



Albania 2020

**BUDGETS FOR CHILDREN: REFLECTIONS AND
CONCLUSIONS FROM BUDGET BRIEFS ON EDUCATION,
HEALTH AND SOCIAL PROTECTION**



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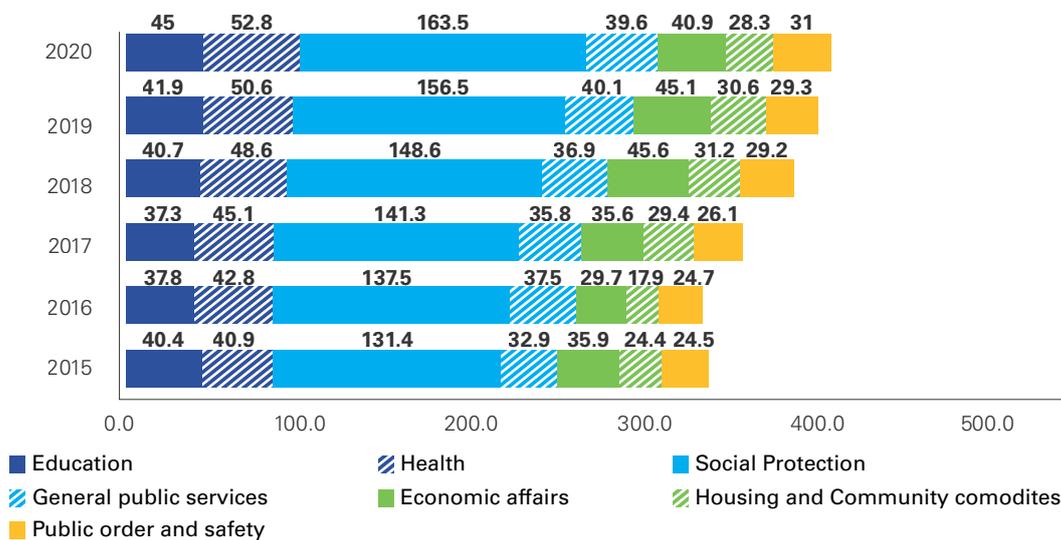
BUDGETS FOR CHILDREN: REFLECTIONS AND CONCLUSIONS FROM BUDGET BRIEFS ON EDUCATION, HEALTH AND SOCIAL PROTECTION



SUMMARY

Education, Social Protection and Health constitute the largest components of public expenditure in Albania, together **accounting for almost half (47.3 percent) of the budget during 2020**. Social Protection is the largest component of government expenditure, accounting for 28.2 percent of the budget (2020), followed by education (9.9 percent in 2020) and health (9.1 percent in 2020).

FIGURE 1. Trend of public expenditure during 2015 – 2020 (Billion ALL)



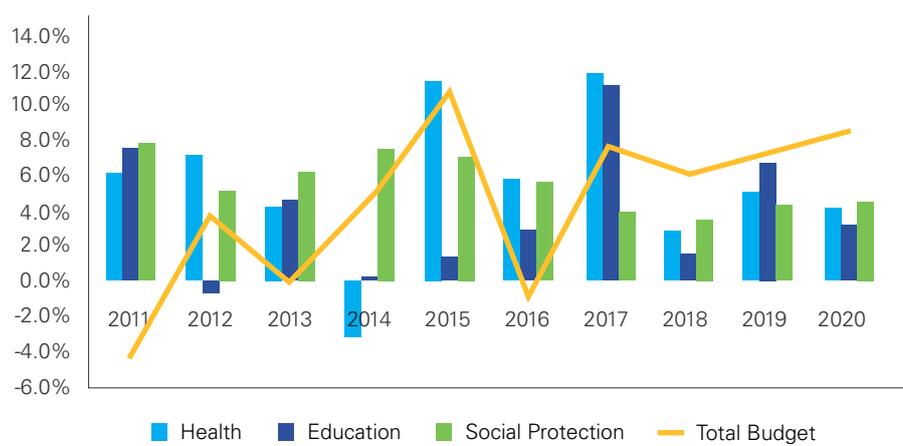
Source: MoFE, Annual Budget 2015 – 2020 (Table 6 – Spending by government functions),

All the three sectors - health, social protection and education are considered public priorities and the **expenditure allocation in each of the three sectors has increased** during the recent years. However, such increase has been **uneven across the different sectors**, reflecting shifts in policy priorities or challenges and shocks (i.e. earthquake/Covid-19 pandemic) Albania has confronted over time. As a result, during the last decade between 2010-2020, health and social protection expenditure increased as the share of total public expenditure from 9 percent in 2010 to 9.1 percent in 2020 (health) and from 28.1 in 2010 percent to 28.2 percent in 2020 (social protection).

The same trend has been observed as a share of these sectors in the GDP as the expenditure in health increased from 2.6 percent in 2010 to 3.3 percent of the GDP in 2020, and the social

protection expenditure increased from 8.2 percent in 2010 to 10.3 percent of the GDP in 2020. The **education expenditure in relative terms shrank** from 11.7 percent of public expenditure in 2010 to 9.9 percent in 2020, or as a share of GDP, from 3.4 percent of the GDP in 2010 to 3.6 percent in 2020. The assessment of the national budgets reveals that during the period 2010-2020, Albania's **public expenditure in both health and social protection grew** at an equal compound average annual growth of 5.6 percent, which is **above the compound average annual growth of total public expenditure** at 4.4 percent during the same period.

FIGURE 2. Public expenditure annual growth in nominal terms: 2011-2020



However, the expenditure in the education system during the last decade has maintained a compound average annual growth at 3.9 percent, slightly lower than the same growth rate for the total expenditure during this period. These results, manifested also in the chart above, are a reflection of the **higher volatility in expenditure allocations for the education sector** during this period, compared particularly to the expenditure in the social protection sector which has kept more stable annual growth rates throughout this period.

As it could be observed by the chart, **during the last three years, the annual growth rate of expenditure in all the three sectors has been lower than the total public expenditure growth**, which leads to the conclusion that other priority sectors in the country are receiving at a much faster rate the available financial resources allocated in the budget. Considering the current level of expenditure as a share of GDP in Albania for these three sectors as being under the threshold in European Union member countries or other countries in the region, **Albania's long term development would largely benefit from prioritizing its public expenditure toward these three important sectors** in the future.

The response in **mitigating the unforeseen shocks** such as the still-ongoing Covid-19 pandemic would require additional financial resources in the health, social protection and education systems, to address the **needs of the children which are particularly**

vulnerable in such situations. In addition, **Albania is undergoing rapid and remarkable demographic changes** with ageing population, high migration rates and slow population growth, which should be reflected into policy action and public expenditure commitments. Another important factor that would require the policy attention during the next years is the **concerning level of poverty** as the data from LSMS indicate that about 23.4 percent of the population was at risk of poverty during 2018 and the economic and social impact of the Covid-19 pandemic would further exacerbate poverty levels across the country.

Expenditure composition in the three sectors reveals a different structure of public spending across the sectors. During 2020, in the education system, **62.3 percent of public expenditure was allocated for the wages and social contributions** of the teachers in the system, while this indicator accounts for only 6.2 percent in the health sector and 0.7 percent in the social protection, where **the budget is dominated by the weight of the internal transfers** for the health and social protection systems.

While the **allocation of public expenditure to children** is more evident in the education system, identifying children-related expenditure in social protection and particularly, health systems, is more challenging and cumbersome. To address the needs of the children the MTBP would benefit from the utilization of more children oriented indicators or further disaggregation by age of the existing program indicators.

The **utilization of performance indicators**, as a recent trend in budgeting, currently is not always clearly linked to the specific policy objectives. Some performance indicators, provide only limited or no information on the actual context or the long term vision the programs intend to achieve. Furthermore, the **reflection of policy objectives a stated in the NSDI II or sector strategies, in the specific sector expenditure, is relatively unclear.**

Since the implementation of the Territorial and Administrative Reform in 2015, Albania has 61 local government units (municipalities) and 12 regions with specific rights and responsibilities defined in the Law no. 139/2015 'On Local Government'. Public services in the three sectors of health, education and social protection are partly **delegated and shared with the local governments** (i.e. pre-education, social care services, access and maintenance to health centers etc.), but the participation of the municipalities in this process has weaknesses and the budgeting process remains unclear and dependent by the central government.

For the education sector, the **optimal expenditure mix across the different education programs** appears even more important than achieving specific public expenditure commitments or targets in the budget, as it should balance return on education expenditure for the future generations with the actual needs and even reversing trends due to demographic changes.

It would be advisable to address the education challenges with the vulnerable groups and categories by **establishing dedicated guidelines for the budget formulation**, which take in consideration the relevant context and the specific needs of these groups and categories, weighted with their relevance in the total population of children.

Education quality for the **vulnerable categories**, such as children with disabilities, Roma and Egyptian children, is monitored with specific performance indicators integrated in the budget planning and implementation processes. These indicators reveal an improving trend in the participation of these categories in the primary education. According to the MTBP data, 1300 children with disabilities benefited during 2019 from the support of teacher dedicated to these categories, and this support is also on an increasing trend.

Public expenditure in education, health and social protection systems is **complemented by the activities of the private sector providers**, operating in a partially liberalized, but regulated market. While the government should encourage private sector participation in offering its services in all the sectors and achieving quality standards in both public and private sector operators, it should also address the issues related to the **ability to pay for these services** by all the citizens.

The revision of the budget during the year is appears challenging in the planning process. Over the recent years the executed budget is typically lower than the revised budget, which is also lower than the initially approved budget, except for the electoral years.

