



Review of social protection system in Albania

Coverage, expenditure, adequacy and financing



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Introduction

The United Nations in Albania has been implementing a Joint Programme “Catalysing Municipal Social Protection” for the period from 1 January 2020 to 31 January 2022. The Joint Programme aims to support the municipal level ownership of the provision of social protection services and to increase the coordination between the state social protection services and the municipal authorities, with a focus on catalysing a step-change in the quantity and quality of delivery of integrated social care at the municipal level as part of an effective integrated social protection system.

Within the framework of this Joint UN Programme, the ILO, in collaboration with UNICEF and UNWOMEN, has conducted a review of the social protection system in Albania with a view to identifying gaps in coverage and financing of the existing system, and analysing the fiscal space for building a comprehensive social protection system including national social protection floors.

The present report will provide an overview of the current national social protection systems, both contributory and non-contributory, and assess their recent trends and performance with respect to the structure and level of social expenditure, beneficiary coverage and adequacy, contributor coverage, and financial sustainability. It should be noted that most of economic and statistical data were available up to 2019. As the report focuses on the long-term structural issues in the current social protection system, the main findings and key conclusions of this report remain valid despite the current COVID-19 pandemic. However, to provide update of social protection response to the COVID-19 crisis, a supplementary analysis has been included.

This report has been prepared by Kenichi Hirose, Senior Social Protection Specialist, ILO Office for Central and Eastern Europe (ILO DWT/CO-Budapest) and Veronika Wodsak, Social Protection Policy Specialist, ILO Social Protection Department.

An ILO joint mission was conducted in February 2020 to establish a coordination mechanism between the ILO project and UNICEF Albania as well as key staff engaged in social protection work and fiscal affairs at the national and municipality levels, and to organize the collection of information and data necessary for the review of the current social protection system and the fiscal space analysis.

The draft of this report was presented at the Tripartite Validation Workshop held on 27 April 2021, where key issues and future policy were discussed by the tripartite partners from the government and from the employers’ and workers’ organizations. In addition, Alketa Zazo of UNICEF Albania and Ivona Paunovic of UNWOMEN Albania also provided comments on an earlier draft of this report. All the comments received by the project partners and UN partner agencies have been reflected in this final report.

The project and the report profited enormously from the assistance of Zhulieta Harasani, the ILO National Coordinator for Albania, Anisia Mandro and Fjoralba Balla, project assistants who also provided editorial assistance in finalizing this report. The collection of statistical data was conducted by Klea Ibrahim. A background study prepared by Mirela Muça also contributed to the report.

This report is organized as follows. **Chapter 1** presents the current economic and demographic situation in Albania. **Chapter 2** summarizes the legal and institutional structure of the existing Albanian social protection systems and their benefit provisions. **Chapter 3** presents the government spending on social protection, analyses the coverage and the level of benefits, and assesses the impact of social protection benefits on poverty reduction. **Chapter 4** analyses the gaps in the coverage of contributory systems and their implication on the effectiveness of the systems, with a particular focus on the widespread informal

employment and undeclared work, and emerging non-standard forms of employment in Albania. This chapter also reviews the financial situation of the Social Insurance Fund and the Health Insurance Fund and discuss their financial sustainability. **Chapter 5** presents a preliminary assessment of the impact and social protection measures in the context of the COVID-19 pandemic. **Chapter 6** concludes with the summary of key findings and recommendations for future policy direction.

We trust that this review will inform the key national stakeholders in Albania on the current and future challenges in the social protection and social care services, and that the recommendations derived from the review will contribute to the national dialogue for shaping the future policy to enhance the effectiveness of the social protection and social care services that leave no one behind.

1. Country context

► 1.1. Socio-economic and labour market situation

Table 1.1 presents selected economic and labour market indicators of Albania from 2010 to 2019. During that period, the population of Albania has been almost constant at around 2.9 million while showing a slightly declining trend.

► **Table 1.1. Key economic and labour market indicators, 2010–2019**

		units	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
A	Total population	thousands	2,913	2,905	2,900	2,895	2,889	2,881	2,876	2,873	2,866	2,854
B	Population (15 years and above)	thousands	2,271	2,291	2,309	2,321	2,332	2,341	2,349	2,359	2,366	2,368
C	Economically active population*	thousands	1,357	1,349	1,317	1,217	1,257	1,311	1,365	1,385	1,403	1,420
D	Employed population	thousands	1,167	1,160	1,140	1,024	1,037	1,087	1,157	1,195	1,231	1,255
	• Employees	thousands	505	453	418	415	431	446	477	527	548	578
	• Self-employed	thousands	354	345	307	264	270	317	404	428	418	403
	• Contributing family members	thousands	308	364	415	366	336	324	277	240	266	274
E	Unemployed population	thousands	190	189	176	194	220	224	207	190	173	165
F	Labour force participation rate (C/B)	percent	55.2	60.3	57.3	52.4	53.7	55.7	57.5	58.3	59.4	60.4
G	Unemployment rate (E/C)	percent	14.0	14.0	13.4	15.9	17.5	17.1	15.2	13.7	12.3	11.5
H	Long-term unemployment rate	percent	10.5	10.3	10.3	11.5	11.2	11.3	10.1	8.9	8.3	7.3
I	Unemployment rate (age 15–29)	percent	30.5	23.9	29.8	31.4	39.0	39.8	36.5	31.9	28.3	27.2
J	Long-term unemployment rate (age 15–29)	percent	10.2	13.9	19.8	18.9	21.1	21.0	19.0	15.0	13.9	11.7
K	Inactive rate (age 15–29)	percent	66.3	55.2	63.3	72.4	71.0	68.7	68.2	68.2	64.2	63.3
L	GDP per capita adjusted by PPP	USD	4,055	4,438	4,248	4,411	4,579	3,953	4,124	4,533	5,284	5,562
M	GDP per capita at current prices	USD	10,973	11,283	11,462	11,598	11,828	12,126	12,548	13,037	13,601	13,962
N	GDP real growth rate	percent	3.71	2.55	1.42	1.00	1.77	2.22	3.31	3.82	4.07	2.24

Source: Institute of Statistics of Albania.

Note: * including population aged 65 or over.

Unemployment rates have been consistently two-digits for the last decade, although it has decreased from 17.5 percent in 2014 to 11.5 percent in 2019. The share of long-term unemployment has also decreased recently. However, the unemployment rate among the youth (between 15 and 29 years of age) is significantly higher at 27.2 percent in 2019.

Economic growth had been stagnant from 2011 to 2015 following the global economic crisis. Only after 2016 did the Albanian economy return to a modest growth path with real growth rates between 3 and 4 percent per annum. The GDP per capita, adjusted by Purchasing Power Parity, was equivalent to 13,961 USD in 2019, which is 31.3 percent of the EU-28 average.

The Albanian economy exhibits a high degree of informality. A number of studies estimate that the informal economy in Albania consists between 30 and 50 percent of GDP. The issue of informality will be examined in the context of social security coverage.

► 1.2. Demographic changes and the prospects of ageing population

Table 1.2 presents key demographic indicators from 1990 to 2050 based on United Nations' estimates and projections.¹ Since the 1990s, there has been rapid and sharp reductions in the total fertility rate from 3.2 children per woman in 1990 to 1.6 by 2010, coupled with constant improvements in life expectancy for both sexes. Furthermore, since mid-1990s there has been a significant flow of out-migration which has been continuing today.

In 1990, the Albanian population exhibited a typical expansive age structure of which the share of the elderly was only 5.5 percent. Due to the momentum effects of the population transition, the current Albanian population is still relatively young compared to its neighbouring countries. However, the aforementioned demographic changes will lead to a rapid population ageing in the future. According to the UN projection, the share of the elderly is expected to increase from 14.7 percent in 2020 to 25.5 percent by 2050.

► Table 1.2. Key demographic indicators, 1990–2050

Population	1950	1970	1990	2000	2005	2010	2015	2020	2030	2050
Total population (thousands)	1,263	2,151	3,286	3,129	3,087	2,948	2,891	2,878	2,787	2,424
Median age (years)	21.2	19.6	24.0	27.0	29.1	32.2	34.9	36.4	40.7	50.0
Population under age 15 (thousands)	485	880	1,077	949	818	662	540	496	445	293
Population aged 15–64 (thousands)	691	1,160	2,028	1,959	2,006	1,972	1,986	1,959	1,765	1,515
Population aged 65 or above (thousands)	87	112	181	221	262	314	365	423	578	617
Percentage of population under age 15	38.4%	40.9%	32.8%	30.3%	26.5%	22.5%	18.7%	17.2%	16.0%	12.1%
Percentage of population aged 15–64	54.7%	53.9%	61.7%	62.6%	65.0%	66.9%	68.7%	68.1%	63.3%	62.5%

1. Minor discrepancies are found between Tables 1.1 and 1.2 due to different data sources.

Population	1950	1970	1990	2000	2005	2010	2015	2020	2030	2050
Percentage of population aged 65 or above	6.9%	5.2%	5.5%	7.1%	8.5%	10.7%	12.6%	14.7%	20.7%	25.5%
Child dependency ratio	70.2%	75.9%	53.1%	48.4%	40.8%	33.6%	27.2%	25.3%	25.2%	19.3%
Old-age dependency ratio	12.6%	9.7%	8.9%	11.3%	13.1%	15.9%	18.4%	21.6%	32.7%	40.7%
Total dependency ratio	82.8%	85.5%	62.0%	59.7%	53.8%	49.5%	45.6%	46.9%	58.0%	60.1%

Rates of population change	1950–1955	1965–1970	1985–1990	1995–2000	2000–2005	2005–2010	2020–2015	2015–2020	2025–2030	2045–2050
Annual rate of population change (percentage)	2.3%	2.5%	2.0%	0.1%	-0.3%	-0.9%	-0.4%	-0.1%	-0.4%	-0.9%
Crude birth rate per 1,000 population	39.5	33.7	26.0	18.7	14.5	11.9	12.4	11.8	9.6	7.8
Crude death rate per 1,000 population	16.1	8.5	5.8	6.2	5.8	6.7	7.0	7.8	9.5	13.4
Net migration rate per 1,000 population	0.0	0.0	0.0	-11.5	-11.4	-14.4	-9.4	-4.9	-3.9	-3.2

Life expectancy at birth (years)	55.3	66.2	72.0	73.0	74.8	75.6	77.5	78.4	79.7	82.6
Male life expectancy at birth (years)	54.4	65.1	69.3	70.2	72.3	73.2	75.2	76.7	78.3	81.5
Female life expectancy at birth (years)	56.1	67.4	75.0	76.1	77.8	78.5	80.0	80.1	81.1	83.8
Life expectancy at age 65 (years)	14.0	15.0	15.2	15.1	16.0	16.0	17.3	17.7	18.5	20.4
Total fertility rate (live births per woman)	6.2	5.3	3.2	2.4	2.0	1.6	1.7	1.6	1.5	1.5

Source: United Nations. World Population Prospects, the 2019 revision. <https://population.un.org/wpp/>

► 1.3. Poverty and income inequality

Although Albania has not introduced an official poverty line, an effective reduction of poverty has been the priority of the national agenda. It should be noted, however, that the measurement of poverty in Albania has not been consistent over time due to the recent change of the definition of poverty.

Table 1.3 presents the key poverty indicators of the Living Standard Measurement Survey, conducted in 2002, 2005, 2008 and 2012. In this survey, a person in absolute poverty is defined as those whose real per capita monthly consumption is under 4,891 lek in 2002 prices (equivalent to 43.3 USD), and a person in extreme poverty is defined as those who face difficulty in meeting basic nutritional needs (2,288 calories per day). In monetary terms, the extreme poverty line was set at 3,047 lek per month in 2002 prices (equivalent to 27.0 USD).

The absolute poverty rate decreased from 25.4 percent in 2002 to 12.5 percent in 2008 but increased to 14.3 percent in 2012. It is estimated that 415,000 persons lived in absolute poverty in 2012. The extreme poverty rate decreased from 5.0 percent in 2002 to 1.2 percent in 2008 but increased to 2.3 percent in 2012. The increase in both absolute and extreme poverty between 2008 and 2012 is largely due to the increase in urban poverty as a result of the global financial crisis.

► **Table 1.3. Poverty indicators from the Living Standard Measurement Survey, 2002–2012**

Year	2002	2005	2008	2012
Absolute poverty				
Headcount	25.4%	17.9%	12.5%	14.3%
Depth	5.7%	3.9%	2.4%	3.0%
Severity	1.9%	1.3%	0.7%	1.0%
Extreme poverty				
Headcount	4.7%	3.3%	1.2%	2.3%

Source: Institute of Statistics of Albania.

Table 1.4 summarizes the results of the Income and Living Conditions Survey in 2018.² From this survey the Institute of Statistics of Albania has adopted the poverty indicators based on the relative concept of poverty used by the EU Statistics on Income and Living Conditions (EU-SILC). Under this methodology the main indicator is the at-risk-of-poverty rate. It indicates the percentage of persons living in households where equivalent disposable income is below the at-risk-of-poverty threshold. The at-risk-of-poverty threshold is defined as 60 percent of the median equivalized disposable income and adjusted by the equivalent scale of household structure.³

► **Table 1.4. Poverty indicators from the Living Conditions Survey, 2017–2018**

Year	2017	2018
At-risk-of-poverty rate; population below 60% of the median equivalized disposable income	23.7%	23.4%
At-risk-of-poverty threshold per month; one person household (ALL)	12,085	13,395
At-risk-of-poverty threshold per month; one person household (USD)	101.47	123.96
At-risk-of-poverty threshold per month; household with 2 adults and 2 dependent children (ALL)	25,378	28,130
At-risk-of-poverty threshold per month; household with 2 adults and 2 dependent children (USD)	213.08	260.31
Percentage of population at-risk-of-poverty or social exclusion	51.8%	49.0%
Gini coefficient	0.368	0.354
Ratio S80/S20	7.5	7.0

Source: Institute of Statistics of Albania.

The estimated at-risk-of-poverty threshold for one person was 12,085 lek (101.5 USD) in 2017 and 13,395 lek (124.0 USD) in 2018. For a household with two adults and two dependent children, the average amount per person was 6,344 lek (53.3 USD) in 2017 and 7,032 lek (65.1 USD) in 2018. The level in the latter example is comparable with the absolute poverty level used in the Living Standard Measurement Survey.

It is estimated that 23.4 percent of the population, or 672,000 persons, were at risk of poverty in 2018. This level is significantly higher than all the EU countries (except only for Romania which recorded 23.5 percent in 2018). The at-risk-of-poverty rate of the EU Member States was 16.9 percent in 2018.

2. (Added in proof) According to the 2019 survey, the at-risk-of-poverty rate decreased slightly to 23.0% with the threshold 14,232 lek per month. The Gini coefficient also decreased to 0.343 and the ratio of top and bottom income quintiles was 6.4.

3. Equivalent scale assigns a weight of 1.0 to the first adult, 0.5 each to other adults, and 0.3 to each child living in the household. For example, the equivalent scale of a household with two adults and two children is $1 + 0.5 + 0.3 \times 2 = 2.1$.

The at-risk-of-poverty rate is higher in households with unemployed members (37.1 percent in 2018) and households with dependent children (27.0 percent in 2018). Between 2017 and 2018, the income inequality narrowed slightly, as evidenced by the decrease in the Gini coefficient from 0.368 to 0.354. Similar moderate decrease was observed for the ratio of top income quintile to the lowest income quintile from 7.5 to 7.0.

Table 1.5 presents the at-risk-of-poverty rates by sex and age group. The at-risk-of-poverty rates for women are slightly higher than those for men. The difference has widened from 0.4 percentage-points in 2017 to 0.8 percentage-points in 2018. By age group, the results show high at-risk-of-poverty for the population aged between 0 and 17 years. In particular, the rates for girls exceeded 30 percent for 2017 and 2018. The relatively low at-risk-of-poverty rates for the elderly population aged 65 years and more is due to the existing social transfer programmes in particular the old-age pension benefits (See section 3.3 for further analysis).

► **Table 1.5. At-risk-of-poverty rate by age group and sex, 2017-2018**

Age group	2017			2018		
	Male	Female	Total	Male	Female	Total
0-17	27.7%	31.8%	29.6%	28.7%	30.6%	29.6%
18-64	24.0%	23.4%	23.7%	23.2%	23.3%	23.2%
65 or above	13.0%	13.7%	13.4%	12.5%	15.4%	14.0%
Total	23.5%	23.9%	23.7%	23.0%	23.8%	23.4%

Source: Institute of Statistics of Albania.

2. Overview of the Albanian social protection system

In Albania, major reforms of social protection systems were carried out in the 1990s. They include the restructuring of the pre-existing social insurance system, the establishment of health insurance and social assistance, as well as the introduction of unemployment benefits and employment services.

In 2006, the Albanian Government ratified the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) with respect to old-age, death, sickness, maternity, disability, employment injury, unemployment and health care branches. The ratification demonstrates the Albanian government's commitment to maintaining internationally accepted minimum levels of social protection benefits.

In this chapter, we summarize the legal and institutional structure of the existing Albanian social protection systems and describe the main benefit provisions.

► 2.1. Legal and institutional framework

In Albania, the right to social protection is established by the Constitution, in particular Articles 49, 51, 52, 55, as well as specific laws regulating social protection benefits. The main laws on social protection include:

- Law No.7703, dated 11.05.1993, "On Social Insurance in the Republic of Albania";
- Law No. 10383, dated 24.02.2011, "On Compulsory Health Insurance in the Republic of Albania";
- Law No. 9355, dated 10.03.2005, "On Social Assistance and Services in the Republic of Albania";
- Law No. 57, dated 18.07.2019, "On Social Assistance in the Republic of Albania"; and
- Law No. 121, dated 24.11.2016, "On Social Care Services in the Republic of Albania."

The Albanian social protection system consists of contribution-based social security benefits and tax-financed social assistance and services.

The coverage of contributory social security systems is economically active population, consisting essentially of employees in the formal economy, although the coverage of health insurance is wider as the State subsidizes certain categories of economically inactive population.

The Social Insurance Institute (ISSH), an autonomous public institution under the supervision of the Ministry of Finance and Economy, is responsible for the administration of old-age, invalidity and survivors' pensions, employment injury benefits, sickness benefits and maternity benefits.

The State Employment Service under the policy guidance of the Ministry of Health and Social Protection is in charge of administration of unemployment benefits.

The Health Insurance Fund is an autonomous public institution which implements health insurance in Albania under the policy guidance of the Ministry of Health and Social Protection.

Social assistance and social care services in Albania consist of (i) the economic assistance (Ndihma Ekonomike), which is a means-tested social assistance programme providing support, cash or in kind, to families and individuals in need; (ii) the disability allowance providing monthly payments to persons with disabilities who are not eligible under the contributory scheme; (iii) social care services providing a range of services to individuals and groups in need, who are unable to meet their life needs with their own resources. Table 2.1 summarizes the key institutional framework.

The Ministry of Health and Social Protection is responsible for drafting and monitoring policies for social protection, including economic assistance, disability and social care services.

The State Social Service is a public institution under the policy guidance of the Ministry of Health and Social Protection. The State Social Service is responsible for implementing the economic assistance and the disability allowance. The State Social Service works in close coordination with the social workers in the social assistance and social services units established in each municipality. Economic Assistance Inspectors within the State Social Service at central and regional levels are responsible for monitoring both the economic assistance and disability allowance programmes.

The State Labour and Social Services Inspectorate is responsible for monitoring the implementation of the legislation on social care and social care standards. However, the related monitoring and inspection framework for social care services is at a nascent stage and standards for monitoring and reporting are still to be developed.

The Municipal Council may approve social assistance for families that have applied through the MIS but are not eligible. The procedure is regulated by a Ministerial Instruction. Municipalities can budget up to 6 percent of the total amount of cash assistance for this purpose.

Local government units are responsible for the delivery of social assistance and transfers to individuals, households and families. Local government units are also responsible for delivering social care services and cooperating with other stakeholders and supporting them in their capacities to provide services. Social Administrators within Local government units are in charge of the application process for social assistance. Home visits and socio-economic assessment of the family conditions are carried out by the social administrator.

The State Agency on Child Rights and Protection is responsible for the coordination and organization of integrated child protection system in line with the national child protection policies, including implementation of interventions and taking of measures on prevention and protection of child from abuse, neglect, maltreatment and violence.

Child Protection Units and Needs Assessment and Referral Units are responsible for the establishment and management of local community social services and local social services provision centers. These local units have not been fully established. In particular, the Needs Assessment and Referral Units are not operational yet.

► **Table 2.1. Institutional framework of social assistance and social care services**

Institution	Economic assistance	Disability allowance	Social care services
Ministry of Health and Social Protection	<p>Policy making and legal framework</p> <p>Guides and monitors the reform actions carried out by the respective responsible entities.</p> <p>Currently implementing nationwide the Social Assistance Modernization project</p>	<p>Policy making and legal framework</p> <p>Currently in the pilot phase of reform</p>	<p>Policy making and legal framework</p> <p>Currently running the social care services reform agenda</p>
National Human Rights Institution (Ombudsman)	Important overview of the situation of rights holders, in particular the most vulnerable.		
State Social Service (central office and 12 regional offices)	<p>Management, monitoring and reporting</p> <p>Responsible for:</p> <ul style="list-style-type: none"> • Administration of cash assistance • Implementation of Scoring formula • Administering the management information system • Training and Capacity building 	<p>Management, monitoring and reporting</p> <ul style="list-style-type: none"> • Administering the management information system • Training and capacity building 	<p>Management, monitoring and reporting</p> <p>Responsible for:</p> <ul style="list-style-type: none"> • Administration of residential institutions in national level • Guiding and supporting the assessment, planning and delivery of services by the municipalities • Training and capacity building
State Labour and Social Services Inspectorate	—	—	Monitoring and evaluation of social care services standards.
Municipalities (61 offices)	<ul style="list-style-type: none"> • Distribute economic assistance benefits • Monitoring of the beneficiary families • Administer the data base of beneficiaries 	<ul style="list-style-type: none"> • Distribute disability allowance benefits 	<p>Local policy making</p> <p>Compile Social Care Plans</p> <p>Responsible for social care service needs assessment, planning, administration and provision at local level</p> <p>First-line duty bearers who interface with beneficiaries outside of specialized institutions</p> <p>Funding and procuring social care services</p>

► 2.2. Benefit provisions of contributory schemes

(1) Old-age pensions

The amendment of the Social Insurance Law (Law No.7703 of 1993) in 2015 envisages a gradual increase in the retirement age and the required contribution period for a full pension. Table 2.2 summarizes the transition measures. Prior to 2015, retired workers were entitled to old-age pensions if they have contributed at least 15 years (35 years for a full pension) and reached 65 years for men and 60 years for women. By 2056, the retirement age will be 67 years for both sexes and the contribution period for a full pension will be 40 years.

Reduced old-age pensions are payable for workers who have contributed at least 35 years and reached 62 years for men and 57 years for women. The pension is reduced by 0.6 percent for each year of anticipation from the statutory pensionable age.

► Table 2.2. Eligibility conditions for old-age pensions

	Before 2015	Transition period	Ultimate level
Pensionable age for men	65 years	From 2032, increased by 1 month per year	67 years (2056 onwards)
Pensionable age for women	60 years	From 2015, increased by 2 month per year	67 years (2056 onwards)
Required contribution period for full pension	35 years	From 2015, increased by 4 month per year	40 years (2025 onwards)
Required contribution period for pension	15 years	...	15 years

Source: Law no 7703, dated 11.05.1993 "On Social Insurance in the Republic of Albania", amended.

An old-age pension is composed of a basic amount and an increment. For a full pension, the basic amount is equal to the social pension. If the actual contribution period is shorter than the period for a full pension, the pension amount is reduced proportionally. The increment is 1 percent of the individual contribution base over the whole contribution period. The resulting old-age pension should not be lower than the social pension.

(2) Disability pensions

Disability pensions are payable for workers who have lost their work capacity (67 percent or more for full disability and between 33 percent and 67 percent for partial disability, assessed by the Medical Commission) and have been insured at least 75 percent of the period since age 20, including at least 1 year in 5 years before the occurrence of disability.

The full disability pension is calculated in a similar way as old-age pensions by taking into account shorter contribution period. The partial disability pension is 50 percent of the full disability pension. The minimum disability pension is 75 percent of the minimum wage. Additional supplements are payable if the beneficiary requires constant attendance of care providers or for dependent children.

(3) Survivors' (family) pensions

Survivors' pension are payable to dependents of a deceased pensioner or a deceased insured worker. The surviving spouse is entitled if caring dependent children up to 8 years old, disabled, or above 55 years

for widow or 60 years for widower. Orphans are eligible if they are dependent and under 18 years of age (25 years if student or disabled).

The amount of survivors' pension for spouse is 50 percent of the pension of the deceased. The amount of survivors' pension for orphans is 25 percent (50 percent if a full orphan) of the pension of the deceased for each eligible child. The total amount of survivors' pension should not exceed 100 percent of the pension of the deceased.

In addition, a lump sum funeral grant equivalent to one month of the basic old-age pension of the deceased is payable to the survivors' family.

(4) Maternity benefits

Maternity benefits are payable in the events of pregnancy and childbirth provided the insured workers have made 12 months of contribution. Cash maternity benefits include (i) maternity leave benefits, (ii) maternity allowance due to employment change, and (iii) birth grants.

The maternity leave is payable for up to 365 days (at least 35 days before and 63 days after the expected date of childbirth). For multiple births, the duration is 390 days (at least 60 days before and 63 days after the childbirth). The benefit is 80 percent of the insured worker's average wage for the period until 150 days after the childbirth, and 50 percent of the average wage thereafter.

The maternity allowance benefit covers the loss of wage due to employment change for pregnancy.

The birth grant is a lump sum equal to 50 percent of the minimum wage.

In 2019, the Albanian government introduced a lump sum cash benefit (baby bonus) for all mothers of newborn babies. The amount is 40,000 lek for the first child, 80,000 lek for the second child, and 120,000 lek for the third and later child.

(5) Sickness benefits

Cash sickness benefits are payable to insured workers who are medically certified as being temporarily incapable to work due to general diseases. There is no requirement of the contribution period, but the benefit level depends on the contribution period.

The sickness benefit is 70 percent of the insured worker's average wage if the contribution period is less than 10 years, and 80 percent of the average wage if the contribution period is 10 years or longer.

The payment of sickness benefits for the first 14 days is employers' liability. The sickness benefit from the social insurance scheme starts on the 15th day for up to 6 months (which can be extended up to 3 months based on the certification of the Medical Commission).

The sickness benefit is also payable for seasonal and temporary workers who have been insured at least 3 months in the 12 preceding months. The maximum duration is 75 days.

(6) Employment injury benefits

Employment injury benefits are payable to insured workers who suffer work accidents or occupational diseases. Employment injury benefits include (i) cash benefits for temporary incapacity for work, (ii) disability pensions for permanent loss of work capacity, and (iii) survivors' pensions in case of death.

In the case of temporary incapacity for work, the benefit structure is similar to cash sickness benefits but the level is 100 percent of the insured worker's average wage and the maximum duration is 12 months.

In the case of permanent loss of work capacity, the pension benefit is 80 percent of the insured worker's average wage for loss of work capacity 67 percent or more, 50 percent to 80 percent of the average wage for loss of work capacity between 33 percent and 67 percent. Additional supplements similar to disability pensions are payable. The minimum pension is 80 percent of the minimum wage.

If the assessed loss of work capacity is at least 10 percent but less than 33 percent, a lump sum is payable depending on the degree of disability.

In the case of death, pension benefits similar to survivors' pensions are payable to the dependents of the deceased worker.

(7) Unemployment benefits

Unemployment benefits are payable to unemployed workers who have contributed at least 12 months prior to unemployment. The beneficiaries must be registered at the employment office as job-seekers. The unemployment benefit is flat-rate at 50 percent of the minimum wage. The maximum duration of benefit payment is 3 months if the contribution is paid less than 5 years, 9 months if the contribution is paid between 5 and 10 years, and 12 months if the contribution is paid 10 years or more.

▶ 2.3. Benefit provisions of non-contributory programmes

(1) Economic assistance (Ndhma Ekonomike)

Beneficiaries

Council of Ministers Decision No. 597 of 2019⁴ stipulates that the following groups should benefit from economic assistance:

- ▶ families in need who do not have sufficient income;
- ▶ orphans who are not in social care institutions;
- ▶ parents with more than 2 children born at the same time;
- ▶ victims of trafficking, victims of domestic violence.

It should be noted that Law No. 9355 of 2005 defined the target group as "families without income or with insufficient income" without a reference to families "in need." The original wording allowed for supporting families without income but not (yet) in poverty thereby preventing poverty. The new provision requires families to be "in need" to receive benefits.

⁴ Council of Ministers Decision No. 597, dated 4.9.2019, on Determining the procedures, documentation and the monthly amount of benefit of economic assistance and the use of additional fund over conditional economic assistance fund.

Benefits

Benefits are composed of monthly cash benefits and benefits in kind. The amount of cash benefit is determined by the family structure according to the decision of the Council of Ministers and varies between 3,600 and 8,000 lek. The maximum amount of economic assistance is 150 percent of the social pension, which is set at 30 percent of the minimum wage.

The beneficiary families with young children receive additional monthly subsidies provided that they comply with certain conditions related to immunization and education. The amount is 300 lek for each child up to the age of 16 attending school, 100 lek for each vaccination from the vaccination calendar. In addition, the beneficiary families receive energy compensation, free textbooks for children attending primary school and free medical treatment for children up to one year old, free kindergartens and nursery school education, social housing, scholarships for children, etc.

Economic assistance is paid monthly through banks or post offices. The right to receive economic assistance belongs to the wife of the head of the family.

Eligibility and application process

Table 2.3 below summarizes the work flow of the application process. To apply the economic assistance, an adult household member needs to undertake an interview with the Social Administrator in the municipality or in the administrative unit who also helps complete the application form. The forms need to be submitted during the first 10 days of the month. A nation-wide public information campaign on the programme was prepared with the support from the World Bank Social Assistance Modernisation Project. Information is also available in all administrative units, including in remote areas. However, families living in remote areas sometimes face difficulties to access the office. Some big cities such as Tirana, Elbasan and Durres have integrated front desk services (one stop shop) to enhance accessibility. Despite these communication and outreach efforts, social administrators in the focal group discussion reported that while the programme itself that has run for more than 28 years, the details of the recent reforms are still not well-known to the public.

In addition to households seeking inclusion into the programme, Social Administrators in each administrative unit play an active role in searching potential beneficiary families and supporting their application process. Administrative staff considers that people are generally aware of the application process or learn it at the time of filing their application. Difficulties arise in families where the head is illiterate or where there are language barriers. This is often the case with beneficiaries from the Roma and Egyptian communities.

The Regional Directorate of the State Social Service assesses and decides the claims on the payment of the benefit using a proxy means test (the unified scoring formula) which takes into account poverty indicators at household level. The formula includes scores for living conditions (type of building, furniture, distance from public transport, water, electricity), social protection (whether any family member has benefited in the last 12 months), other incomes or capital, revenues and expenses. Evidence suggests that the unified scoring formula minimizes inclusion errors but leads to an exclusion of households in need (see section 4.3).

The beneficiary families need to re-confirm their socio-economic status every 3 months to continue receiving the assistance. The maximum duration for receiving benefits is 5 years. This time limit does not apply to beneficiaries above working age and single mothers. Within the 5-year period, beneficiaries are expected to be placed in the labour market through the related referral systems for economic inclusion, e.g. through employment services, skills training or other programmes. In 2018, 15,000 persons used the services of employment offices, 4,266 persons were employed and 681 persons enrolled in professional training programs. The number of families receiving benefits was 53,982 in 2018.

All economic assistance applicants must register each month as unemployed jobseekers. Administrative staff report that some beneficiaries resist to participate in the economic integration programmes and that only few families left the programme by accepting employment or vocational training, although the payment from work can be several times higher than the economic assistance. Anecdotal evidence indicates that this may be due to the fact that families do not want to lose other benefits linked to economic assistance and that in many cases members of the beneficiary families (even children) work informally to generate additional income.

The economic assistance is not payable if a family has an unemployed member who is capable of work but not registered with an employment office as a job seeker or declines to accept appropriate job offers or to enrol in vocational training, or it has an employed member who terminates the employment without reasonable justification. In addition, the economic assistance is not payable if a family has made more than one false statement on their socio-economic status.

► **Table 2.3. Steps for determining the eligibility of economic assistance benefits**

Type of action	Responsibility	Frequency
First step: Submission of application from household head		
File an application at the economic assistance office	Adult member of the household (supported by social worker)	Every 3 month following the first application
Conduct the interview	Social administrator	First application and every 3 month
Provide documents (Family certificate, ID of adult members of the family, Land certificate ownership). If applicable: certificate for attending school issued by the school; photocopies of the child health book for the vaccine performed, notarized copy of the orphan status	Head of household	First application and every 3 month
Second step: Social administrator inquiry and information crosscheck		
Enter data in the National Electronic Register	Social administrator	When the household apply for the first time as well as when households declare changes in composition, health status and living conditions of the family
Conduct a home visit	Social administrator	Within 3 months of the first application and twice a year thereafter
Prepare the list of applicants and send it to the Local Council	Social administrator	Every month
Local Council take a decision on the applicant households and send it to the Regional office for further proceeding	Local Council	Every month
Third step: Approval or rejection of the application		
Processing of household data through scoring formula	Regional office	Every month
Crosschecking of information declared by households	Regional office	For first-time applications
Preparation of the list of beneficiaries and the list of refused households and send them to each municipality	Regional office	Every month
Publication of the list of beneficiary households and that of rejected households with explanation why are refused	Regional office	Every month
Appeals/complaints		
Filing of a complaint	Adult household member	Within 20 days

Applicants can file a written complaint against the decision of the State Social Service first at the municipality level, then at the regional level, and ultimately file a lawsuit in court. There are no official statistics regarding the number of complaints filed, the timeliness of the response or the success rate of appeals. Focus group interviews with the local administration staff indicated that the written appeal system is not often followed by applicants since they prefer to meet with the social administrator, mayor or head of department and inquire directly about their application.

After completion of the full application process, the applicant's folder should contain the following data:

- ▶ Signature by applicant on the application form after the interview;
- ▶ Additional documents provided as listed above;
- ▶ Reports submitted by the social administrator on the living conditions of each applicant household following home visits;
- ▶ Results after data processing through scoring formula and decision of regional office;
- ▶ Documented changes of the living conditions of the household as well as the social/health status of the household members.

A database system is established within the National Electronic Register. The State Social Service is responsible for maintaining data and registers.

Referrals

The law provides setting up of Units for Assessment of Needs and Referral, a special unit in administration of local government, as main entry to enable an urgent need for evaluation and referral of cases. However, these units are not established in many municipalities and this task is performed by the social workers. They work closely with labour offices or other organizations that provide social care services and may assist families who were not accepted into the economic assistance. Without these units, the essential social care services is not delivered systematically (see also the section on social care services below).

Financial flows

The Ministry of Health and Social Protection transfers the funds of economic assistance to each municipality every two months.

In addition to the beneficiaries identified through the unified scoring formula, municipalities receive a conditional fund for the "block economic assistance" of 3 percent of the budget and can add from the local budget to cover up to 6 percent of the extra budget to provide economic assistance to applicant families who were rejected by the scoring system. These additional families are selected based on their socio-economic assessment conducted by the Social Administrators of the municipalities.

Financial audits of economic assistance spending are carried out by the Economic Assistance Inspectors and the Supreme State Control Administration.

Monitoring and evaluation

Under the law, the role of the Economic Assistance Inspector is to closely monitor the activity of economic assistance offices at the municipality level, check documents and carry out spot-check visits to the beneficiaries, verify any violation of the law, and propose administrative or financial measures.

The main aspects for inspectors to check include, among others, the number of beneficiaries not eligible for economic assistance and related misuse of funds, implementation of legal procedures and the quality of documents submitted. The inspectors also document the performance of the local offices.

The statistical information on the number of beneficiaries and the amount of benefits (disaggregated by family size) is sent every month from local government units to the regional office every month. The State Social Service receives monthly reports from the regional inspectors. This information is subsequently published, e.g. on the website of the Institute of Statistics. It would be desirable to include in the statistical information disaggregation by additional criteria. At a minimum, this should include disaggregation by sex, age and disability status.

(2) Disability allowance

According to Council of Ministers Decision No. 182 of 2020 “On determining the amount, criteria and procedures and documentation for the evaluation and benefit of payment for persons with disabilities, as well as personal helpers,” the disability allowance is payable to who are not qualified for social insurance disability or employment injury pensions and fall into at least one of the following categories:

- ▶ persons with disabilities incapable to work;
- ▶ paraplegic and quadriplegic;
- ▶ working invalids (persons incapable to work due to work accidents or occupational diseases).

The disability assessment stipulated in Council of Ministers Decision No. 182 is conducted by the Medical Commissions for Work Capability Assessment (MCWCA). The following first level medical commissions with five members each are created:

- ▶ two commission for mental health, with psychopediatricians and psychiatrists;
- ▶ one commission for surgery, oncology, orthopedics and rheumatology, with orthopedists, oncologists and rheumatologists;
- ▶ one commission for paraplegia, tetraplegia and neurology, with neurologists;
- ▶ one commission for internal diseases (nephrology, cardiology, gastroepathology, endocrinology, hematology, pneumoallergology), with internal medicine doctors, cardiologists, nephrologists and pneumoallergology doctors.

The individual can file an appeal against the decision of the first level MCWCA in which case the complainant’s file is submitted to the Superior Medical Commissions for Work Capability Assessment. There are four Superior Commissions for general diseases, mental health diseases, paraplegia and tetraplegia, and blindness, each composed of five members.

The amount of disability allowance is determined by the Council of Ministers. In 2018, the monthly amount of disability allowance is 10,850 lek for non-work related disabilities, 10,330 lek for paraplegic or quadriplegic, and 11,730 lek for blind. The same amount is paid to caregivers if the person with disability requires the constant attendance of others to perform daily functions. Disability payments and personal assistance payments are indexed annually by the State Social Service based on the consumer price index.

Persons with disabilities attending a licensed or accredited qualification course, and students attending upper secondary education receive double amount. Students attending higher education in study programmes of the first and second cycle receive triple amount.

(3) Social pension and special government programmes

The 2015 pension reform introduced a social pension which is payable for persons aged 70 years or above and have lived in Albania for the last 5 years and who do not qualify for any pensions. The cost of the social pension is covered by the State budget.

In addition, 511,747 persons benefitted from price compensations and some 363,545 persons from minimum income compensations in 2018. The government spent 13,083 million lek, equivalent to 0.77 percent of GDP on these programmes in 2018.

(4) Social care services

In Albania, social care services are defined as a component of the social protection system and as “an integrated and organised system of benefits and facilities, that are provided by the practitioners of the respective fields of public or non-public subjects, in order to ensure well-being, independence and social inclusion of individuals and families in need of social care.”⁵

Historically social care services in Albania were developed by non-government organizations during the 1990s. The local social care services were mostly targeted to specific groups (e.g. persons with disabilities, victims of specific violations) in urban areas. Since 2002, successive governments have carried out a number of social care services reform, but the process has been patchy and a viable solution for funding social care services has not been achieved yet.

The legal entitlement to receiving social care services is provided in Law 121/2016 “On Social Care Services in the Republic of Albania” for persons or families residing in Albania who lack minimum subsistence means and for persons who are unable to meet their livelihood needs, by themselves or through the help of family members, because of personal and social conditions. The law identifies the following groups of beneficiaries:

- ▶ families and children, as well as the child who enjoys international protection in the Republic of Albania, according to the legislation in force on asylum;
- ▶ disabled persons;
- ▶ adults who have social problems, victims of violence, victims of trafficking, established drug and alcohol addiction;
- ▶ pregnant girls or single parent of a child up to one year old;
- ▶ children and young adults in conflict with the law who have completed the period of sentence and who need social care services for re-integration into society, as well as those who enjoy international protection upon the decision of the authority responsible for asylum and refugees in the Republic of Albania;
- ▶ elderly people in need.

The law further stipulates the following types of services

- ▶ pre-social services consisting of a) information and counselling; b) homecare service; c) psycho-social support; d) early intervention;

5. Law No. 121/2016 On social care services in the republic of Albania, adopted 24 November 2016.

- ▶ services in community centres, including developmental centres; the latter providing the following services:
 - a) psycho-social intensive therapy for mental recovery and social rehabilitation aiming at integration into community;
 - b) psychomotor service for recovery and improvement of psychological parameters and fine and global motor skills;
 - c) recovery of physical parameters;
 - d) specialised orthophonic services for recovery of individuals with autism spectrum disorders or communication ability; e) recovery to work therapy; f) development therapy;
- ▶ services in residential centres, including shelters;
- ▶ social services in emergency situation, including temporary housing;
- ▶ alternative care services to children without parental care;
- ▶ specialised services;
- ▶ telephone or online consulting service.

Individuals can request access to services through the social worker and the municipal council decides on the request within 15 days. The social worker may also launch a request directly when a need is identified. In case the service is not provided by the local government, the case can be referred to another local government unit. The law further stipulates that case management and referral can be facilitated through a national electronic register, where local governments are obliged to enter data. Moreover, a needs assessment and case referral unit shall be established in each administrative unit under the municipality. This registers has not yet been put in place by the end of 2020.

3. Social protection expenditure and the benefit adequacy

This chapter presents the social protection expenditure, analyses the coverage and the level of benefits, and assesses the poverty reduction impact of social protection benefits.

► 3.1. Social protection expenditure

Table 3.1 summarizes the estimates of the social protection expenditure of Albania by branch.⁶ It should be noted that this estimate does not include the expenditure on health care.⁷ Table 3.2 compares the social security expenditure of selected countries. Albania’s social protection expenditure is characterized by the dominance of old-age pensions which account for nearly 70 percent of the total social protection expenditure. While the expenditure on old-age pensions and social assistance of Albania was comparable with the neighbouring countries, the remaining benefits were significantly below the neighbouring countries. In 2017, Albania spent 9.2 percent of GDP on social protection benefits (excluding health care), which was less than half of the EU average.

► **Table 3.1. Estimated social protection expenditure of Albania by benefits (excluding health care), 2010–2017 (as a % of GDP)**

Year	2010	2011	2012	2013	2014	2015	2016	2017
Total	8.2%	8.3%	8.6%	9.2%	9.2%	9.1%	9.4%	9.3%
Old age	5.2%	5.4%	5.5%	5.8%	5.9%	6.1%	6.4%	6.4%
Illness/disability	1.5%	1.5%	1.6%	1.8%	2.0%	1.7%	1.7%	1.7%
Means tested	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Survivors	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Maternity/child benefit	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Unemployment	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Social care services	0.2%	0.2%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%
Social n.e.c.	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Administration	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%

Source: Ymeri, S. 2019. ESPN Thematic Report on financing social protection: Albania, European Social Policy Network.

Note: n.e.c. = not elsewhere classified.

6. The total public social protection expenditure in (Ymeri, 2019) is comparable with the data from the Institute of Statistics of Albania available only after 2014. The classification used by (Ymeri, 2019) was slightly different from the one used in Eurostat. The means-test social assistance was included in the social exclusion and not elsewhere classified.

7. In 2017, the expenditure of the Health Insurance Fund was 2.6 percent of GDP.

► **Table 3.2. Social protection expenditure in selected countries, 2017 (as a % of GDP)**

	Albania*	Monte-negro	North Macedonia	Serbia	Turkey	Bosnia and Herzegovina	EU28	EA 19
Total expenditure	9.3%	17.4%	14.5%	19.5%	12.3%	18.8%	27.8%	28.9%
Social protection benefits	—	16.8%	14.3%	19.0%	12.1%	17.8%	26.8%	27.6%
Social protection benefits (excluding health care)	9.2%	12.3%	10.3%	14.3%	8.7%	13.0%	19.1%	19.7%
Old age	6.4%	6.7%	5.8%	8.8%	5.9%	5.1%	10.8%	10.9%
Sickness/Health care	—	4.7%	4.2%	4.8%	3.3%	5.3%	7.9%	8.1%
Disability	1.7%	1.5%	1.4%	1.2%	0.4%	2.8%	2.0%	2.0%
Survivors	0.3%	2.1%	1.7%	1.8%	1.4%	3.5%	1.4%	1.8%
Unemployment	0.1%	0.3%	0.1%	0.6%	0.3%	0.4%	1.2%	1.4%
Family/Children	0.2%	1.3%	0.9%	1.2%	0.5%	0.5%	2.3%	2.2%
Social exclusion not elsewhere classified	0.5%	0.4%	0.2%	0.6%	0.2%	0.2%	0.6%	0.6%
Housing	—	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%
Other expenditure	0.0%	0.0%	0.2%	0.1%	0.0%	0.5%	0.3%	0.4%
Administration costs	0.1%	0.5%	0.0%	0.3%	0.2%	0.5%	0.8%	0.9%

Notes: Social protection expenditure of Albania does not include health care.

Source: For Albania – Ymeri, S. 2019. *op. cit.* For other countries – EUROSTAT database. <https://ec.europa.eu/eurostat/web/social-protection/data/database>.

As shown in Table 3.3, Albania spent 6.7 percent of GDP on health. While this level is comparable with other countries, the share of out-of-pocket payments was 58.0 percent which exceeded the share of public funding. The out-of-pocket payments are sources of financial hardship and obstacles to accessing health care, particularly for low-income households.

► **Table 3.3. Health expenditure by financing source in selected countries, 2016–2017**

	Current health expenditure as % of GDP	Source of financing (% of the current health expenditure)	
		Government expenditure	Out-of-pocket payments
Albania	6.7	41.0	58.0
Bosnia and Herzegovina	8.9	70.5	29.1
Montenegro	7.6	75.0	24.1
North Macedonia	6.1	67.4	31.9
Moldova	7.0	50.6	43.6
Serbia	8.4	56.7	41.8
Ukraine	7.0	44.0	52.3

Source: WHO Health Expenditure Database and World Development Indicators.

► 3.2. Beneficiary coverage and the adequacy of benefits

In this section, we analyse the beneficiary coverage and the level of benefits for each benefit.

(1) Old-age, disability and survivors' pensions

Table 3.4 summarizes the number of pensioners by type and urban/rural schemes. The total number of old-age pensioners exceeds the number of the population aged 65 years and above and covers more than 90 percent of the population aged 60 years and above. The average age of newly awarded old-age pensions in 2019 was 65.1 years for males and 61.0 years for females. Due to the high beneficiary coverage of the old-age pensions, the number of beneficiaries of social pension was only 2,631 in 2018 as opposed to the initial estimate of 5,000.

► Table 3.4. Number of pensioners by type and urban/rural schemes, 2011–2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contributors									
Total	735,448	651,613	561,169	654,563	718,070	718,286	752,383	778,111	781,924
Urban pensions	431,013	434,891	446,473	480,791	579,087	608,487	635,885	662,220	668,253
Rural pensions	261,097	168,513	64,274	127,728	89,527	53,168	58,526	58,940	61,563
Others	43,338	48,209	50,422	46,044	49,456	56,631	57,972	56,951	52,108
Pensioners									
Urban									
All pensions	390,956	399,959	418,399	436,337	454,163	472,390	488,408	508,651	530,331
Old-age pensions	288,533	296,076	311,382	327,604	345,314	363,664	379,349	398,744	420,340
Disability pensions	52,023	55,245	59,241	61,200	62,101	61,938	62,412	63,046	63,692
• general accidents/ diseases	49,232	52,466	56,492	58,606	59,541	59,405	59,901	60,568	61,236
• work-related	2,787	2,775	2,745	2,590	2,557	2,530	2,508	2,475	2,453
Survivors' pensions	50,400	48,638	47,776	47,533	46,748	46,788	46,647	46,861	46,299
Rural									
All pensions	157,719	154,143	152,024	149,146	144,769	139,154	132,778	127,084	121,208
Old-age pensions	140,776	137,771	135,904	133,132	129,161	124,378	118,794	113,763	108,763
Disability pensions	6,662	6,853	7,229	7,579	7,763	7,456	7,304	7,129	6,809
• general accidents/ diseases	6,375	6,568	6,949	7,330	7,518	7,215	7,069	6,898	6,583
• work-related	287	285	280	249	245	241	235	231	226
Survivors' pensions	10,281	9,519	8,891	8,435	7,845	7,320	6,680	6,192	5,636
Urban + rural									
All pensions	548,675	554,102	570,423	585,483	598,932	611,544	621,186	635,735	651,539
Old-age pensions	429,309	433,847	447,286	460,736	474,475	488,042	498,143	512,507	529,103
Old-age pensions (as % of population 65+)	133.9%	132.4%	132.8%	132.7%	132.1%	132.7%	131.8%	131.7%	131.2%
Old-age pensions (as % of population 60+)	95.6%	94.0%	94.4%	94.1%	93.3%	92.9%	91.8%	91.1%	90.8%

	2011	2012	2013	2014	2015	2016	2017	2018	2019
System dependency rates									
Urban + rural	1.34	1.18	0.98	1.12	1.20	1.17	1.21	1.22	1.20
Urban	1.10	1.09	1.07	1.10	1.28	1.29	1.30	1.30	1.26
Rural	1.66	1.09	0.42	0.86	0.62	0.38	0.44	0.46	0.51
Old-age dependency rates									
Urban + rural	1.71	1.50	1.25	1.42	1.51	1.47	1.51	1.52	1.48
Urban	1.49	1.47	1.43	1.47	1.68	1.67	1.68	1.66	1.59
Rural	1.85	1.22	0.47	0.96	0.69	0.43	0.49	0.52	0.57

Source: ISSH and ILO's own calculations.

Table 3.5 presents the sex-disaggregated data of pensioners. More than 80 percent of the pensioners receive benefits from the urban pension scheme. Mostly, men and women represent almost equal. However, it is observed that nearly 70 percent of the old-age pensioners from the rural pension scheme are women.

► **Table 3.5. Number of pensioners by sex, type and urban/rural schemes, 2011–2019**

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rural + Urban pensions	Total	543,053	548,675	554,102	570,423	585,483	598,932	611,544	621,186	635,735	651,539
	Women	264,539	268,062	275,118	286,761	294,367	302,337	304,825	310,881	321,513	330,294
	Men	278,514	280,613	278,984	283,662	291,116	296,595	306,719	310,305	314,222	321,245
Old-age pensions	Total	427,890	429,309	433,847	447,286	460,736	474,475	488,042	498,143	512,507	529,103
	Women	223,644	225,696	227,417	236,823	240,893	249,282	251,874	256,311	266,612	274,824
	Men	204,246	203,613	206,430	210,463	219,843	225,193	236,168	241,832	245,895	254,279
Invalidity pensions	Total	54,777	58,685	62,098	66,470	68,779	69,865	69,394	69,716	70,175	70,501
	Women	21,241	22,680	24,070	25,914	28,087	28,401	28,419	28,742	29,204	29,368
	Men	33,536	36,005	38,028	40,556	40,692	41,464	40,975	40,974	40,971	41,133
Survivors pensions	Total	60,386	60,681	58,157	56,667	55,968	54,594	54,108	53,327	53,053	51,935
	Women	19,654	19,686	23,631	24,024	25,387	24,654	24,532	25,828	25,697	26,102
	Men	40,732	40,995	34,526	32,643	30,581	29,940	29,576	27,499	27,356	25,833
Urban pensions	Total	384,187	390,956	399,959	418,399	436,337	454,163	472,390	488,408	508,651	530,331
	Women	169,523	173,663	179,945	192,719	202,423	213,302	218,863	227,396	239,311	249,755
	Men	214,664	217,293	220,014	225,680	233,914	240,861	253,527	261,012	269,340	280,576
Old-age pensions	Total	285,875	288,533	296,076	311,382	327,604	345,315	363,664	379,349	398,744	420,340
	Women	135,651	138,156	140,106	150,402	156,680	167,734	172,972	179,431	190,663	200,249
	Men	150,224	150,377	155,970	160,980	170,924	177,581	190,692	199,918	208,081	220,091
Invalidity pensions	Total	48,402	52,023	55,245	59,241	61,200	62,101	61,938	62,412	63,046	63,692
	Women	18,600	19,966	21,279	22,934	24,850	25,001	25,192	25,569	26,033	26,337
	Men	29,802	32,057	33,966	36,307	36,350	37,100	36,746	36,843	37,013	37,355
Survivors pensions	Total	49,910	50,400	48,638	47,776	47,533	46,749	46,788	46,647	46,861	46,299
	Women	15,272	15,541	18,560	19,383	20,893	20,567	20,699	22,396	22,615	23,169
	Men	34,638	34,859	30,078	28,393	26,640	26,182	26,089	24,251	24,246	23,130

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rural pensions	Total	158,866	157,719	154,143	152,024	149,146	144,769	139,154	132,778	127,084	121,208
	Women	95,016	94,399	95,173	94,042	91,944	89,035	85,962	83,485	82,202	80,539
	Men	63,850	63,320	58,970	57,982	57,202	55,734	53,192	49,293	44,882	40,669
Old-age pensions	Total	142,015	140,776	137,771	135,904	133,132	129,160	124,378	118,794	113,763	108,763
	Women	87,993	87,540	87,311	86,421	84,213	81,548	78,902	76,880	75,949	74,575
	Men	54,022	53,236	50,460	49,483	48,919	47,612	45,476	41,914	37,814	34,188
Invalidity pensions	Total	6,375	6,662	6,853	7,229	7,579	7,764	7,456	7,304	7,129	6,809
	Women	2,641	2,714	2,791	2,980	3,237	3,400	3,227	3,173	3,171	3,031
	Men	3,734	3,948	4,062	4,249	4,342	4,364	4,229	4,131	3,958	3,778
Survivors pensions	Total	10,476	10,281	9,519	8,891	8,435	7,845	7,320	6,680	6,192	5,636
	Women	4,382	4,145	5,071	4,641	4,494	4,087	3,833	3,432	3,082	2,933
	Men	6,094	6,136	4,448	4,250	3,941	3,758	3,487	3,248	3,110	2,703

Source: ISSH.

Table 3.6 compares the average monthly pensions with the average wage and the minimum wage. The benefit levels differ significantly between urban and rural schemes. The average old-age pension of the urban scheme represents 63 percent of the minimum wage, or 31 percent of the average gross wage.⁸ The average old-age pension of the rural scheme represents slightly more than 35 percent of the minimum wage. The social pension is set at a very low level at nearly 30 percent of the minimum wage.⁹ There is limited data on the average pensions by sex. The average of newly awarded pensions in 2019 for women was about 20 percent lower than men, although the average age of pension for women was about 4 years younger than men.

For earnings-related contributory old-age pensions, the ILO Convention No.102 requires that the amount of pension benefit (including any family allowances due) for a standard beneficiary (a person with a dependent spouse without their own pension entitlements) with a contribution period of at least 30 years should be at least 40 percent of their previous earnings.

► Table 3.6. Average monthly pensions by type and urban/rural schemes, 2012–2019

	2012	2013	2014	2015	2016	2017	2018	2019
Average monthly pension amount (lek)								
Urban pensions								
Old-age	13,324	14,076	14,518	14,585	14,873	15,527	15,875	16,254
Disability	11,738	12,181	12,593	12,648	12,803	13,390	13,817	14,258
Survivors'	6,536	6,785	6,765	6,696	6,613	6,707	6,897	6,888
Rural pensions								
Old-age	7,457	7,465	7,825	8,330	8,556	8,808	8,792	9,165
Disability	5,738	5,832	6,113	6,501	6,595	6,451	6,630	7,834
Survivors'	3,002	3,149	3,252	3,240	2,830	2,478	2,312	2,789
Social pension	—	—	—	6,750	6,858	7,064	7,262	7,465

8. The average old-age pension of the urban scheme represents 43.9 percent of the estimated average contributory base for employees.

9. The initial amount of social pension was defined as the old-age pension with 15 years of insurance at the minimum wage under the Social Insurance Law before the 2015 reform.

	2012	2013	2014	2015	2016	2017	2018	2019
As % of average wage								
Urban pensions								
Old-age	—	—	31.9%	30.4%	31.3%	31.7%	31.4%	31.0%
Disability	—	—	27.7%	26.4%	26.9%	27.3%	27.3%	27.2%
Survivors'	—	—	14.9%	14.0%	13.9%	13.7%	13.6%	13.2%
Rural pensions								
Old-age	—	—	17.2%	17.4%	18.0%	18.0%	17.4%	17.5%
Disability	—	—	13.4%	13.6%	13.9%	13.2%	13.1%	15.0%
Survivors'	—	—	7.1%	6.8%	6.0%	5.1%	4.6%	5.3%
Social pension	—	—	—	14.1%	14.4%	14.4%	14.4%	14.3%
As a % of minimum wage								
Urban pensions								
Old-age	63.4%	64.0%	66.0%	66.3%	67.6%	64.7%	66.1%	62.5%
Disability	55.9%	55.4%	57.2%	57.5%	58.2%	55.8%	57.6%	54.8%
Survivors'	31.1%	30.8%	30.8%	30.4%	30.1%	27.9%	28.7%	26.5%
Rural pensions								
Old-age	35.5%	33.9%	35.6%	37.9%	38.9%	36.7%	36.6%	35.3%
Disability	27.3%	26.5%	27.8%	29.6%	30.0%	26.9%	27.6%	30.1%
Survivors'	14.3%	14.3%	14.8%	14.7%	12.9%	10.3%	9.6%	10.7%
Social pension	—	—	—	30.7%	31.2%	29.4%	30.3%	28.7%

Source: ISSH and ILO's own calculations.

(2) Maternity and sickness benefits

Table 3.7 presents the number of beneficiaries of the maternity and sickness benefits paid by ISSH. In recent years, the number of beneficiaries of maternity benefits as a percentage of female employees has been in decreasing trend presumably due to the decline in fertility. This percentage has been above 4 percent but fell to 3.63 percent in 2019. In 2018, the average number of maternity leave was 288.4 days.

The number of beneficiaries of sickness benefit is significantly low. In particular the number of beneficiaries of the work-related sickness benefit (temporary incapacity for work) is extremely low, which has been below 60 throughout the period.

► **Table 3.7. Number of beneficiaries of short-term benefits, 2012–2019**

	2012	2013	2014	2015	2016	2017	2018	2019
Maternity	11,989	—	12,113	3,808	14,403	15,322	15,649	14,251
Temporary disability (general)	2,779	—	1,116	1,485	1,419	5,400	1,971	1,249
Temporary disability (work-related)	47	—	25	38	29	37	59	45
Maternity (as % of female employees and self-employed)	4.74%	—	4.63%	4.92%	4.14%	4.06%	4.06%	3.63%
Sickness (general) (as % of employees)	0.66%	—	0.26%	0.33%	0.30%	1.03%	0.36%	0.22%
Sickness (work-related) (as % of employees)	0.011%	—	0.006%	0.009%	0.006%	0.007%	0.011%	0.008%

Source: ISSH and ILO's own calculations.

(3) Unemployment benefits

Table 3.8 summarizes the key statistics of unemployment benefits. It is observed that the number of registered unemployed receiving unemployment benefits represents a very small percentage of the total unemployed persons. The percentage was 5.3 percent in 2010 but has been decreasing and stood at only 1.7 percent in 2019. The level of unemployment benefit has been fixed at 50 percent of the minimum wage since 2018, but it represents less than 25 percent of the average gross wage.

It should be noted that only 43 percent of the unemployed persons from labour force surveys actually registered in the State Employment Service. It is estimated that the low level of registered unemployed is due to the high level of economic activities in the informal sector. On the other hand, the registration with the State Employment Office is a required condition for unemployment benefits and economic assistance. In the first quarter of 2020, only 4.4 percent of the registered unemployed persons received unemployment benefits and 34 percent received the economic assistance.

► **Table 3.8. Number of beneficiaries and the monthly amount of unemployment benefits, 2010–2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Registered unemployed receiving unemployment benefit (persons)	9,265	8,537	9,772	7,824	7,395	6,186	5,141	2,178	2,050	2,870
As a % of unemployed persons	5.3%	4.4%	5.5%	4.0%	3.4%	2.8%	2.5%	1.2%	1.2%	1.7%
Unemployment benefit (lek per month)	6,565	6,850	6,850	6,850	6,850	6,850	11,000	11,000	12,000	13,000
As a % of minimum wage	34.6%	34.3%	32.6%	31.1%	31.1%	31.1%	50.0%	45.8%	50.0%	50.0%
As a % of average wage	—	—	—	—	15.0%	14.3%	23.1%	22.5%	23.7%	24.8%

Source: ISSH and ILO's own calculations.

(4) Economic assistance (Ndhma Ekonomike)

Table 3.9 summarizes the key statistics of the economic assistance programme from 2010 to 2019. There are two instances where the number of beneficiary families decreased sharply. Following an introduction of a proxy means test (unified scoring formula) in three regions in 2013, the number of beneficiary families dropped by 25 percent from 104,398 in 2013 to 78,071 in 2014. With the nationwide roll-out of the proxy means test in 2018, the number of beneficiary families further dropped by 33 percent from 80,945 in 2017 to 53,982 in 2018.

It is estimated that 250,432 persons in 60,946 families received the economic assistance in 2019, of whom 99,392 were children. The number of beneficiary families decreased for families with 4 or less members and particularly families with two or single members. Whether this is an indication of improved targeting performance or not should be assessed properly. Concerns about high exclusion errors and low overall coverage of the poor (22 percent in 2008) despite respectable targeting accuracy (82 percent of the benefits reached those in the poorest two wealth quintiles) had been raised prior to the introduction of the proxy means test (World Bank 2010). In light of the decline in the number of beneficiary households, it is expected that still a sizable share of the poor population is not covered.

There are no statistics about the number of applications refused. However, officials in the 6 pilot municipalities of the UN Joint Programme estimate that about 20-25 percent of applications are rejected due to low scores, insufficient funds or false declarations.

Beneficiary families have generally been larger, with more children, poorer housing conditions and lower family expenses than those ineligible. A total of 6,493 female-headed household have benefited from the

scheme in December 2018, compared to 4,277 in January 2018. In addition in 2018, beneficiary families included 652 orphans, 340 children with disabilities, 3,313 persons with permanent disabilities over 60 years of age, 416 victims of violence and trafficking, 93,226 children under 18 years of age, 9,410 families with persons with disabilities, 103 families with triplets or more, and 9,527 Roma and Egyptian families.¹⁰

The level of benefits in 2019 ranges from 2,011 lek for a single-person household to 7,724 lek for a household of 7 or more members. This is equivalent to 7.7 percent and 29.5 percent of the average wage respectively. On average, the level is less than 5 percent of the average wage per person. This is considered very low by staff working in the public administration and by far not sufficient for a family to live on.

The expenditure was slightly below 0.3 percent of GDP but decreased to 0.2 percent in 2019. The average amount of economic assistance is consistently at a low level of below 30 percent of the minimum wage. The per capita benefit decreases with the number of household members. In 2019, single-person families received 2,011 lek per person, families with two members 1,394 lek per person, decreasing to 1,125 lek per person in families with 6 or more members.

► **Table 3.9. Number of beneficiaries and average benefits of economic assistance by family size, 2010–2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Number of families receiving economic aid									
1 member	6,462	6,478	5,484	5,641	3,854	4,406	4,301	4,582	1,643	1,572
2 members	8,297	8,642	8,735	9,218	6,534	6,724	7,097	7,326	2,386	4,617
3 members	13,740	14,389	15,036	16,581	12,517	13,188	13,821	14,352	9,156	11,384
4 members	27,427	28,310	28,511	30,340	22,954	23,938	24,271	24,451	18,838	20,390
5 members	21,466	21,701	21,751	22,998	17,699	18,124	17,963	17,867	13,692	14,089
6 members	11,222	11,255	11,017	11,309	8,502	8,284	7,994	7,781	5,465	5,646
7 or more	8,926	8,718	8,276	8,311	6,012	5,394	4,702	4,586	2,801	2,799
Total	97,540	99,494	98,810	104,398	78,071	80,057	80,147	80,945	53,982	60,496
Estimated beneficiaries (persons)	411,128	417,230	414,895	436,201	327,880	331,252	327,735	328,217	230,092	250,432
As a % of population	14.1%	14.4%	14.3%	15.1%	11.3%	11.5%	11.4%	11.4%	8.0%	8.7%
Total benefits (million lek)	3 475	3 634	3 609	4 656	3 569	4 096	4 115	4 088	3 331	3 603
As a % of GDP	0.28%	0.28%	0.27%	0.34%	0.26%	0.29%	0.28%	0.26%	0.20%	0.21%
	Average benefit per family (in lek per month)									
1 member	2,102	2,168	2,331	2,600	2,574	3,036	2,585	2,554	2,051	2,011
2 members	2,444	2,447	2,393	2,984	2,872	3,173	3,191	3,252	2,781	2,787
3 members	2,704	2,662	2,627	3,196	3,214	3,559	3,599	3,606	3,909	3,809
4 members	2,829	2,919	2,925	3,628	3,599	4,145	4,208	4,257	4,931	4,927
5 members	3,059	3,220	3,198	4,039	4,126	4,661	4,772	4,573	5,868	5,726
6 members	3,553	3,642	3,650	4,350	4,800	5,319	5,383	5,318	6,695	6,751
7 or more	3,969	4,113	4,159	4,893	5,339	5,915	6,070	5,727	7,831	7,724
Total	2,969	3,044	3,044	3,716	3,810	4,264	4,279	4,209	5,142	4,963
Average per person	704	726	725	889	907	1,030	1,046	1,038	1,206	1,199

10. Council of Ministers Decision No. 866, dated 24.12.2019, 'On the approval of the National Social Protection Strategy, 2020–2023, and the action plan for its implementation.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Average benefit per family (as % of minimum wage)									
1 member	11.1%	10.8%	11.1%	11.8%	11.7%	13.8%	11.7%	10.6%	8.5%	7.7%
2 members	12.9%	12.2%	11.4%	13.6%	13.1%	14.4%	14.5%	13.5%	11.6%	10.7%
3 members	14.2%	13.3%	12.5%	14.5%	14.6%	16.2%	16.4%	15.0%	16.3%	14.6%
4 members	14.9%	14.6%	13.9%	16.5%	16.4%	18.8%	19.1%	17.7%	20.5%	18.9%
5 members	16.1%	16.1%	15.2%	18.4%	18.8%	21.2%	21.7%	19.1%	24.5%	22.0%
6 members	18.7%	18.2%	17.4%	19.8%	21.8%	24.2%	24.5%	22.2%	27.9%	26.0%
7 or more	20.9%	20.6%	19.8%	22.2%	24.3%	26.9%	27.6%	23.9%	32.6%	29.7%
Total	15.6%	15.2%	14.5%	16.9%	17.3%	19.4%	19.4%	17.5%	21.4%	19.1%
Average per person	3.7%	3.6%	3.5%	4.0%	4.1%	4.7%	4.8%	4.3%	5.0%	4.6%

Source: Institute of Statistics of Albania and ILO's own calculations.

(5) Disability allowance

Table 3.10 presents the number of beneficiaries of the disability allowance by type. The spending on disability allowance has been around 0.9–1.1 percent of GDP over the past decade. The spending on disability allowance is estimated at 0.9 percent of GDP in 2018, which is more than four times the spending on economic assistance.

The number of the beneficiaries of the disability allowance was 147,827 at the beginning of 2020, of which 74,658 persons were work invalids. The number of the beneficiaries of the disability allowance is more than twice the number of beneficiaries of social insurance disability pensions. A review in respect of legal framework and the disability assessment system of the disability allowance programme has been underway with a view to improve its transparency and efficiency.

► **Table 3.10. Number of beneficiaries of the disability allowance by type, 2015–2020 (at the beginning of the year)**

Year	2015	2016	2017	2018	2019	2020
1. Persons with disability (a+b+c)	68,826	66,905	66,788	67,669	69,504	73,169
with caretakers	18,894	18,523	18,453	18,905	19,300	19,847
a. Blind persons	12,568	12,239	12,089	12,118	12,244	12,694
of whom: with caretakers	3,418	3,305	3,215	3,180	3,139	3,199
b. Paraplegic-tetraplegic persons	6,421	6,327	6,302	6,428	6,638	6,703
of whom: with caretakers	6,347	6,267	6,235	6,339	6,520	6,639
c. Physical and mental disability	49,837	48,339	48,397	49,123	50,622	53,772
of whom: with caretakers	9,129	8,951	9,003	9,386	9,641	10,009
2. Work invalids	72,766	67,471	71,718	73,047	74,187	74,658
TOTAL	141,592	134,376	138,506	140,716	143,691	147,827
Cf. Disability pensioners from ISSH	69,864	69,394	69,716	70,175	70,501	—

Source: State Social Service, Ministry of Health and Social Protection.

(6) Social care services

According to the State Social Service, social care coverage is extremely low, with only about 10,000 users in 2019 (0.35 percent of the population). Spending on social care services from central and local level is very low compared to the ambitious goal set out in the law of providing a comprehensive set of services in line with the need of the population. Spending is also still heavily concentrated on residential services in contrast to the government's announced priority on de-institutionalization.

Spending in 2017 was at 988 million lek (or 0.3 percent of total government Budget) and from local level governments at 684 million lek (0.9 percent of their budget on average), with personnel related expenditure accounting for more than half the costs (53 percent and 55 percent respectively). Central government spending is mainly focussed on residential and day-care services and local governments spend mostly on nurseries, social care centres and other services. While costs per beneficiary vary widely across municipalities, the average annual cost per beneficiary in elderly day-care institutions is 30,500 lek, much lower than for day-care services for children and adults with disabilities at 334,000 lek per beneficiary on average or for multifunctional centres at 158,000 lek per beneficiary. Residential services, especially for adults and people with disabilities are highest, at an average of 534,000 lek annually per beneficiary.

A common feature of social care service provision is their high expenditure on personnel costs and a relatively low weight of operation and maintenance costs which can partially be explained by the fact that several municipalities receive goods and services in kind from NGOs and other stakeholders.

► 3.3. Poverty reduction by social protection benefits

Table 3.11 presents the impact of social protection benefits on poverty reduction based on the Income and Living Conditions Survey in 2018 (See also Table 1.4). It also presents the poverty headcount ratios based on different levels of thresholds. According to that survey, 49.0 percent of population was at risk of poverty or social exclusion and 39.0 percent of population was at risk of poverty, where the at-risk-of-poverty threshold is defined as 60 percent of the median equivalized disposable income.

► **Table 3.11. Effects of social transfers on poverty reduction, 2017-2018**

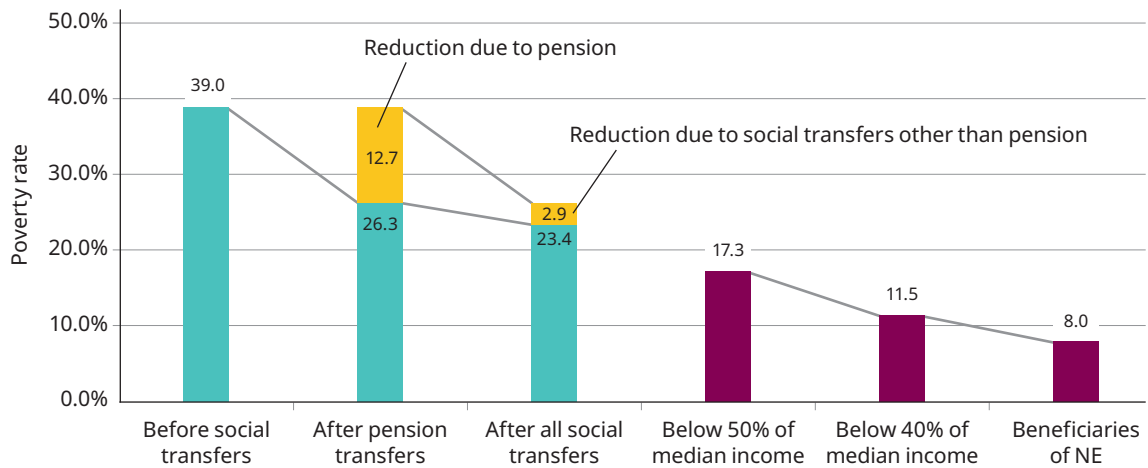
	2017	2018
At risk of poverty or social exclusion	51.8%	49.0%
At risk of poverty (60% of median income) before social transfers	40.4%	39.0%
At risk of poverty (60% of median income) after pension transfers	27.1%	26.3%
Reduction by pensions	13.3%	12.7%
At risk of poverty (60% of median income) after all social transfers	23.7%	23.4%
Reduction by social transfers other than pensions	3.4%	2.9%
Below 50% of median income	17.5%	17.3%
Below 40% of median income	11.8%	11.5%
Percentage of population receiving economic assistance	11.4%	8.0%

Source: Institute of Statistics of Albania and ILO's own calculations.

As depicted in Figure 3.1, the old-age and family pensions play the single most important role in poverty reduction among the existing social transfer programmes in Albania. In 2018, the pension system

contributed to reducing the at-risk-of-poverty rate by 12.7 percentage-points, while other social transfers further reduced the at-risk-of-poverty rate by 2.9 percentage-points. As shown earlier in Table 1.5, for both sexes, the at-risk-of-poverty rate for the population aged 65 and over is significantly lower than the average. This suggests that a large part of beneficiaries of social transfers are elderly who rely on pensions as the only source of income. In view of the ageing population, the pension system is expected to play an increasingly important role in poverty reduction in particular amongst the elderly.

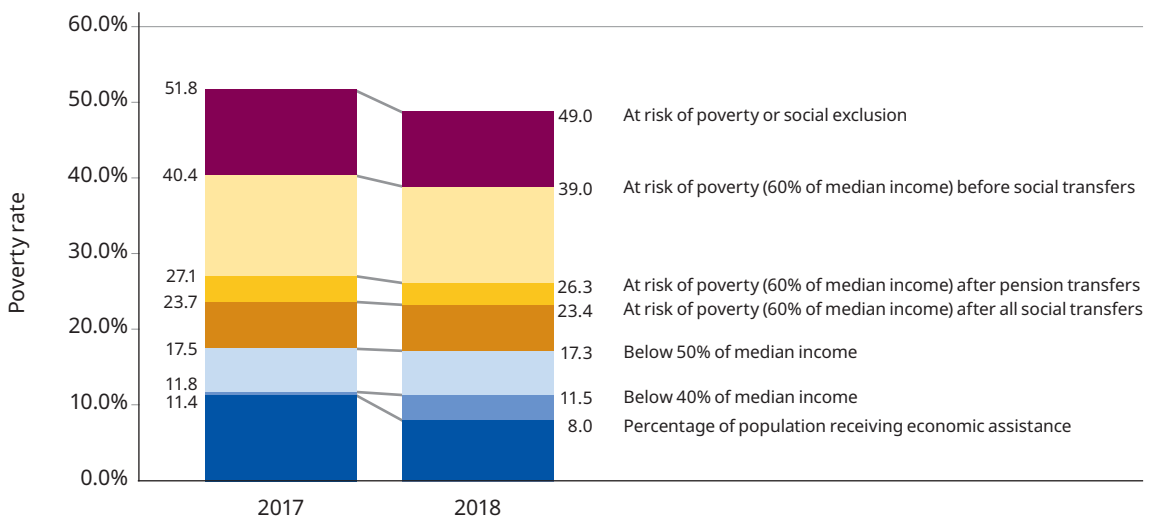
► **Figure 3.1. At-risk-of-poverty rates, 2018**



Source: Institute of Statistics of Albania and ILO's own calculations.

As Figure 3.2 shows, 17.3 percent of population was in households earning less than 50 percent of the median equivalized disposable income, and 11.5 percent of population was in households earning less than 40 percent of the median equivalized disposable income in 2018. It should be observed that the estimated number of family members receiving economic assistance is 8.0 percent of the population. This level is even lower than the percentage of population below 40 percent median income threshold. As already noted, the percentage of the beneficiaries of economic assistance declined significantly from 11.4 percent in 2017 to 8.0 percent in 2018.

► **Figure 3.2. Effects of social transfers on poverty reduction, 2017–2018**



Source: Institute of Statistics of Albania and ILO's own calculations.

4. Current issues in the Albanian social protection system

This chapter discusses current issues in the coverage and the financial situation of the contributory social security schemes and in the ongoing reforms of social assistance and social care services.

► 4.1. Contributors coverage of the social and health insurance schemes

The Social Insurance Institution of Albania (ISSH) provides data of contributors by category (but not by sex). Table 4.1 compares the ISSH data with the Labour Force Survey data. It is observed that only 44.5 percent of the working age population aged 20–64 in Albania contributes to the Social Insurance System in 2019. This gap in the coverage can be explained by the following factors.

In 2019, 24.1 percent of the working age population were economically inactive.¹¹ About 11.6 percent of the economically active population (or 8.8 percent of the working age population) were unemployed.

In Albania, as in other countries, the prevalence of the informal economy and the widespread practice of undeclared work impose serious challenges for extending social security coverage. In Recommendation No. 204, the term “informal economy” (also known as the “grey” or “shadow” economy) refers to “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.”

Also in Albania, there is a growing number of workers in “non-standard forms of employment,” including temporary (fixed-term) and casual employment, part-time and on-call work, temporary agency employment, or employment relationships disguised as self-employment. In addition, the so-called “platform” or “gig” economy has been on the rise in recent years. These new types of employment relationships are not adequately protected by labour law and social security law.

Of 1,180,000 employed population, the number of contributors was 758,000, resulting in 67.1 percent of contributory coverage rate. Hence 422,000 persons or 32.9 percent of the employed population were not contributing to the ISSH. If only the full-time employed population is taken into account, then the contributory coverage rate is 75.5 percent.

11. A small number of inactive population has a social insurance cover by ISSH.

► **Table 4.1. Estimated contributors coverage of working-age population, 2019**

Year	Number (A)	Share	Estimated ISSH contributors (B)	Coverage ratio: B/A	Estimated non-contributing population: A-B
Population (20–64) (I + II)	1,758,595	100.0%	781,923	44.5%	976,672
I. Economically active population (20–64) (i+ii)	1,335,321	75.9%	767,755	57.5%	567,566
i. Employed population (a+b+c)	1,180,451	67.1%	758,242	64.2%	422,209
– Full time	1,004,564	57.1%	758,242	75.5%	246,322
– Part time	175,887	10.0%	—	—	175,887
a. Employees	570,158	32.4%	604,950	106.1%	–34,792
– Permanent	525,115	29.9%	604,950	115.2%	–79,835
– Temporary	45,042	2.6%	—	—	45,042
b. Self-employed	368,301	20.9%	153,292	41.6%	215,009
c. Contributing family members	241,992	13.8%	—	—	241,992
ii. Unemployed population	154,870	8.8%	9,513	6.1%	145,357
II. Inactive population (20–64)	423,274	24.1%	14,168	3.3%	409,106

Source: ISSH and ILO's own calculations.

As shown in Figure 4.1, under some assumptions, one can make the following observations.

- The total number of ISSH contributors in public and private enterprise was 605,000. This is comparable with the number of employees in the Labour Force Survey.
- The total number of self-employed contributors (including self-employed in agriculture) and voluntary contributors was 153,000, which represents 41.6 percent of the number of self-employed in the Labour Force Survey. Under this assumption, 215,000 self-employed persons were not covered by the Social Insurance System.
- An employed person who is neither employee nor self-employed is classified as a contributing family worker in the Labour Force Survey. It is assumed that none of the 242,000 contributing family workers, of whom 60 percent are women, is covered by the Social Insurance System.
- It should also be noted that a certain percentage of contributors underreport their actual wages, although its impact on the contribution revenue is not known.

► **Figure 4.1. Social insurance coverage by labour market status, 2019**

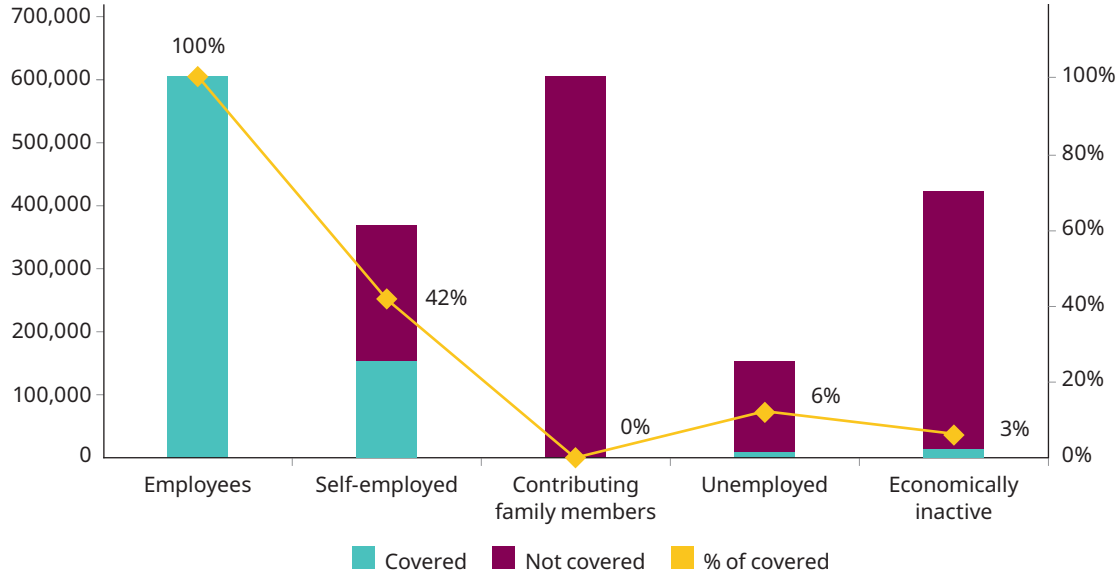


Figure 4.24 depicts the labour market status of the Albanian population by sex and age groups.

► **Figure 4.2 Labour market status by sex and age, 2019**



Source: Institute of Statistics of Albania and ILO's own calculations.

The following observations can be made.

- Among the youth aged 15–24 years, labour force participation is less than 40 percent while the rest are pursuing education, engaging in domestic and family responsibilities, or discouraged to look for a job.¹² Despite the low labour force participation rate of this age group, the unemployment rate is high (27.3 percent in 2019) and the share of employees is low (41.3 percent in 2019).

12. In 2019, 26.6 percent of the youth population aged 15–29 years were neither in employment nor in education or training.

- In the prime working age between 25 and 54 years, women exhibit lower labour force participation rates and the share of employees than men mainly due to family obligations. The share of contributing family members for women is more than twice that of men in this age group.
- Labour force participation rates drop significantly for persons aged 65 years due to pension entitlement. The participation rates of women start declining already in the 55–64 year age group, mainly due to the transitional early retirement pensions.¹³ The share of non-employees is high in this age group for both sexes particularly women.

The coverage of social insurance (old-age, survivors' pensions, sickness benefits, maternity benefits, and unemployment benefits) is limited to the population with a contributory capacity, consisting essentially of employees in the formal economy. In contrast, the coverage of health insurance is wider as the State subsidizes the population with a low contributory capacity.¹⁴

In addition, the health insurance covers the following categories of economically inactive persons, whose contributions are financed by the State Budget:

- Beneficiaries of social insurance benefits or social assistance benefits;
- Unemployed persons registered with the State Employment Service;
- Children under 18 years (under 25 years if in education);
- Other groups as defined by laws (e.g. asylum seekers).

No data are available on the coverage of health insurance. As shown in Table 4.2, it is observed that nearly four million persons (which exceed the resident population) have chosen their own family doctors.

► **Table 4.2. Summary of health statistics, 2017–2018**

	2017	2018
Total population as declared from family doctors	3,939,246	3,964,013
Urban	2,076,982	2,104,116
Rural	1,862,264	1,859,897
Number of general practitioner and family doctors	1,819	1,504
Number of nurses and laboratory technician	6,831	6,784
Number of specialized doctors	337	336
Number of visits	6,434,350	6,668,567
General practitioners and family doctors	5,976,976	6,219,039
Specialized doctors	457,374	449,528
Average number of visits per day	11.1	11.8
General practitioners and family doctors	11.3	12.3
Specialized doctors	11.0	11.4

Source: Health Insurance Fund of Albania.

13. The statutory retirement age is 65 years for men. From 2015 the statutory retirement age for women is increased by two month per year until it reaches 65 years.

14. There is also voluntary health insurance.

Low social security coverage and its long-term consequences

Currently only 44.5 percent of the population aged 20–64 in Albania are contributing to the Social Insurance System. When the contributory coverage is at such a low level, applying a strict contributory principle between the benefit entitlement and contribution payment implies that in the long run more than 55 percent of elderly persons would not be entitled to contribution-based pensions. The 2015 pension reform which tightened eligibility conditions further restricted the access to the pension right.

As seen above, the main reasons for the low coverage are: relatively low labour force participation and high unemployment (in particular for the youth and women), non-registration due to informality, and underreporting of wages. If no action is taken to extend the coverage, the costs of guaranteeing income security in old-age will simply shift from the contributory system to the social pension financed by the State budget.

Contribution rates for social and health insurance

In Albania, contributory social security schemes play a major role in health and social protection. Coverage and payment of social security contributions are mandatory for all economically active persons, including both employees and self-employed. Social security contributions are calculated as a percentage of the monthly gross salary (subject to the minimum and maximum). Table 4.3 presents the social security contribution rates in 2020.

► **Table 4.3. Social insurance and health insurance contribution rates, 2020**

Employees

	Employers	Workers	Total
ISSH (Total)	15.0%	9.5%	24.5%
- Pensions	12.79%	8.81%	21.6%
- Maternity	0.83%	0.57%	1.4%
- Sickness	0.18%	0.12%	0.3%
- Employment injury	0.3%	—	0.3%
- Unemployment	0.9%	—	0.9%
Health insurance	1.7%	1.7%	3.4%
Total (ISSH+HI)	16.7%	11.2%	27.9%

Minimum contribution base = 26,000 lek, Maximum contribution base = 114,670 lek

Self-employed

	Total	In lek (monthly)
ISSH (Total)	23.0%	5,980
- Pensions	21.6%	5,616
- Maternity	1.4%	364
- Sickness	—	—
- Employment injury	—	—
- Unemployment	—	—
Health insurance	3.4%	1,768
Total (ISSH+HI)	26.4%	7,748

Contribution base for ISSH = 26,000 lek, Contribution base for HI = 52,000 lek

For employees, contributions for pensions, sickness, and maternity benefits are divided between employers and workers by the ratio of 6:4, while the payment of contributions for employment injury (work accidents and occupational diseases) and unemployment benefits is the sole responsibility of employers. The health insurance contributions are shared equally between employers and workers.

In 2020, the total social security contribution rate for employees is 27.9 percent, composed of 24.5 percent for social insurance and 3.4 percent for health insurance. The statutory contribution rate attributed to workers is 11.2 percent, while the statutory contribution rate attributed to employers is 16.7 percent. The monthly minimum and maximum contribution basis are 26,000 lek and 114,670 lek, respectively.

Self-employed workers (except for self-employed farmers) are liable to pay the total amount of social security contributions. However, they are not covered (therefore not liable to pay contributions) for sickness, employment injury and unemployment benefits. The contribution for the self-employed is flat-rate based on the minimum wage for social insurance and twice the minimum wage for health insurance (differentiated for urban and rural areas).

For the health insurance, the State contribution to economically inactive persons is based on per capita health care consumption determined by the Fund and approved by the budget.

The Ministry of Finance collects social and health insurance contributions through the Directorate General of Taxation. The ISSH collects contributions from self-employed farmers who contribute to the rural scheme.

Underreporting of contributory wages

In addition to the prevalence of the informal economy, undeclared work is a deep-rooted problem in Albania. Here, undeclared work refers to a formal employment situation in which workers and employers declare a lower-than-actual income to the public authorities to avoid taxes and social security contributions.

For contributory social security systems, undeclared work implies fraud and evasion of taxes and social security contributions. Typically, a worker and their employer report only the minimum contribution level stipulated by the law, while the remaining portion of their wage is paid directly and informally as envelope cash wages. This secures at least a certain benefit level if the worker completes their required contribution period. In this way, undeclared work seriously undermines the sustainability of the social security system and the adequacy of the benefits.

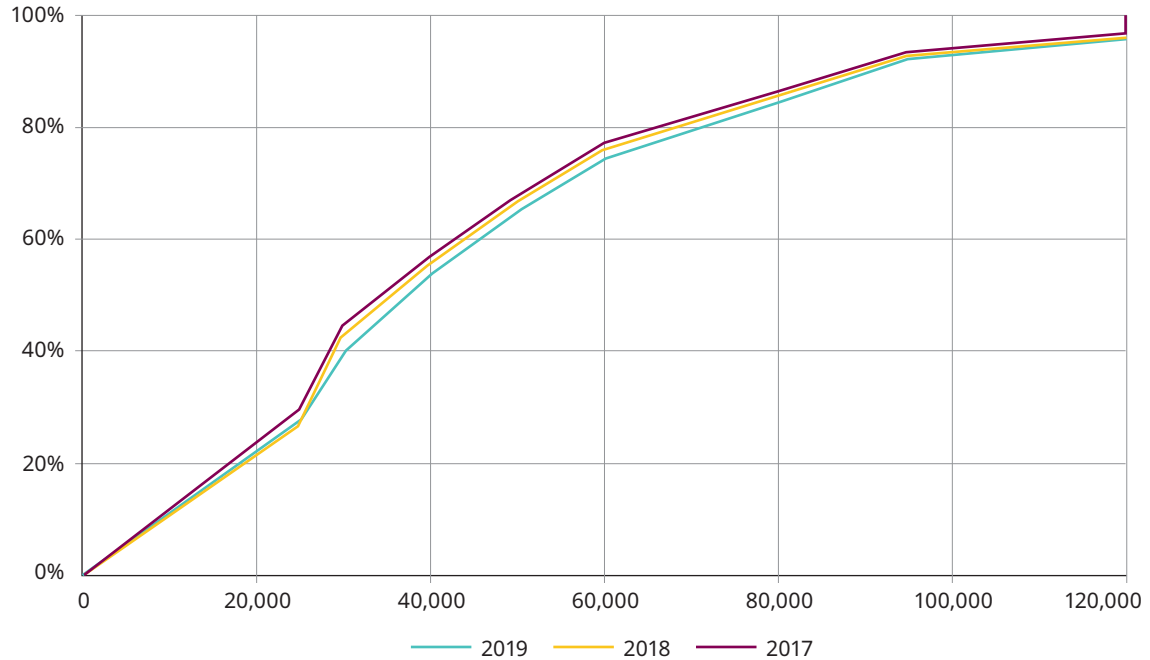
In 2019, the estimated average contributory base for employees is 37,007 lek,¹⁵ which is 70.7 percent of the average gross wage.¹⁶ Figure 4.3 shows the distribution of the contributory wage to the ISSH in 2017 to 2019. About 55 percent of workers contribute below the average wage and there is a significant concentration of contributory wages at the minimum contributory wage. These observations can be regarded as the evidence of wage underreporting.

Various sources indicate a growing number of non-standard forms of employment in Albania. As a recent study points out, undeclared work often overlaps with non-standard forms of work or self-employment, and in some instances these forms can be instrumental for tax and contribution evasion (European Platform Tackling Undeclared Work, 2018).

15. Estimated by the total amount of contributions, the average number of contributing employees, and the contribution rate.

16. The average gross wage of 2019 was 52,376 lek from the Labour Force Survey.

► **Figure 4.3. Distribution of contributory wages for Social Insurance Institution, 2017–2019**



Source: ISSH.

► 4.2. Financial status of the Social Insurance Fund and the Health Insurance Fund

Table 4.4 presents the revenue and expenditure of the Social Insurance Fund from 2011 to 2019. Note that ISSH also acts as a payment agency of special programmes funded by the state budget.¹⁷ Also note that the supplementary pension scheme is not included in this table.

¹⁷ These special programmes include: price compensations, compensations for minimum income, social pensions, special pensions, and pensions for special categories (war invalids and war veterans).

► **Table 4.4. Revenue and expenditure of the Social Insurance Fund (mandatory benefits), 2011–2019**
(in millions lek)

		2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	A	67,725	65,857	69,797	77,486	76,501	80,351	86,958	95,955	98,906
Contributions from employers and employees	A1	47,884	48,61	50,738	61,216	59,146	65,247	72,237	77,971	82,747
– From employees		44,543	45,738	47,588	52,464	56,473	62,692	69,433	74,525	79,404
– From self-employed		2,538	2,009	2,382	7,745	2,028	1,993	2,111	2,122	2,213
Contributions from State Budget	A2	10,773	7,988	9,552	6,751	5,794	5,022	4,68	4,902	4,436
Special programmes financed by State Budget	A3	9,068	9,259	9,507	9,519	11,561	10,082	10,041	13,082	11,723
Expenditure	B	80,428	84,880	90,807	96,791	102,417	109,303	114,148	120,642	126,044
Benefits	B1	69,737	74,100	79,632	85,296	88,904	93,457	100,174	105,426	112,027
– Pensions		67,471	71,632	76,877	82,357	86,071	90,529	96,771	101,571	107,880
– Maternity		1,891	2,076	2,334	2,536	2,49	2,578	3,018	3,384	6,604
– Sickness		364	381	410	393	331	337	371	447	521
– Employment injury		12	11	11	10	12	13	14	24	21
Administrative expenses	B2	1,653	1,718	1,973	1,862	2,016	2,159	2,145	2,134	2,294
Expenditures for special programmes	B3	9,038	9,062	9,202	9,633	11,497	13,687	11,829	13,082	11,723
Deficit financed by State budget	B–A	12,827	19,104	21,073	19,388	26,003	29,026	27,191	24,687	27,137
Deficit financed by State budget (% of GDP)		0.99%	1.43%	1.56%	1.39%	1.81%	1.97%	1.75%	1.51%	1.58%
Own contribution as a % of own expenditure	A1/ (B1+B2–A2)	79.0%	71.7%	70.4%	76.1%	69.5%	72.0%	74.0%	76.0%	75.3%

Source: ISSH and ILO's own calculations.

As depicted in Figure 4.4, the contributions are not sufficient to cover the expenditure. As a result, the Fund has been in deficit at the level between 1 and 1.6 percent of GDP. This suggests the need to further improve the long-term sustainability of the Social Insurance Fund.

► Figure 4.4. Revenue and expenditure of the Social Insurance Fund, 2011–2019

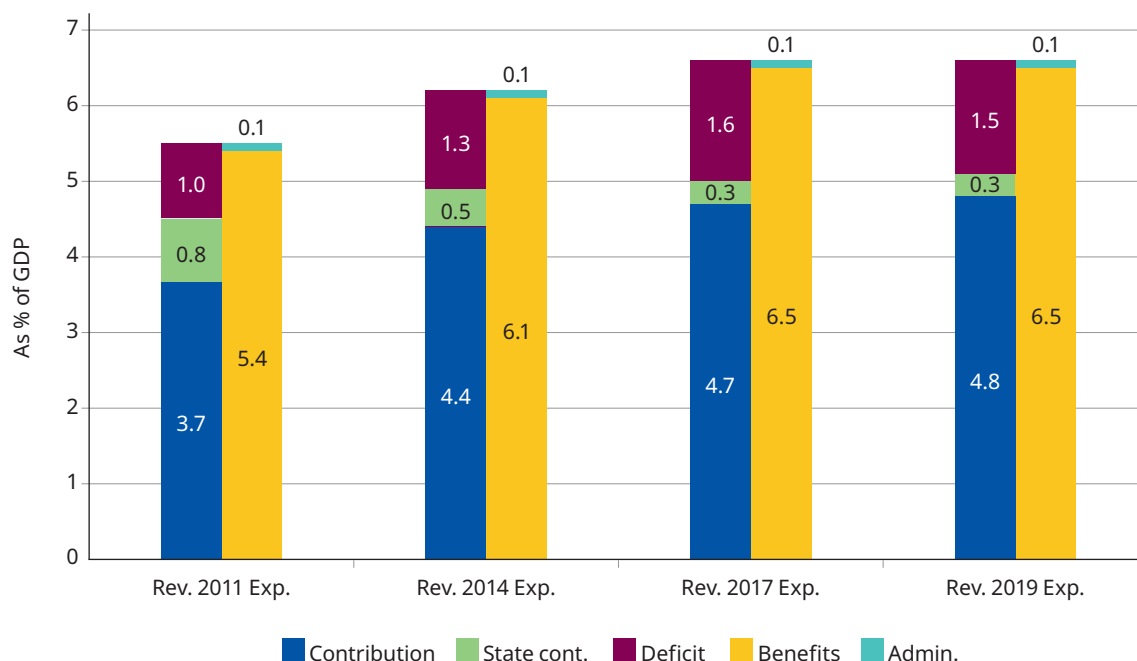


Table 4.5 presents the revenue and expenditure of the Health Insurance Fund from 2013 to 2019. The Fund has been in equilibrium. It should be noted that the revenue side of the Fund is supported by the State budget. In fact, the total transfer from State budget is more than twice the own contributions.

► Table 4.5. Revenue and expenditure of the Health Insurance Fund, 2011–2018 (in millions lek)

	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	13,965	15,493	30,612	32,481	34,769	35,751	38,229	40,106
Contributions	6,029	6,246	7,294	8,008	9,391	10,545	12,268	12,250
Transfer from State budget	7,812	9,057	23,202	24,338	25,193	24,969	25,869	27,796
– For primary care	—	—	9,367	8,575	8,859	8,020	6,782	7,481
– For hospital services	—	—	13,836	15,763	16,334	16,949	19,087	20,315
Other revenues	124	190	115	135	186	238	92	60
Expenditure	0	15,493	29,494	31,399	32,142	34,920	40,285	42,018
Primary care services	—	6,260	6,525	6,687	6,778	7,785	8,017	7,845
Reimbursement of drugs	—	7,881	8,420	8,251	8,110	8,425	10,453	11,020
Investments	—	10	—	—	—	71	1	84
Administrative expenses	—	657	—	—	—	808	845	748
Hospital services	—	—	14,549	16,461	17,254	17,831	20,135	21,529
Durres hospital	—	685	—	—	—	—	834	792
Expenditure (as % of GDP)	0.0%	1.2%	2.2%	2.3%	2.2%	2.4%	2.6%	2.6%

Source: Health Insurance Fund of Albania and ILO's own calculations.

▶ 4.3. Reforms of social assistance and social care services

Social assistance reform: economic assistance

In recent years Albania has been implementing reforms on cash social assistance programmes (mainly the economic assistance programme and the disability allowance programme) with support from the World Bank, in particular under the Social Assistance Modernization Project. These reforms aimed to allocate resources more effectively to the poorest and the most vulnerable in society.

The first phase of the above project focussed on reforming the economic assistance programme, which resulted in the implementation of the National Electronic Register and a related automated information system for performance management and the introduction of a standardized scoring formula of the proxy means test, changes in the eligibility criteria, and changes to the range of benefits and services as described in section 2.3.

According to the impact evaluation of the economic assistance programme carried out in 1998 by the World Bank,¹⁸ “the social assistance in Albania is fairly well targeted to the poor” and it “exceeds that which could be expected on the basis of proxy indicators of targeting alone.” At the same time, it notes that “a large number of poor are excluded from social assistance” and that “a clear objective criterion to determine the size of the grants from the center to communes” is lacking.

In the framework of the impact evaluation of the economic assistance component of the Social Assistance Modernization Project, a baseline study¹⁹ was carried out which compares the socio-economic characteristics of newly eligible economic assistance beneficiary households and those that were not admitted to the programme. The sample size was 690 for eligible households and 696 for ineligible households in Durrës, Elbasan and Tirana in 2014. Key findings can be summarized as follows:

- ▶ Both groups report high percentages of adults who did not work (86.7 percent for eligible households and 85.2 percent for ineligible households).
- ▶ Mean household income from wages is almost the same between the two groups (3,145 lek and 3,157 lek, respectively) and the two groups also have similar household expenditures and spending patterns. However, the ineligible households had significantly higher mean household expenditures per family member.
- ▶ Both groups are similar in their access to health services: 93.2 percent of eligible households and 95.4 percent of ineligible households made a health visit last year. Both groups expressed considerable difficulty in covering health costs (94.8 percent and 93.4 percent, respectively).
- ▶ Households in both groups expressed concerns about utility payments and their ability to meet basic needs. In terms of food availability, both groups assessed their level of food access as “very inadequate” (25.4 percent and 23.6 percent, respectively) or “less than adequate” (52.2 percent and 53.7 percent). This means that 78.3 percent of the households ineligible for the programme do not have adequate food access.

18. World Bank (1998).

19. Jantzi (2014).

- Both household groups exhibit similar patterns in terms of relative distance to services suggesting that these two groups live in similar neighbourhood structures.
- The ineligible group had a slightly higher percentage of home ownership (62.0 percent) than the eligible group (67.4 percent). Both groups tended to live in dwellings with similar number of rooms (about 2 rooms on average). In terms of the “housing score,” the eligible households had a mean score of 15.43 while ineligible households had a mean of 19.19 (Scores in the 12-20 range are considered relatively poor housing conditions).
- Both the eligible and ineligible households tended to follow similar patterns in terms of commonly owned goods. On the “goods score”, the mean score for both panel groups was within 5-6 points out of 56 points. The ineligible households tended to have only slightly higher percentages of households owning goods than eligible households.
- The mean scaled “perceived well-being” scores were similar between the two groups (22.12 and 22.52 respectively).
- The majority of respondents in both groups did not own any land or livestock. The eligible households tended to have more landowners and slightly more value in livestock assets than the ineligible households.

These findings confirm that there are only small differences between households selected and those not admitted to the programme with regards to income, assets and access to services. This is also consistent with the results of interviews conducted with local government staff implementing the programme who reported that among households in seemingly the same conditions some were selected and others not admitted into the programme.

The main difference is in fact the composition of household members: the eligible households have more younger adults, more children, and a lower level of education, and eligible households have significantly fewer members aged 50-55 in the “difficulty to find work” category. As a result, female headed households that are often smaller in size and single person households are more likely to be excluded. As presented in Table 3.9 earlier, the number of beneficiary families decreased significantly for families with 4 or less members particularly those with two or single members. Of particular concern is the finding that some extremely poor single person households that are significantly worse off than the single person beneficiaries turned out to be ineligible.²⁰

In addition, there are wide regional differences. The sample household data of Durres had lower scores than the other two regions, but Durres had the lowest number of applicants and beneficiary households. This may indicate differences between regions regarding the effectiveness of outreach and communication activities and barriers for the registration process such as geographical distances and language or literacy.

These findings provide insights into the newly introduced targeting methodology. The selection method using the unified scoring formula performs well in minimizing inclusion errors. However, this method excludes a large number of households that are similarly poor in terms of income and their ability to meet their basic needs. The weighing of certain criteria tends to produce exclusion errors. These difficulties are inherent in any proxy means test formula. Compared with categorical targeting (e.g. children under a certain age, persons with disabilities), the eligibility decisions by proxy means tests are often not well-understood by the applicants and the staff implementing the programmes.²¹

20. Further investigation is needed as to whether these single person households receive other social insurance or social assistance benefits.

21. Kidd et al. (2017).

In view of the above preliminary analysis of the reformed economic assistance programme, the UN organizations in Albania plan to carry out an evaluation of the targeting performance and the unified scoring formula within the framework of the joint UN programme “Strategic policy options for SDG financing.”

Social assistance reform: disability allowance

With the support from the Social Assistance Modernization Project, the Ministry of Health and Social Protection has also been undertaking reforms of the disability allowance programme by revising assessment criteria, business procedures and institutional arrangements. The goal of the reforms is to bring Albania in line with the biopsychosocial model anchored in the Convention of the Rights of Persons with Disability. However, the disability assessment stipulated in the recently adopted by-laws²² are still based on the traditional medical model of assessing disability. The policy paper on the disability programme reform along with the Action Plan for its implementation was approved by the Council of Ministers in June 2019. The objectives of the reform of disability assessment programme are:

- To re-orient the disability assessment from the previous medical model toward the bio-psycho-social, aligned with the standards of the World Health Organization.²³ This functional approach will be implemented through the constitution of a multidisciplinary commission for disability and will take into account the interaction of health conditions (diseases, disorders and injuries) and contextual factors (environmental factors and personal factors) in the age appropriate daily activities;
- To introduce, alongside assessment, the process of preparing a multidisciplinary individual support plan for people with disabilities to meet their medical, psychological, and social needs, and to reduce the barriers to social inclusion; and
- To reorganize the disability assessment administration to improve efficiency, increase accountability by establishing checks and balances, and reduce fraud.

In April 2017 a pilot programme started in two administrative units of the Tirana municipality. The purpose of the pilot project was to test and demonstrate the new model of the bio-psycho-social evaluation of disability as well as the newly proposed benefit scheme. The new disability assessment system aims to assess for the first time the individual's needs for employment, rehabilitation and social care services, education or vocational training. This requires a transparent referral mechanism that follows continuously every person with disabilities. Some progress was achieved with the initial pilot phase implementation of the management information system for people with disabilities. The accessibility of many public services is still a critical issue. Access to services for people with disabilities in rural areas is significantly lower than for those living in urban areas and in particular for those over 21 years of age.

Following the pilot programme, Council of Ministers Decision No. 722, dated 11.11.2019 “On the criteria, procedures and documentation on disability assessment and personal assistant payment, responsible bodies and their duties” was adopted and implemented in Tirana region in 2019. Two new guidelines for the determination of adult and child disability were developed to support the reform of the disability assessment.

22. See Council of Ministers Decision No. 182 “On determining the amount, criteria, procedures and documentation for the evaluation and benefit of payment for persons with disabilities as well as personal helpers”.

23. The International Classification of Functioning, Disability and Health is a framework for describing and organising information on functioning and disability. It provides a standard language and a conceptual basis for the definition and measurement of health and disability.

Pursuant to Council of Ministers Decision No. 722, the Protocol No. 1576/1, dated 06.12.2019, “On organization, rights, duties and operation of the multidisciplinary disability assessment committees” was approved by the State Social Service. However, the government in 2020 adopted Council of Ministers Decision No. 182 “On determining the amount, criteria and procedures and documentation for the evaluation and benefit of payment for persons with disabilities, as well as personal helpers” which reverts to a medical, rather than a multi-disciplinary, assessment methodology (see section 2.3 (2)).

Impact of the decentralization on the social care services provisions

As a result of Albania’s fiscal and administrative decentralization, social care services were decentralized from the central government to local governments (61 municipalities). Delivery of social care services is under the main responsibility of local governments with support from the central government institutions.

The needs assessment for social care services conducted in 2019 by the State Social Service in the 12 regions of Albania highlights that 21 municipalities do not provide any social care services, 38 municipalities do not have services for elderly and 37 municipalities do not provide services for people with disabilities. According to the State Social Service, social care coverage is extremely low, with only about 10,000 users in 2019 (0.35 percent of the population). Increased investment in the development of new social care services and wider geographical coverage are urgently needed. Local government units are expected to assess needs in their territory and prepare local social care plans, but they lack human and financial resources to deliver on this task.

The local governments now play the main role in planning and budgeting social care services. This requires ensuring adequate level of financing at local levels to finance the services and their administrative supervision. While local governments are expected to use a mix of revenues from local sources (local taxes and fees) and the state budget (conditional and unconditional grants), the capacity and political will of local governments to generate sufficient revenues and deliver social care services varies significantly. Many local governments still remain heavily dependent on the state budget.

In order to address difficulties of municipalities in funding social care services, the Social Fund was established in 2018. The Social Fund provides in the first year financial support of up to 90 percent funding, in the second year up to 60 percent of funding, and then 30 percent of funding.

The plans need to assess the overall costs for services and the share that can be covered by the municipality budget. In this context, most of the country’s municipalities, with the support of international partners, mainly UN organizations, have drafted Social Care Plans. These plans, although authored by local staff and have local ownership, still face difficulties in implementation. The main bottlenecks are related to funding, local capacities to provide social care services (professionalization of social care workers), and issues related to outsourcing and procurement. Only 26 municipalities have so far approved and budgeted social care plans outlining the needs of vulnerable communities and the services that need to be established in response. Although 14 of them have been approved by the State Social Service, the Social Fund has not disbursed any funds yet.

In Albania NGOs play an important role in social care services provision but they also face challenges in coverage, quality assurance and sustainability of services. In light of the lack of social care services described above, there is an urgent need for governments to increase the supply of services. In doing so, it is important for local governments to be able to draw on the existing capacities of NGOs which provide adequate quality services. For this, the current public procurement rules need to be revised to enable NGOs to participate in public tenders on social care service provision.

In its effort towards the EU accession, Albania is also required to develop a financial framework that enables local governments to establish and fund social care services and strengthen the social protection system at the local level. Notably, EU's Instrument for Pre-Accession Assistance (IPA) aims at the improvement of the accessibility and quality of integrated social care services at the local level, including through the elaboration of the related financial and regulatory frameworks as well as administrative and delivery systems such as the establishment of service standards, National Electronic Register of Social Care Services and the Needs Assessment and Referral Units.

5. Impact of COVID-19: a preliminary assessment

Economic impact of COVID-19

Due to the COVID-19 crisis, unemployment rates are expected to rise again. While in May 2020, only 11 percent of the firms had reported lay-offs, this figure is expected to increase as 45.1 percent of the employees are employed in firms that were either in complete lockdown (30.4 percent) or in lower demand sectors (14.7 percent) with an estimate 457 million Euro of wages at risk. The tourism, textile and garment sectors are most affected (World Bank 2020a).

The COVID-19 pandemic is having a severe impact on the economy. Only 61 percent of the firms are estimated to remain profitable (assuming lockdown measures are limited to 3 months in 2020). Corporate income tax revenue is estimated to drop by 35 percent and firms are expected to accumulate losses equivalent to 1.5 percent of GDP (World Bank 2020b).

Table 5.1 presents forecast values of key macroeconomic indicators based on the latest available IMF forecasts. Having regard to the effects of stimulus package in the second quarter of 2020, these forecasts foresee relatively speedy recovery from the shock in 2020 with a moderate rise and stabilization in unemployment across the countries. However, additional restrictions of movement and other restitution since summer 2020 may affect the levels of economic activity and delay the recovery.

Table 5.2 shows the results of economic forecasts by the European Commission for Albania. These estimates show a less optimistic picture compared with the IMF forecasts above.

► **Table 5.1. IMF forecast of key macroeconomic indicators, Albania, 2019–2025**

	Real GDP growth (%)	CPI (% , end of the year)	Unemployment rate (%)	General government net lending/borrowing (% of GDP)	General government gross debt (% of GDP)
2019	2.2	1.1	11.5	-2.0	67.7
2020	-7.5	1.2	11.8	-8.4	83.3
2021	6.1	2.2	11.5	-4.7	83.2
2022	5.8	2.5	11.3	-2.6	77.1
2023	4.3	2.9	11.0	-2.0	74.8
2024	3.5	3.0	11.0	-2.0	71.9
2025	3.4	3.0	11.0	-2.0	69.1

Source: IMF. World Economic Outlook and Fiscal Monitor (October 2020). <https://www.imf.org/external/datamapper/profile>

► **Table 5.2. European Commission economic forecast, Albania, 2019–2022**

	GDP	Private consumption	Public consumption	Employment growth	Unemployment rate	General government balance	General government gross debt
2019	2.2	3.3	3.8	0.8	12.2	-1.8	66.3
2020	-6.8	-4.4	4.0	-2.7	14.5	-6.3	78.8
2021	3.7	2.8	4.2	1.0	13.9	-5.3	77.4
2022	4.6	3.3	2.9	2.0	12.8	-3.2	75.4

Source: European Commission. Directorate General for Economic and Financial Affairs.

Social protection response to the COVID-19 pandemic

In response to the COVID-19 pandemic, Albania has introduced a series of measures to alleviate the negative impacts of the crisis. Table 5.3 summarizes the measures introduced during the first lockdown in the second quarter of 2020. The total stimulus package is at least 2.9 percent of GDP. More detailed information is presented in Annex.

Key interventions include

- The minimum wage subsidy and a one-off financial assistance for workers affected by the pandemic;
- Pension indexation by 2.3 percent;
- Double the amount of unemployment benefit and economic assistance;
- One-off financial assistance to low income families not receiving economic assistance;
- Deferral of tax and other payments (not including social security contributions);
- Provision of loans and guarantees for enterprises;
- Provision of in-kind benefits and other services.

Social protection measures constituted one of the crucial part of the integrated responses to the COVID-19 crisis during the first stage of pandemic. However, the crisis has revealed gaps in the existing social security systems which stem from issues inherent in the current world of work.

In particular, the COVID-19 crisis has reiterated the urgent need to extend the social security systems to cover workers in all types of employment and by taking into account their large heterogeneity and frequent movement, and improving the low enforcement and contribution collection by encouraging the formalization.

In the face of rising precarious employment and widening inequality, the crisis prompted the need to consider adjusting the existing social security architecture and searching for a more suitable mix of contributory and non-contributory systems that ensure a basic level of income security with due regard to sustainable financing mechanism in the long-term.

The global fight against the new coronavirus COVID-19 is far from over. There still remains great uncertainties ahead. The situation thus requires a close monitoring. The COVID-19 crisis has highlighted the importance of proactive investment to build comprehensive and resilient social security systems that can respond quickly and effectively to shocks when they emerge. It has also highlighted the critical role of the State's interventions in the face of an unprecedented emergency event.

► **Table 5.3. Social protection and jobs responses to COVID-19, second quarter of 2020**

Social Insurance	Pensions	Pensions were indexed by 2.3 percent. New limits were established. Compensations were paid to for the low pensions.
	Unemployment benefits	The unemployment benefit was increased by two times during the COVID-19 pandemic.
	Social security contributions	There were no deferral of the payment of social security contributions.
Social Assistance	Regular cash transfers	The amount of economic assistance (Ndhima Ekonomike) was increased by two times.
	One-off cash transfers	Financial assistance of ALL 16,000 per person for all the applicants of the economic assistance since July 2019, who have not received any economic assistance until April 2020 and do not benefit either from the 6% funds of municipalities.
	Housing benefits, Food vouchers, others	Additional responsibilities to government institutions to ensure home delivery of assistance to the persons in need. This assistance consists in delivering the monthly social insurance or social assistance benefits as well as products, food and non-food items, and medicines.
	School feeding	Universities, schools and kindergartens were closed. A range of televised courses were developed for primary and secondary students that air on national TV channels. Distance learning is also available via online platforms at the school level. Online lectures continued until the end of May.
	Public works	Municipality of Tirana initiated a programme to deliver food to the elderly who do not live with family members.
	Utility waivers	Relaxed and exceptional procedures on metering the consumed electricity during the COVID-19 emergency. The payment of rents for April and May 2020 can be deferred to after May 2020.
Labour Market	Labour market regulations	The Government allowed several businesses to remain open after WHO declared pandemic and closed several ones. Some of the activities were allowed to work even though in April. On 1 June most of the activities were allowed to reopen, most with added measures. However, public transport were not allowed till 5 July.
	Reduced work time / use of leave	Part-time work (part-time or weekly) is allowed under the Labour Code of Albania and has the same rights as full time workers.
	Wage subsidies	The minimum wage subsidy of ALL 26,000 (first package, during lockdown) and a one-off financial assistance ALL 40,000 ALL (second package, one-off) were provided to workers of companies which have suspended their activity due to regulations, past workers of companies which were allowed to work but were fired from their workplace and workers of companies with turnover less than 14 million ALL which were working before pandemic.

Source: ILO. (2021). Assessment of the Social Security Responses to COVID-19.

6. Conclusion

The social protection system in Albania, comprised of contributory social insurance schemes, tax-financed social assistance programmes and social care services, is crucial in providing health and income protection and reducing poverty for all Albanians along the life cycle. The development of the social protection system in Albania is supported by its ratification of the ILO Social Security Minimum Standards Convention, No.102 in 2006. The existing system, however, does not provide comprehensive benefit coverage. As often pointed out, Albania does not have cash child benefit or comprehensive long-term care services for the elderly and coverage gaps exist for both contributory and non-contributory schemes.

The Albanian social protection system is characterized by a comparably low level of expenditure. In 2017, Albania spent only 9.2 percent of GDP on social protection (excluding health care), which was less than half of the EU average and significantly below the neighbouring accession countries to the EU. This reflects the low beneficiary coverage (except for old-age pensions) and low levels of benefits. Investment in social services is particularly low.

Thanks largely to the State support to provide health insurance coverage to non-working population, nearly all population in Albania has access to health care services. In 2016-2017, Albania spent 6.7 percent of GDP on health. However, the total expenditure of the Health Insurance Fund was quite low at 2.6 percent of GDP in 2018. While the level of health spending is comparable with other countries, Albania exhibits an extensive share of out-of-pocket payments at 58.0 percent. This raises concern as to whether the current system provides adequate financial protection of health care costs for individuals and households especially those in low income groups.

Need for extending social protection

By benefit branch, contributory old-age pensions stand out in terms of beneficiary coverage and the expenditure. Currently, almost all elderly persons (including all population aged 70 years or more) receive old-age pensions. Although the benefit level is modest (close to the minimum standards), old-age and family pensions have the most important impact in reducing poverty especially amongst the elderly. The expenditure on old-age pensions in Albania is comparable with the neighbouring countries and accounts for nearly 70 percent of the total social protection expenditure.

Apart from old-age pensions, other social protection cash benefits, both contributory and non-contributory, exhibit markedly poor performance in terms of beneficiary coverage and benefit adequacy. One reason for this is that a large number of workers do not qualify the social insurance benefits because they have not paid required period of contributions. The main clients of the current social insurance are employees in the formal economy. A growing number of workers in the informal economy and in non-standard forms of employment are not adequately covered by the existing system. Consequently, those who have failed to qualify for the social insurance benefits go to claim social assistance benefits. This is typically the case with disability and employment injury benefits.

On the other hand, the social assistance system, in particular the economic assistance (Ndihma Ekonomike) programme, suffer from low coverage, possibly due to exclusion errors resulting from the targeting mechanism and very low benefit levels. Thus it does not fully provide basic income protection for the population in need of support. The expenditure on economic assistance has been around 0.3 percent of GDP. Recent reform of the economic assistance, which was driven to improve the targeting accuracy, resulted in a sharp decline in the number of beneficiaries and a further reduction in the spending to 0.2 percent of GDP in 2019.

Social care coverage is extremely low, with only about 10,000 users in 2019 (0.35 percent of the population). Social care services are not available in 27 of 61 municipalities and there is no functioning referral system. Where social care services exist, they are often under-funded and of poor quality. The recent decentralization of social care services to local governments was not matched with a related investment in building local capacities to carry out this new responsibility. Albania has made firm commitments and strong progress in setting up a modern regulatory framework for disability benefits and social care services but further efforts are needed to turn these aspirations into reality.

Securing sustainable resources for social protection

The 2015 pension reform tightened the eligibility conditions including the gradual increase in the pensionable age. This contributed in improving financial sustainability although the current contribution level is insufficient and the Fund has consistently been in deficit at the level of between 1.5 and 2 percent of GDP. If the low participation in the social insurance system persists – only 44.5 percent of the working age population aged 20-64 in Albania contributes to the Social Insurance System in 2019 – then the costs of old-age pensions will shift from the contributory system to the social pension. Under-declaration of wages further exacerbates the problem. A declining role of the contributory social insurance system will render it politically and socially unsustainable in the long run.

For the existing contributory social insurance system to act as the main provider of income security for the elderly and provide other income protection to a wider group of workers, serious policy efforts are needed to extend workers' coverage and compliance with contribution payments. There is an urgent need to increase labour force participation and formalize employment, increase effective coverage of all types of employment contracts, and increase enforcement and compliance with reporting economic activities and contributions payment.

The informal economy and undeclared work are deep-rooted problems and constitute major obstacles in extending social security coverage. The policies encouraging the transition to formality and the reduction of undeclared work require the long-term commitment and continuous efforts of all stakeholders.

The social assistance system must effectively protect the poor and the vulnerable groups as social safety net, including social services. A key question is how one can design and implement an effective social assistance system and create the fiscal space necessary to finance the benefits in a sustainable manner. The Social Fund has been set up as a temporary mechanism to provide seed funding to local government in the short term. However, Albania needs to develop a financing strategy that ensures increased, sustainable investment in the social protection system at adequate levels comparable with the EU member states.

Towards an adequate, equitable and sustainable social protection system

The ILO Social Protection Floors Recommendation No. 202 calls for ILO Member States and social partners to establish and maintain social security floors, which should ensure access to essential health care and basic income security for all. At the same time, Recommendation No. 202 calls for progressively ensuring higher levels of social security to as many people as possible, guided by the Social Security Minimum Standards Convention No. 102 and other ILO social security instruments.

In view of the future changes as well as resource constraints, key stakeholders in Albania should discuss a wide range of policy options and make rational decisions to build an adequate, equitable and sustainable social protection system that leaves no one behind. To inform this debate, the ILO, with financing from Joint Programme "Catalysing Municipal Social Protection", produced a report entitled "Fiscal space for financing social protection in Albania" to complement the present review of the Albanian social protection system.

To contribute to the fulfilment of this goal, the ILO, together with partner UN organizations, stand ready to provide further technical assistance as a follow up to the findings and recommendations made in this report.

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Annex.

Social protection and jobs responses to COVID-19

COVID-19 situation	On 8 March the first cases were confirmed. On 10 March the new lockdown policy was introduced. On 1 June, second phase of reopening.	
Social Insurance	Pensions	On 30.3.2020, Decree "On indexing of pensions" effectuated 2.3 percent increase in pensions, establishing the new limits, plus compensations for the low pensions.
	Unemployment benefits	Council of Ministers Decision No 254, dated 27.3.2020 (amended), "On the procedures for the financial support to the employees of businesses with turnover up to ALL 14 million, economic support and unemployment benefits due to the COVID-19" (first financial package) increased the unemployment benefit by two times during the COVID-19 pandemic.
	Social security contributions	There was no deferral of the payment of social security contributions.
Social Assistance	Regular cash transfers	The economic assistance (Ndhma Ekonomike) benefits were doubled.
	One-off cash transfers	Council of Ministers Decision No. 13, dated 22.4.2020, "On amendments to Council of Ministers Decision No. 305, dated 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to COVID-19'". This decision supports financial assistance of ALL 16,000 per person for all the applicants of the economic assistance since July 2019, who have not received any economic assistance until April 2020 and do not benefit either from the 6% funds of municipalities.
	Housing benefits, Food vouchers, others	Council of Ministers Decision No. 236, dated 19.3.2020, "On providing home assistance to persons in need during the COVID-19 epidemic" establishes additional responsibilities to government institutions to ensure home delivery of assistance to the persons in need. This assistance consists in delivering the monthly social insurance or social assistance benefits as well as products, food and non-food items, and medicines. Persons in need are: <ul style="list-style-type: none"> • Families or individuals receiving social assistance (Ndhma Ekonomike); • Individuals with disabilities; • Pensioners (Elderly); • Those who are homeless or have lost their home due to the earthquake.
	School feeding	Universities, schools and kindergartens were closed. A range of televised courses were developed for primary and secondary students. Distance learning is also available via online platforms at the school level. Online lectures continued until the end of May.
	Public works	Municipality of Tirana created an initiative of Adopt a Grandfather/ Grandmother to help in delivering food to the elderly people living alone.
	Utility waivers	Council of Ministers Decision No. 58, dated 26.3.2020, "On the Energy Regulatory Authority" providing relaxed and exceptional procedures on metering the consumed electricity during the COVID-19 emergency. Normative Act No.3, dated 15.3.2020, "On special administrative measures during the COVID-19 infection period" provided that the tenants who have suspended their rent contract due to the pandemic can defer the payment of rents for April and May 2020. This also applies to students and businesses with turnover lower than 14 million ALL who have suspended their activity due to situation. The payment will be done after May 2020 while for those that the contract ends before 31 May 2020, the obligation should be done up to three months after this date.

Labour Market	Labour market regulations	The Government allowed several businesses to remain open after the WHO declaration of pandemic and closed several ones. Some of the activities were allowed to work even though in April. On 1 June most of the activities were allowed to reopen, most with added measures. However, public transport were not allowed till 5 July.
	Reduced work time/use of leave	Part-time work (part-time or weekly) is allowed under the Labour Code of Albania and has the same rights as full time workers.
	Wage subsidies	<p>Council of Ministers Decision No 254, dated 27.3.2020 (amended), "On the procedures for the financial support to the employees of businesses with turnover up to ALL 14 million, economic support and unemployment benefits due to the COVID-19" (first financial package) supports:</p> <ul style="list-style-type: none"> • Businesses with annual turnover up to ALL 14 million, closed down as a result of the imposed restrictions on businesses (closed down); • All the employees in these businesses receive a payment equal to the minimum wage (ALL 26,000) over the duration of restrictions; • Individuals with annual personal income over ALL 2 million are not eligible to receive such support. <p>Council of Ministers Decision No. 305, dated 16.4.2020, "On the procedures for the financial support to the actual employees and the unemployed due to COVID-19" (second financial package) supports:</p> <ul style="list-style-type: none"> • ALL 40,000 as lump sum for all the employees (formally employed at the time) in enterprises with annual turnover up to 14 million, allowed to operate by the government restrictions, with the exception of certain activities (lawyers, notaries, food industry, pharmaceuticals, etc.); • ALL 40,000 as lump sum for all the employees (formally employed at the time) in all accommodation structures active at the start of the emergency. <p>Council of Ministers Decision No 13, dated 22.4.2020, "On amendments to Council of Ministers Decision No. 305, dated 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to COVID-19'". This decision supports with:</p> <p>The lump sum amount of 40,000 ALL for every employee of the Ballsh Refinery.</p> <p>Employees of state administration who are board members or members of commissions of public administration institutions, higher education institutions and companies which are more than 50% state-owned do not get the monthly benefit from 1 April till the end of pandemic. Exception is made for employers who are members of boards, commissions or institutions which are related to the Ministry of Health and Social Protection. The Prime minister, deputy prime minister and ministries for the period of pandemic will receive a salary of 50% of their actual amount.</p>
Fiscal implications	Additional spending on health sector	Additional spending: Additional funding for health sector of ALL 2.5 billion (0.2% of GDP). In addition, allocation from the Reserve Fund (ALL 0.5 billion).
	Additional spending on non-health sector	<p>Additional spending:</p> <ul style="list-style-type: none"> • Unemployment benefits and social assistance amounts were doubled. Support of small businesses and self-employed that are forced to close activities due to the pandemic (a minimum wage of ALL 26,000 per month), and people in family businesses (with declared but unpaid family members in the payroll, for up to twice the minimum wages). These measures lasted April to June. • One-off transfer of ALL 40,000 to affected people (in tourism, active processing and employees of small businesses not included in the first package, including employees of large businesses that have been laid off due to the pandemic. <p>Foregone revenue:</p> <ul style="list-style-type: none"> • Small businesses (those below an annual turnover threshold of ALL 14 million) will not pay profit tax in 2020 (normative act April 23). Estimated amount ALL 81 million. <p>In total: 1.1% of GDP</p>

Fiscal implications <i>(Continued)</i>	Accelerated spending and deferred revenue	<p>Deferred revenue:</p> <ul style="list-style-type: none"> • All large companies (except banks, telecommunication, SOEs and companies in the chain of supply of essential goods) can defer the corporate income tax instalments for Q2 and Q3 2020 to Q2-Q3 2021. • For tourism, active processing and call centres – and small businesses with turnover of ALL14 million or less – the payment of Q2, Q3 and Q4 of 2020 profit tax is deferred to Q2-Q4 2021.
	Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations	<ul style="list-style-type: none"> • ALL 11 billion sovereign guarantee for large businesses to tap overdraft or credit lines in the banking sector to pay worker salaries. Government guarantees 100% of the principal and directly covers interest costs. Interest rate is capped at 2.85% and maturity is up to 2 years with a 3-month grace period on principal. • ALL 15 billion additional unfunded sovereign guarantee line (0.9% of GDP) was approved on April 15 to enable loans for working capital and investments. All private companies that have been tax compliant and credit-worthy before the pandemic are eligible. The government guarantees only 60% of the principal with loan maturity is up to 5 years with caps on interest rate (5%), individual loan limit (ALL 300 million), and 6-month grace period on repayment of principal. <p>Total: 1.7% of GDP</p>

Within the framework of the Joint UN Programme “Catalysing Municipal Social Protection”, the ILO, in collaboration with UNICEF and UNWOMEN, has conducted a review of the social protection system in Albania with a view to identifying gaps in coverage and financing of the existing system, and analyzing the fiscal space for building a comprehensive social protection system including national social protection floors.

The present report provides an overview of the current national social protection systems, both contributory and non-contributory, and assesses their recent trends and performance with respect to the structure and level of social expenditure, beneficiary coverage and adequacy, contributor coverage, and financial sustainability.

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