Mapping Social Protection Transfers to Poor Households in Albania

May 2019

Disclaimer

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for every child

ACRONYMS

ALL	Albanian Lek
CoM	Council of Ministers
EECA	Eastern Europe and Central Asia
EU SILC	EU Survey of Income and Living Conditions
GDP	Gross Domestic Product
HBS	Household Budget Survey
ICF	International Classification of Functioning
KESH	Albanian Power Corporation
MIS	Monitoring and Information System
NE	Ndihma Ekonomike
NEET	Not in Employment, Education or Training
PAK	Disability Allowance Payment
PPP	Purchasing Power Parity
SSS	Social Security System
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
USD	United States Dollar
WDI	World Development Indicators
WHO	World Health Organization

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EXECUTIVE SUMMARY

The UN Agenda 2030 and its Sustainable Development Goals call for all states to take measures 'not to leave anyone behind'. In other words, Agenda 2030 aims to achieve progress towards meeting the SDG targets by paying particular attention to the poor and the vulnerable. The Agenda strives for a world that is just, rights-based, equitable and inclusive. It commits stakeholders to work together to promote sustained and inclusive economic growth, social development and environmental protection and to benefit all, including women, children, youth and future generations. Sustainable Development Goal 1 sets out clear measures and targets that address poverty.

Albania is one of the poorest countries in Europe (despite significant progress on several social development indicators in the last decade). Children are disproportionally affected by poverty. Between 2002 and 2012, the incidence of national poverty decreased from 25.4 to 14.3 per cent[1] whereas the child poverty rate stood at 20.1 per cent. Data from 2012[2] indicate that the poverty rate among families with more than three children stands at about 30 per cent. UNICEF-supported analyses (in 2013[3] and 2015[4]) have highlighted multiple dimensions of child deprivation rooted in poverty. Investment in social protection is among the lowest in the region. At 1.6 per cent of the GDP, social protection consists primarily of cash assistance, with minimal investment in social support and social care services.

The main cash assistance scheme aimed at poverty reduction, the Ndihma Ekonomike (NE) programme, (covering about 80,000 families comprising 161,000 children) has proved earlier to have a limited impact on poverty reduction[5]. Other transfers provided to Albanian households, although not regular and not accounted in the social protection budget, include subsidies for energy bills, water consumption, free school meals and free textbooks for children from poor or vulnerable families, and free public transportation for the disabled and the elderly. However, little is known about their coverage, efficiency and the impact they have on achieving equity.

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1. World Bank, *Living Conditions Measurement Survey*, 2012.
2. Ibid.
3. Child Rights Observatory, Child Poverty in Albania, 2013.
4. https://www.unicef.org/albania/reports/child-well-being-albania
5. See URI/NCSS, Reforming Economic Aid: from survival to investment in poverty reduction, UNICEF, 2011.

Bearing this in mind, the study aims to:

- Map the existing social assistance programmes in the country (e.g. disability assistance, cash assistance) whilst also documenting any changes in the programme that have happened since the launch of its national scale-up in January 2018. In addition, this objective also involves an assessment of the legal and policy context of various social transfers;
- To the extent possible, study the impact of the existing social assistance measures by also ascertaining if they achieve the intended objective; and

The findings will be used to provide appropriate (short and medium term) recommendations, both at the design and implementation levels, advocating more effective social assistance measures in the country.

A mixed-method study was developed, comprising of both quantitative and qualitative components. The quantitative component consisted of an analysis of nationally representative household expenditure datasets (HBS 2016), which was used to derive the spending patterns of various socio-economic segments of the population. In addition, nationally representative administrative data on the number and types of households receiving cash assistance and disability benefits were also used, as well as limited data from the MIS (Management Information System) of the cash assistance programme. The findings from the quantitative components were combined with qualitative research, including interviews with stakeholders and policy makers, interviews with users of/applicants for the cash assistance programme, and a workshop held in Tirana in December 2018, which elicited further expert views on the design, implementation and the impact of social assistance measures in the country.

That said, there are some significant caveats attached, particularly in relation to the quantitative component of the study. First, in order to properly evaluate the effect of the cash assistance reform (as well as its impact at the household level) a nationally representative survey for the entire 2018 (e.g. EU SILC[6]) is needed. Moreover, to be able to study the impact of the reform, a full year's administrative data and MIS data is also needed. The constraints are even bigger on the disability programme, where the reform is still at a pilot stage and implemented in Tirana only.

Nevertheless, and the limitations above notwithstanding, there are some interesting findings stemming from this research effort.

Key Findings

- Overall, the amount of social protection in the country is small and hovering around the mark of 9 per cent of the GDP. Moreover, most of the social protection spending is allocated to social insurance (e.g. pensions), which take up 70 per cent of the total social protection spending in the country.
- In addition to the two major types of social assistance programmes implemented in the country, namely cash transfers for the poor (Ndihma Ekonomike) and disability assistance, there are other cash transfers, such electricity bill subsidies provided to eligible households as well as one-off maternity grants for new mothers.
- Whilst the recent reform has improved the overall performance of the cash assistance programme (including by streamlining the application process and reducing the amount of paperwork that households have to submit when applying), the assessment of the legal and policy context uncovered a number of issues:
  - the amount of money that households receive in cash transfers is extremely small and represents only a small fraction of the monthly expenditure of poor and vulnerable households with several children;
  - despite the reduction in the number of documents required for applying, people without proper IDs (e.g. Roma community) and households with unregistered children (e.g. migrants and the Roma) still have issues with the application process;

6. When the study was commissioned, it was assumed that SILC data for 2017 and 2018 would be available. The data were not published yet when the report was finalized.

- although the programme duration has been shortened to five years, there is no proper exit strategy in place, particularly for households with teenage children;
- whilst the programme allocates additional financing for immunization and school attendance, the amount of such additional financing is too small to have a significant impact, particularly in a country with high immunization uptake and good record of compulsory primary education attendance.

- In terms of impact, it appears that, at least initially, the reform has had a positive impact, particularly in relation to better targeting. The improvements in targeting as well as streamlining of cash assistance spending has resulted in insignificant changes in the amount of cash assistance the households receive. Indeed, in the last five years, the average amount of cash assistance received per household has been roughly ALL 5,000 (40.00 EUR). Additionally, it appears that since 2018, there has been an increase in the share of households with several children that receive cash assistance benefits (although the effects of this increase vis-à-vis poverty are yet to be determined).
- The effects of the additional financing for immunization and school attendance are small, both in terms of number of households receiving it and amounts thereof, to be seriously considered to have any significant impact on the households' budgets.
- The quantitative analysis suggests that most of cash assistance recipients have low education attainment levels and are unemployed. As such, this further increases the need for developing a proper exit strategy for the recipients by urgently focusing on their skills and human capital development.

Recommendations

In the short term there is a need to:
- ensure better linkages between services and employment services for families that are benefitting cash assistance such as provide proper training and vocational courses (i.e. an exit strategy) particularly for young people;
- further strengthen the provision of information on the application process and facilitate applications by 'hard to reach' households (e.g. households with children who are not registered, Roma households etc.);
- reassess the usefulness of additional financing for immunization and education and consider a more "fit for purpose" design;
- given the significant overlap between poverty and disability, the authorities could consider poverty when reforming the way how disability is assessed and managed.

In the medium to long term:
- there is an urgent need to assess child poverty in a dynamic context (by using longitudinal surveys and applying causal analysis);
- similarly, the allocation of the cash assistance across regions should be viewed in a dynamic context especially in a conjoint analysis with poverty and economic development across ages and regions;
- as the country develops and more resources are dedicated to social assistance (including through better targeting), consider increasing the size of cash transfers.

1 INTRODUCTION

Objectives and Methodology

1.1 Objectives

Acknowledging the challenges posed by inadequate social protection for children in Albania, the overarching objective of this diagnostic study is to assess the current state of affairs and effectiveness of children's social protection programmes and schemes in Albania, namely how the various social transfers are designed and the extent to which they reach poor households and help reduce barriers for children and families in accessing other services. The data collected is intended to be used to develop and inform policy options and provide a basis for national dialogue and consensus building over more effective and better coordinated social protection programmes.

The aims of this study are twofold:
- To map and conduct a review of the various social protection transfers, benefits and subsidies reaching poor and vulnerable households with children in Albania.
- To assess the impact and effectiveness of transfers. Based on the available data, the study assesses the extent to which social protection transfers might be adequate to have a meaningful impact on the well-being of children and reduce barriers to accessing the necessary social services. Inter alia, the analysis also puts the social assistance in context, by analysing the determinants of poverty status.

Ultimately, the findings are used as a basis for some recommendations that might help the country improve the scope and coordination of social protection transfers and programmes to ensure greater equity and sharpen targeting efforts to meet the needs of poor and vulnerable children.

1.2 Methodology

The study employed a mixed method analysis consisting of:
- A desk review of national policy and legal documents governing social protection and the institutional arrangements for the delivery of social assistance and transfers to individuals, households and families with children in Albania. In addition, the desk review looks into the relevant academic literature (provided in a separate annex), particularly on the EECA comparative perspective of coverage/adequacy/targeting of social protection measures (albeit in a historical context);
- A quantitative analysis of available nationally representative datasets (Household Budget Survey for 2016) of the main determinants of poverty status in Albania. In addition, the quantitative part included an analysis of (available) administrative data for 2016, 2017 and 2018 on the number/type

of beneficiaries of the main social assistance programmes in the country. Additionally, the data analysis included administrative data from 61 municipalities, available through the MIS system for the pilot years (applicable to the three pilot regions) as well as for 2018 for the entire country.

- Interviews with key government officials, relevant both to the mapping of social protection transfers and their effectiveness; interviews with recipients of social protection transfers regarding the main issues/barriers to access and household use of cash transfers. The interviews were conducted during the first (fact-finding) mission in Tirana. The first mission consisted of meetings with officials from the following state institutions and representatives of international organizations (a list of names is available in the appendix to the report): UNICEF, Institute of Statistics of Albania (INSTAT), Ministry of Health and Social Protection, Ministry of Finance, and the World Bank. More importantly, the first mission also involved visits to Administrative Unit No. 11 in Tirana as well as a visit to the relevant municipal social services bureau in Durrës municipality, to assess the barriers to accessing social protection services both from the supply side (e.g. interview with an administrator) and the demand side (e.g. interview with a recipient of social assistance cash transfers).

Preliminary findings and conclusions from the desk review and analysis were presented and discussed with stakeholders at a technical workshop held in Tirana in December 2018, which elicited discussions on child poverty and disability and social assistance targeted towards the poor and disabled. The interventions of the partners were mainly focused on bringing first-hand experiences of the obstacles encountered by families and children in accessing social assistance transfers, as well as their views on the relevance and adequacy of the transfers. The views elicited and presented at the workshop were also used in triangulating the findings of our research.

There are some **limitations** associated with this study. First, the eligibility criteria and administrative changes to the Ndihma Ekonomike programme had just been rolled out (January 2018). This study was conducted between July 2018 and January 2019, and a proper evaluation of the effectiveness of the changes would only be possible after the programme has been operational for a few years. Similarly, the changes to the disability assistance programme are still at a pilot stage, so a proper evaluation will only be possible in a few years' time. Third, a better assessment of determinants of poverty and vulnerability would require the use of the EU SILC panel dataset, an underlying assumption for the success of the study, but these data were not available at the time of the study. However, we relied on the HBS 2016 dataset. HBS is a repeated cross-sectional survey; therefore, drawing causal links from such a dataset is nearly impossible. There are similar drawbacks in the general aggregates obtained from administrative records. Finally, it is important to note that in order to properly evaluate the impact of the recent NE reform, a full year's worth of both administrative and household budget data is needed (therefore the results of this study should be treated as exploratory in nature). Nevertheless, and limitations notwithstanding, the research yields some very interesting findings that could translate into relevant policy measures.

2 OVERVIEW

Social Protection, Child Poverty and Disability in Albania

2.1 Poverty and vulnerability in Albania

Albania is an upper middle-income country situated in the South-eastern Europe. Since the beginning of the transition process, Albania has made significant progress in improving living standards in the country. According to World Development Indicators, GDP per capita has increased manifold from about USD 2,200 per capita (PPP) in 1990 to about USD 12,000 per capita (PPP) in 2017 (World Development Indicators, 2018). Improvements in the standard of living have translated into overall improvements in other socio-economic indicators, including poverty reduction and improvement in health and education outcomes. Nevertheless, a significant share of the population still lives in poverty. As can be seen in Chart 1, about 40 per cent of the population in Albania lives on less than USD 5.5 per day, a much higher percentage than that of other countries in the region.

CHART 1. Share of the population living on less than USD 5.5 per day, PPP

Source: World Development Indicators
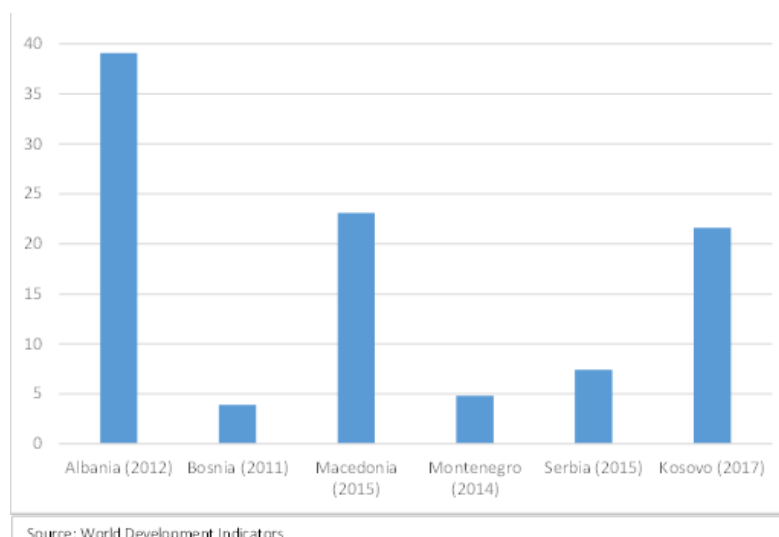
There are additional challenges. Economic growth has not been equally shared among the entire population, as demonstrated by the high inequality (WDI report a Gini coefficient of 30 in 2012). Furthermore, the rate of officially reported unemployment is stubbornly high at 15 per cent and is particularly high among those between 15 and 24 years of age: roughly one in three young people in Albania are unemployed (World Development Indicators, 2018). More importantly, it is worrying that a large share of young people are NEETs (not in employment, education or training). Given that they are neither earning income (i.e. not employment) nor working towards improving their human capital (i.e. not in education nor training), this group of young people is at risk of remaining stuck in a vicious poverty cycle. According to Chart 2 about one in three young people in Albania could be considered as not in employment, training or education. This includes two main groups: (i) unemployed job seekers (i.e., those not working but actively seeking work and available to start within a couple of weeks) who are currently not in education or training and have not attended any training in the four weeks preceding the survey; and (ii) those who are not actively looking for a job, are not currently in education or training, and did not receive any training in the four weeks preceding the survey. This second sub-group is comprised of young persons who are alienated from the labour market - primarily because they feel discouraged, or because they are the main carers for children or relatives (women outnumber men in this category), or because they may be temporarily sick or long-term disabled. (Inactive individuals who are engaged in travelling and/or other activities are considered to be "voluntary NEETs").

CHART 2. Share of NEETs in Albania, 2017
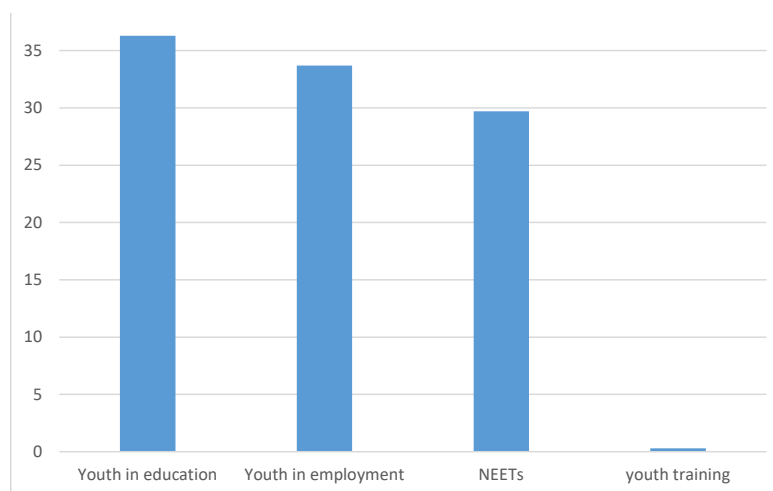
Source: MAPS and ILO, 2017

The interplay between some of the factors mentioned above suggests that the broader category of children and youth in Albania is much more vulnerable compared to the general population. Indeed, the existing evidence points to the fact that children in Albania are disproportionally affected by multiple dimensions of poverty (UNICEF, 2016). For example, the UNICEF report on child wellbeing suggests that 19.2 per cent of households with children live in absolute poverty[7]. The same report also states that 27.9 per cent of children were living in households that were jobless, thus further exacerbating their prospects for emerging out of poverty (UNICEF, 2016).

This study comprised a separate analysis based on the latest household survey dataset (HBS, 2016) to corroborate this finding. The main objective of the exercise was twofold: first, to study the correlates of poverty in Albania, with particular attention on families with children and second, to assess the effectiveness of social protection transfers in alleviating poverty. For the purposes of this study, the poor are defined as people at the bottom 20 per cent based on expenditure per member of household, using the standard equivalized scale (as a robustness check we define the bottom 40 per cent as poor). The methodology and findings are reported in greater detail in Appendix 1, whilst here the main findings of the analysis are reported. The results of the analysis are reported in Table 1.

7. https://www.unicef.org/albania/media/1236/file/Child %20Well-Being %20in %20Albania.pdf

There are a few conclusions that stem from this analysis. First, the analysis finds evidence that there are some household head characteristics that are associated with a higher probability of living in poverty. For example, household heads with some degree of education have a lower likelihood of living in poverty, relative to those with primary or no education at all. Similarly, households headed by someone who is in employment, have a much lower likelihood of living in poverty (for both poverty measures), relative to those whose head is unemployed. Interestingly, the analysis finds scant evidence for the link between age and poverty and no evidence for a link between the gender of household head and poverty.

Most importantly, results of this exercise reveal that households with young children (aged 0 to 5) and teenagers are significantly more likely to be in the bottom 20 per cent (or 40 per cent), compared to those with no children. This is an important finding, which holds even when controls for household size are applied and suggests that special attention should be paid to these two types of households. As expected, household size is positively correlated to the probability of living in poverty.

TABLE 1. Determinants of poverty

	(1) Bottom 20%	(2) Bottom 40%
Characteristics of the household head		
Gender (relative to female)		
male	0.985	1.149
	(0.120)	(0.112)
Age		
age	0.988***	0.994
	(0.00386)	(0.00325)
Education (relative to primary/no education)		
secondary	0.440***	0.482***
	(0.0385)	(0.034)
tertiary	0.150***	0.177***
	(0.030)	(0.022)
Employment status (relative to unemployed)		
employed	0.703***	0.728***
	(0.070)	(0.059)
Characteristics of the household - size and composition		
Households having children in various age categories		
Children aged 0 to 5	1.29**	1.244*
	(0.159)	(0.137)
Children aged 6 to 9	1.147	1.210*
	(0.130)	(0.128)
Adolescents	1.29**	1.363***
	(0.150)	(0.131)
Household size		
hhsize	1.454***	1.533***
	(0.0670)	(0.065)
Prefecture dummies	YES	YES
N	7353	7353
pseudo R-sq	0.163	0.171

Exponentiated coefficients; Standard errors in parentheses
="* p<0.1   ** p<0.05   *** p<0.01"

Another analysis performed on the basis of the HBS dataset consisted in looking at the composition of household spending on various components for the lowest 20 per cent and the highest 20 per cent of the population (the analysis was also carried out for the other quintiles in the distribution and are available upon request). The results of this exercise are reported in Table 2. There are a few comparative findings that stem from Table 2. As expected, food represents the highest share of household spending among the bottom 20 per cent. Almost 60 per cent of spending in the bottom quintile goes for food. By contrast, expenditure on food for the top quintile is much smaller – only 40 per cent. Second, it is quite encouraging to see that the consumption of demerit goods (e.g. alcoholic beverages and tobacco) in the lowest quintile of the population is low (and even lower compared to those in the top quintile of the distribution). However, the second highest expenditure item in the lowest quintile is related to housing (e.g. water, electricity, gas, etc.), particularly compared to those in the top 20 per cent of the distribution. This is particularly worrying given that some of these households are eligible for electricity and water subsidies. Revisiting of some of the eligibility criteria for the electricity and water subsidies would help reduce expenditures on these items. More importantly, it would help to shift some of the resources towards spending on human capital building activities, like health and education. As it stands, spending on education is the smallest item among the bottom quintile of the population (and it is much smaller compared to education spending among the richest quintile). Similar findings emerge vis-à-vis health expenditure.

TABLE 2. Composition of spending in the bottom 20% and top 20% of households

Bottom 20%					
Variable	Obs	Mean	Std. Dev.	Min	Max
Food and non-alcoholic beverages	1,538	58.47	12.02	0	95.41
Alcoholic beverages, tobacco	1,538	2.90	4.80	0	41.87
Clothing and footwear	1,538	3.00	5.08	0	48.72
Housing, water, electricity, gas and other fuels	1,538	14.44	8.73	0	77.94
Maintenance of dwelling	1,538	5.29	4.13	0	34.16
Health	1,538	2.17	4.67	0	45.95
Transport	1,538	2.54	4.66	0	41.15
Communication	1,538	4.21	3.34	0	27.84
Recreation and culture	1,538	1.37	4.01	0	48.90
Education	1,538	0.26	1.94	0	37.40
Restaurants and hotels	1,538	1.20	3.08	0	37.97
Other	1,538	4.15	4.14	0	29.33
Top 20%					
Variable	Obs	Mean	Std. Dev.	Min	Max
Food and non-alcoholic beverages	1,329	41.82	16.00	1.43	96.28
Alcoholic beverages, tobacco	1,329	3.47	4.84	0	74.93
Clothing and footwear	1,329	5.13	5.30	0	40.33
Housing, water, electricity, gas and other fuels	1,329	9.63	8.93	0.36	72.34
Maintenance of dwelling	1,329	5.41	4.65	0	55.16
Health	1,329	4.63	8.64	0	92.44
Transport	1,329	6.92	9.09	0	64.41
Communication	1,329	2.99	2.15	0	20.92
Recreation and culture	1,329	3.31	5.78	0	47.85
Education	1,329	5.27	16.24	0	88.66
Restaurants and hotels	1,329	4.94	9.15	0	89.14
Other	1,329	6.48	5.67	0	67.64

The results of the exercise described above on the determinants of poverty are also confirmed when consulting additional data sources. Moreover, the additional data suggest that not only are children and larger families poorer, they also have heightened risks of falling into poverty. Data from UNICEF's TransMonEE database, for example, suggests that about 17 per cent of children aged 0 to 15 are at
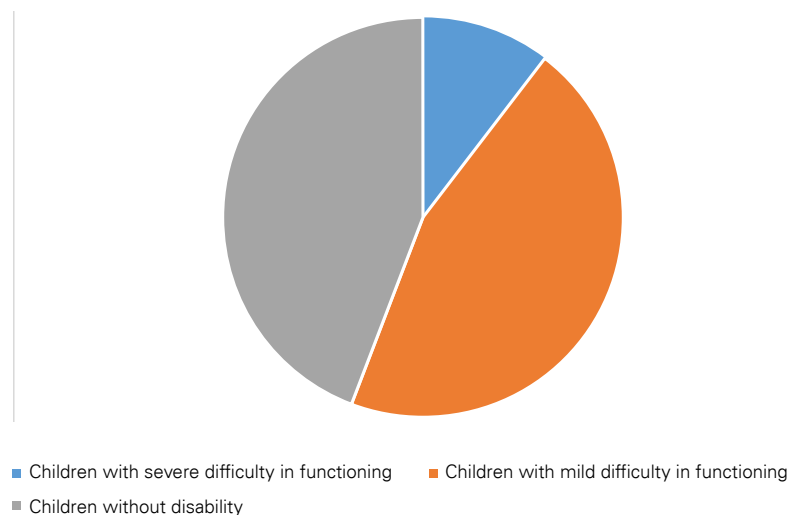
risk of falling into poverty, which is slightly higher compared to the national poverty link. On the larger age group of 0 to 17-year olds, a recent report by UNICEF suggests that 28 per cent of the population in this group is at risk of poverty (set at 60 per cent of median equalized consumption after transfers[8]), Similarly, larger families (2 adults with three or more dependent children) are at higher risk of poverty (the share stands at 20 per cent as reported by TransMonEE).

2.2 Overview of Child Disability in Albania

Children with disabilities have been the focus of a number of studies. According to Save the Children, 10.4 per cent of children between ages of 2 and 17 are reported to have some severe disability, whilst an additional 45.4 per cent have a mild disability in functioning. This study was conducted in 2018 on a representative sample of Albanian households. This means that more than a half of children and adolescents in Albania have some form of disability that prevents them from fully functioning and living up to their potential (Chart 3). Similar findings stem from a recent UNICEF report on disability[9] (UNICEF, 2018) although the study focuses mainly on children with medically certified disabilities (it states that between 2.5 per cent and 4 per cent of child population in Albania has a medically certified disability)[10]. In addition, administrative data from State Social Services in August 2018 suggest that about 141,740 persons are officially considered to have some form of disability (4.8 per cent of the country's population).

More importantly, existing evidence points to a significant link between poverty, deprivation and disability. For example, more than a third of mothers and about a third of fathers of children with disabilities have only completed basic or lower secondary compulsory education. In addition, the disability study by Save the Children (2008) points to the fact that two thirds of children with disabilities live in low income families (less than ALL 40,000 - around EUR 320) per month, whilst an additional

CHART 3. Share of children with various disabilities

- Children with severe difficulty in functioning
- Children with mild difficulty in functioning
- Children without disability

Source: Save the Children

8. https://www.unicef.org/albania/media/1236/file/Child %20Well-Being %20in %20Albania.pdf

9. https://www.unicef.org/albania/reports/we-all-matter

10. It is important to note, however, that the two studies use slightly different working definitions for disability. The Save the Children study (2018) uses a quantitative survey in order to establish the extent of disability using the functional domains set out in the ICF. The functional domains included were: vision, hearing, mobility, communication, learning, behaviour, play with others, memorisation, attention, adaptation to change, social relationships, care for oneself, emotions. The UNICEF (2018) study uses qualitative data gathering techniques and focuses mainly on children with disabilities.

30 per cent live in medium income families (ALL 40,001 - 80,000 or between EUR 320 and 650 per month). Pursuant to the law, families of persons with disabilities having no or insufficient income, are entitled to apply for Ndihma Ekonomike (NE). In such a case, the disability payment received by the disabled member is not calculated as part of the family income; that is to say the member who has the disability and received the cash entitlements for their disability does not count towards the total number of family members when calculating the formula for NE entitlements[11].

Most of the studies on child disability in Albania point to several various barriers faced by children with disabilities. Several reports, as well as the discussions at the December workshop, have suggested that the economic situation of families with disabled children has a significant impact on their ability to access various services. An earlier study by Save the Children suggested that children with disabilities were not able to have their basic needs met, such as, for example, access to health and education (Save the Children, 2003). Similar problems of access are reported in the most recent Save the Children study (2018) according to which fees and users' costs for specialist services for disabled children, coupled with extremely low financial support, are the main barriers to accessing various services. Finally, a separate strand of related literature focuses on the link between disability and education, with most studies identifying barriers and shortcomings that impede educational staff from providing quality inclusive education to children with disabilities (WVA, 2012; Save the Children, 2014; UNICEF, 2016; UNICEF, 2018).

A household's financial situation is, however, not the only barrier to accessing services. Access to services is heavily compromised by other important factors. Currently disability is assessed using the traditional medical model, which is not conducive to proper case management and to a referral for the disabled child or adult to benefit from social protection services. Albania has piloted a new disability assessment model using the ICF criteria only at two sites but even these do not follow a proper ICF protocol.

The findings from relevant literature concur with the most recent European Commission annual progress report on Albania's preparedness for EU accession. The report states that while 96 per cent of children aged 6-14 in the non-disabled population attend school, only 75 per cent of children with some disabilities are enrolled (European Commission, 2018).

Finally, there is some evidence of the link between disability and institutionalization of children. Institutional services form an important part of social care services. Compared to many other transition countries, Albania's institutionalization rates are very low. According to data from State Social Services, as well as a UNICEF study assessing all 24 public and non-public children's residential centres[12] in the period between January and May 2014, the total number of institutionalised children was 989 (of which 835 children with no disabilities in residential care institutions and 154 children with disabilities in Development Centres).

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11. The eligibility criteria and payment amounts are regulated by a number of Council of Ministers' Decisions. The legal basis is Law 9355, dated 10.03.2005, which was under review at the time the present study was being conducted.

12. Only eight development centres are public and are known as residential development institutions.

3 Mapping of Social Assistance Programmes in Albania

3.1 Social Protection Transfers

Following the review of policy and legal documents, this section provides an overview of the key social assistance transfers in the country.

There are two main types of social assistance cash benefits administered by social assistance offices at local government units; however, both are centrally planned, managed, monitored and evaluated. Poverty-related cash support (NE) aims in principle to guarantee the minimum standard of living, as defined by the national legislation. In addition, there is also a subsidy scheme that reimburses part of the electricity bill to poor and other eligible households, as well as a system of social services provided in residential and day centres focusing on psychosocial support, awareness raising and representation. The disability benefit is awarded to an individual who has been assessed by a medical panel (medical commission for disability assessment)[13] to be "a person with disabilities", legally defined as "an individual whose ability has been limited due to physical, sensory, intellectual, or psycho-motor damage, either congenital, or acquired later in life as a result of accidents, acute or chronic illnesses that are not employment-related". To complete the list, there are two additional cash benefits payments made in the country, namely maternity grants and baby bonuses.

TABLE 3. Overview of the main social protection measures in Albania

Social Assistance (Ndihma Ekonomike) Programme (non-contributory)	
Programme	Cash benefit programme (Ndihma Ekonomike- NE) (targeted to alleviate household poverty)
Eligibility	Categories are defined or generating insufficient income; Mothers from families in need, who give birth to two or more babies; Children without parental care and who are not living in residential institutions; Victims of domestic violence and victims of trafficking.
Benefit amount	Depending on the size of the family, between EUR 35 and EUR 65.
Time limit (cash benefit)	5 years

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13. The relevant law and the model of disability assessment are being changed. While a medical commission will assess a person's incapacity to work, disability will be assessed by the Multidisciplinary Commission for disability assessment. http://www.sherbimisocial.gov.al/pagesat-e-aftesise-se-kufizuar/

Top-ups	Top-ups are received by NE beneficiaries for every child that attends school and are on track with their immunisations. Families receiving cash assistance are eligible for the following: energy bill subsidies; free textbooks for children attending primary school; free medical treatment for children 0-1 years old.
Other	The new Law on Social Assistance (Article 21) provides that the Municipal Council may approve social assistance for families that have applied through the MIS but are not eligible because they do not score the required number of points, according to the scoring formula. In order for these families to be considered for receiving social assistance, a social-economic assessment should be carried out by a social administrator. The procedure is regulated by a Ministerial Instruction. Municipalities can budget up to 6 per cent of the total amount of cash assistance for this purpose.
Future plans	Additional financing from the WB will go towards supporting the development of an exit strategy for families completing five years of benefitting cash assistance and the introduction of employment package policies for NE beneficiaries.

Disability Allowance (non-contributory)

Programme	Disability allowance (Pagesa e Aftësisë së Kufizuar - PAK)
Eligibility	Awarded to people with various levels of disability as assessed by a medical commission. A new assessment model was launched in 2016 and is being piloted in two administrative units in the Tirana region. With additional financing from the WB, the new model will eventually be rolled out nationally.
Benefit	A person can receive up to ALL 9,900 per month. Disability allowance is awarded to a disabled child/adult and to the parent or caregiver, for certain disabilities as defined in the law. The new assessment system aims to include access to services in the benefit package. Assistive devices are not covered.
Time limits	Generally, there is no time limit, but in certain cases the legal framework makes recommendations applicable in situations where the disabled person is in gainful employment.
Other	Beneficiaries of the disability allowance are also entitled to the following: utility bill subsidies (energy and telephone); tuition fee waivers for secondary and tertiary education.

Maternity Leave (contributory, administered by the Social Insurance Institute)

Entitlement	Economically active women (of working age)
Benefit	Flat rate maternity leave
Prior contribution (income-related conditions)	Twelve months of social insurance contributions
Benefit/ replacement rate (income-related)	80 per cent of the average annual assessment base for the first 150 days, 50 per cent for the rest (215 days)
Length of leave	Maternity leave is a minimum of 98 days and a maximum of 365 days, or otherwise a minimum of 125 days and a maximum of 390 if the woman gives birth to more than one child..
Can be combined with work	At the end of the post-delivery leave period of 42 days, the woman has a choice to decide whether she wants to return to work or to receive social insurance benefits.

Baby bonus (non-contributory)

Eligibility	The new parent (mother of father)
Benefit	The amount is defined by Council of Ministers and is given as a one-off lump sum upon showing the respective birth certificate[14].

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14. Law 57/2019, Article 9. https://www.parlament.al/Files/ProjektLigje/20190724173518ligj %20nr. %2057 %20dt. %20 18.7.2019.pdf

3.1.1 Ndihma Ekonomike - NE

Ndihma Ekonomike (NE) is a cash allowance benefit aimed at families in need and individuals with special status. According to the national legislation, eligible families and individuals are those living in extreme poverty or with insufficient income, unemployed orphans over 25 years of age not living in residential institutions and not in foster care, orphans between 18 and 25 years of age not living in social services institutions and not in care or under guardianship, parents of twins (or more children) with insufficient income, victims of trafficking, and victims of domestic violence. The amount of the benefit payment depends on the area where the family lives, characteristics of household structure and composition, etc. (Council of Ministers' Decision No. 955, 2016). According to the author's calculations, NE payments, after transfer, cover approximately 15 per cent of the consumption expenditure of eligible households in the poorest quintile of the population. Eligibility is defined based on the PMT approach and the current average NE payment varies between ALL 3,800 – 5,600 (EUR 30.00 - EUR 45.00) per month, with the maximum NE payment amount set at ALL 8,000 (EUR 65.00) per month. Since 2016, the Albanian Government, with the support of the World Bank, has embarked on an ambitious programme to reform the social assistance programmes in the country. The initial phase consisted of a pilot project in the three largest municipalities in the country (Tirana, Durrës and Elbasan). Following the successful implementation of the pilot project, the reform was rolled out nationally in January 2018. One of the main goals of the reform has been to strengthen the design, administration, and governance of cash transfers, whilst at the same time improving equity and efficiency indicators and NE targeting and coverage (World Bank, 2018).

In terms of its design, the reform has introduced changes in the scoring formula in order to enable a more effective targeting of the poor. The formula includes a list of household assets/living conditions as well as the various incomes that households receive[15]. The reform has also led to improvements in the administration and governance of the programme, by, for example, streamlining the electronic systems of various agencies involved the selection process (e.g. employment office, cadastral office, the tax administration system, etc). Among other things, the streamlining of the electronic systems of various agencies serves two purposes:
- easy and fast checking of individual applications; and
- reducing fraud and abuse that was previously associated with administering cash payments. Ultimately, though, the reform's main goal has been to improve the equity of the cash assistance programme by aiming to target payments to the poorest segments of the population.

In addition to focusing on the households most in need, the reform has also been explicitly targeting larger households (i.e. households with several children). For example, the aid has been particularly targeted towards families with triplets, quadruplets and quintuplets, with the amount of assistance progressively increasing with each child (Council of Ministers' Decision, 2016). In addition, orphans are specifically targeted, receiving ALL 3,000 (EUR 25) per month. Cash assistance amounts are topped up with special add-ons (a form of conditional cash transfer) for education and health. In relation to education, each household is entitled to receive ALL 300 (EUR 2.5) per month for the duration of time their child attends elementary education and an additional ALL 100 (80-euro cents) for each of the eight mandatory childhood immunisations[16].

Since the implementation of the pilot in 2016 and the subsequent national rollout in 2018, the reform has produced a few achievements from the legal and policy point of view. First, NE application forms are now filled out and processed electronically, thus considerably reducing the amount of time required for application. This finding is also borne out by the information collected in the interviews and the focus group with beneficiaries. Second, the streamlining of the electronic systems of various agencies has also led to a reduction in the number of documents people are required to submit in support of their application. While in the previous system, applying families were required to submit 28 documents, the recent changes to the programme have significantly reduced the number of support documents required. Pursuant to Council of Ministers' Decision No. 956 (2016), now a household is required to submit the following documents: a) a copy/copies of the identity card(s) of the main applicant and other adult family members; b) either: a title deed issued by the Real Estate Registration Office, or

15. Council of Ministers' Decision No. 956/2016 on the Unified Scoring Formula. http://www.sherbimisocial.gov.al/wp-content/uploads/2017/02/vendim-956-date-7.12.2016.pdf
16. Council of Ministers' Decision No. 955/2016.

a certificate of ownership issued by the Municipal/County Cadastre Office, or an official document proving transfer of ownership and land use in areas where the property registration process has not been finalised yet.

Nevertheless, a number of issues remain outstanding and unresolved. These are particularly obvious in the policy/design stage of the programmes. First, there are issues with NE payment amounts allocated to the poorest households[17]. The NE payment amount is set at a maximum of ALL 8,000 per month (EUR 65.00), but there is little information on the basis on which this amount has been reached at out or whether it helps in alleviating poverty related issues at the household level. Our analysis of the HBS dataset suggests that with the current NE payment amount set at such a low level, very little poverty reduction can be achieved. Indeed, the maximum NE payment amount is roughly a quarter (25 per cent) of the average monthly expenditure of the bottom 20 per cent households. Moreover, the interviews with policymakers did not shed light on whether the findings from household surveys are used in determining NE payment levels. This was corroborated by the contributions made by national stakeholders and community members at the validation workshop in December. Workshop participants stated that the lack of quantification of national minimum living standards in Albania, as well as in other Western Balkans countries, is a perennial problem affecting efforts to determine the amount of assistance to be allocated. Second, whilst the electronic processing of applications should, in principle, make the application process easier, there are still challenges. For example, even though the interviews with social security administration representatives suggested that the process for applying and obtaining an ID is fairly easy, the process may still be burdensome for some of the poorest segments of the population. About 29 per cent of the surveyed Roma population, for instance, do not have official IDs[18]. Whilst the survey is not representative of the entire Roma population in the country, it is indicative of the bureaucratic labyrinths that vulnerable people in Albania have to navigate when applying for cash assistance. Third, even though there has been some level of streamlining of the electronic systems of some governmental agencies, there is still some ground to be covered. For instance, it was suggested in the interviews with policymakers that checks with border security agencies should also be performed. Fourth, although the duration of the programme has been shortened to five years, during which time recipients should register with the employment office and actively look for employment, the reform has not produced very encouraging results so far. The practice seems to have produced limited results and has increased the administrative burden on employment offices. In the first quarter of 2015, the number of unemployed jobseekers benefiting NE nationally was 68,177; these were largely people with low levels of educational attainment. Even though 54 per cent of the total of employment opportunities offered consisted of low-skilled jobs, such as apprenticeships and general services, only 5,8 per cent of these jobs (about 1000 persons) went to NE recipients[19].

In addition, the most recent changes introduced in the programme do not envisage a suitable exit strategy. As per our review of the legal and policy documents, the reform involves the introduction of new activities aiming at the social and productive inclusion of members of households in receipt of NE payments after the expiry of the NE entitlement period. Pursuant to the law, "NE payments for families without an income or with insufficient income is a payment made in the form of a monthly allowance in Albanian Lek and is limited in time to a period of no more than five years." However, currently there is no 'exit strategy' in place for existing NE beneficiaries once they reach their fifth year of benefitting from the programme. There is thus a need to develop the elements of an exit strategy (for example, exceptions, activation measures, and possibility to reapply for NE, among others) tailored to the profile of NE beneficiaries, as well as a communication and information strategy to gradually alert and support beneficiaries well in advance of their actual exit from the NE programme. Similarly, there is no strategy for reaching out to the poorest and most deprived households, which is ultimately one of the key objectives of the reform. In the on-site interviews with social administrators, they indicated that even though certain families are known to be poor, they still fail to reach the eligibility threshold. This might be due to lack of adequate information and skills, and poor understanding of the questions. There have been reports of cases where, after applying and failing to qualify a few times, some heads of households simply decided not to apply again thus continuing to live in poverty.

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17. This section analyses the information on NE payment amounts from the supply side. The demand side issues are presented in the next section covering the impact of existing programmes.
18. UNDP, 2018.
19. Labour Market Bulletin, 2014.

Some of the ongoing challenges relate specifically to children and teenagers. While there is additional conditional education- and health-related cash transfers in place, there is very little evidence to show if an analysis has been conducted into the actual need for such payments. In fact, the latest data suggest that immunization uptake in the country is consistently high, so adding a nominal amount of ALL100.00 (roughly 80-euro cents) for each immunization shot is bound to have but minimal impact. Similar conclusions can be drawn regarding education-related payments, particularly taking into account that elementary education in Albania is compulsory. In addition, participants at the workshop held in Tirana in December 2019, emphasised that such add-ons could be used, for example, to subsidise the travel expenses of rural youth and adolescents when they need to travel to look for a job in urban centres (minutes of the December workshop, 2018). Second, the way it is currently set up, the cash assistance system fails to reach out to some of the poorest children. In the discussions at the national stakeholders' workshop held in December 2018, participants pointed to the fact that a number of children without any ID documentation (born to migrant or Roma parents) do not even figure in the system. Similarly, and along the same lines, it was suggested at the workshop that such add-on payments for education are of very little help to very poor disadvantaged children of school-leaving age who have never attended school (minutes of the December workshop, 2018).

3.1.2 Disability Assistance

The disability benefit is part of the Social Protection Programme and aims to provide support to persons with disabilities with a view to improving the quality of their lives. Currently, the disability benefit is the only scheme supporting persons with disabilities, since the degree of their disability is assessed by medical panels in charge of determining whether a person is able to work or not. During the past few years, expenditures for disability benefit have increased substantially due to annual indexation of benefits and extended coverage, and they presently constitute the main share of expenditures in the social assistance programme. This is due to the high indexation of the benefit. The amount of disability benefit payment is considerably higher than NE payments. For instance, the amount of the disability benefit received by a person with physical or mental disabilities is ALL 9,900/month (80 EUR) (compared to an average household receiving ALL 3,800 in the form of social assistance payments - roughly a third of that amount).

Even though the disability benefits scheme does not clearly target the poor population, in practice, the poorest quintile of the population accounts for 39 per cent of disability expenditure. However, like in many other countries in transition, there are several serious issues regarding the functioning of the disability scheme. The 2011 PSIA disability survey suggests that there is scope for redistribution of transfers to benefit those who are truly disabled and/or to reduce spending on DA. This because a far from negligible share of beneficiaries at that time (14 percent) reported no functional disability of any kind (World Bank, 2018).The disability assessment system is based exclusively on medical tests and does not necessarily reflect the degree of disability or functional damage in line with the International Classification of Functioning and Health (ICF). While other legislation is broadly aligned with CPRD[20], in practice the medical model is followed for disability assessment: children are assessed for physical, sensory, mental, or psychological disability, which they are either born with or have acquired later in life as a result of an accident or illness (and is not related to employment)[21]. A representative study at the national level (2011) suggested that 14 per cent of the beneficiaries of the disability benefit do not have a functional disability and a further 15 per cent have only minor disabilities[22]. The government of Albania has recently expressed its intent to reform the disability benefit scheme (with the support of the World Bank), which aims at better targeting disability benefits to persons with severe disabilities, i.e. those more in need of support and introducing a new model of disability assessment (known as the "bio-socio-medical" model) which seems to integrate some of the ICF principles.

At the heart of the disability reform is the holistic idea that people may not just need cash benefits but also services (physiotherapy, psycho-social, day care, and residential care services for both adults and children). However, several reports and the interviews with national stakeholders

20. UNICEF. 2018. Situation Analysis on Children with Disabilities.
21. Council of Ministers' Decision No. 362, dated 26.02.2007.
22. The World Bank, 2011.

have raised the concern that the provision of such complementary social services is very limited, if not totally lacking, in certain rural areas. A major challenge remains the lack of specialised rehabilitation and reintegration services at the community level. Such services are lacking even in large and relatively well-resourced municipalities such as Tirana, Shkodra, Durrësi, Vlora and Korça, where services do not meet the needs of all disabled individuals. Interviews with administrators in the administrative units where the new model has been piloted suggest that the new assessment model poses some risks. By applying the new model of disability assessment, a number of adults and children with disabilities who used to qualify for cash payments pursuant to the previous assessment model, will no longer be eligible for cash transfers but only for services, which are currently lacking. The participants at the workshop in December 2018 emphasised that there are additional challenges associated with the reform. For example, participants pointed out that the new approach (such as the lifecycle approach, which is particularly relevant for children) requires strengthening of planning, organization, administration activities, and control of care services at all levels. Closely linked with this is the fact that some schools do not have the necessary infrastructure in place for disabled children, which would facilitate the deinstitutionalization of disabled children. Another challenge relates to the gaps in provision by public institutions, which can be covered by private institutions or third-party providers. In other words, where there are no services provided by public institutions, they need to be contracted out to NGOs or other third parties that provide such services. This would reduce start-up costs and allow for more flexibility in service delivery (for instance, certain services could be provided only by public institutions). The national stakeholders interviewed suggested that standards need to be developed and a proper costing tool proposed to facilitate better service delivery, social contracting and partnerships with organizations that provide services.

3.1.3 Electricity Bill Subsidies for NE recipients and other vulnerable households

The beneficiaries entitled to energy bill subsidies are families in receipt of social assistance (NE payments), disability allowance beneficiaries, old-age pensioners, paraplegics and tetraplegics, and low-income families with a monthly income of under ALL 35,000 (283 EUR) per month. In 2015, the subsidy payment received by these families was ALL 1,288 per month (approximately 0.1 percent of the GDP), of which ALL 648 (roughly 5 EUR) per month was paid to compensate for the scrapping of the protected threshold of energy consumption of up to 300 kW/month, while another ALL 640 per month (roughly 5 EUR) was paid as compensation for the increase in electricity prices (up to 200 kWh per month) (Davalos et al, 2018). Site observations and interviews with beneficiaries suggest that there are several issues with the implementation of the energy bill subsidy. Families receiving cash assistance are either long-term debtors to the national Electricity Corporation, or they do not own the residence where they live in so although they pay the electricity bill, they are automatically excluded from the compensation.

3.1.4 Maternity leave and baby bonus

The social insurance contribution package includes a share of f 2.3 percent of total payments that goes for maternity insurance. Maternity insurance comprises the following benefits:

- maternity benefits;
- maternity allowance, due to change of employment; and
- birth grant.

The maternity benefit is payable to a woman for pregnancy and childbirth, provided she has made 12 months' worth of social insurance contributions. The benefit period is 365 calendar days, including a minimum of 35 days prior to the due date and 42 days after delivery. Women with multiple pregnancies are entitled to 390 calendar days of maternity leave including a minimum of 60 days prior to the due date and 42 days after delivery. During the maternity leave period, insured women receive 80 per cent of the average daily remuneration, calculated on the basis of the previous year's average salary, for the pre-delivery period plus 150 calendar days post-delivery; followed

by 50 per cent of the average daily remuneration calculated on the basis of the previous year's average salary for the remaining period. The amount of maternity benefit for economically active women is equal to the basic flat-rate old-age pension (Social Insurance Law of Albania, Article 27; also, please see Table 3).

In addition, new mothers are eligible for birth grants. As shown in Table 3, it is given to mothers or fathers (with mothers having priority) and it consists of 50 per cent of the minimum wage. The current level of the grant set by the Council of Ministers is a one-off grant of ALL 10,500 (85 EUR).

3.2 Spending on Social Protection and Social Assistance Programmes in Albania

The overall social protection spending in Albania is low. Data provided by the Ministry of Finance show that total expenditure on social protection (as a share of GDP) hovers around 9 per cent (See Chart 4 below). It is also clear from the chart that spending has been stable overall.

CHART 4. Social protection spending (per cent of GDP)
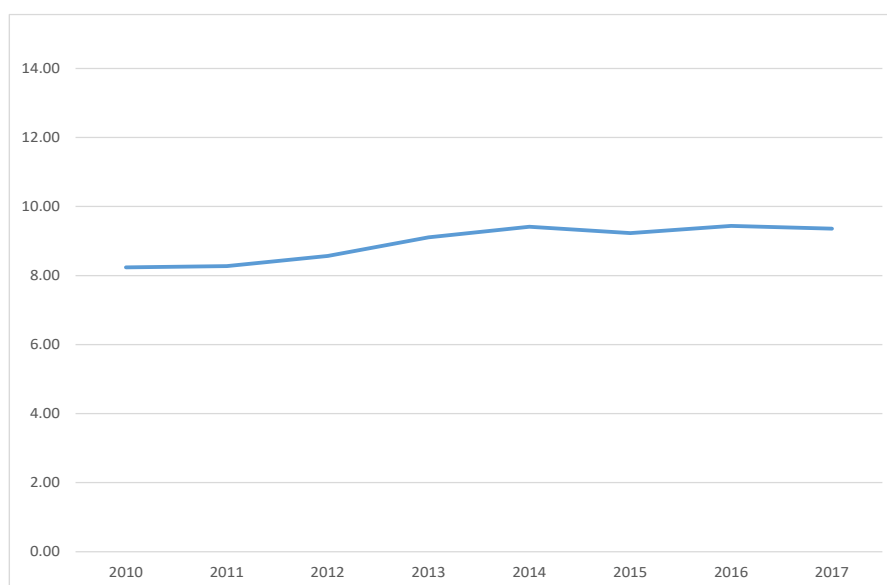
Source: Albanian Ministry of Finance, World Development Indicators and author's estimates

In Albania, the highest share of social protection goes for pensions, followed by social assistance and labour market programmes, which is a similar picture to the rest of the countries in the region. As seen in Chart 5, the highest share of the total social protection is devoted to social insurance (i.e. old age pensions). Spending on social assistance (illness and disability, last resort social assistance) comes second, although its share has been less stable over the years. Finally, spending on labour market programmes (e.g. unemployment benefits and some active labour market policies) takes up only a negligible share of the total social protection spending in the country. Less than 5 per cent of total social protection spending in Albania goes to unemployment benefits.

The findings stemming from these data are corroborated by relevant literature reports. A growing share of public expenditure goes to social insurance as opposed to social assistance, while a

growing share of social assistance payments goes towards disability benefits, which are not means-tested. Consequently, a growing number of people who are not poor benefit from social assistance, while pensions contribute more to poverty alleviation (see for example Bradshaw and Hirose, 2016).

CHART 5. Share of the total social protection spending allocated to various programmes (per cent)
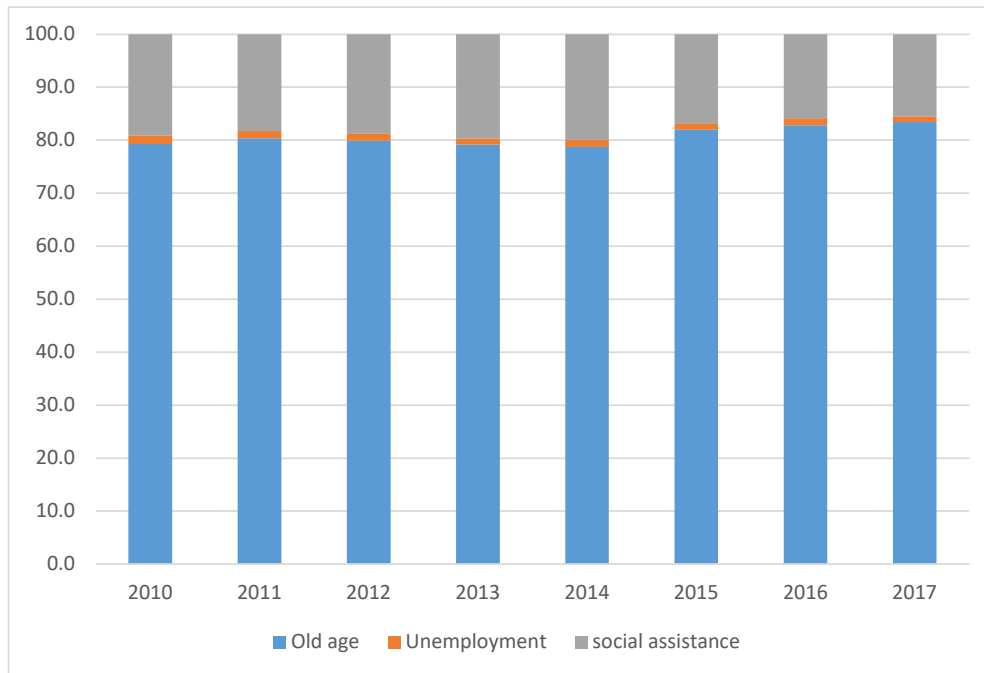
Source: Albanian Ministry of Finance, World Development Indicators and author's estimates

More specifically, and focusing on social assistance, existing evidence points to significant heterogeneity in programmes and spending across the countries in the wider Eastern Europe and Central Asia region. For example, in some countries (Romania, Serbia), social assistance programmes include family and child benefits, last resort social assistance, disability benefits, war veteran benefits and social pensions, whilst other countries only feature a couple of social assistance programmes (UNDP, 2016). Albania, as documented in the mapping section above, appears to belong to the latter group.

4 Impact and Effectiveness of Social Assistance

4.1 Evidence from the literature review and cross-country data for EECA *(Aspire dataset)*

In order to assess the overall impact and effectiveness of social protection in Albania (from a comparative perspective), we have relied on a literature review of the academic literature as well as a review of the data from some existing social protection repositories (e.g. Aspire). The results of this analysis are reported in Appendix 2. However, there the desk review included in this study has a limitation. Existing assessments or evaluation reports at the time of the study refer mainly to the old model of social assistance. The new model has quite a few advantages, but in order to assess the coverage and targeting according to this model any research conducted prior to 2016 must be excluded. The overriding message from the academic literature desk review is that whilst the existing social assistance measures have helped to lift people out of poverty, there are still issues with coverage and targeting (see, for example, Appendix 2). Low coverage and poor targeting are particularly an issue in countries like Tajikistan, Kyrgyzstan and Moldova, as evidenced by our literature review. However, the review suggests that despite issues with targeting, the amount that households receive does help with poverty alleviation. In Armenia for example, before social assistance cash transfers, childhood poverty rate stood at 30 per cent; post-transfer these rates declined to 26 per cent (Hoelscher & Alexander, 2010) (more details on other countries can be found in Appendix 3).

However, our literature review suggests that pensions (a social insurance mechanism) are a more effective tool in fighting poverty compared to social assistance programmes, which are designed expressly for this purpose. Overall, while greater coverage by pension schemes is imperative to improve the living standards and lift households out of poverty, the amount received in the pension schemes also has a great impact on poverty reduction. Moreover, the findings of our literature review suggest that not only are pensions better suited to reduce overall poverty; they are also better suited to reduce childhood poverty. For example, in Georgia, approximately 9.2 per cent of children are lifted out of poverty when they live in a household with at least one pension recipient. Furthermore, without pensions, extreme childhood poverty would have doubled and the number of children in poor households would have increased from 28 per cent to 38 per cent (Hoelscher & Alexander, 2010).

The findings from our literature review are corroborated by an analysis of data from the Aspire dataset. Compared to the rest of the countries in the region, the targeting and adequacy of cash transfers programme in Albania are at a much lower level (Chart 6). This coupled with the overall lower level of benefits, results in limited impact of cash transfers on the overall poverty rate. The World Bank has estimated that, overall, NE only lifts 0.4 percent of the poor out of poverty (World Bank, 2012).

CHART 6. Albania and CEE – Adequacy of cash assistance benefits (per cent)
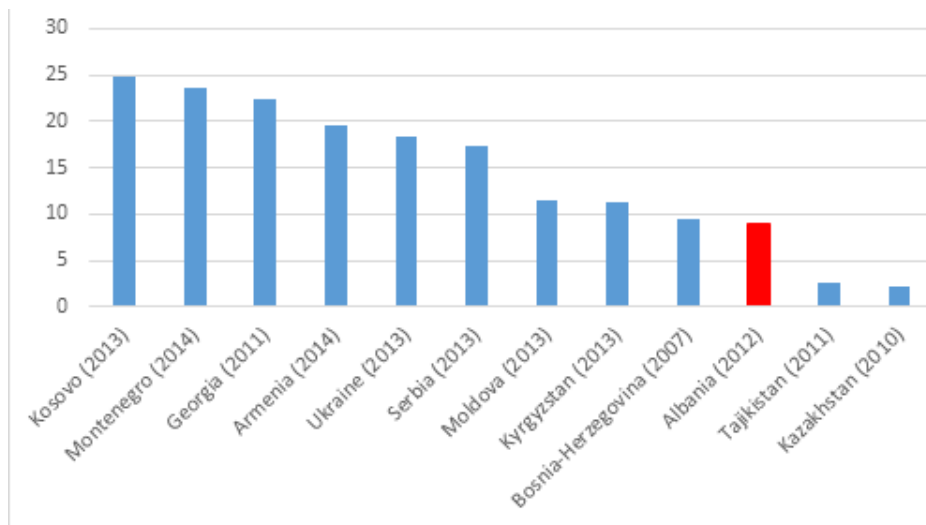
4.2 Impact of the Cash Transfer Programme and Disability Programme

4.2.1 Impact of the cash transfers programme

As already noted in the mapping section above, starting from 2013, the Government of Albania has embarked upon an ambitious reform of the NE programme and is also preparing for a significant reform of the disability assistance programme (the latter is currently being piloted in Tirana only). The reform of the cash assistance programme involves, inter alia, changes to the scoring formula in order to improve targeting and increase coverage which, as pointed out in the literature review above, has been low. Furthermore, the reform has also led to the simplification and streamlining of the application process (through digitalisation). In this section we take stock, to the extent possible, of the impact of the reform, particularly from a demand point of view (i.e. its impact on end beneficiaries). In addition, we also analyse, to the extent possible, the impact of the disability assistance.

First, we find that the changes to the cash assistance programme have led to improved targeting, more particularly of the poor and vulnerable. Building on the HBS 2016 analysis above, we subsequently conducted a further analysis of NE distribution per capita household consumption. Given that at the time when the data was collected (2016) NE changes had only been introduced in the three pilot regions, the analysis is limited only to households in those regions. The results (as reported in Chart 7), suggest that most NE recipients are indeed either in the lowest or the second lowest consumption quintile (together they account for about 75 per cent of all NE recipients). In addition, we repeated the exercise on determinants of poverty from Chapter 2 above (also including a dummy variable for NE recipient as one of the explanatory variables). The results suggest that indeed, those at the bottom 20 per cent (and 40 per cent) are respectively about 2.7 times and 2.8 times more likely to be NE recipients compared to the rest of the households. There are, however, some caveats attached to this finding. First, the analysis is limited to the pilot regions where, by 2016, there had already been some changes in the NE programme. Second, in order to properly assess the impact of the reform, particularly its impact on a nationwide scale, a nationally representative annual dataset (e.g. EU SILC) is needed for the entire 2018 (this is discussed further in the recommendation section of the report).

More specifically, targeting has improved for larger households, i.e. households with multiple children. As shown in Chart 8, between 2017 and 2018, the share of one and two member households receiving NE dropped by more than a half. By contrast, the share of households with four and five members

CHART 7. Share of NE recipients, by consumption quintile
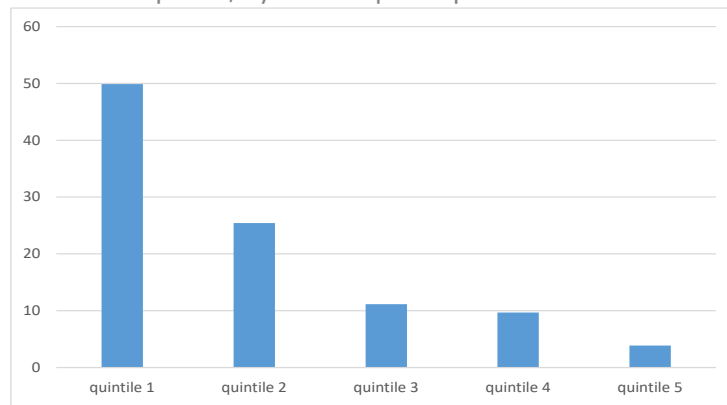
(many of whom invariably have children) has increased, pointing to further improvement of targeting and coverage by the cash assistance programme.

However, the changes to the scoring formula have led to the exclusion of some poor single-member households that deserve to receive social assistance. In one of our interviews, issues around cash assistance were discussed with a woman who claimed that for the three months prior to the interview she had been excluded from receiving any benefits. She had simply been told that she did not meet the points' threshold to be able to qualify for NE. She was not given any further information on the reasons for the exclusion. The rest of the interviews yielded similar results. One of the interviewees (A.B.) had been told that NE is geared towards households with many children who do not receive any additional support. However, she stated that the state should afford some protection to people who live on their own and have no one to support them.

CHART 8. Family composition and NE, in per cent
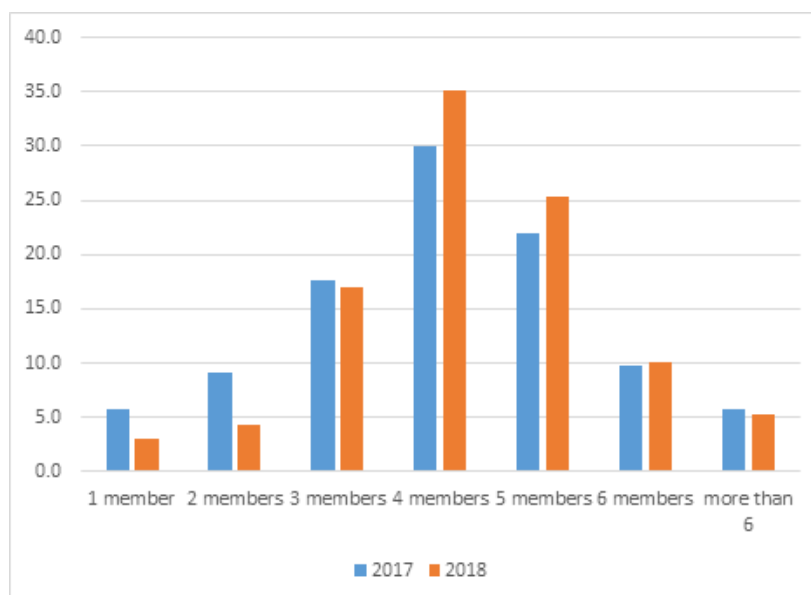
Evidence of better targeting is further corroborated when analysing data from the MIS. The analysis shows that NE is targeted towards the intended recipients – the poor and vulnerable. Chart 9 captures the education status of the heads of households receiving NE. The vast majority of households (nearly two thirds) are headed by someone with basic education only (8/9 years), whilst about a fifth of

households are headed by someone who has completed general secondary education. Given the clear link between level of education and poverty and vulnerability, a greater focus on training and vocational education programmes would be beneficial, particularly given the limited duration of NE.

CHART 9. Education attainment of heads of households in receipt of NE

Source: authorities and author's calculations
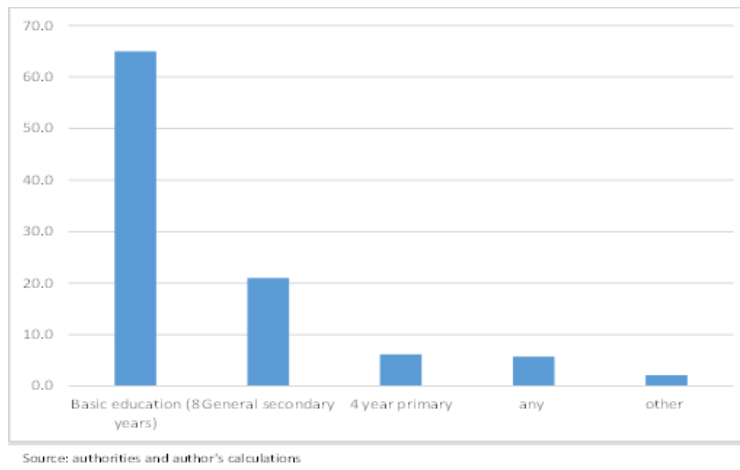
Household poverty and vulnerability are even more evident when other indicators, such as employment status, are considered. About 97 per cent of households receiving NE are headed by someone who has not worked in the past four weeks. It follows that investment in training and education opportunities for members of these households could significantly improve their employment potential, which could also be their ticket out of poverty.

Likewise, the poverty and vulnerability of households receiving NE is also evident when analysing the additional income these households receive. About 13 per cent of households report receiving disability assistance for a member of their household. In terms of additional social protection, however, the rest of the households stated that they were not in receipt of any additional form of social protection support. This finding also strongly supports the link between poverty and disability as indicated in the first chapter of this report.

One of the objectives of the reform is the streamlining of the number of NE recipients. As evidenced by the literature review above, prior to the reform, the NE programme was plagued by poor targeting and a significant leakage of cash assistance benefits to better-off segments of the population. Against this background, the newly introduced components of the reform (e.g. changes to the scoring formula, etc.) were intended to reduce the number of recipients by targeting the poor and very poor. It appears

CHART 10. Number of households in receipt of NE
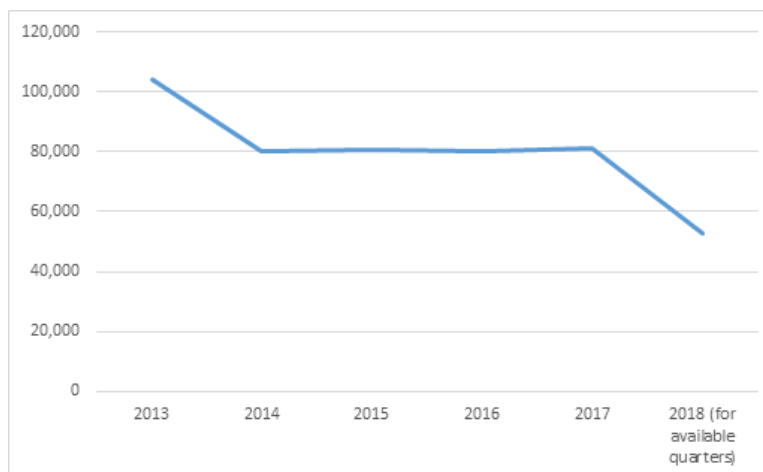
Source: National authorities' administrative data

that, at least initially, the reform has had an impact on the number of recipients who had their NE benefits approved in 2018 (Chart 10). Similarly, the number of beneficiaries receiving both NE and disability assistance is also on the decline (Chart 11) (although some caution should be exercised in the interpretation of these results as they only refer to the available three quarters). Repeating this exercise with a full year's worth of data could further corroborate these findings.

CHART 11. Number of beneficiaries receiving both NE and Disability Assistance payments
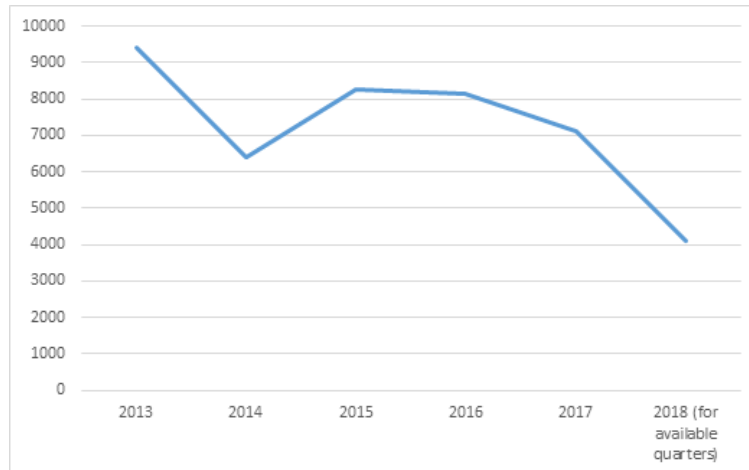
This improvement in NE targeting and coverage has also led to improvements in streamlining spending. Indeed, as evidenced by Chart 12, family and child benefit (i.e. social assistance) as a share of GDP has been on the decline since 2014, partly due to the streamlining of NE spending. Moreover, between 2010 and 2017, social assistance benefits have only increased minimally in real terms (by an average of 2 per cent, while inflation in the same period has been fluctuating around the 1.9 per cent mark).

Nevertheless, it is encouraging that within the previewed budget, most of the money was used to help the recipients. For example, as Chart 13 shows, over 95 per cent of the budget for social assistance is spent on recipients, whilst salaries represent around 2 percent of the overall budget.

CHART 12. Family and child benefits (cash assistance) as a share of GDP

Source: Albanian Ministry of Finance, World Development Indicators and authors estimates
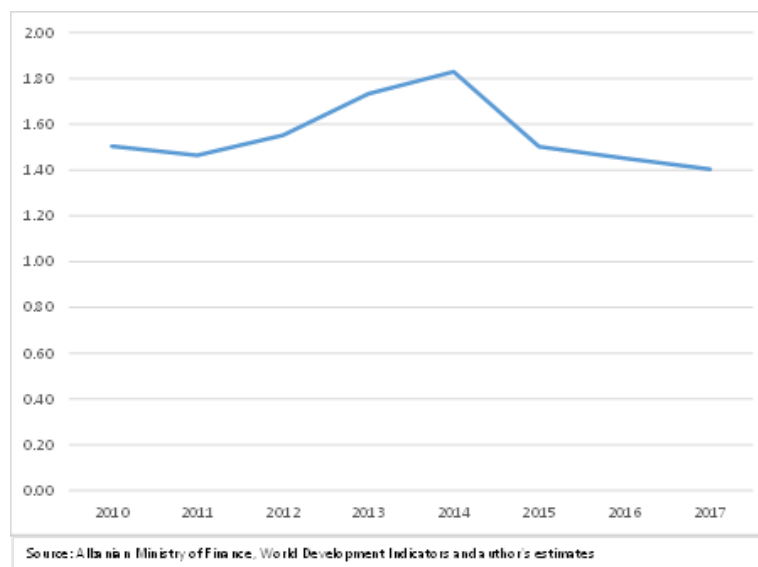
Source: National authorities' administrative data

CHART 13. Share of cash assistance by type of expenditure

Source: Albanian Ministry of Finance, World Development Indicators and author's estimates
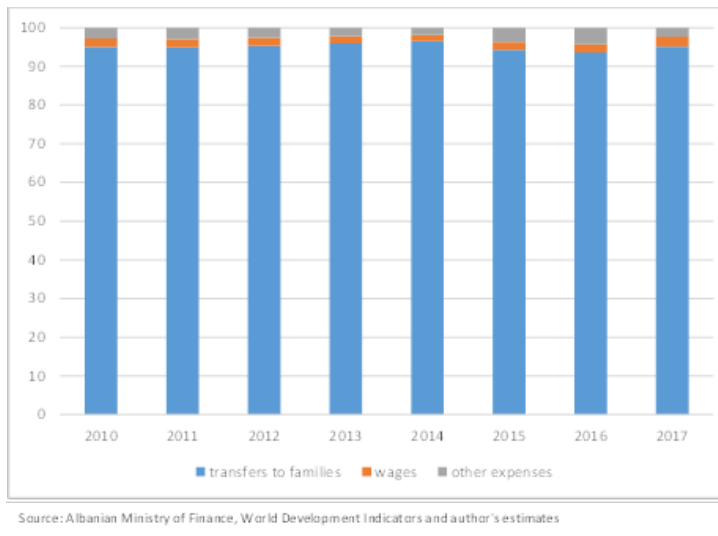
The improvements in coverage and targeting as well as the streamlining of NE payments show that there have been no changes in the average amount of NE payments, either in nominal or real terms.

CHART 14. Average NE received over the years (in real terms)
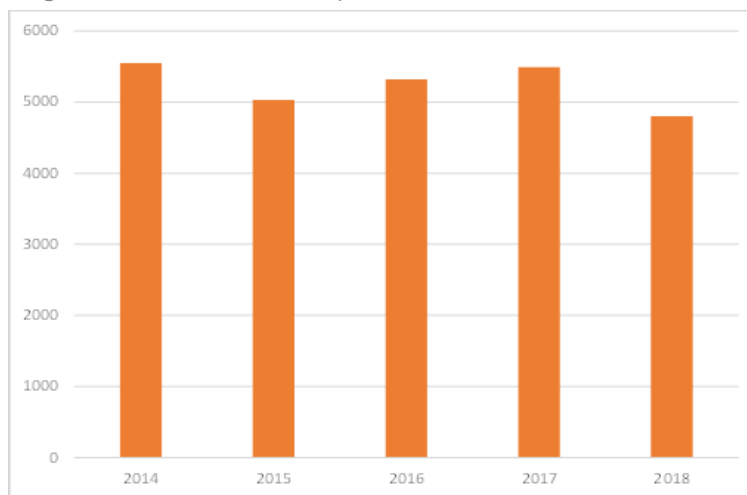
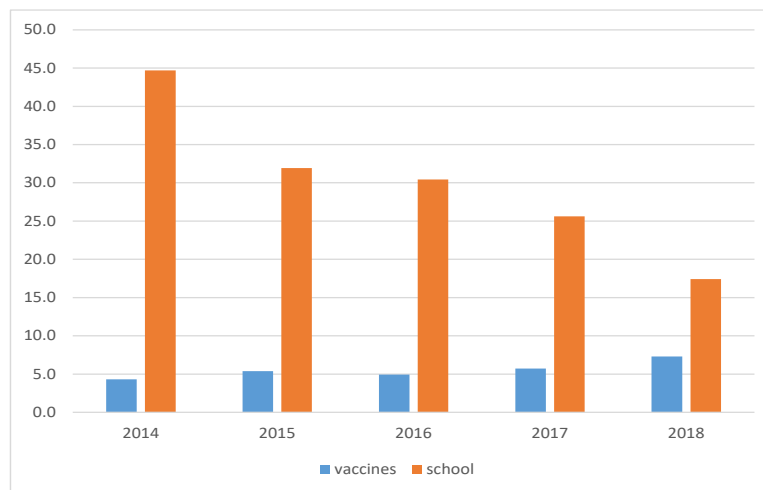*Source: Authorities' and author's calculations*

On average, the amount of NE payments received by households over the years has been hovering around the ALL 5,000 (EUR 40.00) mark, although the average amount has in fact increased with the new programme, reaching a maximum of ALL 8000 (about EUR 67-69.00) (Chart 14). Moreover, it is clear from the interviews that whilst most of the respondents are grateful for the amount of money they receive, the cash assistance received is fairly modest. For example, two of the respondents reported receiving between ALL 3,600 (EUR 29.00) and ALL 3900 (EUR 32.00). The results of these interviews are corroborated by data from the MIS system. For example, and as indicated in our MIS-based analysis, the average NE stands at just below ALL 5,000, which is in line with the broader NE average range (ALL 3,900 -5,600). Nevertheless, the findings from both the qualitative exercise and the interviews suggest that overall assistance is low.

Furthermore, the additional add-on financing is of questionable purpose and effect. For instance, there are add-on payments for immunizations and enrolment in/attendance of primary education, but thus far, there has been no proper evaluation of these additional elements to conclude whether they are fulfilling the objective. Chart 15 captures the share of households in receipt of add-ons for the two additional services offered in conjunction with NE – primary education attendance and school

enrolment (note: caution should be exercised when comparing earlier years as the data only apply to the three pilot regions). Overall, the share of households receiving add-ons is small. For example, in 2018, 7.3 per cent of all households received the add-on for vaccinations and 17.4 per cent for school attendance. However, the amount that households receive is small (about 80 per cent of households received only ALL100.00 for completed immunizations; 50 per cent of households received ALL300 for primary school attendance and another 33 per cent have received ALL 600 (about 5 EUR) for school attendance). It appears that the amount spent on these add-ons is nominal – in 2018, spending on immunization add-ons represented 0.3 per cent of the total amount of NE, while spending for school attendance amounted to 1.8 per cent of the total amount of money allocated for NE purposes. With these insignificant amounts, one wonders if the effect is no more than cosmetic, particularly in a country with such high immunization and low drop-out rates like Albania.

On the other hand, as one of the participants at the workshop in December pointed out, the electricity bill subsidy of ALL 4,000 (32.00 EUR) does not appear to have any effect and hence its usefulness should be questioned. In addition, whilst there are add-ons for immunization and education, perhaps targeting specific add-ons, e.g. for transport subsidies for rural youth looking for work in urban areas, could be more beneficial.

CHART 15. Share of households receiving add-ons for education and immunisation

Source: National authorities and author's calculations

Finally, it appears that the allocation of cash assistance follows population patterns. Chart 17 captures the share of the cash assistance benefits by province for 2017. It is evident that the most populous provinces (Tirana, Elbasan) have received the highest share of the assistance. The less populous (though poorer) provinces (regions or prefectures and not provinces) like Berat and Dibër receive a much lower share of the total transfers. Indeed, existing research points to the fact that municipalities

CHART 17. Family and child benefits (cash assistance) by province, 2017
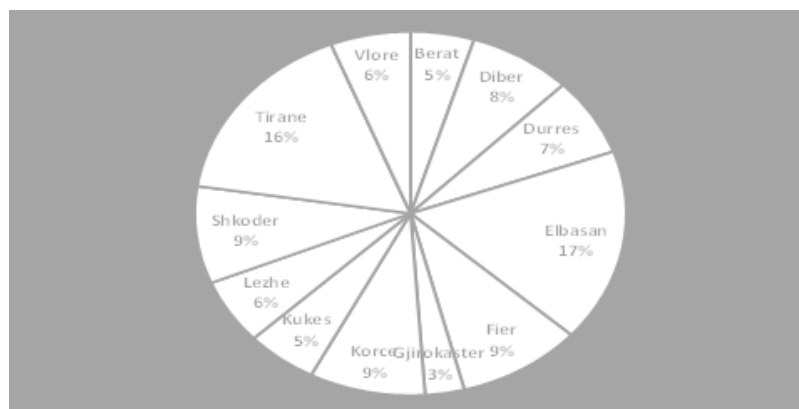
Source: Albanian Ministry of Finance, World Development Indicators and author's estimates

in central and mountainous regions (e.g. Berat, Dibër, Kukës) have higher than national average poverty rates (see, for example, Lacaj and Hysa, 2018).

4.2.2 Impact of recent changes on the disability programme

CHART 18. Number of households receiving disability assistance

Source: National authorities' administrative data

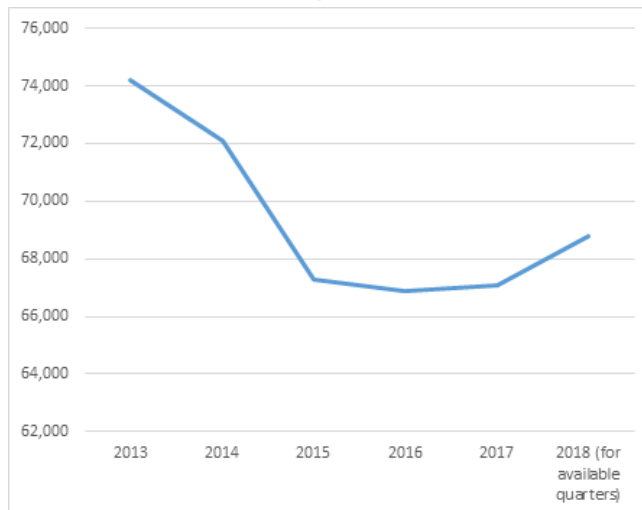Data from the piloting of the new disability assessment model in two administrative units in Tirana show a slight increase in the number of beneficiaries receiving this type of assistance. The effects of the new proposed model will be assessed soon. The section below briefly describes some of the ongoing changes in the disability assistance programme.

Furthermore, additional administrative data on applications for specific child disability grants were also analysed. This section summarizes the findings of that analysis. Overall, we find that, in 2018, about 30 per cent of applications were approved. Our analysis also shows that the number of beneficiaries is roughly equally divided among the age bands (from 2 to 15 years of age). Interestingly, most recipients of the child disability grant include children suffering from chronic illnesses, autism or a combination of these with another disability or condition (see, for example, Chart 19).Finally, it appears that most children whose disability grant has been approved do deserve it, given that about 70 per cent of them are classified as having a severe disability, followed by a moderate or minor disability.

CHART 19. Child recipients of the disability grant, by type of disability (in %)

Source: Albanian authorities and author's estimates, 2018
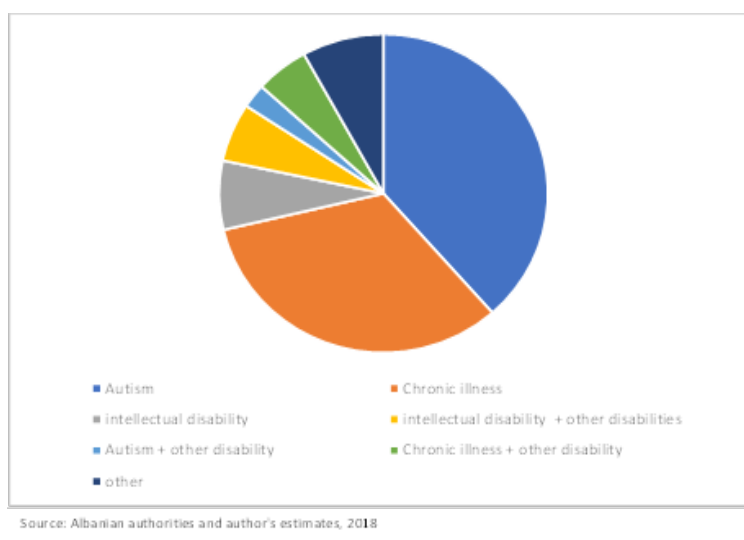
5 Conclusions and Policy Options/ Recommendations

There are a few general conclusions that stem from this study:

- First, and similar to the rest of the region, the bulk of social protection in Albania is spent on pensions/old age benefits, with social protection transfers to poor or vulnerable households and social care services taking up only a small share of the total social protection spending.
- Social assistance programmes consist of two main benefits: Ndihma Ekonomike (a poverty targeting social assistance programme) and the disability benefit. In addition to these, there are a number of add-on benefits attached to the NE (e.g. electricity bill subsidy, conditional cash transfers for immunization, conditional cash assistance for education), though the amount of these add-ons is quite small and their effectiveness has not been officially evaluated.
- Following a three-year pilot which was deemed successful, a reformed NE programme has been rolled out nationally, starting from early 2018. It has resulted in improved eligibility criteria, a streamlined application process and improve equity, efficiency, targeting and coverage by the programme. This was achieved, inter alia, by establishing a MIS system and streamlining the electronic systems of various agencies involved in the process of assessing eligibility (e.g. the cadastre, police, the employment agency, etc.). The results of our analysis (albeit based on limited data) suggest some improvements in coverage and targeting by the programme in the short period of time it has been implemented;
- However, findings from policy documents review, interviews and other qualitative data, as well as the workshop held in Tirana in December 2018, highlighted a number of issues and drawbacks in these social assistance programmes from a supply and policy design point of view:

  - there is a need for a proper study of the dynamics of poverty, including the impact of the level of cash assistance on the domestic budget;
  - (b) there are issues related to NE design (e.g. lack of a proper exit strategy, exclusion of households that are eligible to receive NE, absence of proper complaint mechanisms etc.;
  - our analysis of various data sources also revealed that whilst there have been some improvements in terms of programme impact, there are still some outstanding issues, particularly regarding the amount of cash assistance the households receive, and effectiveness of additional financing allocated for immunization and education attendance;
  - finally, while the disability grant is seen to be more generous, there are currently plans under way (pilot project in Tirana) aiming at streamlining the programme and improving targeting (e.g. eligibility will be based on functional disability, which is more comprehensive than the medical one). Nevertheless, administrative records show that, at least when it comes to children, most approved applications relate to children with severe disabilities, attesting to the adequate targeting/coverage of the programme.

Based on these findings and the overall analysis conducted in the framework of this study, we propose a few policy measures, including measures to:

- Strengthen the capacities of national institutions to generate good, nationally representative data that would enable the authorities to assess the headcount and depth of poverty (child poverty in particular);
- Further improve dissemination of information about the programme and facilitate the application process for those eligible to apply, in particular large households with multiple children from the Roma community. For those that are eligible to apply (e.g. vulnerable Roma families with multiple children), the authorities should ensure that the applicants understand the application process properly and possess the necessary documents to apply (e.g. national ID cards, etc.). While the interviews with representatives from government authorities suggest that, in principle, everyone can obtain an ID free of charge, there are obvious barriers towards doing so;
- Our analysis of add-ons suggests that these payments are too modest to significantly influence the domestic budget. Moreover, the total amount spent on add-ons is a fraction of the total budget earmarked for NE. In a country with high immunization uptake and low drop-out rates, the reason for the existence of these add-ons (particularly in view of the meagre amounts involved) is questionable. As some workshop participants pointed out, these funds could potentially be more useful if rechannelled to cover transport expenditure for young people looking for jobs in urban areas/cities;
- As indicated in our qualitative analysis, cash payments should be better streamlined with a view to empowering families and improving the social protection of abandoned children and economically exploited children;
- Given the significant overlap between disability and poverty (as shown by the literature review and the analysis of relevant data), the authorities could consider introducing a special category for this group of vulnerable people, particularly disabled children. In addition, and as indicated by some of the workshop participants, receipt of disability assistance should be combined with training and vocational courses that could improve the employability and income generation capacity of children and young people with disabilities in the future;
- Good targeting depends on identifying which households are poor over a given period of time. This raises the question of how frequently the families' circumstances need to be reviewed in order to decide whether they still meet the criteria for receiving NE, or whether they qualify for a different amount instead. In order to do this, a dynamic study on poverty that would rely on a panel dataset is an imperative;
- The allocation of NE should also be looked at in the framework of a dynamic sub-national context and revised with higher frequency. This will allow the NE to be linked not only to the population and/or size of a region and its poverty level, but also to any changes in the sub-national growth rates and poverty. In other words, allocation of available funds on a sub-national level should also be assessed on a more frequent basis;
- Consolidation of the national social protection MIS system integrating cash payments and care is a must. One of the participants at the workshop suggested establishing a database of cases handled by the municipalities regarding children living in shelters, street children, families in the social protection system, families in receipt of NE, families with disabled members, etc.
- Authorities should consider increasing the amount of NE payments, especially as its share in the domestic budget is small. Indeed, as evidenced by the interviews and MIS data, the overall amount of NE transfers is quite modest. Upscaling of child- and family-oriented social assistance could have tremendous benefits, particularly because it could help a generation of poor children to get a proper start in life and thus evade the poverty trap. Some economising, as a result of improved targeting, could go a long way in improving the overall socio-economic standing of poor and vulnerable children.

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APPENDIX 1

Analysis of the Main Correlates of Poverty in Albania

Methodology

The nature of the HBS data does not allow for a direct assessment of the link between the regulatory changes to the NE and changes in poverty rates. Given their longitudinal nature, EU-SILC data might be better placed to investigate the link between changes to the NE programme and poverty. In addition, NE is underrepresented in the HBS data, so any information on things like coverage, targeting etc., will not represent a correct estimate.

However, the HBS dataset can be used to analyse some of the main contributors to and factors affecting poverty in Albania. That would allow us to see how closely determinants of poverty in this analysis match the NE eligibility criteria.

If we assume a linear model, the likelihood of being poor could be analysed by regressing the relevant poverty dummy dependent variable (yi) on a vector of k socio-demographic indicator variables (xk). This set of socio-demographic variables would include the standard correlates (age, gender, ethnicity, level of education, place of residence, employment status, etc.). The equation of the model would be as follows:

$$y_i^* = \alpha + \Sigma_k x_{ki} + \varepsilon_i, \qquad \text{where } i = 1,\ldots N$$

We aim to model our binary measures of living in poverty according to a logit regression. Assuming that yi* in equation (1) is a latent variable, the logit model is written as:

$$y_i = \begin{cases} 1 \text{ if } y_i^* > 0 \\ 0, \text{otherwise} \end{cases}$$

The modelling exercise will be conducted on the available datasets using the commonly applied software (STATA 14).

HBS can also be used to assess the contribution of various expenditure components (e.g. health, education, electricity bills) to the budgets of the poor and to see whether perhaps more recommendations can be made from this point of view.

Results

Table 1. Determinants of poverty

	(1) Bottom 20%	(2) Bottom 40%
Characteristics of the household head		
Gender (relative to female)		
male	0.985	1.149
	(0.120)	(0.112)
Age		
age	0.988***	0.994
	(0.00386)	(0.00325)
Education (relative to primary/no education)		
secondary	0.440***	0.482***
	(0.0385)	(0.034)
tertiary	0.150***	0.177***
	(0.030)	(0.022)
Employment status (relative to unemployed)		
employed	0.703***	0.728***
	(0.070)	(0.059)
Characteristics of the household - size and composition		
Households having children in various age categories		
Children aged 0 to 5	1.29**	1.244*
	(0.159)	(0.137)
Children aged 6 to 9	1.147	1.210*
	(0.130)	(0.128)
Adolescents	1.29**	1.363***
	(0.150)	(0.131)
Household size		
hhsize	1.454***	1.533***
	(0.0670)	(0.065)
Prefecture dummies	YES	YES
N	7353	7353
pseudo R-sq	0.163	0.171

Exponentiated coefficients; Standard errors in parentheses
="* $p<0.1$ ** $p<0.05$ *** $p<0.01$"

In carrying out the exercise we proceeded as follows. First, we aggregated all expenditure categories (e.g. food, transport, education, health, etc.) and derived the total household monthly expenditure. Second, the expenditure was expressed per household member (in order to adjust for the size of the household). Finally, we used consumption per household member (equivalised scale) to arrive at two measures of poverty:

- a first group of households living in the bottom 20 per cent and
- a more comprehensive group of households living in the bottom 40 per cent.

As already discussed in the methodology section above, we then used these poverty measures to run an analysis on determinants of poverty. In so doing, we looked at two sets of variables:

- characteristics of the household head, and
- household composition. With regard to household heads, we used the following determinants:

  - gender (if the household head is female or male);
  - age (we used age as a continuous variable);
  - education status (we grouped household heads' education status in three main categories: primary or no education, secondary education and tertiary education); and
  - employment status (whether the household head is in employment or not).

We also used another set of variables that capture the composition of the household. For this, we included the standard variable that captures the size of the household. In addition, and given that our analysis looks at poverty from the perspective of the impact it has on children, we used three variables capturing the ages of children living in the household:

- children aged 0 to 5 years;
- children aged 6 to 9 years; and
- adolescents (the reference category here is the rest of the households, i.e. households with no children or those whose members are over 18 years of age)

We also included dummies for prefectures (not reported here) to capture any poverty-related fixed effects.

All analyses were conducted based on HBS 2016 datasets, using Stata 16.0.

The results of our preliminary analysis are reported in Table 1. There are a few conclusions that stem from this analysis. First, we found evidence that some household head characteristics are associated with a higher probability of living in poverty. For example, a well-educated head of household means a much lower likelihood of living in poverty compared to those with primary or no education. Similarly, households headed by someone that is in employment have a much lower likelihood of living in poverty (on both poverty measures) relative to those whose head is unemployed. Interestingly, we found scant evidence for the link between age and poverty and no evidence of links between the gender of the household head and poverty.

Our findings reveal that households with young children (aged 0 to 5) and teenagers are significantly more likely to be in the bottom 20 per cent (or 40 per cent) of households, relative to those with no children. This is an important finding which holds even when we control for household size, and suggests that special attention should be paid to these two types of households. As expected, household size is positively correlated with the probability of living in poverty.

Table 2. Composition of spending in the bottom 20% and top 20% of households

Bottom 20%					
Variable	Obs	Mean	Std. Dev.	Min	Max
Food and non-alcoholic beverages	1,538	58.47	12.02	0	95.41
Alcoholic beverages, tobacco	1,538	2.90	4.80	0	41.87
Clothing and footwear	1,538	3.00	5.08	0	48.72
Housing, water, electricity, gas and other fuels	1,538	14.44	8.73	0	77.94
Maintenance of dwelling	1,538	5.29	4.13	0	34.16
Health	1,538	2.17	4.67	0	45.95
Transport	1,538	2.54	4.66	0	41.15
Communication	1,538	4.21	3.34	0	27.84
Recreation and culture	1,538	1.37	4.01	0	48.90
Education	1,538	0.26	1.94	0	37.40
Restaurants and hotels	1,538	1.20	3.08	0	37.97
Other	1,538	4.15	4.14	0	29.33
Top 20%					
Variable	Obs	Mean	Std. Dev.	Min	Max
Food and non-alcoholic beverages	1,329	41.82	16.00	1.43	96.28
Alcoholic beverages, tobacco	1,329	3.47	4.84	0	74.93
Clothing and footwear	1,329	5.13	5.30	0	40.33
Housing, water, electricity, gas and other fuels	1,329	9.63	8.93	0.36	72.34
Maintenance of dwelling	1,329	5.41	4.65	0	55.16
Health	1,329	4.63	8.64	0	92.44
Transport	1,329	6.92	9.09	0	64.41
Communication	1,329	2.99	2.15	0	20.92
Recreation and culture	1,329	3.31	5.78	0	47.85
Education	1,329	5.27	16.24	0	88.66
Restaurants and hotels	1,329	4.94	9.15	0	89.14
Other	1,329	6.48	5.67	0	67.64

Another analysis performed using the HBS dataset involved looking at the composition of household spending on various components for the lowest 20 per cent of the population and the highest 20 per cent (the analysis was also performed for other quintiles in distribution and are available upon request). The results of this exercise are reported in Table 2. There are a few comparative findings that stem from Table 2. First, food, as expected, represents the highest share of household spending in the bottom 20 per cent group. Almost 60 per cent of consumption of the bottom quintile goes for food. By contrast, spending on food by the highest income quintile is much smaller – only 40 per cent. Second, it's encouraging that consumption of demerit goods (e.g. alcoholic beverages and tobacco) among the lowest quintile of the population is small (and smaller compared to those in the top quintile of the distribution). Worryingly, however, the second highest expenditure item in the lowest quintile is related to housing (e.g. water, electricity, gas bills etc.), particularly compared to those in the top 20 per cent of the distribution. This gives cause for concern, particularly because some of these households are in fact eligible for electricity and water subsidy payments. Revisiting of some of the eligibility for the electricity and water bill subsidies would help reduce the expenditures on these items. More importantly, it would help in shifting some of the resources towards spending on human capital building activities like health and education. As it stands, spending on education is the lowest in the bottom quintile of the population (and it is much smaller compared to spending on education by the highest income quintile). Similar findings emerge vis-à-vis the health expenditure.

APPENDIX 2

Literature Review on the Coverage and Targeting of Social Assistance Measures in Albania, Western Balkans and the Wider EECA Region

Overview of the Wider Eastern Europe and Central Asia (EECA) Region

Social protection transfers were mainly targeted at children, the disabled, and war veterans during the socialist period of the former Soviet states, now known as Eastern Europe and Central Asia (EECA) (Mangiavacchi et al., 2011). During the early transition period programs were introduced that targeted the poor and unemployed (Mangiavacchi et al., 2011). Social protection schemes have helped lift millions of people out of extreme poverty in the past 30 years and the general perception is that the broad range of schemes provided addresses the needs of the poor and vulnerable (Asia Development Bank Institute, 2009). However, the mechanisms have shown to be ill-suited to the needs of the populations (Asia Development Bank Institute, 2009; Son, 2012). For instance, since 1999 about 18 per cent of the population in EECA countries have moved out of poverty, but approximately 30 per cent of the people in these countries are still considered poor and vulnerable (United Nations, 2012). Financial crises exacerbate the situation: for every 1 per cent decline in GDP, about 5 million people are expected to move into poverty, indicating the need for well targeted, efficient social protection systems (United Nations, 2012).

Whilst the social protection schemes across EECA countries aim to improve living standards, combat poverty and facilitate a smooth income redistribution, they are not a priority of the governments. In addition, due to different types of social protection schemes across countries, it is difficult to reconcile the available information and thus the effectiveness of such programs remains unclear due to inconsistent results from previous studies (International Labour Organization, 2012). Therefore, it is imperative to study each country separately in order to identify how well its social protection schemes cover the poor and vulnerable an assess the impact social protection has on poverty.

The impact of non-contributory social cash transfers on poverty in EECA countries is limited due to low coverage and poor targeting. For instance, according to Habibov and Fan, 3.9 per cent of the poorest people in Tajikistan are covered by social assistance compared to 8.7 per cent of the wealthiest (Habibov & Fan, 2007b). Weak targeting of poor and vulnerable households is also observed in Moldova where 15.8 per cent of the poorest are covered by social assistance, compared to 16.2 per cent of the wealthiest. In Azerbaijan, all social protection benefits reach about 81 per cent of the poor compared to 69 per cent of non-poor and social assistance programs reach 11.47 per cent of the total population. In Armenia approximately 75 per cent of the poor receive no social protection and only 58 per cent of extremely poor families are covered by social protection (Martins & Gaia, 2012). However, 31.8 per cent of social assistance benefits are distributed to the poor, compared to 10.2 per cent to the wealthiest, an improvement compared to the targeting mechanisms in Tajikistan and Moldova (Habibov

& Fan, 2007b). The monthly benefit (MB), a social protection programme in Kyrgyzstan, covers almost 10 per cent of the population, and whilst it is specifically targeted at poor families with children, it only reaches 18 per cent of households in the poorest quintile (Martins & Gaia, 2012). In Kazakhstan, social assistance coverage among the poorest quintile is more than 50 per cent. However, depending on the programme, coverage varies significantly. For instance, in the Targeted Social Allowance programme, coverage among the poorest quintile was only 3 per cent (Gassmann, 2011).

Whilst the targeting for social protection across poor populations is relatively weak, what is received does help lift recipients out of poverty, depending on the specific scheme and country. In Armenia, before the implementation of social assistance cash transfers, the childhood poverty rate stood at 30 per cent; post-transfer, these rates declined to 26 per cent (Hoelscher & Alexander, 2010). Considering that the MB programme in Kyrgyzstan accounts for 7 per cent of total consumption, benefits of the programme are small (Gassmann, 2011). Childhood poverty in Kyrgyzstan used to be at 46 per cent and was reduced to 43 per cent under social assistance (Hoelscher & Alexander, 2010). Whilst poverty reduction from non-contributory transfers is limited, the programme is highly valued as it increases household income by 15 per cent (Kamerman & Gabel, 2006). The effectiveness of social assistance in Azerbaijan depends on the specific scheme. The Other Benefits scheme lowered the poverty rate by 27.79 per cent, compared to the 2.33 per cent and 4.08 per cent reduction for Scholarships and Child Disability schemes, respectively (Habibov & Fan, 2006). The Other Benefits and Child Disability schemes also reduced the poverty gap by 69.23 per cent and 16.46 per cent, and poverty severity by 90.83 per cent and 37.5 per cent, respectively. All other social assistance schemes in Azerbaijan have insignificant effects on poverty, including unemployment benefits. In Moldova, general poverty decreased from 16.4 per cent to 14.7 per cent after the implementation of social assistance schemes (Hoelscher & Alexander, 2010). Furthermore, in the absence of social insurance, the poverty headcount index would have been 15.6 per cent higher in 2004, promoting an exit from poverty, however, it does not protect the non-poor from falling into poverty (Verme, 2010). In the absence of any social allowances in Uzbekistan, extreme poverty would increase by about 10 per cent (Gassmann, 2011). However, in Uzbekistan, there is a relatively low amount of transfers, so the impact on poverty reduction is limited. In Kazakhstan, after social assistance transfers, the poverty gap reduced by 41 per cent and the poverty reduction is estimated to be 12 per cent (Gassmann, 2011).

Due to the low impact of social protection schemes, poverty reduction is negligible in many countries, resulting in pensions providing greater financial support to households (Gassmann, 2011). However, poorly targeted pension programs and low coverage amongst the poorest populations across EECA countries is still prevalent. In Georgia, 42 per cent of households receive a social pension and 45 per cent of children live in households with at least one pension recipient (UNICEF, 2012; UNICEF Georgia, 2010). Tajikistan offers three different pension schemes: old-age pension, disability pension and survivor's pension. According to the Living Standard Measurement Survey, 43 per cent of the poor and 33 per cent non-poor households receive one of these pensions. Furthermore, 57 per cent of poor individuals are not receiving old-age pensions and 57 per cent of the poor do not receive any benefits from pension programmes in Tajikistan (Son, 2012). There are large gaps in the pension system in Tajikistan, considering the poor recipients of a monthly pension receive less than their non-poor counterparts. In Kyrgyzstan, 38 per cent of the population lives in a household receiving a pension and among the poorest quintile, pension coverage is only 51 per cent (Gassmann, 2011). In Kazakhstan, only 28 per cent of households receive a pension, despite pension schemes being the most common type of transfers (Palgrave Macmillan, 2002). The poor pension coverage in Kazakhstan is also indicated by the fact that only 75 per cent of the population above pension age received a pension in 2004 (Falkingham & Vlachantoni, 2010). Old-age pension in Azerbaijan is among the most important social protection schemes, yet only 58 per cent of the poor receive these benefits. Disability pension also has low coverage of 15 per cent of the poor and 9 per cent of the non-poor (Habibov & Fan, 2007a).

Overall, whilst greater coverage by pension schemes is imperative to improve the living standards and lift households out of poverty, the actual pension amount received from these schemes is also very important in terms of impact on poverty alleviation. For instance, in Tajikistan the pension received each month is not enough to afford the beneficiaries a greater standard of living (Falkingham & Vlachantoni, 2010). In Armenia and Kyrgyzstan, the average pension was only just enough to lift an older person out of severe poverty, whereas in Armenia the minimum social pension was not (Falkingham &

Vlachantoni, 2010). Furthermore, in Kazakhstan, Kyrgyzstan and Azerbaijan, the amount received in the form of a social pension is lower than the minimum old-age pension, thus leaving the most vulnerable older people more exposed to poverty.

In addition to improving the living standards of poor families more than any other social protection scheme, pensions also strongly contribute to both general poverty and child poverty alleviation. In Georgia, approximately 9.2 per cent of children are lifted out of poverty after living in a household with at least one pension recipient. Furthermore, without pensions, extreme childhood poverty would have doubled and the number of children in poor households would have increased from 28 per cent to 38 per cent (Hoelscher & Alexander, 2010). In Armenia, before pension transfers, the childhood poverty rate stood at 34 per cent; this dropped to 26 per cent after pension transfers. There was also a decline in general poverty rates from 31.2 per cent pre-transfer to 25.0 per cent post-transfer (Hoelscher & Alexander, 2010). In the absence of pensions, poverty rates in Kyrgyzstan would have increased by 5 percentage points and under the pension system child poverty dropped from 56 per cent to 43 per cent (Hoelscher & Alexander, 2010). If pensions had not been included in household income, extreme childhood poverty would have increased by 19 percentage points and by 0.1 percentage point in Kyrgyzstan and Armenia, respectively. In Moldova, the reduction in general poverty from 37.7 per cent to 25.8 per cent was attributed to pension schemes (Hoelscher & Alexander, 2010). In Tajikistan, the three pension schemes reduced the proportion of people living below the poverty line by 3.47 per cent (Son, 2012). Overall, the Social Pensions scheme in Azerbaijan lowered the poverty rate, poverty gap and poverty severity by 21.37 per cent, 56 per cent and 81.37 per cent, respectively (Habibov & Fan, 2006). The old-age pension scheme alone reduced the poverty rate by 38.37 per cent, the poverty gap by 83.75 per cent and poverty severity by 96.41 per cent (Hoelscher & Alexander, 2010).

The social protection challenges EECA countries face, specifically in relation to levels of coverage and targeting mechanisms, along with the ability to reduce poverty, are significant. However, they are not the only countries facing such obstacles. According to Slay, compared to the Western Balkans, EECA countries have far greater social protection challenges to ensure the poor and vulnerable are protected. However, the Western Balkans face challenges of their own (Slay, 2009). Similarly to EECA countries, poverty reduction was observed there in the 2000s following the end of armed conflicts, and then the economic crisis hit (World Bank, 2011, 2014). The importance of effective social safety nets, namely social protection schemes, was intensified across the Western Balkans. The social protection programmes were imperative in preventing even further increases in poverty and lessening the risk of sliding into poverty. The Western Balkans as a whole, particularly the former Yugoslav Republics, have a strong and well-developed social protection infrastructure. However, because of conflicts, instability and transition that these countries face, the programmes have become unstable with poor governance (European Commission, 2009).

An Overview of the Western Balkans and Albania

Similarly to EECA countries, patterns of poor coverage and limited funding is also observed in the Western Balkans, despite the ability to accurately target social assistance across the Western Balkan countries, coverage is weak (World Bank, 2011). In 2016, 31 per cent, 28 per cent, 22 per cent, 26 per cent and 15 per cent of households in the lowest income quintile respectively in Kosovo, Albania, Bosnia and Herzegovina, Serbia and Montenegro received social assistance (United Nations Development Programme, 2016). In Kosovo, the social protection system fails to protect against deprivation: 83 per cent of households receiving social assistance lived below the poverty line, while the percentage of general population living below the poverty line stands at 34 per cent (Gashi, 2013). Kosovo's social protection schemes are limited. There are no unemployment benefits, there is limited maternity allowance, and there is no child benefit scheme. Social assistance only consists of disability pension, war veterans' pensions and narrowly targeted social assistance. In Albania the social protection programme, Ndihma Ekonomike, which is supposed to specifically target the poor, has weak overall coverage, as 57.3 per cent of households receiving benefits from the program were not poor (Mangiavacchi et al., 2011). Poor targeting mechanisms are also observed in Bosnia and Herzegovina, where 20 per cent of the population are entitled to social assistance benefits, but

the poorer municipalities are unable to provide benefits and about 50 per cent of the most severely disabled are not properly protected (Bartlett & Xhumari, 2007). In Serbia, despite social assistance programmes specifically targeting populations at risk of poverty and social exclusion, material support for families covered only 1.4 per cent of households in 2007, with transfer amounts too low to cover basic needs (Vuković & Perišić, 2011). Between 2002 and 2007, child allowance coverage in Serbia declined from 10.1 per cent to 8.2 per cent. Provision of social assistance has lowered the poverty risk, but the level of material security remains low.

Macedonia also has a social protection system in place, which is an important protector of welfare levels across the country. Yet, disability pension data reveal that over 30 per cent of those eligible are not covered by a pension benefit (Uzunov, 2011). With the tightening eligibility criteria, the number of disabled beneficiaries and unemployment benefits recipients is decreasing whilst the number of survivor's pension recipients is increasing. In addition, the levels of benefit of social welfare are set at 56 per cent of the relative poverty line (Bartlett & Xhumari, 2007). Pensions are also limited in Serbia, where approximately 400,000 people over the age of 65 do not receive pensions or have a monthly income (Vuković & Perišić, 2011). Although there is an unemployment benefits system in Serbia based on cash transfers, the programmes have not been established or implemented adequately and their effectiveness is unknown.

It has been assessed that without social assistance in Kosovo, poverty would be 2 percentage points higher, compared to 4 percentage points higher without pensions. This highlights the limited benefits of social assistance schemes, in addition to weak coverage of the poor. However, without child benefits, the absolute and relative child poverty rates in Bosnia and Herzegovina would increase by less than 1 percentage point (UNICEF, 2012). In Bulgaria, the absence of child allowances would lead to an increase in poverty by 1.9 percentage points (UNICEF, 2012). In Serbia, the most effective aspect of the social protection system is its pension scheme, which has had a greater impact on poverty alleviation (37.2 per cent) than other social transfers (21.65 per cent). The Macedonian social protection system displays similar trends, with greater impact on poverty reduction coming from pension schemes (33.4 per cent). However, they still have the lowest effect on poverty alleviation (42.6 per cent) compared to other countries (Gerovska-Mitev, 2015).

Despite the one-time strong, generous social protection systems in place in EECA and Western Balkans countries, they have become unsustainable. Largely due to the financial crises, poverty rates are increasing, which means that more people will be reliant on transfers for their income, despite the declining resources. For instance, as a result of budget constraints in Armenia, allocation to social protection transfers halved between 1999 and 2002 (Hoelscher, Alexander & Scholz, 2009). Due to stricter eligibility criteria for receiving social protection benefits, many pensioners became ineligible for transfers and households without children were less targeted. Adjustments like these expose the most vulnerable and eligibility constraints in these countries adversely affects the ability to effectively and accurately target the poorest, which remains a significant challenge.

More specifically, in the case of Albania there has been some research on the effects of Ndihma Ekonomike. Case (2001) looked at political factors influencing local budget allocations to the NE programme during the 1990s and found such factors to be relevant. Alderman (2001, 2002) used a 1996 survey to assess the targeting performance and found that (a) targeting was rather good compared to other poverty reduction programs in developing economies; (b) local officials use local information to target the poor not easily captured by household surveys, thus leading to better targeting and (c) poorer jurisdictions are better in targeting the poorer than richer jurisdictions. Dabalen et al. (2008) looked at the program and tested the poverty implications as compared to the old-age pension program, using the pooled 2002 and 2005 living standards surveys. They found a negative effect of Ndihma Ekonomike on welfare and a higher level of discontent with life among program participants compared to a control group. More recently, Mangiavacchi et al. (2010) used a collective consumption model to compare the impact of cash and in-kind policies on the welfare of Albanian young children in 2002 and found that, while in-kind transfers are effective in improving poor children's well-being, the Ndihma Ekonomike program did not have a positive impact. Similarly, Giannelli and Mangiavacchi (2010), looked at factors affecting school participation and educational attainment of children in Albania, and noted that Ndihma Ekonomike was unable to prevent school dropouts and delay in educational attainments among poor children and teenagers.

APPENDIX 3

People Interviewed during the First Mission

The team would like to thank the following officials and experts who were interviewed during the first mission:

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Erjon Luci – Deputy Minister of Finance;

Eva Bisha – Independent Consultant;

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Meme Xhaferraj – Director of Social Welfare, Municipality of Durrës.