

Reform of the economic assistance programme in Albania

Issues and challenges



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► List of acronyms

ILO	International Labour Organization
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INSTAT	Institute of Statistics of Albania
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MIS	Management Information System
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NE	Ndihma Ekonomike (economic assistance)
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SDGs	Sustainable Development Goals
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SILC	Survey on Income and Living Conditions
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Summary

The economic assistance (Ndihma Ekonomike) programme, referred to as the NE programme, is the main cash social assistance scheme for poor families in Albania. In recent years, Albania has implemented a series of reforms of the NE programme. The first phase focused on legislative changes for improved targeting and on modernizing the administration which resulted in the development of the integrated Management Information System. Following the adoption of the Law No.57/2019 “On Social Assistance in the Republic of Albania” and related legislation, the Albanian government has been working for its full implementation with a recent focus on the exit policy from the NE programme. The key results achieved so far can be summarised as follows.

- The reformed programme has rationalised the application and selection process of NE benefits. A less complex application process facilitated more families in need to newly apply for the NE benefits. Based on the household status information verified by social administrators at local governments, the decision on the eligibility of the NE benefits is made by a proxy means test through a scoring formula incorporated in the Management Information System. This enabled the detection and elimination of false declarations and contributed to reducing the inclusion error. In addition, to mitigate the exclusion error, municipalities are endowed with six percent of the NE budget for providing NE benefits based on their own decision.
- The reformed programme provides higher benefits for more targeted beneficiary families. Partial NE benefits have been abolished and a full benefit is paid to all beneficiaries. As a result, the budget for the NE programme increased by 27 percent between 2013 and 2018. During the COVID-19 pandemic, the amount of the NE benefit was temporarily doubled in 2020 and 2021. In addition, one-off financial assistance was provided for all the applicants of the NE who have not received any NE benefits. In 2022, all NE benefits were increased by 10 percent twice. Moreover, the NE benefits for families with multiple children as well as for the elderly without pensions were increased by 100 percent.
- In recent years, the Albanian government has been focusing on the National Exit Programme, especially the economic reintegration of the working age NE beneficiaries into labour market. To facilitate the transition from economic assistance to employment, the Ministry of Health and Social Protection and the Ministry of Finance and Economy jointly approved an Operational Plan for effective coordination of the National Agency for Employment and Skills and the State Social Service. The government also adopted related laws which supplement the National Exit Programme, including the Law No. 65/2016 “On Social Enterprises” and the Law No. 15/2019 “On Employment Promotion,” which paves the way for establishing a Social Employment Fund as well as Youth Guarantee schemes. At the local level, each local government is required to establish the Needs Assessment and Referring Unit which is responsible for processing the application of NE and disability assistance benefits, identifying the families in need, and providing case management of NE beneficiaries for their economic empowerment.

In the context of the on-going reform of social assistance in Albania, the ILO conducted an analysis to assess the effectiveness of the reformed NE programme. The key observations and identified challenges are summarised as follows.

- ▶ Concerning the proxy means test for deciding the eligibility of the NE benefits by a scoring formula, it should be noted that the legislation only specifies the indicators in the scoring formula and their coefficients are not publicly accessible in order to prevent fraudulent claims. However, non-disclosure of the key coefficients prevents a proper assessment of the targeting performance of the scoring formula. The absence of clear information regarding the eligibility criteria could also undermine public trust in the eligibility decision process.
- ▶ The reformed NE programme enforces strict compliance to reporting and work requirements. In particular, working age family members should register as jobseekers in the employment office and participate in vocational trainings. Failure to comply with these conditions implies the suspension of the benefits and re-application for six months to one year. Moreover, under the new law, NE benefits are payable for a maximum of five years except for beneficiaries above pensionable age and single mothers with dependent children.
- ▶ The number of NE beneficiary families decreased by 37.2 percent between 2012 and 2021. The percentage decrease was particularly substantial for families with one or two members. Although quantitative data were not available, the interviews conducted with the social administrators confirm that the reformed programme has significantly reduced the inclusion errors in urban areas, despite that they persist in rural areas.
- ▶ On average in 2021, there were 62,030 families receiving NE benefits (68,246 including the beneficiaries from the municipal 6-percent funds). The estimated number of beneficiaries was 249,192 which accounts for 9.0 percent of the total Albanian population. However, based on the Survey on Income and Living Conditions in 2020, 63 percent of families in the lowest decile and 74 percent of families in the lowest quintile were not covered by the NE programme.
- ▶ Although Albania has not adopted any official definition of the minimum income, there are sufficient indications suggesting that the NE benefit levels are significantly low. For instance, the NE benefit for a single household in 2022 was only 14.0 percent of the at-risk-of-poverty threshold of the single household of 2020, and the NE benefit for a family with two adults and two dependent children was 32.8 percent of the at-risk-of-poverty threshold of the same family composition of 2020. Despite the substantial increase in the amount of NE benefit for families with multiple dependent children in 2022, the resulting level is still less than 40 percent of the minimum wage.
- ▶ The NE programme has a limited impact on reducing poverty risk. Despite the recent increase in the budget for the NE programme in monetary terms, the expenditure on the NE benefits as a share of GDP has been constant at a level of 0.3 percent of GDP or below which is markedly lower than the EU member states. In 2020, the estimated number of NE beneficiaries (not including the beneficiaries from the municipal 6-percent funds) was 8.8 percent of the total population, which accounts for about

40 percent of the population at risk of poverty. At most 3.0 percent of the population were lifted out of poverty risk by social transfers including the NE programme. While 45.2 percent of NE benefits were paid to the families of the lowest income decile, 63 percent of families in the same income group does not receive any NE benefits.

- Concerning the economic reintegration of the working age NE beneficiaries into labour market, the programme has not fully achieved its objectives due primarily to the COVID-19 pandemic but also due to the lack of preparation in establishing an effective referral mechanism between Social Service Offices and Employment Offices at the central and local levels. Since 2022, the government has revitalised the referral mechanism for the employment and social integration of the working age NE beneficiaries. It should be also noted that the provision of necessary social care services by the local government is insufficient.

While committed to further improve the NE programme in line with the Roadmap prepared by the Ministry of Health and Social Policy, Albania should ensure the coverage and improve the benefit level of the NE programme in order to provide income protection that adequately meet different needs of individuals and families without any gaps. The ILO, together with partner UN organizations, stand ready to provide further technical assistance for the tripartite partners in Albania to build an adequate, equitable and sustainable social protection system that leaves no one behind.

Introduction

Social assistance guarantees people's right to live by providing a last resort income support to individuals and families whose income and assets are not enough to cover their essential living expenses.

The economic assistance programme, known as "Ndihma Ekonomike" and referred to as the NE programme in this report, is the main cash social assistance scheme for poor families in Albania. Social assistance reform is one of the priorities in the national agenda in Albania. In recent years, Albania has implemented a series of reforms of the NE programme, which resulted in the adoption of the Law No. 57/2019 "On Social Assistance in the Republic of Albania."

The Albanian government has been striving for the full implementation of the reformed programme especially for the economic reintegration of the working age beneficiaries into labour market. However, there are also concerns related to the risk of exclusion due to the newly introduced means test and low benefit levels, resulting in a limited impact on the poverty reduction.

In this context, the ILO conducted an analysis to assess the effectiveness of the NE programme under the on-going reform of social assistance in Albania in the framework of the Joint UN Programme "Strategic policy options for SDG financing."

This report is organised as follows. **Chapter 1** summarises the recent development and current provision of the NE programme. **Chapter 2** analyses the performance of the reformed NE programme in recent years based on the available data. **Chapter 3** reviews the recent progress of provision of employment services and social services for the NE beneficiaries. **Chapter 4** highlights the key issues and challenges facing the NE programme and presents observations from the perspectives of the international standards and the agreed development objectives as expressed in the 2030 Agenda for Sustainable Development.

An initial version of the report was prepared by Linda Rama, ILO expert, who reviewed the recent experiences of the NE programme reform and conducted interviews with social administrators and other key stakeholders in selected municipalities. This final report was completed under the supervision and additional contributions of Kenichi Hirose, Senior Social Protection Specialist of the ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe (ILO DWT/CO-Budapest), and Veronika Wodsak, Social Protection Policy Specialist of the Social Protection Department (SOCPRO). The final draft of the report was presented at the National Forum on Social Assistance in Albania held on 17 November 2022. Comments from the Albanian tripartite partners have been reflected in this final report.

We hope that the findings and recommendations in this report can stimulate further discussions to improve the NE programme which will lead to an effective policy that guarantees basic income security for all.

1. The current NE programme in Albania

▶ 1.1. Development of the NE programme

The Constitution of Albania (Article 52, 2) states that “Everyone, who is without work involuntarily, and has no other means of support, has the right to assistance under the conditions provided by law.”

In Albania social assistance was first introduced in 1992 in response to the massive unemployment due to the bankruptcy of state-owned enterprises. The first Law No. 7710/1993 “On Help and Social Welfare” initially covered the families in urban areas that lost the major income, the families whose per capita income was below the subsistence minimum, and the families with six or more members. The coverage was subsequently extended to rural areas in 1994. For a two-person family, the full social assistance benefit was set at 140 percent of the unemployment benefit for a single person, plus additional energy compensations.

Initially cash social assistance was paid to a large number of families. In 1996, 145,232 families, whose members comprise approximately 20 percent of the population, were in receipt of social assistance, and the expenditure in 1995 amounted 1.6 percent of GDP. After the recovery from the economic transition, the programme revealed the inequity problem due mainly to its poor targeting. While a significant number of non-poor families were receiving social assistance benefits, half of the families in the lowest income decile did not receive any social assistance.

In 2002 the government started to review the status of current beneficiaries of the NE programme. Evidence suggested that the social assistance benefits could create disincentives to work. During the period 2004-2005, the government implemented a pilot project which required at least one member of beneficiary family to participate in a work programme. A family is not eligible for receiving social assistance if a member owns any form of capital (including any income from land); is economically active; resides abroad; is not registered as unemployed; refuses to take an offered job; refuses to take land; does not collect the benefit within six working days; or undertakes fraudulent actions to receive the benefits. Between 2000 and 2005 the expenditure on the NE programme declined by around 40 percent and the number of beneficiary families by 20 percent.¹ Though there

1. World Bank, 2006.

were limited data for assessing the outcomes of this pilot project, a shortage of suitable jobs for the beneficiaries (most of whom were low skilled) was identified as one of the obstacles.

However, the NE programme still suffered high exclusion errors, complicated application processes (28 eligibility criteria that require at least nine documents from seven agencies), weak administrative capacity for oversight and control, and the lack of the national information system. Proposals were made to further improve the targeting mechanism through the introduction of a proxy means test and to simplify the application process and standardise the selection criteria which were largely left to the discretion of local governments.²

In 2012, with the financial support of the World Bank, the Albanian government launched a reform of social assistance to improve its equity, efficiency and transparency. The reform focused on the NE programme and the disability assistance programme (PAK). Within this framework, the government developed basic provisions of a reformed programme and piloted in Tirana, Elbasan and Durrës.³ After a three-year piloting from 2014 to 2016, the government extended the reformed programme nationwide from 2018. To support the administration of the reformed programme, a Management Information System (MIS) was also developed.

In 2019 the government adopted a new Law No. 57/2019 “On Social Assistance in the Republic of Albania.” The scope of this law covers the NE programme, disability assistance, benefits for the newborn (baby bonus), and benefits for caretakers of family members in need. The Law envisages sanctions in the form of temporary exclusion from the NE benefit in instances such as false self-declaration, refusal of social administrators’ visit to verify the self-declared social economic conditions, or refusal by working age family members in enrolling in vocational training. Also, the above Law stipulates that the NE benefit is payable for up to five years with exception of families with members above pensionable age and families with female head with dependent children.⁴

Following the nationwide implementation of the reformed NE programme in 2018 and the adoption of the Law No. 57/2019, the government has shifted its focus on reactivating the working age NE beneficiaries and the rejected NE applicants by the means test. However, the effort of activation support was not sustained due to the lack of effective coordination between the State Social Service and the National Agency on Employment and Skills at central and local levels but also due to the effect of the COVID-19 pandemic. Since 2022, the government has intensified its efforts to revitalise the referral mechanism of non-working members of the NE beneficiary families.

2. World Bank, 2010.

3. Council of Ministers’ Decision No. 904, dated 12.12.2012, “On the determination of the criteria, procedures and documentation of the economic assistance benefit in the pilot areas.”

4. See also: Council of Ministers’ Decision No. 597, dated 4.09.2019, “On the procedures, documentation and the monthly amount of benefit of economic assistance and the use of additional fund over conditional economic assistance fund.”

During the COVID-19 pandemic in 2020-2021, cash social assistance and emergency humanitarian support were provided for low income and vulnerable families affected by the pandemic.⁵ The amount of the NE benefit was temporarily doubled for three months between April and June 2020, and later another six months between January and June 2021. In addition, one-off financial assistance of 16,000 lek per person was provided for all the applicants of the NE who have not received any NE benefits or benefited from the 6-percent funds of municipalities during the period from July 2019 to April 2020.⁶

▶ 1.2. Administration of the NE programme by local governments

Initially the NE programme was administered centrally. In 1995, local governments became responsible for processing the applications including the verification of the economic and social status of the applicants, while the central government provided block grants to local governments to finance the costs.

Despite various attempts, the local government provision of the NE programme did not function properly.⁷ Across local governments, there was a large disparity in the number of NE beneficiaries as well as the benefit levels (ranging from 800 lek to 7,000 lek per month). In some local governments, benefits were not paid at all because the local governments exhausted their budget or local government council did not meet. Since 2010, the budget on NE benefits is determined based on the poverty estimates and historical numbers of beneficiaries for each municipality. However, the decision was made mostly on an ad hoc basis.

As a result of Albania's fiscal and administrative decentralization that started in 2015, the local governments, in particular the social administrators, now play a key role in identifying the families in need of economic assistance, verifying the self-declared information and monitoring the living conditions of the beneficiary families, in particular the efforts towards self-reliance. Local governments can also decide the provision of NE benefits (albeit a limited number) based on the assessment by their own social administrators.

Following the Law No. 121/2016 "On Social Care Services," each local government is required to establish the Needs Assessment and Referring Unit which is responsible for processing the application of NE and disability assistance benefits, identifying the

5. ILO, 2021a., Jorgoni, 2021b.

6. 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.'"

7. For instance, local governments were allowed to retain half of the difference between the transferred budget and the spending on NE benefits.

families in need, and providing case management of NE beneficiaries for their economic empowerments. However, 37 percent of administrative units have not yet established such units and the task is performed by social workers.

Of the local administrative units that have established the Needs Assessment and Referring Units, 498 municipality staff are in charge of social assistance, 450 social administrators, 213 social workers, 140 child protection workers, and 102 domestic violence coordinators. Of these, 372 employees perform more than one function. Of the 61 municipalities, 80 percent of them responded that the current number of staff on social assistance is insufficient. The major reasons for the staff shortage are: lack of budget (91 percent); low awareness of local decision makers on the importance of social assistance (20 percent); and, low interest by municipality staff (13 percent). Regarding staff development, 56 percent of municipalities do not provide any training for the municipality staff.

► 1.3. Application process

According to the Law No. 57/2019 “On Social Assistance,” the groups eligible for NE benefits are: families in need who do not have sufficient income; orphans who are not in social care institutions; parents with more than two children born at the same time; victims of trafficking; and victims of domestic violence.

Table 1.1 summarises the application process. Upon the receipt of application, the social administrator interviews the applicant family to complete the application form (see Table 1.2). After registering these data in the National Electronic Register, the social administrator conducts a home visit for verification of the self-declared information. In case an applicant family makes false declarations, the application is rejected and the family is not allowed to apply the NE for six months if they made a single false statement, and for one year for multiple false statements.

Social administrators prepare the list of applicants and transmits it to the Regional Social Service Office. Then the Regional Office crosschecks the household data⁸ and assesses the application by the proxy means test. The assessment is made by applying a unified scoring formula to the household data of each applicant family. The decision on the eligibility and the amount of NE benefits is given electronically. The Regional Social Service Office prepares the list of eligible and rejected applicants. The final list of qualified applicants is sent to the municipalities. The list of the rejected applicants is provided with the reasons for disqualification.

8. In the Management Information System, applicants’ data are crosschecked with the following external databases: unemployment registry, civil registry, tax database, social insurance database, and property registration database.

If a rejected applicant family does not consent to the decision of the Regional Social Service Office, the family has the right to appeal.⁹ The family can file a complaint in writing within 20 days, first at the municipality level, then at the regional level, and ultimately they can file a lawsuit in court.

► **Table 1.1. Steps for determining the eligibility of the NE benefits**

Type of action	Responsibility	Frequency
First step: Submission of application from family head		
File an application at the economic assistance office	Adult member of the family (supported by social worker)	Every 3 months following the first application
Conduct the interview	Social administrator	First application and every 3 months
Provide documents and certificates	Head of family	First application and every 3 months
Second step: Social administrator inquiry and information crosscheck		
Enter data in the National Electronic Register	Social administrator	When the family apply for the first time as well as when families declare changes in composition, health status and living conditions of the family
Conduct a home visit	Social administrator	Within the month of the first application and twice a year thereafter
Prepare the list of applicants and submit it to the Regional office	Social administrator	Every month
Local Council approves the beneficiaries covered by the 6%-fund	Local Council	Every month
Third step: Approval or rejection of the application		
Crosscheck the information declared by applicant families	Regional office	For first-time applications
Process the information of the applicant families through scoring formula	Regional office	Every month
Prepare the lists of beneficiaries and rejected families and send them to municipalities	Regional office	Every month
Publish the lists of beneficiary and rejected families with explanation.	Regional office	Every month
Re-application/appeals		
Re-application	Adult family member	In case of refusal due to false declaration or nonfulfillment of work requirement, the benefit is suspended for 6 or 12 months.
Filing of a complaint	Adult family member	Within 20 days
Approval of rejected applicants based on the assessment by the local social administrator with approval by Local Council		

Source: Adapted from ILO, 2021b.

9. Ombudspersons can also mediate between the families and municipality offices to resolve the complaints.

Apart from the above process, local governments can approve the provision of NE benefits for a selected number of rejected applicants based on the assessment by the local social administrators with the approval of the Local Council. The government allocates 6 percent of the NE budget to local governments in the form of a block grant to finance these additional NE applicants. Local governments can also allocate additional funds from their own budgets. This measure was introduced in order to mitigate possible targeting errors resulting from the proxy means test.

Table 1.2 summarises the information required for application of NE benefits. In addition to providing the information which should be verified by social administrators, an applicant family has to provide: (i) ID cards or birth certificates of all family members; and, as applicable, (ii) certificate of land ownership or land lease issued by the State Cadastral Agency; (iii) certificate of divorce process issued by the court; (iv) certificate of disabilities issued by the Medical Commission; (v) certificate of school attendance issued by the school; and (vi) child health book with the vaccination record.

► **Table 1.2. Information required for the application of NE benefits**

Section A – Applicant’s basic information (name, gender, date of birth, address, ID number...)	
Section A2 – Information on the social administrator	
Section B – Applicant’s socio-economic information	
1	Ethnic group: (Albanian; Macedonian; Greek; Montenegrin; Roma; Vlach)
2	Language in which you would like to receive further information about your application
3	Beneficiaries of disability assistance or disability pensions. List all names of beneficiary family members (basic information including the vaccination record for children)
4	Education: None / 4-year primary education / accomplished 8–9 years of primary education / general secondary education / vocational education 2–3 years / vocational education 4–5 years / completed university in Albania / completed university outside Albania / postgraduate in Albania / postgraduate study outside Albania
	<p>Questions for all family members 16 years old and above.</p> <ul style="list-style-type: none"> • Are you pursuing secondary or higher education?: bachelor / master / doctorate • Have you worked in the last 4 weeks, including unpaid work on a farm or family business or a casual work in few hours? • If yes, in this job you are: employee who is not a family member / paid worker on a family farm or other business / employer / self-employed / unpaid family farm or family business worker / others (specify)? • Are you entitled to benefit from the social security scheme? • How much was your last payment or net? If the respondent has not yet been paid then ask: What payment do they expect? What time period does this payment cover? • What is your usual net pay or profit? What time period does this payment cover? (The reference period is the last 12 months).
Housing, Water / Electricity / Gas and Durable Goods	
5	Household: private house, apartment, other (specify)
6	Number of rooms (excluding hallways, balconies and bathrooms)
7	Condition of the housing unit: very good condition / suitable for living / unsuitable for living / in construction
8	Bathroom: 1 bathroom inside the house / 2 or more bathrooms inside the house / outside bathrooms with sewerage / outside bathrooms without sewerage / others (specify)
9	Does your house have the following?: separate kitchen / separate shower or bath / balcony or terrace / cooking annex / attic / garage / elevator

10	Ownership status of the building: owned / owned and paying mortgage / rented by a private individual / rented by the state / I live here for free / others (specify)
11	Time (in minutes) to the closest: bus station / health centre (doctor) / elementary school
12	Main source of water: running water inside the house / running water outside the house / fountain or well / river, lake, pond etc. / tank with water / public drinking fountain / others (specify)
13	The source of heat used in the household: electricity / coal / fire wood / central heating / gas / oil, kerosene / others (specify)
14	Electricity meter: common / individual / no meter
15	Does your household use gas? (Yes/No)
16	The purpose of gas use: lighting / heating / cooking / others (specify)
17	Household assets. For each item, indicate if your family owns or not: colour TV / black and white TV / video or DVD player / tape recorder or CD player / refrigerator / washing machine / camera or video camera / dishwasher / gas or electricity stoves / kerosene stove / wood stoves / radiator / power generator / sewing machine / air conditioner / boiler / computer / satellite or cable receiver / bicycle / motorcycle / vehicle / small transport vehicle / microwave / small electrical cooker
18	Does your family own land?
19	Does your family rent land?
20	Area of your family's owned land and rented land (in square meter)
21	Farm animals. How many does your family have the following?: cows / pigs / sheep / goats / bull / birds / apiary / horse / donkey or mule / rabbits / fish for aquafarming
22	Benefits from the following list received in the last 12 months (beneficiary member, amount, number of months) : Ndihma Ekonomike / disability assistance / old-age pension (urban or rural) / supplementary pension / disability pension (urban or rural) / pensions for special merits / survivors' pension (urban or rural) / unemployment insurance / benefits for war veterans / maternity benefits / social care services for the elderly and people with disabilities / paid sick leave / others (specify)
23	Other income from the following list received in the last 12 months (source, amount): social protection benefits / remittances (gifts) / remittances (gifts from relatives abroad) / gifts from relatives in Albania / gifts from other relatives (including gifts for a ceremony) / gifts or assistance from institutions / rent from agricultural land / rent from non-agricultural land / rent from apartments or house / rent from shops / rent from cars or other vehicles / income from assets / sale of the real property / sale of durable household goods / sale of other assets / inheritance / lotteries or gambling / sale of raw agricultural products / sale of processed agricultural products (honey, raki, wine, processed food, etc.) / sale of farm animals / sale of farm animal products (eggs, milk, cheese, wool, animal skins) / cash or in-kind contributions from agricultural cooperatives
24	Total monthly net income of the family (wages, social protection, pensions, social assistance)
25	Total monthly family expenses
26	Others (notes from the applicant)
27	Name of the head of the household / spouse who will administer the amount of assistance

Verification of the socio-economic situation

Upon the visit, the social administrator verifies the following:

- Is the information about family members accurate?
- Has the disability been declared correctly?
- Is the employee status correctly declared?
- Is education correctly stated?
- The social administrator verifies the declared information on items 5, 6, 7, 9, 10, 13, 14, 15, 16, 17, 21 in Section B.

Signature of the family member

Signature of the social administrator

Declaration: Adult family members appear every three months to the social administrator to declare the socio-economic status of the family.

Source: Adapted from Council of Ministers' Decision No. 956, dated 7.12.2016.

► 1.4. Issues in the proxy means test

In 2016 the government adopted a Decision which describes the scoring formula used for means testing of NE applicants.¹⁰ However, this legislation only specifies the indicators in the scoring formula and it does not explicitly provide the coefficients in the scoring formula or thresholds for determining the eligibility. According to the State Social Service, the formula is adjusted based on the updated statistics of the poverty indicators in Albania. It should be noted that since 2017 the Survey on Income and Living Conditions (SILC) has been used as the source of data for the measurement of poverty in Albania. Prior to that the Household Budget Survey was used for that purpose.

Concerning the decision of non-disclosure of the explicit form of scoring formula, the Albanian authorities explain that they have adopted the recommendation by the World Bank experts that the coefficients of the scoring formula should not be disclosed in order to prevent fraudulent claims by applicant families through false declaration or manipulation of the information. However, non-disclosure of the key coefficients prevents a proper assessment of the targeting performance of the scoring formula. The absence of clear information regarding the eligibility criteria could also undermine public trust in the eligibility decision process.

Over the years, many social administrators have gained knowledge on the scoring formula despite its explicit form is unknown. Based on the empirical knowledge on the scoring formula, social administrators can influence the eligibility decision by manipulating the self-declared information of applicant families. The social administrators interviewed for this report made the following suggestions to improve the effectiveness of the NE application process.

- If an applicant family owns a house and has working age members (between 18 years and the pensionable age¹¹), it is automatically rejected by the scoring formula. Actually, it is very difficult for persons above 50 years of age to find an employment. It is suggested that in this case certain age thresholds, for instance 55 years for women and 60 years for men, could be introduced.
- Since the scoring formula favours those who do not own houses, in order to benefit from the NE programme some applicants intentionally move to a place which does not belong to them (even if they do not pay any rents).
- Concerning household assets and equipment (e.g., land, TV, PC), not only the quantitative information but their conditions and quality should also be taken into account for determining the eligibility.

10. Council of Ministers' Decision No. 956, dated 7.12.2016, "On determining the criteria and details of unified scoring formula to benefit from the economic assistance."

11. As of 2021 the pensionable age 65 years for men and 61 years for women. From 2032, the pensionable age for men is increased by one month per year until it reaches 67 years in 2056 onwards. From 2015, the pensionable age for women is increased by two months per year until it reaches 67 years in 2056 onwards.

► 1.5. Benefit amounts

The benefits of the NE programme consist of monthly cash benefits and benefits in kind. The amount of the cash benefit depends on the family structure. Until 2021, the NE benefit was calculated by 1,800 lek for the first family member (family head), increased by 1,260 lek for each additional family member aged 18 years or above and 900 lek for each additional member under 18 years of age.

In 2022, the NE benefits were increased twice in January and October. In January 2022, the NE benefits were increased by 10 percent. Moreover, for families with three or more children aged under 18 years, the benefit was increased by two times. For the victims of human trafficking or domestic violence and orphans not in foster care, the benefit was increased by three times. In October 2022, the NE benefits were increased further by 10 percent. In addition, the benefit was increased by two times for families with a woman head with two children, and for each NE beneficiary who does not receive old-age pension or social pension. Table 1.3 presents the NE benefits between 2019 and 2022 by family composition.

► **Table 1.3. Amount of the NE benefits by family composition, 2019–2022**

Family composition	1 adult	1 adult and 1 child	2 adults	2 adults and 2 children	2 adults and 3 children
NE benefit 2019–2021	1,800 lek	2,700 lek	3,060 lek	4,860 lek	5,760 lek
NE benefit 2022 Jan–Sept	1,980 lek	2,970 lek	3,366 lek	5,346 lek	11,520 lek
NE benefit 2022 Oct–	2,178 lek	3,267 lek	3,703 lek	10,692 lek	12,672 lek

Source: Council of Ministers’ Decision No. 597, dated 4.9.2019, Council of Ministers’ Decision No. 617, dated 22.9.2022, and Instruction of the Ministry of Health and Social Protection No. 4, dated 17.02.2017 “On the calculation of the benefit of economic aid.”

Note: It is assumed that the family head is a woman and adults are younger than 65 years of age.

The maximum amount of economic assistance is set at 150 percent of the social pension. The Law No. 57/2019 “On Social Assistance” abolished the partial NE benefit, thus a full benefit is paid to all beneficiaries.¹² NE benefits are paid monthly through banks or post offices. The right to receive NE benefits belongs to the wife of the head of the family.

In addition, beneficiary families can receive an energy compensation and families with children receive subsidies of 300 lek for each child up to 15 years of age attending the school, and 100 lek for each vaccination received. Also, families with triplets, quadruplets and quintuplets receive additional 1,100 lek per child per month. The NE benefit for trafficked women and victims of domestic violence is 9,900 lek per month.

12. As a result, 15,000 families shifted from partial benefits to full benefits. It is reported that about half of the NE beneficiary families received partial benefits in 2013.

In addition to the cash benefit, NE beneficiaries also receive the following benefits in kind:

- ▶ Free health services in primary and secondary health care institutions;
- ▶ Free nurseries and kindergartens;
- ▶ Free university tuition;
- ▶ Scholarship for university education;
- ▶ Free textbooks for compulsory education;
- ▶ Benefit from social housing programmes;
- ▶ Exemption from the fees for registration of real estates.

The total value of the NE benefit will be higher if one includes the in-kind benefits.

▶ 1.6. Conditions for receiving benefits

The reformed NE programme enforces strict compliance to reporting and work requirements by the beneficiary families and may suspend the benefits if they fail to meet these requirements. To continue receiving the NE benefits, the beneficiary families need to reconfirm their socio-economic status every three months and unemployed working age beneficiaries must register each month as jobseekers in the Local Employment Offices and participate in vocational trainings. The NE benefit is also conditional on obligatory health check-ups for the family members aged between 35 and 70 years. If a beneficiary family fails to comply with any of the above conditions, their NE benefit is suspended for six months and they are not allowed to re-apply during that period. If any member of a beneficiary family refuses a job offer, or quits jobs without reasonable reasons, their benefit is suspended for one year. In 2018, the State Social Service and the National Employment Service signed an agreement to enhance their cooperation and data exchange through the integrated Management Information Systems.¹³

Social administrators monitor the status of the NE beneficiaries. They conduct visits to a new applicant within the month of application, and the current beneficiaries every six months. It is reported that social administrators face difficulties in conducting visits to the beneficiaries living in rural areas. The NE inspectors monitor the implementation of the NE programme at the municipality level. In 2020, a total of 234 administrative units were inspected and 1,275 cases of non-compliance with NE benefits and disability

13. Currently, the Management Information System cannot automatically pre-empt the re-application of applicants rejected due to false declaration. These cases can be detected in the monitoring controls by Regional Social Service Offices.

assistance were found. For these cases, administrative measures were applied including the decision to suspend the benefits.

The Law No. 57/2019 “On Social Assistance”¹⁴ provides that NE benefits are payable for a period not exceeding five years except for beneficiaries above pensionable age and single mothers with dependent children. This implies that working age beneficiaries are expected to be self-supporting through placement into labour market within the five-year period.

14. See also Council of Ministers’ Decision No. 597, dated 4.09.2019, “On the procedures, documentation and the monthly amount of benefit of economic assistance and the use of additional fund over conditional economic assistance fund.”

2. Recent experiences of the reformed NE programme

► 2.1. Decrease in the number of NE beneficiaries

As shown in Table 2.1, there were 62,030 families¹⁵ receiving NE benefits on average in 2021. The estimated number of beneficiaries was 249,192 which accounts for 9.0 percent of the total Albanian population.¹⁶

► **Table 2.1. Number of NE beneficiary families by size, 2010–2021**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of families receiving economic assistance (NE)												
1 member	6,462	6,478	5,484	5,641	3,854	4,406	4,301	4,582	1,643	1,572	1,705	1,779
2 members	8,297	8,642	8,735	9,218	6,534	6,724	7,097	7,326	2,386	4,617	5,394	6,161
3 members	13,740	14,389	15,036	16,581	12,517	13,188	13,821	14,352	9,156	11,384	11,746	12,326
4 members	27,427	28,310	28,511	30,340	22,954	23,938	24,271	24,451	18,838	20,390	20,764	20,842
5 members	21,466	21,701	21,751	22,998	17,699	18,124	17,963	17,867	13,692	14,089	13,721	13,282
6 members	11,222	11,255	11,017	11,309	8,502	8,284	7,994	7,781	5,465	5,646	5,482	5,146
7 or more	8,926	8,718	8,276	8,311	6,012	5,394	4,702	4,586	2,801	2,799	2,633	2,494
Total	97,540	99,494	98,810	104,398	78,071	80,057	80,147	80,945	53,982	60,496	61,445	62,030
Estimated total number of family members	411,128	417,230	414,895	436,201	327,880	331,252	327,735	328,217	230,092	250,432	250,715	249,191
As a % of population	14.1%	14.4%	14.3%	15.1%	11.3%	11.5%	11.4%	11.4%	8.0%	8.8%	8.8%	9.0%

Source: Institute of Statistics of Albania.

Note: Figures from 2018 onwards do not include the beneficiaries paid from the municipal 6%-funds.

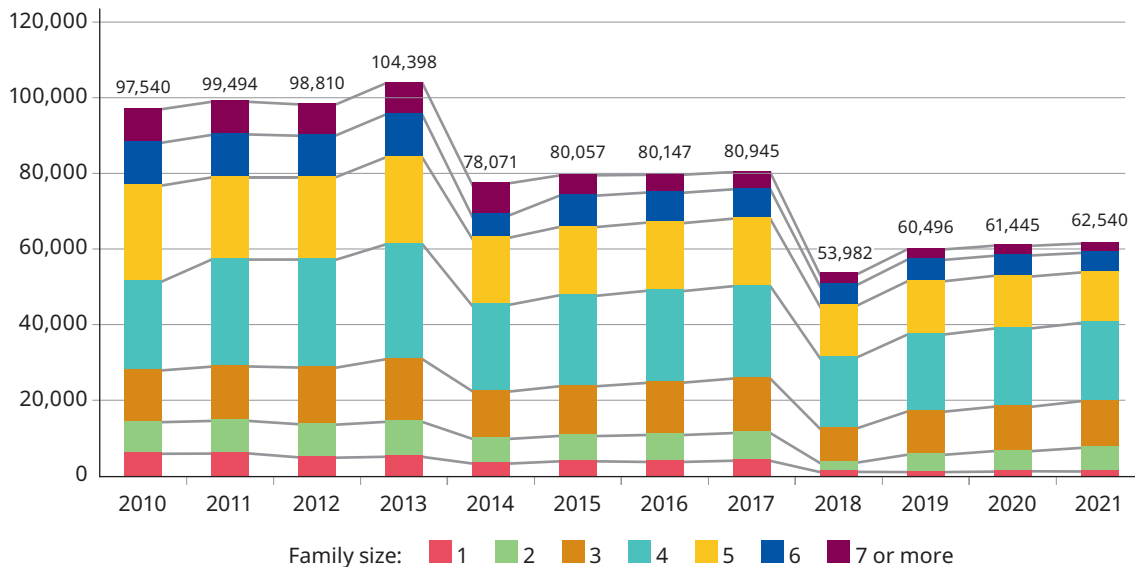
In 2020 the average number of beneficiaries was almost the same (61,445 families), apart from the period May–June 2020 when the State Social Service reported an increased number of supported families due to the COVID-19 pandemic (the peak NE beneficiaries’

15. Including the beneficiaries of the 6-percent fund, the total number of the NE beneficiary families is 59,546 in 2018, 63,455 in 2019, 66,472 in 2020 and 68,246 in 2021.

16. In July 2021, 2.8 percent of the beneficiary families were of the category of special needs, such as orphans not in social care institutions; parents of triplets or more; victims of trafficking; and victims of domestic violence. Also, 2.4 percent of the beneficiary families were headed by women with dependent children.

figure was reached in June at 71,091 families). Also, in 2020 the number of families benefiting from the 6-percent discretionary fund increased from 2,533 in January 2020 to 4,102 in December 2020.

► **Figure 2.1. Number of NE beneficiary families by size, 2010–2021**



Source: Institute of Statistics of Albania.

As presented by Figure 2.1, the number of NE beneficiary families decreased by 37.2 percent from 2012 to 2021. It is observed that the total number of beneficiary families dropped by 25.3 percent in 2014, when the reformed programme was piloted in three large regions, and by 33.3 percent in 2018, when the reform was rolled out to the whole country. The percentage decrease was particularly substantial for families with one or two members.

An impact evaluation of the reform piloting regions¹⁷ carried out in 2014 found very small differences between the eligible and ineligible families with respect to income, assets, access to services, food security and perceived well-being. The main difference was the family composition. Namely, the eligible families have more younger adults and children, a lower level of education, and significantly fewer members aged between 50 and 55 years who were categorised as difficult to find work. As a matter of concern, the impact evaluation found that some extremely poor single person families were declined to receive the NE benefits by the scoring formula. In addition, the evaluation found considerable regional disparities regarding the effectiveness of registration processes as well as the outreach and communication activities.

17. World Bank, 2014. The survey was based on the data of the applicants for the first six months of 2014. The sample size was 690 for eligible households and 696 for ineligible households in Durrës, Elbasan and Tirana.

As shown in Table 2.2, when the reformed programme became nationwide effective in January 2018, the total number of applicants was comparable with the number of recipients in the previous year but almost half the applicants were not qualified. From the above observation, large part of those applicants were rejected by the scoring formula. It is plausible that the scoring formula incorporates the family composition and attaches a relatively important weight to it. At the same time, a less complex application process facilitated more families in need to apply for the NE benefits. In 2018, a total of 18,730 families newly applied for the NE benefits and 10,758 families became eligible for the first time. Also, during the piloting phase in 2014, the Management Information System detected 24,366 fraudulent cases.

► **Table 2.2. Number of NE applicants by outcome, 2018–2021**

	2018 Jan.	2018	2019	2020	2021 (Jan.–Sept.)
Total applicants	98,064	65,832	65,491	65,249	66,969
Qualified applicants	51,834	54,061	60,439	61,330	63,368
Declined applicants	46,230	11,771	5,052	3,919	3,601
– due to the scoring formula	n.a.	7,251	2,960	1,991	1,772
– due to false declaration	n.a.	4,520	2,092	1,928	1,829

Source: State Social Service.

According to the social administrators, as a result of the new eligibility decision mechanism, inclusion errors have been significantly decreased in urban areas, but they still exist in rural areas due to the lack of accurate information regarding their assets such as the land and livestock.

Table 2.3 presents the number of complaints in the pilot reform regions from 2015 to 2021. Most of the complaints relate to false declarations. Municipality office staff state that the number of registered complaints is low because the requirement to file complaints in writing is perceived as burden by the applicant families who generally have low education profiles.

► **Table 2.3. Number of complaints in Tirana, Elbasan and Durrës, 2015–2021**

	Total applications	Total refusals	Total complaints
2015	26,315	3,077	399
2016	27,283	1,778	284
2017	29,724	2,096	194
2018	23,578	2,588	142
2019	21,788	1,256	129
2020	21,392	1,194	69
2021	21,493	1,086	n.a.

Source: State Social Service.

As shown in Table 2.4, the regions with the high number of NE beneficiaries are Elbasan, Dibër, Korça and Kukës. These four regions are predominantly rural and they account for more than 70 percent of the total NE beneficiaries. These regions also exhibit high share of the working age NE beneficiaries.

► **Table 2.4. Number of NE beneficiary families by region, 2021 September**

Region	Number	Share
Elbasan	16,145	26.1%
Dibër	10,395	16.8%
Korçë	8,804	14.2%
Kukës	8,128	13.2%
Shkodër	4,483	7.3%
Tiranë	3,178	5.1%
Lezhë	2,838	4.6%
Fier	2,393	3.9%
Vlorë	2,121	3.4%
Berat	1,602	2.6%
Gjirokastrë	908	1.5%
Durrës	794	1.3%
Total	61,789	100.0%

Source: State Social Service.

► 2.2. Characteristics of the NE beneficiaries in working age

In December 2021, 149,835 persons or around 60 percent of the NE family members were working age between 18 years and the pensionable age. As summarised in Table 2.5, the following observations are made on the characteristics of the NE beneficiaries in working age.

- The gender composition is nearly equal although there were slightly more men than women.
- More than 75 percent of the working age NE beneficiaries belong to the age group between 18 and 50 years of age.
- Almost half of the working age NE beneficiaries are in the NE programme for more than three years. (This means that they can continue to receive NE benefits for up to two years.)

- Considering the education level, a large majority have completed either 8-9 year education or high school. About 5 percent have completed only the elementary school, and about 4 percent have not completed any education.

► **Table 2.5. Characteristics of the working age NE beneficiaries, 2021 December**

Sex	Female	47.7%
	Male	52.3%
Age group	18-30	31.3%
	31-50	45.1%
	above 50	23.6%
Number of years in the programme	Less than 1 year	20.1%
	1-2 years	17.8%
	2-3 years	13.4%
	3 years or more	48.8%
Education	None	3.9%
	Elementary school	5.2%
	Completion of 8/9 year education	65.0%
	High school	22.8%
	Vocational school	1.3%
	University or higher	1.8%
Head of the family		36.6%
Family owns land		84.2%

Source: State Social Service.

According to the National Agency on Employment and Skills, only 22,167 NE beneficiaries, or around 15 percent of the working age NE beneficiaries, have been registered in employment offices as jobseekers. Of this group, 34 percent was aged 50 and over. A large number of NE beneficiaries in rural areas are not registered in the employment office because they are considered as self-employed by law and hence do not obtain the status of unemployed jobseekers.

Also, the National Agency on Employment and Skills reports that the NE beneficiaries refuse job offers for different reasons such as: health problems; caring family members (due to lack of access to childcare facilities); caring children with disabilities; caring the elderly; and low wage level or inappropriate working conditions. However, generally speaking, the NE beneficiaries lack awareness on opportunities offered by active labour market programmes or the advantages of formal jobs such as social insurance coverage. Some beneficiaries work in the informal economy in cities or find a seasonal work in neighbouring countries while continuing to receive NE benefits.

▶ 2.3. Inadequate level of the NE benefit

To make it difficult to assess the adequacy of the level of NE benefits, Albania has not adopted any official definition of the guaranteed minimum income nor does the Law specify the minimum needs to be met through the NE programme. Despite the lack of definition of the minimum income, there is ample evidence suggesting that the NE benefit levels are significantly low.

In Albania, there exist minimum levels in wages, social benefits and poverty thresholds. They are summarised in Table 2.6.

- ▶ The minimum wage is fixed based on the economic factors and the needs of employees and their families. It applies to all economic entities in both public and private sectors. In 2021, the minimum wage was 30,000 lek, but it was increased by 11.3 percent to 34,000 lek from September 2022.
- ▶ The unemployment benefit is payable to an unemployed who has made at least 12 months of contributions. The amount of the benefit is a flat rate at 50 percent of the minimum wage, increased by 5 percent for each dependent child. The unemployment benefit is paid for 3 to 12 months depending on the contribution period of individual workers.
- ▶ The social pension, introduced in 2015, is equivalent of the minimum pension. It is also paid to the persons older than 70 years who do not qualify for any pensions. The amount of the social pension was set equal to the old age pension with 15 years of contribution at the minimum wage.
- ▶ In recent years the Albanian government relies on the Survey of Income and Living Conditions as a source of poverty indicators, where the at-risk-of poverty threshold is defined as 60 percent of the median equivalised disposal income. According to the 2020 survey,¹⁸ the estimated at-risk-of-poverty threshold was 15,520 lek per month for a single household and 32,592 lek per month for a family with two adults and two dependent children.

¹⁸ Institute of Statistics, 2021.

► **Table 2.6. Minimum wages, minimum levels of social benefits, at-risk-of-poverty thresholds, 2017–2022**

	Units	2017	2018	2019	2020	2021	2022
Minimum wage	lek/month	24,000	24,000	26,000	26,000	30,000	34,000
Unemployment benefit	lek/month	11,000	12,000	13,000	13,000	15,000	17,000
Social pension	lek/month	6,707	6,897	6,888	6,608	7,838	8,588
Mean equivalised disposable income	lek/per capita/month	24,526	26,144	27,849	30,169	—	—
At-risk-of-poverty threshold, 2 adults and 2 children	lek/month	25,378	28,130	29,888	32,592	—	—
At-risk-of-poverty threshold, single household	lek/month	12,085	13,395	14,232	15,520	—	—

Source: Institute of Statistics of Albania.

As shown in Table 2.7, in 2022 values, the NE benefit for a single household represented only 14.0 percent of the at-risk-of-poverty threshold of a single household of 2020, and the NE benefit for a family with two adults and two dependent children represented 32.8 percent of the at-risk-of-poverty threshold of the corresponding family composition of 2020.

As mentioned earlier, the amount of NE benefit was increased twice in 2022. As a result, the benefit level for the families with multiple children has been improved significantly but the resulting level is still less than 40 percent of the minimum wage.

► **Table 2.7. Comparison of the NE benefit with three social minimum levels, 2022**

Family composition	1 adult	1 adult and 1 child	2 adults	2 adults and 2 children	2 adults and 3 children
NE benefit	2,178 lek	3,267 lek	3,703 lek	10,692 lek	12,672 lek
As % of at-risk-of-poverty threshold of corresponding family composition (2020 value)	14.0	—	—	32.8	—
As % of minimum wage	6.4	9.6	10.9	31.4	37.3
As a % of unemployment benefit	12.8	19.2	21.8	62.9	74.5
As % of social pension	25.4	38.0	43.1	123.5	147.6

Source: Own calculations based on the data from the State Social Service and the Institute of Statistics of Albania.

Note: It is assumed that the family head is a woman and adults are younger than 65 years of age.

Table 2.8 presents the average NE benefit by family size from 2010 to 2021. As the reformed programme was implemented, the average NE benefit increased in terms of the minimum wage. However, its level was around 20 percent of the minimum wage. In 2021, the average NE benefit increased due to a six-month temporary increase in response to the COVID-19 pandemic.¹⁹ As a result, the expenditure on the NE benefits in 2021 increased to 0.30 percent of GDP.

Further, according to the Institute of Statistics of Albania, the Survey on Income and Living Conditions in 2020 shows that the per capita monthly NE benefit was 1,262 lek which accounts for 13.5 percent of the per capita total income of all population, and 29.7 percent of the per capita total income of the lowest decile.

► **Table 2.8. Average monthly NE benefit by family size, 2010–2021**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	2,108	2,744
2 members	2,444	2,447	2,393	2,984	2,872	3,173	3,191	3,252	2,781	2,787	3,096	4,362
3 members	2,704	2,662	2,627	3,196	3,214	3,559	3,599	3,606	3,909	3,809	4,099	5,718
4 members	2,829	2,919	2,925	3,628	3,599	4,145	4,208	4,257	4,931	4,927	5,079	7,122
5 members	3,059	3,220	3,198	4,039	4,126	4,661	4,772	4,573	5,868	5,726	6,035	8,419
6 members	3,553	3,642	3,650	4,350	4,800	5,319	5,383	5,318	6,695	6,751	7,130	9,861
7 or more	3,969	4,113	4,159	4,893	5,339	5,915	6,070	5,727	7,831	7,724	8,853	12,041
Total	2,969	3,044	3,044	3,716	3,810	4,264	4,279	4,209	5,142	4,963	5,193	7,146
Average per person	704	726	725	889	907	1,030	1,046	1,038	1,206	1,199	1,273	1,779
Total benefits (million lek)	3,475	3,634	3,609	4,656	3,569	4,096	4,115	4,088	3,331	3,603	3,829	5,319
As a % of GDP	0.28%	0.28%	0.27%	0.34%	0.26%	0.29%	0.28%	0.26%	0.20%	0.21%	0.23%	0.30%
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%	8.1%	9.1%
2 members	12.9%	12.2%	11.4%	13.6%	13.1%	14.4%	14.5%	13.5%	11.6%	10.7%	11.9%	14.5%
3 members	14.2%	13.3%	12.5%	14.5%	14.6%	16.2%	16.4%	15.0%	16.3%	14.6%	15.8%	19.1%
4 members	14.9%	14.6%	13.9%	16.5%	16.4%	18.8%	19.1%	17.7%	20.5%	18.9%	19.5%	23.7%
5 members	16.1%	16.1%	15.2%	18.4%	18.8%	21.2%	21.7%	19.1%	24.5%	22.0%	23.2%	28.1%
6 members	18.7%	18.2%	17.4%	19.8%	21.8%	24.2%	24.5%	22.2%	27.9%	26.0%	27.4%	32.9%
7 or more	20.9%	20.6%	19.8%	22.2%	24.3%	26.9%	27.6%	23.9%	32.6%	29.7%	34.1%	40.1%
Total	15.6%	15.2%	14.5%	16.9%	17.3%	19.4%	19.4%	17.5%	21.4%	19.1%	20.0%	23.8%
Average per person	3.7%	3.6%	3.5%	4.0%	4.1%	4.7%	4.8%	4.3%	5.0%	4.6%	4.9%	5.9%

Source: Institute of Statistics of Albania.

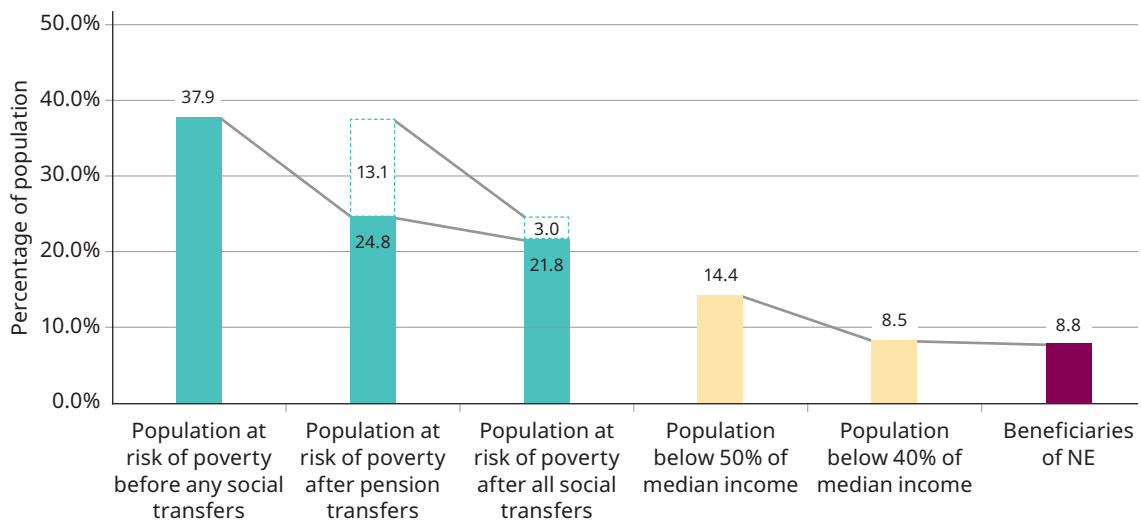
19. There was also a temporary increase of the NE benefit from April to June 2020, but the average NE benefit increased only marginally.

► 2.4. Limited poverty reduction impact of the NE programme

Figure 2.2 depicts the effect of social transfers on poverty reduction according to the Survey on Income and Living Conditions in 2020. Before any social transfers, 43.4 percent of population was at risk of poverty or social exclusion and 37.9 percent of population was at risk of poverty.²⁰ When social transfers are taken into account, the pension system contributed to reducing the at-risk-of-poverty rate by 13.1 percentage-points, while other social transfers (including the NE programme) further reduced the at-risk-of-poverty rate by 3.0 percentage-points. As a result, 21.8 percent of the population was estimated at risk of poverty. Also, 14.4 percent of population was in households earning less than 50 percent of the median equivalised disposable income, and 8.5 percent of population was in households earning less than 40 percent of the median equivalised disposable income.

On the other hand, the estimated number of NE beneficiary families (not including the beneficiaries from the municipal 6-percent funds) was 8.8 percent of the total population. In 2020, the estimated number of NE beneficiaries accounts for about 40 percent of the population at risk of poverty.

► **Figure 2.2. Effects of social transfers on reducing poverty risk, 2020**



Source: Institute of Statistics of Albania.

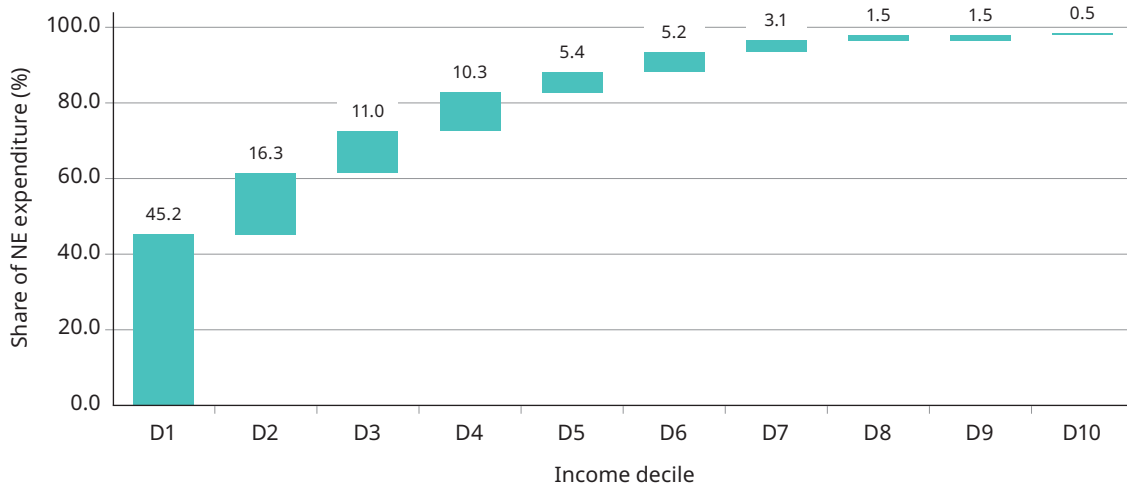
²⁰ In Albania, the at-risk-of-poverty rate is approximately the same level as the rate of severe material deprivation which is defined as an enforced lack of at least four out of nine material deprivation items.

According to the Institute of Statistics, the Survey on Income and Living Conditions in 2020 shows that the NE programme covered 37.0 percent of families of the lowest income decile and 25.8 percent of families of the lowest income quintile.²¹ As Figure 2.3 depicts, 45.2 percent of the spending on NE benefits is received by the lowest decile and 61.5 percent by the lowest quintile.

The following observations are made:

- Still a significant percentage of households with low income (estimated at 63 percent of the lowest decile and at 74 percent of the lowest quintile) were outside the coverage of the NE programme.
- Assuming the full targeting (i.e., no inclusion or exclusion errors), the number of NE beneficiaries (8.8 percent of the population) was only slightly more than the population earning less than 40 percent of the median equivalised disposable income (8.5 percent of the population).
- At most 3.0 percent of the population were lift out of poverty risk by social transfers including the NE programme. Considering that 61.5 percent of NE benefits were paid to the families of the lowest quintile, the NE programme had a limited impact on reducing at-risk-of-poverty. This is consistent with the fact that the expenditure on the NE benefits has been at the level of 0.3 percent of GDP or below in recent years.

► **Figure 2.3. Distribution of the NE expenditure by income decile, 2020**



Source: Institute of Statistics calculations based on the Survey on Income and Living Conditions in 2020.

21. Estimates of the NE coverage rates based on the Survey of Income and Living Conditions exhibit differences from the estimates based on the Household Budget Survey which had been used before. According to the World Bank, based on the Household Budget Survey, the share of NE beneficiaries in the poorest decile increased from 34 percent in 2009 to 45 percent in 2015 (World Bank, 2018). From the UNICEF analysis based on the Household Budget Survey in 2016 (UNICEF, 2019), it is estimated that the share of NE beneficiaries in the lowest consumption decile was 57 percent. However, it must be noted that the Household Budget Survey is not designed to represent NE beneficiaries and recently the Albanian government relies on the Survey of Income and Living Conditions as a source of poverty indicators.

In addition, the Survey on Income and Living Conditions in 2020 presents the following findings:

- ▶ The poverty risk of the individuals differs by their status of economic activity. In 2020, the at-risk-of-poverty rate was 37.8 percent for the unemployed and 28.9 percent for economically inactive persons as compared to 12.7 percent for the employed. On the other hand, 11.6 percent of population belongs to households with low work intensity (a household is called low work intensity if the number of working months of all family members during the preceding year was less than 20 percent).
- ▶ The poverty risk also increases with the number of dependent children. In 2020, the at-risk-of-poverty rate for households with dependent children was 26.0 percent, while it was 13.0 percent for households without dependent children.
- ▶ The at-risk-of-poverty rate for the population aged 65 and over or for the retired is significantly lower than the average, as a result of income transfer by pensions.

Another survey²² indicates that high rate of at-risk-of-poverty is observed among households headed by economically inactive women, especially due to unpaid family work. This implies that the unequal distribution of unpaid care work obstacles women's participation in the labour market and results in their exposure to a higher poverty risk.

22. INSTAT-UN Women, 2021.

3. Support for self-independence – labour market integration and social services

The Law No. 57/2019 “On Social Assistance” aims at alleviating poverty and social exclusion by creating opportunities for integration through a system of interventions and services to improve lives (Article 1 b)). The Social Protection Strategy 2015–22 also highlights the importance of employment services and social services as means of poverty alleviation and social inclusion.

▶ 3.1. Employment support for the working age NE beneficiaries

One of the tasks of the Needs Assessment and Referring Unit is to provide job mediation support and vocational training to the NE beneficiaries in coordination with local Social Service Offices and Employment Offices. However, as mentioned earlier, only 63 percent of administrative units have established such units. The municipalities face difficulties in performing the tasks due to insufficient budget for staff costs, low professional capacities of the staff, and lack of necessary services for case management.

As shown in Table 3.1, when the reformed NE programme was fully implemented in 2018, activation support in the form of job mediation and vocational training was provided to more than 30 percent of individuals in the families that had previously benefited from the NE programme but were rejected by the newly introduced proxy means test. However, as the number of declined applicants decreased, the number of activation support diminished quickly in 2019.²³ During 2020 and 2021, due to the COVID-19 pandemic, there has been a further decrease in the number of NE family members employed or enrolled in vocational trainings. It is reported that more than 3,000 NE beneficiaries have been employed or received vocational training during 2022. Despite these recent positive trends, the shortage of effective employment support raises a serious concern as a large number of NE beneficiary families are expected to exhaust the five-year limit of benefit period by 2023.

²³ European Commission, 2021.

► **Table 3.1. Number of the declined NE applicants who received employment support, 2018–2021**

Year	Total applicants	Declined applicants		
		Total	Found employment	Received vocational training
2018	65,832	11,771	2,452	751
2019	65,491	5,052	1,324	439
2020	65,249	3,919	669	153
2021 Jan.–April	66,969	3,601	207	50

Source: The National Agency on Employment and Skills.

Note: As of mid-December 2022, a total of 2,306 individuals have found employment and 1,046 individuals received the vocational training during 2022.

The recent development in the labour market integration of the working age NE beneficiaries can be summarised as follows:

- Following the adoption of the Law No. 15/2019 “On Employment Promotion,” the National Employment Service has been transformed into the National Agency on Employment and Skills. Although the staff number has increased at the central level (the staff increased from 36 to 90) but the coverage of all territory with employment services, especially in rural areas, remains a real challenge.
- The Council of Ministers’ Decision No. 882, dated 24.12.2019, “On the inter-institutional working mechanism for referral to employment of individuals and members of active working age of families benefitting from economic assistance” provides the National Exit Programme for the working age NE beneficiaries, which includes: (i) public work programmes; (ii) employment subsidy to the companies employing members of the NE beneficiary families for their full salary and social and health insurance contributions as well as bonus points for the companies to be used in the state procurement procedures; and (iii) support with vocational education and training for the working age NE beneficiaries.
- The Ministry of Health and Social Protection and the Ministry of Finance and Economy signed a Joint Order of No. 624, dated 29.08.2019, “On the approval of the Operational Plan for the employment of members of active working age of the economic assistance scheme 2019–2020,” with the aim of harmonizing the National Agency for Employment and Skills and the State Social Service to facilitate the transition of individuals with disadvantages in employment from the NE programme into labour market.
- To address the high level of informality and undeclared work, a Special Unit Against Informality on the Income from Employment and Services was created in 2022.²⁴ The Unit is temporary and will carry out situation analysis and propose the necessary legislation changes for addressing the problems of income from informal and undeclared work.

24. Prime Minister’s Order No.1 dated 05.01.2022.

- ▶ In 2022, the Ministry of Health and Social Protection and the Ministry of Finance and Economy approved the referral mechanism for the employment and social integration of the working age NE beneficiaries.²⁵ The referral mechanism for the year 2022 includes: (i) the establishment of the referral mechanism of the working age NE beneficiaries between the State Social Service and National Agency for Employment and Skills; (ii) preparation of the necessary legal framework; (iii) reintegration of the working age NE beneficiaries by regional working groups supported by the State Social Service, National Agency for Employment and Skills and local governments; and (iv) monitoring and implementation of the NE exit programme.
- ▶ Following the approval of the referral mechanism, 12 regional assessment commissions were established, which are in charge of referring employment and social reintegration of the working age NE beneficiaries. In March 2022, the work protocol on the employment referral of the working age beneficiaries for employment was approved, which defines the responsibilities and coordination modalities between institutions. It is reported more than 3,000 NE beneficiaries have been employed or received vocational training during 2022. Table 3.2 summarises key items in the form used by the National Agency for Employment and Skills for tracking the working age NE beneficiaries.

25. Joint Order No. 52, dated 26.01.2022.

► **Table 3.2. Tracking form for working age NE beneficiaries**

1	NE working age individuals referred by the State Social Service
1.1	Wrong contact details
1.2	Incomplete social profile
1.3	To be contacted by employment office
1.4	Already out from the NE scheme
2	Contacted by phone for appointment
3	Not appeared in the appointment
3.1	Staying abroad
3.2	Contacted by the administrator but not appeared in the appointment
3.3	Appointment in the coming weeks
4	Appeared in the appointment
	First time registered as unemployment jobseekers
4.1	Refused the job offered by the employment service
4.1.1	Health reasons (with medical report)
4.1.2	Health reasons (other)
4.1.3	Taking care of adult family members with disabilities (Support scheme: Employment promotion programme subsidises salary, social contributions plus 200,000 lek for work place adjustment.)
4.1.4	Taking care of children with disabilities
4.1.5	Taking care of elderly
4.1.6	Head of family taking care of dependent children
4.1.7	Working informally
4.1.8	Salary is too low
4.1.9	Refused as they are in the scheme only to benefit school stipend for children
4.1.10	The profile does not match the job offer
4.1.11	Lack of transport, lack of kindergarten in the area. (Support scheme: Employment promotion programmes subsidises transportation cost and kindergarten expenses.)
4.1.12	Over 55 years old
4.1.13	Others
4.2	Confirmed unable to work by medical staff and social administrator
4.3	Vocational training (Support scheme: Free for all unemployed jobseekers)
4.4	Employed
4.4.1	Under mediation process
4.4.2	Employed
4.4.3	Employed under the employment promotion programmes
	Confirmed as exit from the NE programme

Source: National Agency on Employment and Skills.

In a survey conducted by UNICEF in December 2021,²⁶ 64 percent of municipalities replied that they have very good cooperation with employment offices in respect of information campaigns, case management and trainings. Nevertheless, during the focus group discussions conducted for this report, the following comments were made regarding the cooperation between the social administrators and the staff of employment offices.

- ▶ At the local government level, it is a common practice to save a large part of the NE applicants declined by the proxy means test through the 6-percent discretionary funds transferred to the local governments or their own budgets. As a result, social administrators have little incentive to integrate these applicants into labour market.
- ▶ Social administrators observe that local employment offices do not prioritise the NE applicants or beneficiaries. In contrast, staff of the employment offices suggest that they should take part in the interview of the new NE applicants to assess their employability in greater detail.

There are also related programmes which could supplement the National Exit Programme for the working age NE beneficiaries.

The Law No. 65/2016 “On Social Enterprises” defines the social enterprises which create suitable conditions for employing disadvantaged individuals. Social enterprises can receive subsidies from the Social Enterprise Fund to employ disadvantaged individuals and support their business plan.²⁷ Currently, eight organizations have been granted social enterprise status and are operating in Albania.

The Law No. 15/2019 “On Employment Promotion” provides the establishment of a Social Employment Fund, as a public financial instrument for employment of people with disabilities. The sources of financing of the Social Employment Fund are contributions from the employers who do not achieve the legal employment quota of persons with disabilities, grants from donors, and the state budget. As of 2022, the Social Employment Fund has not been operational yet, although there were attempts to draft the necessary legal acts during 2019–2020. Also, the Law No. 15/2019 paved the way for establishing Youth Guarantee schemes in Albania. The government is planned to design and gradually implement the Youth Guarantee schemes by 2023.²⁸

²⁶ Survey on social care at the municipality level – institutional environment, capacities, bottlenecks, 2022 forthcoming.

²⁷ The amount of subsidy is 249.76 million lek based on the Council of Ministers’ Decision No. 789, dated 26.12.2018.

²⁸ Jorgoni, 2021a.

► 3.2. Social care services for vulnerable NE beneficiaries

In addition to employment services for the working age NE beneficiaries, provision of social care services or support services constitute another important support in response to various needs of vulnerable groups.

However, cash transfers constitute about 95 percent of the social protection budget, which leaves very limited resources available for the provision of social care services. In an assessment conducted the State Social Service in 2019, 28 percent of the municipalities did not provide any social care services, 59 percent did not provide social care services for the elderly, and 57 percent did not provide services for persons with disability. As a result, only 0.57 percent of the population received social services.

Following the adoption of the Law No. 139/2015 “On Self-Local Governance” and the Law No. 121/2016 “On Social Care Services,” the delivery and financing of social care services have been transferred from the central government to local governments (61 municipalities). Each municipality should develop its Social Care Plan which specifies the costs for services and the resources allocated from the municipality budget. So far 60 out of 61 municipalities have developed Social Care Plans. Only 15 out of 61 municipalities included measures related to the employment of working age NE beneficiaries in their Social Care Plan.

The capacity and resources of the municipalities to deliver social care vary significantly. Many local governments remain heavily dependent on the state budget. To ensure an adequate level of funding at local levels for implementing Social Care Plans, the Social Fund was established in 2018. Between 2019 and 2021, the Social Fund disbursed 344.1 million lek to 22 municipalities. The Social Fund plans to allocate additional 200 million lek for 2022.

4. The way forward

▶ 4.1. Ongoing and planned reforms

The Albanian government is committed to further improve the key design parameters of the NE programme. The structural reform of the NE programme is one of the eight priorities of the Economic Reform Programme 2021–2023.²⁹

The Ministry of Health and Social Policy has prepared a Roadmap for improving the performance of the NE programme. The Roadmap addresses a number of problems identified in the NE Programme and envisages the following steps to be taken by the end of 2024:

- ▶ Analysis of the performance of the NE programme;
- ▶ Establishing a mechanism to regularly adjust the NE benefit;
- ▶ Ensuring sufficient funds for the adjustment of the NE benefit in the budget process;
- ▶ National forum to discuss the reform options;
- ▶ Modification of the NE bylaws;
- ▶ Evaluation of the NE Exit Programme implementation;
- ▶ Update of the Management Information System;
- ▶ Information campaigns.

As mentioned earlier, as a response to the COVID-19 pandemic, temporary and ad hoc increases were made to the NE benefits in 2020 and 2021. In response to the rapid rise in food and energy prices in 2022, the government implemented emergency support for pensioners receiving low pensions, NE beneficiary families, persons with disabilities, as well as subsidies for energy prices, under two Social Resistance Packages. In this context,

29. The main outcome indicators of the Economic Reform Programme 2021-2023 with respect to social protection are as follows:

- Share of the population at risk of poverty and social exclusion (target: 46 percent by 2023. N.B. According to the Survey on Income and Living Conditions in 2020, the rate of at-risk-of-poverty and social exclusion was 43.4 percent);
- Number of new social services for disadvantaged groups provided by local governments funded by the Social Fund (target: 35 in 2020, 45 in 2023);
- Number of vulnerable persons employed by social enterprises (target: 100 in 2022, 150 in 2023).

it is urgently needed to establish a permanent mechanism of regular indexation of the NE benefit.³⁰

► 4.2. Perspectives from international labour standards

Coverage, adequacy and comprehensiveness of social protection benefits are the key indicators for measuring performance of a social protection system. In recognition of the human right to social security, the international community has reconfirmed the importance of providing adequate social protection for all members of society in numerous agreements and international standards. For example, SDG target 1.3 calls upon states to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable,” as reflected in ILO Social Protection Floors Recommendation No. 202. Non-contributory social assistance benefits such as the NE programme play a key role in achieving universal coverage, reaching in particular poor and vulnerable groups and complementing contributory social insurance benefits.

For coverage to be meaningful, the combination of schemes and programmes that make up the social protection system need to ensure that benefits and services adequately meet people’s needs. The ILO Recommendation No. 202 therefore lays down “adequacy and predictability of benefits” as a key principle (Art. 3c) of the social protection system. Currently, no concrete objectives are articulated on the outcomes that the NE programme by itself aims to achieve regarding coverage or adequacy.

The reform contributed to standardised process of applying the eligibility criteria through the unified scoring formula. In addition, one should carefully analyse the extent to which the newly introduced targeting mechanism indeed reduced inclusion errors or produced some unintended additional exclusion errors. In addition, the lack of transparency regarding the unified scoring formula raises concern. The risk of an increasing number of false declarations in case of making this formula public cannot justify the non-disclosure of the scoring formula. False declarations should be detected through related checks and verification. This is also laid down in international standards and principles that call for the “transparent, accountable and sound financial management and administration” of social protection systems (the ILO Recommendation No. 202, Art. 3(j)).

³⁰. Concerning the basis of automatic indexation of the NE benefit, the following three options are currently under consideration: (i) inflation (based on the Consumer Price Index); (ii) increase in the average wage or inflation (whichever is higher); or (iii) increase in the social pension or minimum wage (whichever is higher). The NE benefits can be adjusted annually or twice a year.

Complaint and appeal mechanisms are a key feature of any rights-based social protection system as they contribute to ensuring proper application of legal provisions. They also constitute a useful feedback mechanism for scheme administrators and allow to detect and possibly remedy any malfunctioning. The ILO Recommendation No. 202 calls on governments to provide “impartial, transparent, effective, simple, rapid, accessible and inexpensive complaint and appeal procedures ... free of charge” to enhance compliance with legal frameworks (Art. 7).

► 4.3. Concluding remarks

Since the launch of the programme in 1992, and especially in the last decade, the Albanian government has been striving to improve the overall performance of the Ndhimja Ekonomike programme through a series of reforms.

In the ongoing reform since 2012, the first phase focused on legislative changes for improved targeting, and on modernizing the administration which resulted in the development of the integrated Management Information System. Following the adoption of the Law No. 57/2019 “On Social Assistance,” the Albanian government has been working for its full implementation especially for the economic reintegration of the working age NE beneficiaries into labour market.

As the reformed programme was gradually implemented, the number of NE beneficiary families decreased significantly, especially those with one or two members. This is due to the detection and elimination of fraudulent cases, stricter enforcement of compliance to reporting and work requirements, and the newly introduced proxy means test for eligibility decision. Indeed, our interviews with the social administrators confirm that the reformed programme has significantly reduced the inclusion errors in urban areas, despite that they persist in rural areas.

Throughout this reform process, one can observe a clear intention to reduce the number of working age NE beneficiaries by integrating them into labour market, as evidenced by the strong emphasis of work requirements in the eligibility criteria, stricter enforcement of work requirements through sanctions, and the imposed five-year limit of benefit duration. However, the reintegration of working age NE beneficiaries into labour market has not made satisfactory achievement so far due primarily to the COVID-19 pandemic but also due to the lack of preparation in establishing an effective referral mechanism between Social Service Offices and Employment Offices at the central and local levels. Since 2022, the government has revitalised the referral mechanism for the employment and social integration of the working age NE beneficiaries. It should be also noted that the provision of necessary social care services by the local government is insufficient.

There remain serious concerns regarding the coverage and adequacy of the benefit level of the reformed NE programme. The reformed programme may still fail to protect a large number of families in need. As mentioned earlier, while around 9 percent of the population were receiving the NE benefits, it accounts for about 40 percent of the population at risk of poverty and a large number of households with low income did not benefit from the NE programme. Furthermore, the comparison with the minimum wage and other minimum benefits demonstrates the inadequacy of the NE benefit level. Consequently, the NE programme had a limited impact on poverty reduction. In recent years the expenditure on the NE benefits has never exceeded 0.3 percent of GDP which is markedly lower than EU member states. People may fall into poverty for a variety of reasons. The national social protection system should provide benefits and services that adequately meet different needs of individuals and families without any gaps.

While committed to further improve the NE programme in line with the Roadmap, Albania is still facing challenges in ensuring the coverage and improving benefit levels for the NE programme to provide adequate income guarantee for all persons in need. The ILO, together with partner UN organizations, stand ready to provide further technical assistance for the tripartite partners in Albania to build an adequate, equitable and sustainable social protection system that leaves no one behind.

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In Albania, the economic assistance (Ndhma Ekonomike) programme is the main cash social assistance scheme for poor families. In recent years, Albania has implemented a series of reforms of social assistance programmes, which resulted in the adoption in 2019 of a new law on social assistance, as well as the development of the integrated Management Information System. In the context of the on-going reform of social assistance in Albania, the ILO conducted an analysis to assess the effectiveness of the economic assistance programme with respect to its coverage, adequacy and comprehensiveness from the perspectives of the international social security standards, in particular ILO Social Protection Floors Recommendation, No. 202, and the development objectives of the international community as expressed in the 2030 Agenda for Sustainable Development.

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