Lacking these basic competences, young people face difficulties with their further learning and risk not to be able to cope with ordinary work and life challenges later on. The quality in schools located in bigger cities is generally assessed to be higher than in rural or mountainous and isolated areas, which are not attractive as working destinations for qualified teachers; and pupils from private schools perform generally better than public schools even after accounting for differences in socio-economic background. A new competence based learning curriculum has been introduced in the primary education, aiming at better educational attainment based on competence-based learning standards in education and well-being of children that promotes their future cognitive and non-cognitive (soft skills) abilities and enables them to function in the labour market and contribute to more a cohesive and inclusive society. Training for teachers on providing the new curriculum has, however, been insufficient.[72]

[69] Fabbi, 2014, in Fuller, Khamsi (2017)

[70] The equalisation formula allowed municipalities with more pre-school students hire new staff; while maintaining the status-quo in funding for smaller municipalities to avoid financing shocks.

[71] MASR (2017) Braktisja shkollore dhe politikat per reduktimin e saj. The repercussions may be dramatic. According to the same analysis of PISA results test, the socio economic disadvantages are one of main factors influencing performance of PISA Tests. In that regard supporting families with a decent child care basic support scheme has been considered to be effective in many researches and studies worldwide in as much as there are no families incentives to discriminate between children and there are school facilities to attend. The case for integrated policies in support of education, social protection, social care, social inclusion could not be more compelling. It is illustrated further by the fact that the poorest regions of Albania according to the last Regional Accounts published by Instat in 2017, are also where fertility rates are the highest (especially northeastern regions Dibra and Kukes). Not surprisingly, these regions that have also the highest percentage of big family sizes, have also the largest share of young population, and also the highest relative education costs for primary, secondary and even more for tertiary education: it costs more for a talented student coming from these regions to fulfil his dream of a becoming an engineer, a doctor, or a researcher than someone in Durres or Tirana, who doesn't have to pay for accommodation, and has better access to literature and scientific resources available in the country. One therefore cannot be surprised by the high rate of internal migration, peaking in these regions.

[72] Wort, Pupovci, Ikonomi (2019).

Equity in education

The Ministry of Education and Sports manages several measures that aim at ensuring inclusive education. These measures in the basic and secondary education programmes include expenditure for the:

- Assistant teachers to assist children with special needs enrolled in mainstream education
- compensation of textbook costs for students in primary education (grades 1 – 7), all students from Roma/Egyptian communities and families with more than two children in the basic and secondary education
- Transport service for students and teachers in rural areas leaving more than 5km away from school
- Scholarships for students in need, particularly in vocational education
- Costs associated to "community schooling" project, including the training of school psychologists and social workers on inclusive education, teacher training on special needs students, etc.

Until 2016, only children from disadvantaged backgrounds were eligible for the textbook compensation programme. Currently, the programme is universal for all children enrolled in primary school. Nevertheless, annual funding for textbook compensation in primary education has decreased from 252 million ALL in 2015, to 223 and 254 million lek in 2020 and 2021, respectively. Expenditure for transportation has been steady at approximately 600 million ALL annually.

Infrastructure

Physical infrastructure remains a key concern for the development of primary and secondary education in Albania. Between 2015 and 2019, about 28 billion ALL were allocated to capital improvements in Albania's pre-university education, ranging from reconstruction of buildings to refurbishment of school equipment and labs. Nevertheless, infrastructure remains modest and in particular availability and access to ICT and science labs remains limited across the country. Improvement of physical condition of school facilities is a priority in the medium and long term, as the lack of investment may imply larger class sizes, greater use of dual shifts, and other efficiency measures at basic education level[73].

Key takeaways on funding in education

One of the key conclusions of the medium-term review of the Pre-University Strategy is that unsatisfactory levels of financing are one of the main issues to negatively affect the output of the education sector in Albania. Indeed, over the total estimated cost of this strategy for the 2016 – 2020 period of 249 billion ALL, only 191 billion ALL, or 75% of the total cost had been financed by the budget between 2016 and end of 2020. The total funding gap of 58 billion lek (or 15% of the total cost) will not be closed before the end of 2021. At the given budget levels projected in the medium-term budget framework for the pre-university education sector, financing for the 2021 – 2022 period will amount to 120 billion ALL, or an additional 48% (in nominal terms) of the total strategy cost – this costing is overestimated, as it does not include fixed costs for the functioning of the education system in 2021

[73] The issue is important as PISA 2018 performance seems to be highly influenced by availability of studying facilities, access to ICT technologies and access to Internet. An increase in communication expenses may be out of reach for those families trying to cope with daily needs with a budget of USD 65 per month in some regions of Albania (Instat HBS). Additional spending for mobilization of support personnel for afterschool study in school premises, positive discrimination for ICT and internet access to the most disadvantageous parts of Albania is therefore an alternative that deserves to be assessed and considered. The question whether poor are irrational enough to pay for private schools which have these facilities, when there are already public schools nearby that are poorly equipped, may be better answered. Cost/benefit analysis taking into account not only private but also social costs and benefits of having a more skilled work force in the future would be better suited to explore the answers in more objective ways rather than adopting an average "one size fits all" policy stance.

and 2022.[74] (Table 23) The new education strategy under development with the Ministry of Education will need to take into account new challenges and development priorities, which were not equally prominent when the current strategy was drafted, including addressing the increasing inequalities in education and need for school optimisation in view of the declining student population; as well as the need to continue providing training and career development opportunities for teachers and school managers.

Table 23 Gap between estimated PUES cost and approved budget

million ALL								
Policy Priority	2016	2017	2018	2019	2020	2021	2022	Total
A. Governance	4.489	6.487	8.014	10.880	12.987			42.858
B. Inclusive quality learning	30.122	31.983	33.302	34.477	35.715			165.601
C. Quality performance	7.813	8.386	7.659	7.949	8.349			40.156
D. Professional development	75	83	91	100	110			458
Total Strategy cost	**42.500**	**46.939**	**49.065**	**53.406**	**57.162**	**-**	**-**	**249.072**
Education Budget								
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Planning, Management, Administration	748	662	666	739	690	722	763	4 990
Basic Education	26 039	27 182	29 432	30 982	38 560	30 389	30 411	212 994
Secondary Education	7 644	7 968	8 388	9 336	10 814	8 999	9 628	62 777
Total budget	34 431	35 812	38 486	41 056	50 064	40 110	40 801	280 762
Budget gap (ALL)	8.069	11.127	19.674	12.350	7.098	-	-	58.318
	19%	**24%**	**16%**	**23%**	**13%**	**-**	**-**	**23.4%**

Source: Adapted from Appraisal of the Pre-University Education Strategy 2014 – 2020, June 2019 draft. Budget 2019 – 2022 data are from MFE

In terms of the budget architecture, three separate budget programmes contribute to the achievement of the PUES objectives – and SDG 4: the general public service programme of the Ministry of Education, Youth and Sports (1110); the basic education programme including pre-school (9120) and the general secondary education programme (9230). The Basic education programme is most relevant for the achievement of the budget support related indicators. It also carries the largest weight in terms of the total education related expenditure. Funding for this budget programme has not substantially increased over the medium term. The original budget 2020 as adopted, increased overall allocations for the Education sector vis-à-vis the previous MTBP ceilings, based on the Ministry of Education's request for over 33 billion ALL for the medium term (2020 – 2022) for the pre-university education related budget programmes.[75]

[74] The lion share of costs under pillar A and B is related with fixed costs for the operation of administrative structures of MYES at the national and regional level as well as school operation costs (including teacher salaries). Hence, these costs will be incurred again in 2021 and 2022, although they have not been included in this analysis. Assuming a vconservative annual financial gap of 20% for 2021 – 2022, the actual strategy funding gap will only be closed by the end of 2022.

[75] Letter dated September 1, 2019 On additional requests of the MEYS to MFE on MTBP 2020 -2022, available on http://arsimi.gov.al/buxheti-dhe-financat/.

Table 24 Basic education budget programme by outputs

Basic Education 9120 (000 ALL)	2019	2020	2021	2022
Current Expenditure				
Objective 1: Attending pre-school and grades 1-9				
Output 1: Preschool	28.903	29.840	30.804	31.800
Output 2: Basic education	19.270.365	20.051.648	20.079.852	20.080.852
of which staff costs	*19.005.852*	*19.805.852*	*19.855.852*	*19.855.852*
Output 3: Vulnerable children	109.609	132.609	140.609	150.609
of which staff costs	*71.709*	*71.709*	*71.709*	*71.709*
Output 4: Transportation service	600.000	580.000	570.000	550.000
Objective 2: Curriculum standards and Teacher training				
Output 1: Teachers and educators trained	26.000	28.000	30.000	32.000
Output 2: Curriculum development	59.014	61.014	63.014	63.014
of which staff costs	*33.014*	*33.014*	*33.014*	*33.014*
Output 3: Free textbooks	205.000	584.280	595.112	643.116
Output 4: Vulnerable Children and that receive services (scholarships?)	109.609	132.609	140.609	148.609
Capital Expenditure				
Output 1: Regional Development Fund (award to LGs)	0	997.258	1.127.000	1.127.000
Output 2: Reconstruction of labs, school premises	28.259	468.000	450.000	450.000
Output 3: Furniture for schools	60.000	100.000	100.000	100.000
Output 4: school libraries	10.000	10.000	10.000	10.000
Output 5: Science labs	40.000	30.000	30.000	30.000
Output 6: Furniture etc.	20.000	20.000	20.000	20.000
Other (ongoing projects to be finished within 2019)	1.561.741	111.742	0	0
Total MTBP 2020 - 2022	**22.128.500**	**23.337.000**	**23.387.000**	**23.437.000**
Draft Budget 2020	**23.420.720**	**23.500.073**	**23.637.000**	**23.420.720**
Difference MTBP - Budget	-673.000	-83.720	-113.073	-200.000

What is needed to achieve 2030 goals for SDG4?

Quality primary and secondary education attainment are measured directly by results attained through the PISA tests as well as national examinations, including the national examinations at grade 5 and grade 9. Per student spending in Albania was approximately ALL 105 thousand per year in basic education and ALL 113 thousand in secondary education. This means that Albania spends on average 1000 USD per student in primary and secondary education – about 40% higher than per capita expenditure in 2015, due to the declining numbers of enrolled students as a result of demographic changes. This figure is still quite low compared to the average for OECD countries. However, education spending per student is affected by a number of factors, including teachers' salaries; teacher - student ratio teacher – student ratio, etc. Investment in students will show its effect years later, hence the case

for increasing attention and resources in early child development. PISA results show that there is a positive relationship between investment in education and average performance - up to a threshold of USD 50 000 in cumulative expenditure per student from age 6 to 15[76]. Albania has invested approximately 34,000 USD in a child that has started education in 2010, having just completed the compulsory education. This may indicate that there is still space to increase the volume of resources in education to boost academic results.

Key investment in education should include improvement of infrastructure to increase the quality of teaching and learning; increase the quality of teaching staff through better quality and drastically increasing investment in teacher uptake and comprehensive trainings; as well as tackle inequalities in the urban rural divide in provision of education as well as accessibility of students from vulnerable backgrounds.

Evidence indicates that the financing mix in education is not necessarily adapted to closing the gap in education achievements. A careful review of expenditure assignment may reveal that gains may be achieved without increasing levels of spending too much, but by improving allocative efficiency. Key inequalities in participation rates for early childhood development are a serious concern that may translate into systemic challenges in the future that need continued investment in infrastructure and quality of teaching staff. To ensure that no one is left behind, more attention should be dedicated to targeted social inclusion policies in education – including free textbooks and school materials; school meals; after school care and homework support as well as scholarships, to support children from disadvantaged backgrounds keep the pace with their peers an reduce school dropout rates. Higher quality teacher training on the new competence-based curricula is another key policy that may pay-off in the future.

In relation with participation rates of youth and adults in the labour market, this target is addressed primarily through the Employment and Skills Strategy in Albania, covering labour market issues as well as ensuring the supply of an adequate and skilled labour force through participation in vocational education and training.; although “second chance” courses are also provided in mainstream education. Naturally, beyond the availability and quality of training opportunities, structural factors in the economy will also impact willingness of youth and adults to participate in training.

[76] Schleicher, A., Pisa 2018 Insights and Interpretations

Conclusions and steps forward

This budget analysis focused on public spending in the Republic of Albania between 2015 and 2019 in relation with the Sustainable Development Goals. An Excel – Pivot Database of spending between 2015 – 2019 by Sector/Institution/Programme/Economic classification and linkage with SDGs through NSDI pillars/objectives has been built in the framework of this exercise and is available to use. The information presented in this report is only a fraction of the wealth of data and analysis that can be done using the database, tailored to specific needs.

The methodology for carrying out this budget analysis – and more importantly – the data model that supports it has its own limitations. Based on the assumption that the national development strategy is the key document that guides budget and spending policy, including policy/budget outcomes and value for money analysis; the NSDI pillars/objectives and baseline mapping of SDGs to NSDI have served as a reference point for the budget mapping. The contribution of each NSDI objective to each SDG has been weighted (i.e. when an NSDI objective is linked with 3 SDGs, a judgment call has been made to identify what the relative contributions of each NSDI policy area towards the achievement of that objective are). The budget programmes match fully to only one institution and fully to one NSDI objective for sectoral strategies (not always for cross-sectoral strategies). Because SDGs overlap across strategies, they don't usually match one-to-one with budget programmes. The calibration exercise used for purposes of this analysis has been presented in this report and is easily traceable in the Pivot database. However, there may be a need to reconsider the weighting of SDGs to NSDI.

The data and analysis provide a snapshot of actual spending by SDGs, and NSDI further to the typical budget classification system. AS a result, the spending for SDGs in total and for each SDG individually is easily traceable. It is further possible to complement this data with budget information in the medium term, to obtain a longer time series for purposes of analysis; as well as estimate financing needs and claims on domestic resources and external donors' support financing.

The Government of Albania and UN Albania may use this analysis to discuss the validity of the assumptions and SDG reference in financial terms, compared with the country's performance across a wide range of SDG indicators.

Once government is engaged in designing the upcoming strategic framework that will succeed the NSDI II; and setting medium and long term targets related with the domestic strategies and SDGS, this body of data could prove useful in terms of estimating costs of achieving SDG outcomes at given scenarios of financing levels. In that case, it would be necessary to integrate output/outcome level financial information from the Medium Terms Budget Programme to enable monitoring of results (value for money).

Several SDG areas warrant a more thorough analysis of the cost driver and determinants in each sector. Targeting of the acceleration fund could benefit from such analysis, which would enable linkage with performance indicators and simulation of expected results.

Overall, making progress in the SDGs requires substantial resources and a long-term vision is imperative.

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Annex 1. Methodology

NSDI- National policy document

The Albanian central government policy development framework is streamlined through the Integrated Planning System (IPS), consisting of the National Strategy for Development and Integration (NSDI) as the core policy document; the Medium Term Budget Programme (MTBP) as the main budget document and the European Integration and External Assistance processes. Otherwise known as the main strategic policy document, the NSDI II (2015 – 2020)[77]document has duration of 5 years and it is structured around five main strategic pillars as below:

- Good governance, democracy and the rule of law;
- Growth through competitiveness;
- Growth through fiscal stability and enhancement of competitiveness;
- Social development and cohesion through human investment and development;
- Sustainable growth through efficient use of resources.

The overarching goal of national policy is the country's full membership into the European Union (EU), which is intended to be pursues through the collective achievement of goals under each pillar.

NSDI II is an umbrella document of sectorial strategies, whose general goals and specific objectives aim at facilitating an integrated sectorial fulfilment of NSDI II's pillars[78]. At the policy level, NSDI implicitly identifies sectorial inter-linkages and potential for mutual reinforcement of achievements. NSDI and the sectorial strategies provide the strategic framework for allocation of financial resources over the medium term[79]. **However, the integration and its potential benefits for the implementation of NSDI II have yet to be quantified in terms of:**

- Efficiency gains e.g. resources per outcome, time path to target;
- Effectiveness: public service delivery, social development and wellbeing of citizens etc;
- Sustainability and resilience of national resources and development patterns;

Each sectorial strategy lays out the amount of financial resources needed to achieve its objectives, including the expected financing sources and funding gaps.[80]**As many sectorial strategies are crosscutting or with interferences[81] the costing exercise should clearly refer to common activities, expenditures programs, policy centers in order to allocate both direct and indirect related costs for cost drivers pertinent to each sector.**

Budget Framework

Medium Term Budget Framework

The country advanced in third stage of PFM development system, that is Medium Term Framework, relatively early, in 2000. Gradually increasing the central budget coverage, the quality of MTBP and alignment with policy development cycle, underlined in the previous section, has improved in time. Integrated Planning System, whose main document is NSDI, was designed and started, in 2005, as an institutional mechanism to facilitate and achieve the integration between both processes: policy

[77] NSDI I (2007 – 2013) is the precursor strategy to the current NSDI II.

[78] There are nonetheless several sectorial or particular strategies that are not related to NSDI II either because their lifespan does not fit NSDI II duration or because they are formulated after NSDI II approval. A process of mid term review of NSDI II, which could have screened such strategies, their financial outlays would have been a wise approach to streamline all policy documents with NSDI II.

[79] Through the three year MTBP.

[80]In accordance with formal IPS requirements: in practice, these are applied to varying degrees in each sector.

[81] Water is part of environment strategy, part of rural development strategy, decentralization and a government priority too. Land is also a government priority but also part of rural development strategy, good governance and state of law etc.

development and budgeting. **As we report, despite progress and improvements, the alignment and integration between both processes are still to be assured.**

Implications for SDGs

NSDI is the national policy framework for implementing also SDGs. Thus, costing and budgeting for SDGs should include the budget analysis along the lines of NSDI II. **However, the exercise of budgeting towards SDGs' targets in a time horizon beyond 2020 reveals to be a complicated exercise, because first one should assess the extent of implementation of NSDI II and its effectiveness in terms of i) of activities implemented in each sector in number or value ii) outputs delivered and iii) actual or likely outcomes**.

- While proxies for the accomplishment of first two stages may be generated ex-ante based on available information from treasury, monitoring information from strategy or MTBP department, the proxies cannot be taken for granted as far as the revision of all NSDI II is not done, thus a conclusion has been reached whether all available fiscal space in the period 2015-2020 is used for NSDI II programmed policies (i.e. ex-post). Note, in particular, the discussion about the cause of non- alignment of MTBP with sector strategies: Does it occur because of non realistic costing strategy or is it related to unilateral decision to include in MTBP policies non-foreseen in the NSDI?
- The third stage is even more challenging. The availability of meta indicators for all sectorial strategies (i.e. the indicators measuring the performance at the level of specific or general goals) is not assured as the passports of indicators are not there for any sector. The same may be said also for objective external indicators, relevant to each sector, which can measure the outcomes of interest in an independent way (e.g. from INSTAT) against a baseline already established back in 2015[82]. Hence, again here, the proxies referring to international data sets, which include Albania, remain the only way to deal with this difficulty. One alternative may be that the consultants refer to DASHBOARD set of data already designed from MAPS team and adapt to Albania' s context and the aim of exercise.

In the following sections we try to explore these stages and provide an analysis and coefficients that may serve for further purpose for both policy development in areas relevant to SDGs, their costing and estimation of budget implications in line with growth assumptions and associated risks. As we navigate in "unchartered waters", the assumptions will be in constant revision subject to comments and suggestions from stakeholders in the process.

Assumptions for the analysis

NSDI II, as the umbrella document of sectorial strategies, served as the basis for the identification of the SDG framework linkages with sectorial goals, objectives and measures, as identified in the baseline report[83].

At the policy level, NSDI implicitly identifies sectorial inter-linkages and potential for mutual reinforcement of achievements. NSDI and the sectorial strategies provide the strategic framework for allocation of financial resources over the medium term[84]. In addition, each sectorial strategy lays out the amount of financial resources needed to achieve its objectives, including the expected financing sources and funding gaps.[85]

The analysis of budgeting and financial outlays against SDGs was based on the mapping of SDGs against NSDI and the identification of budgetary resources allocated to each of the sectors and subsectors based on a programmatic, economic and administrative classification according to the Ministry of Finance and Economy Treasury data.

[82] INSTAT has started the work now on it.

[83] Albania: Report on the Harmonization of the Sustainable Development Goals with Existing Sectoral Policies, 2018.

[84] Through the three year MTBP.

[85] In accordance with formal IPS requirements: in practice, these are applied to varying degrees in each sector.

On the financial side; budget programmes are the main unit of reference for the allocation of spending by strategic and policy area in the development strategy. Mapping of budget programmes to NSDI has been carried out in the framework of the analysis for the NSDI. Budget programmes usually fit fully to sectoral strategies and NSDI policy areas. A few exceptions persist in the mapping of budget programmes to the NSDI policy area – namely where the latter are linked with cross-sectoral strategies.

Further on, the linkages of the budget programmes with SDGs were identified through the mutual linkages with NSDI. However, the baseline mapping nominally identifies the linkages between NSDI policy areas and SDGs, but does not explicitly identify what the relative contribution of each of the NSDI policy areas is to the relevant SDGs. **On that basis, the mapping of SDGs towards NSDI and sectorial strategies – and their respective budget programmes and outputs, was further elaborated through** weighting of different SDGs according to NSDI II pillars based on *the initial* judgments of involved experts. This initial mapping and respective weights may be modified afterward based on statistics collected and developed during the process of SDGs monitoring in line with national or international evidence on statistical determinants or analysis and judgment on multipliers and accelerators of interconnected SDGs. (See Table 25)

Table 25 Albania, Mapping of SDGs in NSDI II policy areas and Relative weight of contribution of spending under each NSDI policy area to the linked SDGs

NSDI II	BASELINE MAPPING		Weighting assigned: Weighted contribution of NSDI policy areas to relevant SDGs		
	Linkages between NSDI-II pillars and SDGs	***SDGs linked as per baseline mapping***			
7.0	**Albania's Overarching Goal: Accession to the European Union**	n/a mainly EU-related	n/a	-	-
8.0	**Foundations: Good Governance, Democracy and the Rule of Law**				
8.1	An Open Judicial System with Equal Access for All	SDG 16	SDG 16: 100%	-	-
8.2	Strengthening Legislative and Electoral Processes	SDG 16 + 5 (ref. gender)	SDG 16: 100%	SDG 5: 30%	-
8.3	Integrated Border Management	SDG 16	SDG 16: 100%	-	-
8.4	The Fight against Organized Crime, Terrorism and Trafficking	SDG 16	SDG 16: 100%	-	-
8.5	Ensuring Public Order	SDG 3 + 16	SDG3: 10%	SDG 16: 90%	
8.6	Strengthening Human Rights	cross-cutting (1 + 10 + 16…)	SDG 1 - 17: 1/17 each	-	-
8.7	Reforming Public Administration and the Civil Services	SDG 16	SDG 16: 100%	-	-
8.8	Transparency and the Fight against Corruption	SDG 16	SDG 16: 100%	-	-
8.9	Decentralization and Local Government Reform		n/a		
8.10	Strengthening Albanian Statistics	SDG 17	SDG 17: 100%		
8.11	The Increasing Importance of Foreign Policy	SDG 10	SDG 10: 100%		
8.12	A Stronger Defence	n/a mainly NATO-related	n/a		
8.13	Civil Society	SDG 17	SDG 17: 100%		

9.0	**Pillar 1: Growth Through Macro-Economic and Fiscal Stability**				
9.1	Strengthening the Financial System and Monetary Policy	SDG 8 + 10 +17	SDG8:40%	SDG10: 40%	SDG 17: 20%
9.2	Strengthened Public Finance for Fiscal Stability	partially SDG 10	SDG 10: 100%		
10.0	**Pillar 2: Growth Through Increased Competitiveness**				
10.1	Assuring and Protecting Property Rights	SDG 1	SDG 1: 100%		
10.2	Promoting Business and Foreign Direct Investment	SDG 8	SDG 8: 100		
10.3	Expanding Scientific Research and Innovation	SDG 9 +17	SDG 9: 75%	SDG 17: 25%	
10.4	Investing in Information Technology and Communications	SDG 9	SDG 9: 100%		
10.5	Ensuring Consumer Protection and Market Surveillance	SDG 2 + 12	SDG2: 40%	SDG 12: 60%	
10.6	Protecting Competition and Providing for State Aid Control		n/a		
11.0	**Pillar 3: Investing in People and Social Cohesion**				
11.1	Expanded, Better Quality Educational Opportunities	SDG 4	SDG 4: 100%		
11.2	A Stronger, More Accessible Health Care System	SDG 3	SDG 3: 100%		
11.3	Expanding Employment Opportunities	SDG 8	SDG 8: 100%		
11.4	Strengthening Social Security		n/a		
11.5	Consolidating Social Protection	SDG 1 + 10	SDG1: 70%	SDG 10: 30%	
11.6	Building a More Inclusive Society	SDG 8 + 10	SDG 8: 50%	SDG 10: 50%	
11.7	Ensuring Gender Equality	SDG 5	SDG 5: 100%		
11.8	A Greater Focus on Arts and Culture	SDG 4 + 11	SDG4: 50%	SDG 11: 50%	
11.9	Strengthening the Role of Sports		n/a		
12.0	**Pillar 4: Growth Through Sustainable Use of Resources**				
12.1	Energy / Utilities	SDG 7	SDG 7: 100%		
12.2	Transport Infrastructure	SDG 9	SDG 9: 100%		
12.3	Agriculture and Rural Development	SDG 2	SDG 2: 100%		
12.4	Regional Development		n/a		
12.5	Environment	SDG 13 + 14 + 15	SDG 13: 33%	SDG 14: 33%	SDG 15: 34%
12.6	Mining	SDG 12	SDG 12: 100%		
12.7	Tourism Development	SDG 8 + 11 + 12	SDG 8: 33%	SDG 11: 33%	SDG 12: 34%
12.8	Water Supply and Sanitation/Sewage	SDG 6	SDG 6: 100%		

12.9	Integrated Waste Management	SDG 11 + 12 + 17 (PPPs)	SDG 11: 40%	SDG 12: 40%	SDG 17: 20%
12.10	Spatial Planning and Urban Development	SDG 11	SDG 11: 100%		

In practice, many sectorial strategies are crosscutting or with interferences[86]; hence the costing exercise should clearly refer to common activities, expenditures programs, policy centers in order to allocate both direct and indirect related costs for cost drivers pertinent to each sector. It implies that while the benefits are enhanced through synergies and increased efficiencies of integration, sharing rather than replicating the common costs is the key to achieving these synergies. This analysis does not appear to have been carried out in costed sectorial strategies. In the case of SDGs, the issue is even more enhanced: several SDGs overlap with more than one or two sectoral strategies. Some goals are more difficult to track than others: gender related spending is most difficult to identify, given that apart gender mainstreaming spending; other budget programmes may have been engendered; but the costing exercise needs to avoid double counting. Similarly, expenditure towards water access and environment protection, which is spread across different institutions and programmatic areas, presents a challenge.

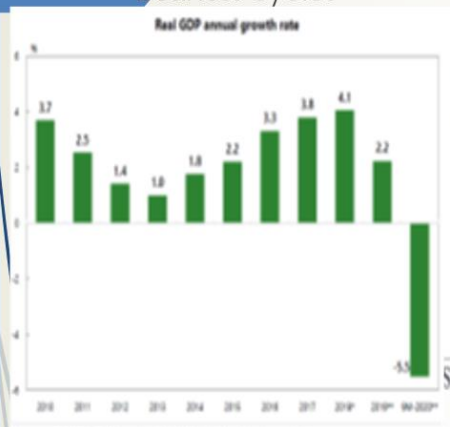
Naturally, the estimation of total cost of policy alternatives in different sectors in Albania cannot be equated with the sum of the cost of sectorial strategies/or SDGs in as much as the interlinkages between sectors, and their respective cost implications, are not fully taken into account. The direct implication for the budgeting exercise, especially for the Medium Term Budget Programme (MTBP)[87], is that it needs to closely analyse the true cost and benefits (e.g. outputs, outcomes) pertaining to different programs or institutions, whose outputs are shared from more than a single sector.
With the data modelled according to the above-mentioned schema we derive the total of spending in general budget in SDG related **areas. As general budget includes both central and local budget we assume that in line with national vision expressed in NSDI II, local spending, which is classified within the same budget programs, may be assumed as classified in the same NSDI II policy areas[88]. A calibration[89] of the data model with the consolidated fiscal indicators tables published from MoFE was carried out, in order to** keep the total expenditure envelope and allocations by policy areas in line with national budgets.
However, the data coming from the above-mentioned sources needs to be modelled in order to match the mapping of baseline report. **It means that first treasury actuals and planned data had to be modelled according to NSDI II policy areas and goals, translated through baseline mapping, and finally presented according to SDGs so the information about expenditures levels in respective areas is collected and analysed.** In policy areas where there is overlapping of SDGs a preliminary weighting, in consultation with baseline mapping author, has been assumed as a working assumption. It may be modified afterward upon request from beneficiary. The data modelling exercise is documented in an Excel file that is attached to database of expenditures analysis.

[86] Water is part of environment strategy, part of rural development strategy, decentralization and a government priority too. Land is also a government priority but also part of rural development strategy, good governance and state of law etc.
[87] MTBP, together with NSDI and the European Integration processes are integral parts of the integrated Planning System (IPS), the framework guiding policy development in the Government of Albania.
[88] The assumption is only for analysis purposes and doesn't affect the robustness of conclusions as the local budget is on the level of 10% of general budget.
[89] We have only 1% deviation from general consolidated indicators that have to do with interests expenditures and financial outlays that are reported for payment of internal or external debts.

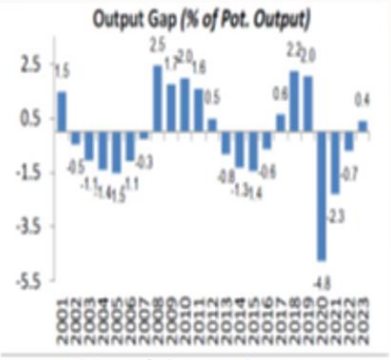
Fiscal Space Considerations

Special Topics I Financing: Realistic Expectations

How much can the country grow over 1,5 business cycles



Source: INSTAT. *semi - final data. **preliminary data.



Source: Ministry of Finance and Economy

Table 2. Albania: Medium Term Growth

	2016-19 Reform 1/	2016-19 No reform 2/
Real GDP growth	**3.9**	**2.4**
Capital contribution	1.8	1.5
Labor contribution	0.2	-0.5
Human capital contribution	0.1	0.1
TFP contribution	1.7	1.2

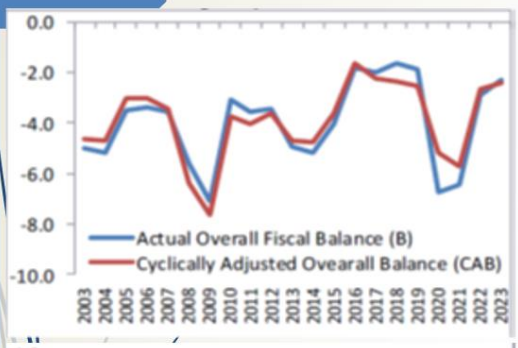
Source: IMF staff estimates.
1/ Reform scenario is consistent with the IMF program.
2/ Assumes labor and TFP contributions consistent with historical averages for 2009-14, and the capital stock growing at a rate 85 percent lower than the reform scenario.

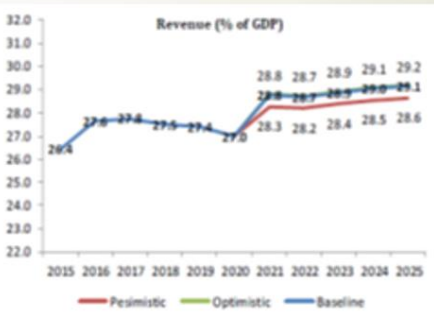
Table 3.3.1: Alternative assumptions in each scenario

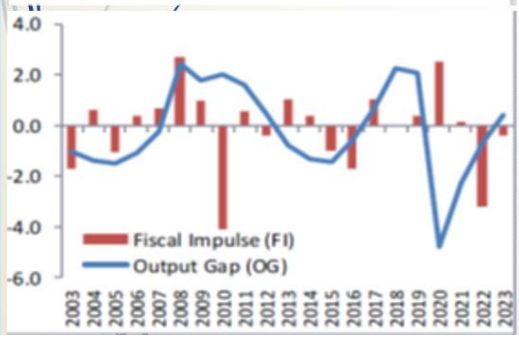
	2015	2016	2017	2018	2019	2020 Est.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
Real GDP growth (%)											
Baseline	2.2	3.3	3.8	4.1	2.2	-4.4	5.5	4.8	4.5	3.9	4.0
Pesimistic							4.0	3.3	3.0	2.4	2.5
Optimistic							6.0	5.3	5.0	4.4	4.5
Nominal GDP growth (%)											
Baseline	2.8	2.7	5.3	5.5	2.7	-6.4	7.0	7.2	7.0	6.3	6.5
Pesimistic							5.5	5.6	5.4	4.8	5.0
Optimistic							7.5	7.7	7.5	6.8	7.1
Nominal GDP (billion Lek)											
Baseline	1,434.3	1,472.5	1,550.6	1,635.7	1,679.3	1,572.3	1,682.6	1,803.0	1,928.8	2,050.8	2,185.0
Pesimistic							1,658.7	1,751.9	1,847.3	1,935.7	2,032.7
Optimistic							1,690.6	1,820.2	1,956.6	2,090.2	2,237.8
Total revenue (% of GDP)											
Baseline	26.4	27.6	27.8	27.5	27.4	27.0	28.8	28.7	28.9	29.0	29.1
Pesimistic							28.3	28.2	28.4	28.5	28.6
Optimistic							28.8	28.7	28.9	29.1	29.2
Total revenue y-o-y growth (%)											
Baseline	3.4	7.3	5.7	4.5	2.3	-7.9	14.1	6.9	7.6	6.9	6.9
Pesimistic							10.6	5.3	6.1	5.4	5.4
Optimistic							14.9	7.4	8.2	7.4	7.4
Total revenue (billion Lek)											
Baseline	379.2	407.0	430.4	449.9	460.3	424.1	484.1	517.4	556.9	595.4	636.5
Pesimistic							468.9	493.9	524.1	552.3	581.9
Optimistic							487.2	523.2	565.9	607.9	652.9
Effective interest rate of public debt (%)											
Baseline	4.2	3.7	3.2	3.5	3.3	3.3	3.4	3.5	3.7	4.1	4.3
Pesimistic							3.4	3.5	3.7	4.1	4.3
Optimistic							3.4	3.5	3.7	4.1	4.3
Nominal exchange rate, end-year (Lek/Euro)											
Baseline	137.7	135.3	133.2	123.5	122.2	123.0	123.0	123.0	123.0	123.0	123.0
Pesimistic							123.0	123.0	123.0	123.0	123.0
Optimistic							123.0	123.0	123.0	123.0	123.0

Source: Ministry of Finance and Economy

Fiscal Stimulus, Fiscal Space and Trends







Has the amount of international financing reduced for Albania?

Dataset: Creditor Reporting System (CRS) | OECD | US$ Millions

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Type of aid										
All Types, Total	398,140	431,836	392,520	325,024	354,957	425,547	304,779	283,582	465,876	313,910
General budget support	..	..	..	15,860	25,496	..	2,457	0,016	0,034	0,015
Sector budget support	..	..	0,046	..	..	..	30,519	24,710	24,376	30,443
Core contributions and pooled programmes and funds	5,781	4,061	6,978	6,268	7,622	4,325	8,955	9,226	8,539	15,647
Core support to NGOs, other private bodies, PPPs and research institutes	0,287	0,230	0,835	0,495	3,274	2,228	1,971	3,743	3,882	6,073
Contributions to specific-purpose programmes and funds managed by implementing partners	4,699	2,290	5,615	2,789	3,584	1,670	6,165	4,592	4,639	9,169
Basket funds/pooled funding	0,795	1,541	0,528	3,005	0,764	0,427	0,819	0,892	0,018	0,405
Project-type interventions	321,112	352,281	318,210	271,526	289,452	311,091	231,720	211,399	383,047	211,245
Experts and other technical assistance	14,737	17,626	12,440	12,705	12,989	89,996	10,321	9,696	12,889	12,328
Donor country personnel	6,102	8,707	8,186	7,485	6,506	85,897	5,792	6,224	7,393	6,628
Other technical assistance	8,635	8,919	4,254	5,220	6,483	4,098	4,529	3,472	5,496	5,700
Scholarships and student costs in donor countries	55,236	55,857	52,430	16,522	18,098	18,576	19,621	24,075	31,088	39,068
Scholarships/training in donor country	2,218	2,908	2,386	3,622	3,043	3,693	2,749	5,035	6,558	10,939
Imputed student costs	53,018	52,949	50,044	12,900	15,055	14,883	16,872	19,040	24,530	28,128
Administrative costs not included elsewhere	1,274	2,005	2,404	1,859	1,245	1,560	1,018	3,909	5,219	4,612
Administrative costs not included elsewhere	1,274	2,005	2,404	1,859	1,245	1,560	1,018	3,909	5,219	4,612
Other in-donor expenditures	..	0,005	0,012	0,263	0,054	..	0,168	0,550	0,684	0,551
Development awareness	..	0,005	..	0,133	..	..	..	..	..	..
Refugees/asylum seekers in c	..	..	0,012	0,130	0,054	..	0,168	0,550	0,684	0,551

Data extracted on 20 Apr 2021 08:59 UTC (GMT) from OECD.Stat

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