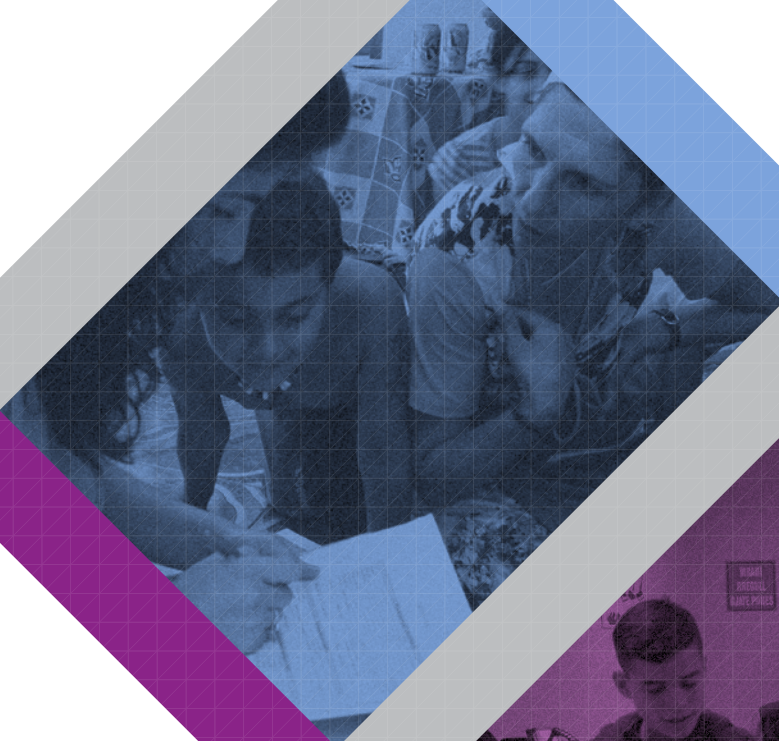


Measuring, Monitoring and Reporting for Result-led Policies

# Social Inclusion

Policy Document 2016-2020



REPUBLIKA E SHQIPËRISE  
MINISTRIA E MIRËQENIES  
SOCIALE DHE RINISË





REPUBLIC OF ALBANIA  
Ministry of Social Welfare and Youth

# **Social Inclusion Policy Document 2016-2020**

Measuring, Monitoring and Reporting for Result-led Policies

February 2016

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This document is prepared on behalf of the Government of Albania by the Ministry of Social Welfare and Youth and line ministries in close consultation with representatives of local authorities, international organisations, with the contribution of civil society representatives and of social inclusion experts.

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February, 2016



## GREETING REMARKS

The Social Inclusion Policy Paper (SIPP) 2016-2020, approved by Decision of the Council of Ministers No. 87, on 03/02/2016, is brought forward as an important document of the Albanian Government, which ensures a contemporary and accountable system for assessing social inclusion in various sectoral policies like: social protection, employment and capacity building, healthcare, education, housing and provision of basic needs, and in the social engagement and human rights observation policies as well.

Social inclusion is about the measures that enable individuals and groups to have access in the public services in order to participate at the best of their skills in the social, economic and political life of our society.

We are proud that now Albania has ascertained its active participation in the European Social Inclusion Process and our Government has embraced it as one of the main commitments in the light of the EU membership process.

Apart from maintaining stability and economic sustainability, taking measures for reducing poverty and promoting social inclusion is one of the key priorities of the Government, given that these measures will assist to unleash the unexploited considerable human potential in Albania and in reducing the repressive effect of inequality on economic growth. Social investments and improvement of the social welfare state comprise priority actions for the Albanian Government. We are aware that economic growth and national development can be maximized upon mobilization of all human and physical resources of the society to engage in productive activities. We are conscious that the more we invest in the human capital, in developing the workforce skills through education and in improving productivity by means of a better access to healthcare services and nutrition, housing and social protection the more we will narrow the social exclusion domain.

In the future governmental plans priority will be given to projects and programs that highlight the interrelation of social inclusion with poverty reduction, with support for education, employment and entrepreneurship, improving healthcare services, housing and other basic

needs, and active participation and observation of human rights. Such programs shall target and take special care of vulnerable groups such as: women, persons living in poverty or experiencing violence, persons with disabilities, children, youth and the elderly that suffer social exclusion.

Given that this government shows zero tolerance to negligent attitudes towards the improvement of social inclusion indicators, this document approaches with aim to establish a balanced and sustainable framework, in order to ensure that social inclusion is measured, monitored and reported in Albania through a sound set of indicators, thus improving the connection modalities of social inclusion with the advancement of Governmental policies and Albania's steps forward to EU membership. In order to ensure an efficient social inclusion program, Albania will strengthen the overall monitoring framework, establish tools to provide a thorough analysis and apply the European indicators to measure social inclusion, in addition to a complementary set of national indicators.

I would like to express my gratitude to the Prime Minister's Office, and to all line ministries and other Governmental institutions for the successful delivery of the process of drafting this Policy Document, as well as the civil society organizations for their input in the development of this document and for continuously striving to protect human rights in Albania.

A special gratitude goes to the international partners, especially UNDP, for their assistance in finalizing such an important document and to the Swiss Agency for Development and Cooperation for their endless support in favour of promoting the social inclusion agenda in Albania.

We would like to confirm and appreciate our collaboration with all the national and international partners for making possible the implementation of the commitments and measures stipulated in the Social Inclusion Policy Paper 2016-2020.

Blendi KLOSI  
Minister of Social Welfare and Youth



## OVERVIEW OF THE SOCIAL INCLUSION POLICY DOCUMENT

### The Vision

The vision of the Social Inclusion Policy Document (SIPD) is to ensure a transparent, accountable, and regular system for assessing social inclusion across the policy domains of financial poverty and social protection, employment and skills, health, education, housing and deprivation of basic needs, and social participation and human rights. The overall objective of the SIPD is to achieve a balanced and sustainable framework for ensuring that social inclusion is measured, monitored and reported in Albania through a robust set of indicators thereby improving ways in which social inclusion is linked to improving Government policies and Albania's progress towards EU accession.

Alongside safeguarding macroeconomic stability and sustainability, the impact of measures that reduce poverty and promote social inclusion is one of the Government's top priorities as these measures will help unlock Albania's significant untapped human potential, and reduce the drag inequality has on economic growth. To ensure an effective programme for social inclusion, the Government will strengthen the overall monitoring framework, create mechanisms to ensure that analysis is rigorous, and incorporate the EU level indicators for measuring social inclusion alongside a complementary set of national level indicators.

### The Concept of Social Inclusion and the Need for Rigorous Analysis

The need for rigorous analysis is predicated on the fact that poverty, inequality, and social exclusion are often used to refer to the same phenomenon. However, while poverty and inequality are outcomes, social exclusion is both an outcome and a process. Exclusion can intersect with poverty, deriving from a set of multiple, interrelated disadvantages that result in both economic and social deprivation. It is also key to explaining why some groups remain trapped in poverty, failing to benefit fully from public investments in, say, education and health. The poor are not homogeneous but rather differentiated on the basis of occupation, ethnicity, place of residence, or age. Understanding this diversity is important for developing effective policies. The concept of social inclusion implies asking why certain groups are overrepresented among the poor; why certain groups remain trapped in poverty, failing to fully benefit from public investments in, say, education and health; and why they receive poorer quality services.

The concept of social inclusion exposes the inter-locking, multi-dimensional nature of chronic deprivation arising from social exclusion such as discrimination that plays a key role in driving

the simple and more readily observable correlates of poverty (lack of schooling, poor health, and limited returns to labour market participation). Social exclusion also exposes the norms and belief systems that underpin exclusion. The underlying causes of poverty are largely invisible in standard empirical data and thus largely unexplored in typical poverty analysis and left out of poverty reduction strategies. Deprivation arising from social exclusion tends to occur on multiple axes at once; policies that improve just one of these axes (such as improved access to education) will not unleash the grip of others. Individuals and groups take part in society in three interrelated domains of social inclusion: markets, spaces, and services. These present both barriers to and opportunities for social inclusion. Social relations play out in both land and labour markets, which are often interlocked with credit markets. Access to services is essential for improving the terms on which individuals take part in society, and being able to claim spaces for participation is essential for inclusion.

### The Framework

The overall social inclusion framework set out in this policy document – which is based on indicators across six domains - will be ensured by a range of measures that provide clarity and certainty regarding the steps that must be taken. We acknowledge, however, that the indicator framework in and of itself will not be sufficient to ensure that social inclusion is monitored in a rigorous and regular manner. It will also require strong political commitment and leadership, responsibility and accountability across the whole public administration.

Efforts will be required to strengthen indicators by periodically revising the framework and analysing the policy context and building-up the technical and administrative capacities to increase efficiency in the collection of data, improve analytical insights, and improve awareness of the importance social inclusion holds for Albania's social cohesion, economic growth and political development in the context of its EU accession process.

Priority will be given to projects and programmes that emphasis the links between social inclusion, poverty reduction, employment and enterprise support, health, education, basic needs, and participation and human rights. Improving the quality and effectiveness of social inclusion measurement will enhance the administration's capacity to appraise policy and to carry out broader sector reviews. Discussion will be held with a range of stakeholders on how to enrich the annual reviews of social exclusion and how to hold individual ministers more accountable for the policies and programmes for which they are responsible.

### The Plan and its Priorities

Over the present plan period, data standards will be rapidly revised and updated by a Statistical Indicators and Integrity Group (SIIG) with the ambition of ensuring that Albania's social inclusion indicators remain relevant and sensitive to the local context, eventually becoming fully compliant with EU standards, and integrated with the EU's social protection system of statistical systems (ESSPROS). The latter will take time and is likely to be fully realised only in the next plan period. Social inclusion systems in central and local government institutions will be strengthened to ensure that social inclusion data on gender, ethnic affiliation, disability, and other key variables is collected. Data on these cross-cutting variables needs to be fully compliant as a means to enhancing the coverage and access to public services.

Social inclusion requires modern and well-integrated systems of support. Resources will, therefore, be devoted to reviewing institutional arrangements for managing and implementing effective systems for monitoring and evaluating social inclusion. The need to revise institutional arrangements will become a high priority once data from the SILC survey is integrated into Albania's Annual Social Inclusion Report. A unified system of communication and consultation for developing the conceptual design of the monitoring social inclusion, for coordinating, and for financing different activities will need to be set up. The Government will solicit basket funding and technical assistance from its partners for the purpose.

Strategies, laws, regulations and surveys are not sufficient for achieving our vision of a professionalised system for measuring and monitoring social inclusion and keeping abreast with the evolution of EU indicators across key domains of public policy. Besides political commitment, it will in the end depend on the integrity, competencies and dedication of public servants that will drive forward the different social inclusion functions in the core institutions as well as in the line ministries and spending units. Much effort will therefore be put into developing the capacity of government staff at central and local level through systematic training. Programmes to increase capacity in social inclusion will be supported by measures to modernise the management culture and strengthen the mechanism to ensure that social inclusion becomes part of public policy.

### Structures for Enabling the Plan

This government has a zero tolerance for laxity towards improving indicators for social inclusion. When and where weaknesses are discovered the measures will be taken to prepare and present necessary amendments to tools, systems and structures. To ensure that the measures spelt out in this policy document are actually carried through, the Government will set up a thematic group on social inclusion within the framework of the Integrated Policy Management Group

(IPMG) in the Employment and Social Sector (ESS). The IPMG was approved by a Prime Minister's Order in 2015.

The IPMG structure will guide and monitor the reform actions carried out by the respective responsible entities. The Statistical Indicators and Integrity Group (SIIG), co-chaired by the Director of the Department for Social Inclusion and Gender Equity (DSIGE) in the Ministry of Social Welfare and Youth and Head of Social Statistics in INSTAT, will draw on high-level participation from the main government institutions with responsibilities for social protection, employment and enterprise development, health, education, housing, justice and human rights plus representatives from academia and think tanks.

The SIIG will provide overarching guidance on the definition of data and indicators for the analysis of retrospective trends (2010-2015) in social inclusion using existing data sources, the transition to indicators using the SILC survey and the linkages with the Household Budget Survey (HBS), the Labour Force Survey (LFS), and other data sources, and on-going evolution EU and national indicators. The Thematic Group on Social Inclusion will fulfil the function of coordinating the components of the respective pillars of this policy document and will drive the implementation of initiatives and reforms in each component.

### Achieving Results

Putting in place the Statistical Indicators and Integrity Group (SIIG) to review the indicators will ensure the short-and long-term sustainability of the system of indicators. The Thematic Group on Social Inclusion will fulfil the function of coordination the components of the respective pillars and will drive the implementation of initiatives and reforms in each component.

The expected results from the SIPD are:

- Social inclusion policies will be developed, adopted and mainstreamed into sector strategies and national policy frameworks/strategies by 2020.
- Reporting on social inclusion will be become aligned/integrated into the regular reporting of the Government as part of its wider policy dialogue with the EU on progress in social inclusion.
- With increased insight into the types, causes and intensity of social inclusion, poverty and marginalisation will be diminished.

The other reforms spelt out in this policy document, such as those concerning the Technical Resource Facility (TRF) for social inclusion and poverty analysis – including competition funds

for methodological issues for analysing SILC data and for secondary analysis of SILC data - qualitative surveys of social exclusion in Albania to assess its intensity, causes and types, a glossary of terms for social inclusion, and an institutional review for the governance of social inclusion, and the promotion of policy dialogue on social inclusion in Albania will be phased and implemented over the whole plan period.

Albania's external partners have an important role in the development of the country's social inclusion monitoring system. Not least through its financial support for the substantial investment needed in human capacity, but also through the experience and technical expertise that they can provide.

Not all planned activities or reforms for measuring and monitoring social inclusion can be carried out at once; financial and human resources are limited and creating an understanding of the necessity for specific activities and measures may take time. Activities will therefore be implemented in a phased manner over the plan period.

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# ABBREVIATIONS

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AETR	Agency for the Enforcement of the Territorial Reform
AIDA	Albanian Investment Development Agency
ALL	Albanian Lek
APC	Albanian Power Corporation
AROEPE	At-Risk-of Poverty and Social Exclusion
ASPA	Albanian School for Public Administration
ATR	Administrative and Territorial Reform
CEC	Central Election Commission
CPD	Commissioner for Protection from Discrimination
DEM	Department for Employment and Migration
DHS	Demographic and Health Survey
DoPA	Department of Public Administration
DSIGE	Department of Social Inclusion and Gender Equality
EaSI	Employment and Social Innovation Programme
ECHP	European Community Household Panel
EPSCO	Employment, Social Policy, Health and Consumer Affairs
ERE	Energy Regulator
ESA	European System of Accounts
ESS	Employment and Social Sector
ESSP	Employment, Skills and Social Policy
ESSPROS	European System of Integrated Social Protection Statistics
EU	European Union
FIFO	First-in First-out
GDP	Gross Domestic Product
GfS	Government Financial Statistics
GoA	Government of Albania
HBS	Household Budget Survey
HRMIS	Human Resource Management Information System
HSC	High State Control
ILO	International Labour Organisation
IMF	International Monetary Fund
INSTAT	Institute of Statistics
INTOSAI	International Organisation of Supreme Audit Institutions
IOM	International Organisation for Migration
IPH	Institute of Public Health
IPMG	Integrated Policy Management Group
IPS	Integrated Policy System
ISCED	International Standard Classification of Education
ISG	Indicators Sub-Group
ISIC	International Standards for Industrial Classification
JIM	Joint Inclusion Memorandum
LFS	Labour Force Survey
LGUs	Local Government Units
LSMS	Living Standard Measurement Survey
MAD	Ministries, Agencies and Departments

MC	Ministry of Culture
MEDTE	Ministry of Economic Development, Trade and Entrepreneurship
MD	Material Deprivation
MES	Ministry of Education and Sports
MF	Ministry of Finance
MH	Ministry of Health
MJ	Ministry of Justice
MoSWY	Ministry of Social Welfare and Youth
MTBP	Medium Term Budget Programme
MUD	Ministry of Urban Development
NAPs	National Action Plans
NCSDLG	National Crosscutting Strategy for Decentralisation and Local Governance
NERP	National Environmental Research Programme
NES	National Employment Service
NLC	National Licensing Centre
NPO	Non-profit Organisation
NRC	National Registration Centre
NSDI	National Strategy for Development and Integration
NSSI	National Strategy on Social Inclusion
NVETAQ	National Agency for Vocational Education, Training and Qualification
OBI	Open Budget Index
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PIFC	Public Internal Financial Control
PISA	Programme for International Student Assessment
PPS	Purchasing Power Standard
PwD	People with Disabilities
SAA	Stabilisation and Association Agreement
SCLA	State Commission for Legal Aid
SII	Social Insurance Institute
SIIG	Statistical Indicators and Integrity Group
SILC	Statistics on Income and Living Conditions
SIPD	Social Inclusion Policy Document
SPC	Strategic Planning Committee
SSS	State Social Services
TACSO	Technical Assistance for Civil Society Organizations
TAR	Territorial and Administrative Reform
TG	Thematic Group
TLAS	Tirana Legal Aid Society
TRF	Technical Resource Facility
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
VET	Vocational Education and Training
WB	World Bank
WHO	World Health Organisation









# CURRENT SITUATION<sup>1</sup>

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See the Appendix 1 for a detailed description and analysis of the country context covering macroeconomic trends, public financial management, public administration and governance, cross-cutting and specific sector strategies.



In June 2014, The European Council granted candidate status to The Republic of Albania. As a consequence, measures towards improving social inclusion and poverty reduction will become a mandatory component of EU integration policy. The Government of the Republic of Albania is committed to fulfilling the requirements of the EU as defined at the Lisbon and Copenhagen summits, the EU development document: *Europe 2020* and all other relevant documents.

Albania has identified its active participation in the European Social Inclusion Process as one of the important tasks for EU accession – including the development and advancement of policies, institutional frameworks and methodologies for measuring and monitoring social inclusion of all citizens and social groupings in Albania. One of the obligations in the EU integration process involves the development of a document, which represents a policy for advancing the level of social inclusion and poverty reduction in the country within the accession process. This plan represents a foundation for negotiations with the European Commission in chapters relating to topics that take account of indicators and objectives adopted by EU member states. The Government of Albania and Albania Institute of Statistics (INSTAT) have invested in efforts to embark on the Statistics on Income and Living Conditions (SILC) survey which will improve the quality of data, ensure harmonisation of monitoring social inclusion indicators with EU member states and provide the basis for developing an appropriate strategic document for advancing the level of social inclusion and the reduction of poverty in Albania.

As a policy, social inclusion is key to promoting wider policy aims of growth and development as well as to addressing the causes of multiple deprivation and poverty. Economic growth and development can be maximised when society mobilises all its resources, both human and physical, to be engaged in productive activity. There is ample evidence to show that there is a strong negative relationship between income inequality and economic growth – the more unequal is a country's income distribution the slower is its rate of growth.<sup>2</sup> This may be due to the tendency of more unequal societies to invest less in human capital, in developing both the skills of the work force through education and improving productivity through better access to health services and nutrition, housing and social protection. The more people who are denied access to these services as a result of social exclusion, the less likely it is that a country will have a productive and enterprising population, and the lower will be the rate of growth. The empowerment of

women and their inclusion in economic and social life is also an important factor in promoting economic development.<sup>3</sup>

Overall, social investment that strengthens people's skills and capacities and supports them to participate fully in employment and social life is a key to competitiveness and growth.<sup>4</sup> Key policy areas include inclusive education; quality childcare; inclusive healthcare; expanded opportunities for training and skill development; job-search assistance and employment assistance; rehabilitation and reintegration of vulnerable groups, such as people with disabilities, survivors of trafficking, gender-based violence, and domestic violence; affordable social housing; and social justice. Such policies should be directed towards all people and with special regard to vulnerable groups.

The National Strategy for Development and Integration (NSDI) 2015-2020 outlines Albania's long-term national development priorities. One of the goals of NSDI is **"to ensure equal access to social and economic opportunities for all groups and individuals in our society."**<sup>5</sup> This goal is aligned with expectation that The Republic of Albania will put in place an EU comparable system of monitoring and reporting on the status of social exclusion and poverty, strengthen and build the capacities of public administration and local authorities for implementation and reporting on the social inclusion process and establish an effective unit to coordinate the implementation of the measures and report on the progress of social inclusion. Social inclusion policies should become an integral part of regular activities of the relevant institutions at all levels. The processes to be developed shall be based on knowledge and good practices established in European countries as well as on the experience of the Republic of Albania in development and implementation of national policies.

Social inclusion involves measures to enable individuals and groups to access public services so that they can participate to the fullest extent of their abilities in social, economic and political life of the society in which they live. Policies that support inclusion therefore aim to ensure access of all citizens to good quality public services and to access public goods that enhance their well-being. Social inclusion is therefore not solely determined by policy statements, objectives and targets elaborated in specific sector strategies. The macroeconomic and fiscal framework and the quality of public financial management, accountability and transparency of governance are significant and determinant factors too. For example, tax policy raises the necessary resources for public programmes, but the design features of these policies have direct growth, redistributive

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3 Sen, A. (1999) *Development as Freedom*, New York: Alfred A Knopf.

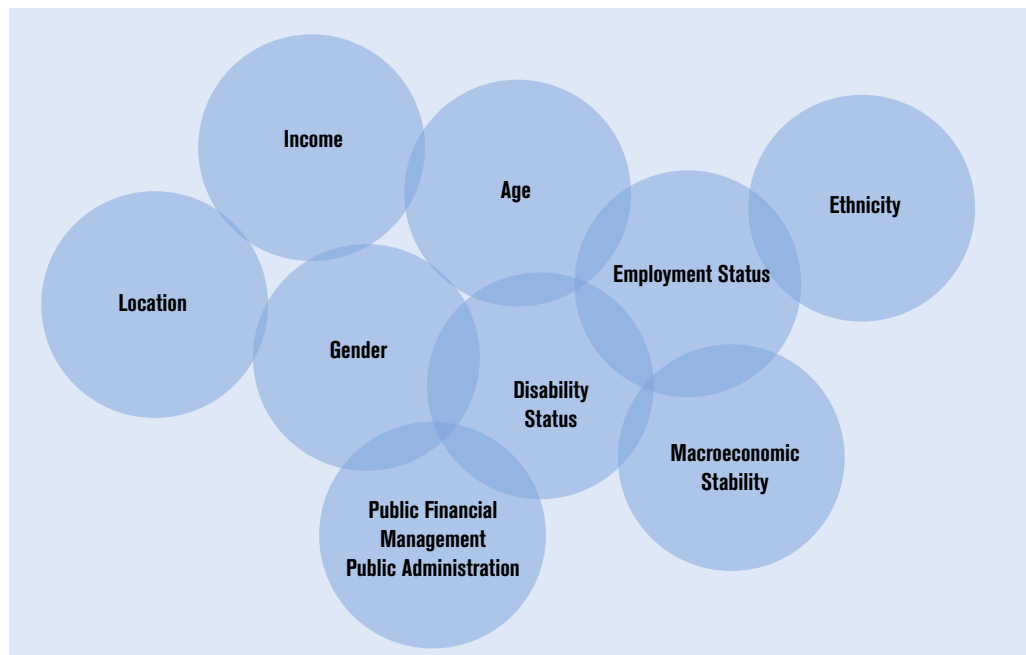
4 European Commission. (2013) *Toward Social Investment for Growth and Cohesion*, Brussels, 20.2.2013, COM(2013) 83 final.

5 See: [http://shtetiweb.org/wp-content/uploads/2014/06/NSDI\\_2014-2020\\_version\\_JUne-2013.pdf](http://shtetiweb.org/wp-content/uploads/2014/06/NSDI_2014-2020_version_JUne-2013.pdf)

and social inclusion impacts. Second, expenditure policy, through its impact on the level and composition of expenditure influence policy outcomes. Finally, the regulatory and institutional policy framework establishes rules within the economy and defines the incentives along which both public and private agents base their decisions.

A good understanding of the broader growth, poverty and institutional context alongside specific sector strategies, and the drivers of social exclusion based on age, gender, ethnicity, location, employment, income, disability are necessary in order to appreciate the intensity, causes and types of social inclusion – see Figure 1 below.

Figure 1: Understanding the Drivers of Social Inclusion:



What is clear is that economic growth and development can be maximised when society mobilizes all its resources, both human and physical, to be engaged in productive activity. Evidence from research have shown a strong negative relationship between income inequality and economic growth – the more unequal is a country's income distribution the slower is its rate of growth.<sup>6</sup> This may be due to the tendency of more unequal societies to invest less in human capital, in developing both the skills of the workforce through education, and improving productivity through better health services and nutrition. The more people are denied access to these services as a result of



social exclusion, the less likely it is that a country will have a productive and enterprising population, and the lower will be the rate of growth. The empowerment of women and their inclusion in economic and social life is an important factor in promoting economic development.<sup>7</sup> Overall, social investment that strengthens people's skills and capacities and supports them to participate fully in employment and social life is a key to competitiveness and growth<sup>8</sup>. Albania's average annual growth between 2009 and 2014 slowed to below 3% to the lowest level of 1.4% growth in 2013, before marking an improvement to an estimated 1.9% growth in 2014. Remittances have increased by 10.6% in 2014 as against 2013 although remaining substantially lower compared to 2012. The 2014 Budget performed well in comparison to disappointing revenues and missed deficit targets in recent years. External imbalances remained large in 2014, reflecting a narrow production base, the overall low competitiveness of the economy and a large fiscal deficit.

A well-functioning public administration is necessary for democratic governance, for the delivery of public services that lead to improvements in social cohesion, and for building a basis for the implementation of EU rules and standards. The Public Administration Reform Strategy 2015-2020 (PAR Strategy) will address the process with this regard. The government is embarking on the Administrative and Territorial Reform (ATR). The goal is "to enhance local administration's efficiency, quality and standards of service delivery and a fair territorial development by enabling greater human and financial resources, by augmenting local responsibilities and competencies and by guiding them towards a transparent and more inclusive decision-making."<sup>9</sup> The number of local government units (LGUs) is reduced to 61.<sup>10</sup>

Poverty was falling in Albania up until 2008, but has begun to increase since then following the onset of the economic crisis.<sup>11</sup> According to INSTAT, the poverty headcount increased from 12.4% in 2008 to 14.3% in 2012.<sup>12</sup> Available data indicate that the population groups facing higher risk of poverty are the unemployed, the less educated, people living in rural areas and those engaged in own account farming.<sup>13</sup> The efforts of the government in alleviating poverty, improving the well-

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7 Sen, A. (1999) *Development as Freedom*, New York: Alfred A Knopf

8 European Commission. (2013) *Toward Social Investment for Growth and Cohesion*, Brussels, 20.2.2013, COM(2013) 83 final

9 Minister of State for Local Issues. (2015) *National Crosscutting Strategy for Decentralisation and Local Governance*, 2015 – 2020, p. 19.

10 Ibid., p. 20.

11 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, p. 6

12 Instat (2013)

13 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, p. 6

being of people with disabilities, and developing social care services will be guided by the Social Protection Strategy (2015-2020) and National Strategy for Development and Integration (NSDI, 2015-2020), among others.

**Access to employment** is clearly an essential precondition for social inclusion. Yet the Albanian economy, with an employment rate of just 50%, is extremely weak at creating sufficient jobs for the population. As a result many hundreds of thousands of people have left the country in search of work abroad. From 2009 to 2012 the employment rate followed a slightly increasing trend as the economy was growing, but in 2013, as economic growth slowed the employment rate fell, and there was a corresponding increase in the registered unemployment rate to 16.1%. Therefore, in recent years there has been an increase in exclusion from the labour market. As economic growth has slowed, the unemployment rate has increased further to 18.3% at the end of 2013.<sup>14</sup> The 2011 Census recorded an unemployment rate of 29.4% (28.2% for men and 31.4% for women).<sup>15</sup>

Significant gender differences exist in the labour market in Albania with women experiencing far lower employment rates than men across all age groups. On average, the gap is around 15 percentage points, as the employment rate for women between the ages of 15-64 years is 40.7% compared to 55.4% for men (in Q1 2014). The gap is narrower among younger workers aged 15-29 years, for whom it is just 10 percentage points, but much wider for those aged between 30-64 years for whom it reaches almost 20 percentage points.<sup>16</sup> Roma people experience extremely high levels of unemployment, estimated at around 71% compared to around 20% for the population as a whole.<sup>17</sup> The share of long-term unemployment in total unemployment has also increased from 73.9% in 2011 to 77.3% in 2012, with women more exposed than men.<sup>18</sup> Unemployment also has a significant regional dimension.

Having paid employment is one of the most important ways in which households in market economies earn their livelihood and avoid falling into poverty. Under the new reform, Technical and Vocational Education and Training (TVET) has become a responsibility of the Ministry of Social Welfare and Youth. The intention is to ensure that policies on VET and policies on employment and social protection are more closely aligned. Enrolment in vocational secondary schools has

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14 National Bank of Albania, *Monetary Policy Report*, Q2, 2014, p. 35. This information is derived from the Labour Force Survey.

15 INSTAT, *Population and Housing Census 2011: Economic Characteristics*, p. 22

16 INSTAT, *Population and Housing Census 2011: Economic Characteristics*

17 Republic of Albania, *The Decade of Roma Inclusion: National Action Plan 2010-2015*, 2011, p. 15

18 Ministry of Social Welfare and Youth, *Employment and Skills Strategy 2014-2020*, 2014, p. 25

fallen over time from a peak of 62% in 1992 to just 7% of all students enrolled in upper secondary education in 2012. If Albania is to re-engage with high productivity growth industries there will be a need to reverse this fall in enrolment in vocational schools and vocational programmes; the proportion of female students has fallen substantially. Vocational education is therefore now a priority of the government, but the vocational education system will need to be completely revitalised if it is to play a significant role in the Albanian education system and provide qualified graduates to meet the needs of future growth in the economy. The system of Vocational Training Centres does not currently have the capacity to make substantial inroads into the skills gaps that exist in the Albanian economy. The Government will need to develop the capacity of the vocational training system substantially and ensure that the skills that are taught meet the needs of the labour market.

The level of **education** of an individual or within an individual's household is a good predictor of the quality of household living conditions. Education is linked to employment and hence to income. The importance of education in ensuring good living conditions is shown by statistical analyses of census data carried out by INSTAT, which show that having tertiary education as the highest education achieved in the household compared to having no education increases the probability of having four basic services by 32.6% (availability of piped water, availability of a flush toilet, availability of heating and living in a non-overcrowded dwelling). Having a secondary education also has a positive effect but to a lesser extent than tertiary education. Access to pre-university education in Albania is relatively low compared to OECD countries.<sup>19</sup> There are also substantial differences in the length of education in different parts of the country. There is a large problem of access to education for some social groups especially children with disabilities and Roma children. Save the Children has shown that while there are almost 18,000 children with disabilities, only 1,000 are enrolled in school at any level of education.<sup>20</sup> According to UNICEF, only 48% of Roma children are enrolled in primary education, which is less than half of the national average, and only 25% complete primary education.

The Government of Albania is aware that **healthcare service** is one of the worst public services delivered to Albanian citizens, and that the health system fails to effectively prevent, diagnose, treat and rehabilitate.<sup>21</sup> Many people have had problems in access to health care services. Common complaints include having to make out-of-pocket expenses (often under the counter)

19 Ministry of Education and Science, 'National Strategy of Pre-University Education 2009 - 2013', 2008, p. 5

20 Cuko, O., Kulla, F. and Kasapi, E. (2012) *Inclusive Education in Albania: Analytical Study*, Tirana: Save the Children,

21 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

to health care professionals, lack of supplies or equipment, lack of medicaments, and absence of available medical staff. Medical equipment is often inaccessible to women with disabilities who have to use wheel chairs.<sup>22</sup> Some areas of health care are better provided for than others. In the field of maternity care for example, the coverage of the service is almost universal. Almost all pregnant women (97%) have received antenatal health by a qualified provider at least once during pregnancy.<sup>23</sup> Almost all women with a live birth have received ante natal care (97%) and assistance during birth (99%) by a health professional and 83% of these females have received post natal care within two days after birth. An important barrier to access is the incomplete coverage of the population by social health insurance. Weaknesses in allocative efficiency, technical efficiency and governance systems in health care are among the main reasons for the practice of informal payments. Increasing the wages of primary care workers has had little impact on the scale informal payments. Vulnerable groups remain less protected against such payments, and policy measures have not reached the most deprived regions of the country.

**Material deprivation** encompasses the following aspects in the Social Inclusion Policy Document: housing, possession of durable goods, and fulfilment of basic needs such as nutrition, clothing and hygiene. Between 2001 and 2011 Census the number of buildings increased by one third (32.8%) while the population fell by 3.6%, demonstrating an overall improvement in living conditions, as far as available space is concerned.<sup>24</sup> The proportion of dwellings with inside piped water supply has also increased; in urban areas by three times.<sup>25</sup> Over the last decade, access to running water has improved substantially, as the proportion with no access has fallen from one third of the population in 2002 to almost one in seven in 2012. There are slightly more poor people than non-poor people lacking access to running water, but the difference is not great. Further studies are needed to identify which social groups are most affected by a lack of access to running water. Similar improvements have taken place with regard to sanitation.

The Census of 2011 shows that almost one in five (18.9%) of poor households still live in overcrowded conditions. This suggests a significant unmet need for greater housing space that should be provided by an expanded stock of social housing. Social housing policy in Albania aims to respond to the needs of the most socially excluded people who cannot afford to buy

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22 National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 - 2015, 2011, p. 30-31

23 Ibid., p. 30

24 INSTAT (2014) *Albania: Dwellings and Living Conditions*, p. 9

25 Ibid., p. 14

or rent accommodation of a minimum social standard. The law on social housing<sup>26</sup> establishes the criteria for the selection of beneficiaries of state supported housing programmes. The criteria reflect housing conditions (overcrowding); family conditions (divorced, female headed family, family with many children), social conditions (persons with disabilities, elderly, orphans, migrant workers) and economic conditions. The provision of social housing is a Government priority.<sup>27</sup> The Government aims to distribute social housing apartments through a more transparent process and to improve housing legislation so that affordable housing is available to all people in need including those from vulnerable groups. The Government aims to provide special attention to orphan children and teenagers who are released from care institutions at the age of 18, and through deinstitutionalization to provide them with appropriate housing and employment.<sup>28</sup>

**Participation and human rights encompasses:** possession of personal documents, cultural participation, political participation, presence and dialogue with civil society organisations, and access to justice, are key issues incorporated into the SIPD. This is because there is a strong relationship between access to justice and social inclusion. Poor access to justice is translated into poor (or lack of) access to education, health, employment opportunities, and social housing programmes. Improving access to justice should be the first step towards a greater goal, that is, the legal empowerment of socially excluded groups. Legal empowerment is defined as “the use of law to increase the control that disadvantaged populations exercise over their lives.”<sup>29</sup> The focus should not only be on improving access to the justice system, but also on increasing the capacity of people to understand and use the law.<sup>30</sup>

Free legal aid services are usually required for children in need, victims of domestic violence and trafficking, persons with disabilities, prison inmates and detainees, older adults, Romani, Egyptians, and LGBT.<sup>31</sup> Young people are increasingly involved in criminal activities.<sup>32</sup> According to the National Youth Strategy, 2007-2013, the involvement of young people in crime is directly linked to social exclusion and to barriers to access to education, information, culture, and employment.

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26 Law No. 9232 of 13.05.2004

27 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

28 Government Programme (available on Government website August 2014, since withdrawn)

29 See: <http://asiafoundation.org/resources/pdfs/LegalEmpowerment.pdf>, p. 9

30 See: <http://www.namati.org/publications/what-do-we-know-about-legal-empowerment-mapping-the-evidence/>, p. 8

31 Tirana Legal Aid Society (2012) *Legal Aid in Albania*, Tirana: Tirana Legal Aid Society

32 Ministry of Tourism, Culture, Youth and Sports, *National Youth Strategy 2007-2013*, p. 29

Other factors are also involved, including increasing family violence and a lack of prevention programmes. Criminality is higher in areas with high levels of poverty and migration than elsewhere.<sup>33</sup> Domestic violence appears to be fairly widespread in Albania. In a national survey carried out by INSTAT in 2013, 59.4% of women reported “ever” experiencing domestic violence in their marriage or intimate relationships, and 53% were “currently” experiencing domestic violence (within the 12 months prior to the interview).<sup>34</sup> Almost one quarter (24.6%) of women “ever” experienced both physical and sexual violence, and almost one in six (16.2%) were “currently” experiencing both physical and sexual violence in their marriage or intimate relationships.

Albania is a point of origin for cases of trafficking to destinations such as Italy, Belgium, Greece, the United Kingdom, Germany and Kosovo.<sup>35</sup> Organised exploitation of children as child begging is on the increase as another form of human trafficking.<sup>36</sup> Standard operating procedures (SOPs) have been developed by the Anti-trafficking Unit by the National Coordinator on Combating Trafficking in Persons to identify and refer victims of trafficking. The system of blood feud is still in practice in remote and underdeveloped parts of Albania. Children suffer routinely from family violence. According to one study, more than half of children who responded to a survey had been physically beaten by a family member.<sup>37</sup> In the period between January 2013 and June 2014<sup>38</sup> 1811 cases of children in situation of violence, abuse and neglect have been managed by the child protection units, and 251 cases of unregistered children have been reported by an NPO for 2014.<sup>39</sup> Despite the formal procedures in place for administering the system of legal aid, in practice, lack of information and access to the system leads to cases in which weaknesses in the implementation of the justice system create significant barriers to the implementation of social inclusion policies. Against the background of this policy landscape, the SIPD focuses on issues that needs to be measured and monitored, in accordance with established EU conceptual frameworks and statistical standards, across six domains: (1) poverty reduction and social protection; (2) employment and skills; (3) education and training; (4) health; (5) basic needs; and (6) social participation and human rights – See Figure 2 below.

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33 Ibid.

34 INSTAT (2014) *Women and men in Albania, 2014*, Tirana: INSTAT

35 IOM (2014)

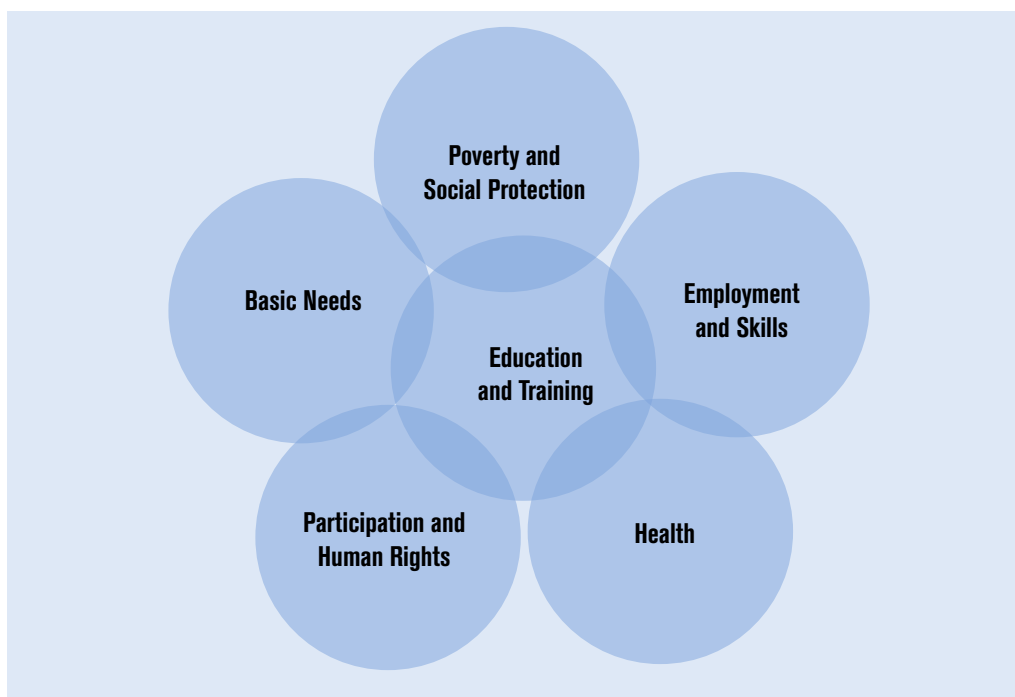
36 Ibid., p. 44

37 *National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 – 2015*, 2011, p. 34

38 State Agency for the Protection of Children's Rights

39 TLAS – Tirana Legal Aid Service

Figure 2: Policy Domains for Monitoring and Measuring Social Inclusion



## COORDINATING STRUCTURES FOR MEASURING AND MONITORING SOCIAL INCLUSION IN ALBANIA

An important task in Albania in the process of EU accession is participation in the Social Inclusion Process. In order for this to be possible further development and improvement of the institutional framework for monitoring social inclusion is required. This approach will need to build on, but also go beyond the content of the Inter-sectorial Strategy on Social Inclusion (2007–2013) - also referred to as the National Strategy on Social Inclusion (NSSI)<sup>40</sup> – which was a policy document under the National Strategy for Development and Integration (NSDI) 2007-2013.

The NSSI was based entirely on existing national strategies, including those on Roma people, children and disabled individuals. As an inter-sector strategy, it was designed to be in harmony with the specific policies of the sectorial and institutional arrangements aimed at supporting

40 Social Inclusion Cross Cutting Strategy 2007-2013, Ministry of Labour, Social Affairs and Equal Opportunities, December 2007.

vulnerable individuals, families and groups at the community level. The NSSI commenced in 2008, but there was only one Progress Report, in 2009, on the monitoring of measures contained in NSSI and an Evaluation Report in 2012.

The 2009 report, prepared with support from UNICEF, described progress on legislation improvements, strengthening of policy making and implementation structures involved with vulnerable groups, and the status of concrete measures taken towards achieving the objectives under NSSI. The 2012 report, prepared by the Albanian Centre for Economic Research<sup>41</sup>, identified a number of problems, specifically: a) lack of data, in particular data serving to identify the most excluded groups and their specific problems, making it difficult to measure the degree of their social exclusion and deprivation; b) lack of allocations to implement NSSI; and c) lack of human resources, or adequate professional capacities, or both, in the existing public administration staff. It also highlighted the need: (a) to establish strong inter-institutional cooperation between central and local governments on matters related to poverty and social inclusion; (b) to enhance understanding among service providers towards improving service delivery and strengthening transparency and accountability; (c) for a communication strategy on the objectives of NSSI and the indicators; and (d) for a detailed action plan giving estimates and allocations of adequate funding levels and realistic timelines for programme implementation.

Due to the need for an integrated, comprehensive and streamlined system to manage the overall policy cycle in key sectors, the Government of Albania (GoA) is now introducing the Integrated Programme Management Groups (IPMG) to guide policy development, implementation and evaluation to guide and monitor policy development, strategy implementation and evaluation and strengthen sector and donors coordination. The IPMG system aims to provide the Strategic Planning Committee (SPC) and other high-level government committees e.g. the Inter Ministerial Committee on European Integration Coordination, with the necessary recommendations for key policy decisions affecting those sectors deemed as priority and which require cross-ministerial cooperation. In this context an IPMG will be set up during 2015 for the Employment and Social Sector (IPMG-ESS) which incorporates a Thematic Group (TG) on social inclusion.

The IPMG-ESS is expected to be supported by a Technical Secretariat under the leadership of the MoSWY for technical, management, communication and administration. A dedicated secretariat, with adequate capacity, is an important feature of the IPMG system and alongside the appointment of the IPMG chair is critical to its success.

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41 *Albania's National Inter-Sector Social Inclusion Strategy 2007-2013: Evaluation Report*, Albania Centre for Economic Research, Tirana, September 2012.



In summary, the IPMG-ESS will advise, guide and coordinate the institutions to develop and implement the Social Inclusion Policy Document and its Action Plan, secure agreement on key issues affecting the sector, endorse the outputs of work undertaken by the different actors and make recommendations for high level decision makers.

Monitoring of social inclusion and adjustment of the measurement system to the EU standards represents one of the EU accession conditions. The Government of Albania and the Republic of Albania Institute of Statistical Office have invested efforts to launch the Survey on Income and Living Conditions (SILC) that would allow for advancement of the system of data collection and analysis of the situation of different socially excluded groups and individuals, and to begin the process of aligning monitoring of social inclusion indicators with the EU countries.

In line with the trends of harmonisation with the European statistics, the Republic of Albania conducted a pilot survey on living standards of the population in 2014 using the Survey of Statistics on Income and Living Conditions (SILC). It is expected that the SILC survey will become an integral segment of regular statistical reporting. The SILC survey will thus become a major source of data on poverty and social exclusion and will replace the Living Standards Measurement Survey (LSMS), which has been used for these purposes thus far. For this reason, the data obtained from the LSMS will not be used for identifying poverty and social exclusion in future.

The analysis of SILC data will allow for monitoring complexity of exclusion i.e. multifaceted determinism and length of duration of social exclusion. This is particularly important in order to adequately respond to the different aspects of social exclusion and resolving of this problem with specific vulnerable groups through interventions and policies created. SILC enables monitoring of the same population over a longer period of time which will allow for monitoring of the status of particular groups and individuals.

The system of monitoring social inclusion must include various aspects of disaggregation because the forms and intensity of exclusion are very unequally distributed per different social categories. Thus the interventions and policies be easier to tailor in line with the characteristics of vulnerable groups. An Annual Report entitled *Measuring Social Inclusion in Albania* will contain criteria for data disaggregation: gender, age, education, employment, ethnic affiliation, status of persons with disabilities, type of settlement, region of Albania, income, education of the mother, employment of the mother, size of households, number of children in a household and physical isolation.

SILC will collect data on income generated in the previous calendar year and will thus allow for monitoring the economic activity of persons during all the 12 months. Also, the SILC will ensure accurate measurement of poverty and reliable conclusions, particularly with respect to time series. It will record events in all sample units continuously throughout the year.

In order to improve the system of monitoring and measuring all the social exclusion dimensions, the system of collection of social protection data at the administrative level (ESSPROS) will need to be aligned with the EU standards. A first step in harmonisation of the system will be to conduct a comparative analysis rendering essential information on the current level of alignment/discrepancy in Albania's administrative system and the EU standards and the additional capacity building and institutional solutions for establishment of the ESSPROS system.

In addition, it will be very important to have clear guidelines for implementation of additional qualitative surveys in particular, in order to obtain as clear as possible an idea on specific indicators of social inclusion and additional definition of the system of monitoring country-specific indicators.

The improvement of the system of vital statistics and the promotion of coordination of various institutions of the system are also preconditions for establishment of a functional monitoring system in the Republic of Albania and alignment thereof with the EU Member States.

Data on social inclusion and poverty must represent a systematic and unbiased overview of the current situation in Albania and must be the basis for: establishment of the monitoring and assessment system; alignment of strategic frameworks and priorities in the relevant areas; development of future interventions for reduction of social exclusion and poverty in the country.

The analysis of the current situation of social exclusion and poverty in Albania need to build on the EU indicators that reflect the situation in four basic dimensions: financial poverty, employment, education and health. Also, the recommendations of this policy document focus on the need to introduce additional indicators in these four dimension as well as indicators within the new dimensions that need to be monitored at the national level: deprivation of basic needs and civic participation.

Pursuant to the update of the system for monitoring social exclusion that was proposed by the European Commission in 2009, the next chapter provides detailed portfolio of EU level indicators and a detailed overview of national level indicators that have been selected for

Albania. The main sources of data are the official data of the Republic of Albania Statistical Institute (including the Labour Force Survey, the Living Standards Measurement Survey, and the Household Budget Survey), data of vital statistics, as well as reference institutions for collection of data in the sectors of social protection, employment and business support, health, education, housing and basic needs, and participation and human rights.









## **VISION, POLICIES AND STRATEGIC PRIORITIES**



**T**his Social Inclusion Policy Document (SIPD) 2015-2020 spells out the vision, scope and objectives for monitoring and measuring social inclusion and transforms them into a plan of prioritised actions. It specifies responsibilities for the implementation of the strategy and includes a set of benchmarks for monitoring the outcomes.

The vision of the SIPD is to ensure a system for monitoring and measuring social inclusion across the policy domains of poverty reduction and social protection, employment and skills, education and training, health, basic needs, and participation and human rights; and to promote transparency and accountability in the way social inclusion is measured and used to inform the performance of public services.

The overall objective of the SIPD is to achieve a balanced and sustainable framework for increasing public confidence in the way social inclusion is measured and reported in Albania through a robust set of EU and national indicators, and to improve the way in which social inclusion is linked to improving Government policies and Albania's progress, as an EU candidate country, towards accession.

The purpose of the SIPD is threefold:

- Identify and address the challenges facing the monitoring and measurement of social inclusion by advancing EU and national indicators which are required to support poverty reduction and the development of effective measures that enhance well-being;
- Promote policy coherence, set priorities and assign responsibilities for carrying out the monitoring and measurement of social inclusion;
- Make more transparent the effect of policies pursued and the efforts made by the Government to strengthen policies that impact on social inclusion.

The SIPD is for most part underpinned by more detailed strategies and action plans - such as the National Social Protection Strategy, the National Strategy for Employment and Skills, The National Strategy for the Development of Pre-University Education, the Justice Strategy for Minors, the Justice Sector Strategy, the Social the National Action Plan on the Integration of Roma and Egyptians, the Action Plan On Women's Entrepreneurship, the Public Financial Management Strategy, the Statistics Strategy etc. – prepared by the respective responsible entities.

In addition, the SIPD is complemented by measures to improve the reliability and frequency of the Household Budget Survey (HBS) and the Labour Force Survey (LFS), and the introduction of the EU Statistics on Income and Living Standards (SILC) survey. The importance of these surveys to social inclusion are reflected in this document.

The SIPD 2015 - 2020 is oriented to provide a direct impact on public institutions and also produce tangible results on the lives of citizens through measurable indicators. It aims to focus on implementable measures that go beyond concepts and plans. For this reason performance based monitoring benchmarks and respective targets are considered crucial to the task of guaranteeing progress in the implementation of social inclusion measures. The methodology in the SIPD for monitoring social inclusion should ensure comparability of the key social inclusion indicators of EU Member States as well as the states currently in the EU accession process, and also give insight into the specificities of social inclusion problems stemming from the distinct transition process in Albania.

In 2015 the Government of Albania adopted the establishment of the Integrated Policy Management Groups (IPMG) as new approach to guide and monitor policy development, strategy implementation and evaluation and strengthen sector and donor coordination. The IPMG mechanism, which is based on the Integrated Policy System (IPS), aims to provide the Strategic Planning Committee (SPC) and other high-level government committees e.g. the Inter Ministerial Committee on European Integration Coordination, with the necessary recommendations for key policy decisions affecting those sectors deemed as priority and which require cross-ministerial cooperation. In this context, an IPMG is being set up during 2015 for the Employment and Social Sector (ESS) which will incorporate thematic groups that cover employment and skills, pensions and social insurance; various social assistance programmes, disability and social care services, and social inclusion. The IPMG-ESS will be supported by a Technical Secretariat under the leadership of the MoSWY for technical, management, communication and administration. The concept behind the IPMG mechanism is to provide the Government of Albania with an integrated, comprehensive and streamlined system to manage the overall policy cycle in key sectors such that the objectives of the Government's programme are met and limited human and financial resources are used in an effective and efficient manner.

The IPMG will benefit from technical, managerial and administrative support provided through an IPMG secretariat. This dedicated secretariat, with adequate capacity, will be an important feature of the IPMG system and alongside the appointment of the IPMG chair will be critical to its success. In summary, the IPMG will advise, guide and coordinate the institutions involved in the ESS, secure agreement on key issues affecting the sector, endorse

the outputs of work undertaken by the different actors and make recommendations to high level decision makers.

The IPMG therefore represents a major contribution to establishing a system for monitoring indicators of social inclusion and poverty reduction in Albania, and provides a sound basis for monitoring the quality of policies on social inclusion and poverty reduction with a view to improving the quality of life, and access to public services, of all Albanian citizens. The overall objective of the SIPD is to achieve a balanced and sustainable framework for increasing public confidence in the way social inclusion is measured and reported in Albania through a robust set of EU and national indicators, and where social inclusion measures and analysis is intimately linked to improving Government policies.

The main thematic priorities over the term of this plan are summarised in the following bullet points:

- Establish a Statistical Indicators and Integrity Group (SIIG) to ensure consistency in the definition and use of indicators, establish a historical baseline of indicators (2010-2015) and ensure compliance with the introduction and transition to EU SILC.
- Ensure that administrative data on gender, ethnicity and disability is collected and analysed.
- Prepare and publish a glossary of terms for social inclusion that is circulated to all public bodies, think tanks, non-governmental organisations.
- Develop and implement periodic/thematic qualitative analysis of social inclusion in Albania that focus on the intensity, causes and types of social exclusion.
- Prepare an annual report on Social Inclusion in Albania based on existing and future survey and qualitative data.
- Promote policy dialogue on social inclusion in Albania through annual national social inclusion conference and periodic events.
- Conduct an institutional review of measures to improve the technical competencies and organizational governance of social inclusion in Albania.
- Establish a Technical Resource Facility (TRF) for social inclusion and poverty analysis.

A number of priorities cut across the whole spectrum of social inclusion priorities:

- A professional administration with improved technical skills in quantitative and qualitative analysis of social inclusion data and its policy applications.
- Well-targeted training and capacity building, to strengthen capacity in the public administration at central and local levels to ensure that social inclusion is incorporated in



national and local level policies.

- A communication strategy for social inclusion that takes account of government, the private sector, and civil society actors.
- The establishment of a Thematic Group on Social Inclusion that ensures the coordination and implementation of the SIPD as part of the Employment and Social Sector (ESS).









## **OBJECTIVES AND OUTCOMES**



### 3.1 OVERVIEW

The action plan focuses on activities and measures for achieving a balanced and sustainable framework for the way social inclusion is measured, monitored and reported in Albania using a robust set of EU level and national level indicators. This action plan is designed to lead to improvements in the ways social inclusion is linked to Government policies and Albania's EU accession process.

Activities in the SIPD focus on:

- Strengthening capacity at the central Government level to coordinate, monitor and provide guidance on social inclusion.
- Enhance capacities of line Ministries to develop, plan and implement social inclusion policies as part of their regular activities.
- Improve the statistical system of Albania on monitoring social inclusion indicators.
- Improve cooperation between government institutions on the national and local level in planning and implementing social inclusion policies according to the subsidiary principle.
- Supporting Albania's active participation in regional co-operation and ensuring its social inclusion efforts are recognised, and supported, by the European Commission.

The expected results from the SIPD are:

- Social inclusion policies will be developed, adopted and mainstreamed into sector strategies and national policy frameworks/strategies by 2020.
- Reporting on social inclusion will become aligned/integrated into the regular reporting of the Government as part of its wider policy dialogue with the EU on progress in social inclusion.
- With increased insight into the types, causes and intensity of social inclusion, poverty and marginalisation will be diminished.

The main thematic priorities over the medium term are summarised in the following bullet points:

- Establish a Statistical Indicators and Integrity Group (SIIG) to ensure consistency in the definition and use of indicators, establish a historical baseline of indicators (2010-2015) and ensure compliance with the introduction and transition to EU SILC.
- Ensure that administrative data on gender, ethnicity and disability is collected and analysed.
- Prepare and publish a glossary of terms for social inclusion that is circulated to all public bodies, think tanks, non-governmental organisations.
- Develop and implement periodic/thematic qualitative surveys of social inclusion in Albania that focus on the intensity, causes and types of social exclusion.
- Prepare an annual report on Social Inclusion in Albania based on existing and future survey and qualitative data.
- Promote policy dialogue on social inclusion in Albania through periodic events and an annual national social inclusion conference.
- Conduct an institutional review to improve the ways in which social inclusion is managed by government and embedded in government systems.
- Establish a strategic framework that will guide measures that support analysis of SILC data at the sub-national level.
- Establish a Technical Resource Facility (TRF) for social inclusion and poverty analysis.

A number of priorities cut across the whole spectrum of priorities for measuring and monitoring social inclusion:

- A professional administration with improved technical skills in the quantitative and qualitative analysis of social inclusion data and its policy applications.
- Well targeted training interventions that strengthen capacities in the public administration at central and local levels to ensure that social inclusion is incorporated in national and local level policies.
- A communication strategy for social inclusion that takes account of the needs of government, the private sector, and civil society actors.
- The establishment of a Thematic Group on Social Inclusion to ensure the coordination and implementation of the SIPD as part of the National Sector Programme (NSP) for the Employment and Social Sector (ESS).

### **3.2 INSTRUMENTS**

The vision of a modern and efficient system for measuring and monitoring social inclusion in Albania will be achieved through the application of several instruments: capacity building, culture change, a technical resource facility with competitive funds, and process reengineering.

Progress in the measurement and monitoring of social inclusion will require a great deal of investment in human capacity. Building technical capacity will take many forms: continuous and ad hoc training programmes, skill transfers within the realm of twinning programmes with sister organisations that have responsibilities for social inclusion policies in EU member states, study visits to other accession countries that are preparing and elaborating social inclusion instruments and policies, job rotation, etc. In particular the Government will seek support from its partners in the development and financing of many of the training programmes.

For some functions, it will be necessary, within the constraints set by the budget, to hire long term consultants to make it possible to deliver on the increased ambitions in many social inclusion tasks. To the greatest extent possible, the new demands will be met by a step change in the way social inclusion is defined as part of economic and social policy, and as part of wider effort to improve the quality, coverage and responsiveness of public services.

### **3.3 CHANGES IN PROCESS MANAGEMENT AND THE ANALYTICAL CULTURE TOWARD SOCIAL INCLUSION**

Albania has embarked on a long journey that will shift the focus of social inclusion from a conceptual idea to a focus on its application to policies and the generation of improved outcomes. The conceptual frameworks are largely in place based on the previous strategy which encapsulated the notion of social inclusion as a cross-cutting agenda. A five-year plan for implementing the previous strategy for the period 2007-2013 was developed. The approach of the plan was to present the government with strategic direction in an integrated manner and provide a monitoring framework based on the preparation of a National Action Plan for Social Inclusion (NAPInc), which at the time was a standard requirement for EU accession. Domestic implementation of the plan did not, however, live up to expectations, and NAPInc's are no longer part of the policy landscape.

This SIPD takes account of the key messages from the reviews conducted in 2009 and 2012 of the 2007-2013 social inclusion strategy, and ensures that social inclusion is fully integrated into Employment, Skills and Social Inclusion (ESSP) Sector and into the IMPG-ESS. One important difference in the future policy environment is the roll-out of SILC in Albania. This development will provide an evidence base that can be monitored over time, and provide a framework, based on EU and national indicators, that enables Albania to effectively engage in policy dialogue with the EU, and other development partners, on the need to strengthen measures to improve the quality of data and analysis of poverty and social protection, employment and enterprise, education, health, housing and basic needs, and participation and human rights.

Achieving the vision of a modern and efficient system for measuring and monitoring social inclusion will require substantial investment in upgrading the technical and organisational capacities of the Department for Social Inclusion and Gender Equity (DSIGE) in the MoSWY. Presently this department is comprised of staff who focus on specific issues such as ethnic minorities and gender rather than the crosscutting inter-institutional themes that are salient to measuring and monitoring social inclusion.

The introduction of systems to support social inclusion functions in the public administration has hitherto been very fragmented. Narrow individual themes have been pursued without an eye to the important interdependencies that exist between the intensity, causes and types of social inclusion, or to utilisation of EU level and national level indicators for measuring and monitoring social inclusion within and across different policy domains. The introduction regular SILC surveys and the regularisation of HBS and LFS surveys will bring about changes in the culture of policy discourse on poverty and social inclusion, and open up the prospect of using social inclusion indicators to assess policy performance and results. As tasks in this plan rolls forward, efforts will need to be made to ensure that specific themes and issues are horizontally and vertically integrated into the broader analysis of social inclusion.

The government will invite development partners to assist with the articulation of this organisational and cultural change towards the measurement and monitoring of social inclusion.

### **3.4** POLICY OBJECTIVES AND MAIN OUTPUTS

#### **3.4.1 Pillar A: Sustainable systems for social inclusion**

**Policy Context:** A number of accession candidate countries - such as Turkey, Serbia,

and FYROM – are developing systems for measuring and monitoring social inclusion in accordance with EU statistical norms and standards; Albania has lagged in this regard. The absence of reliable baseline data to measure and monitor social inclusion in Albania has been one of the major impediments to its operational utility. But this is about to change with the introduction of regular SILC surveys, and the decision to run the Household Budget Survey (HBS) in sequence with the Labour Force Survey (LFS). The government will therefore seize the opportunities provided by these developments to establish a reliable and credible system for measuring and monitoring social inclusion using EU level and national level indicators. The following measures will be undertaken:

- Statistical Indicators and Integrity Group (SIIG) established to ensure consistency in the definition and use of EU level and national level indicators, establish a historical baseline of indicators (2010-2015) and ensure compliance with the introduction and transition to EU SILC;
- Glossary of terms for social inclusion is periodically published and circulated in Albanian to all public bodies, think tanks, non-governmental organisations;
- Ensure that administrative data on gender, ethnicity and disability is regularly collected, analysed, and incorporated into annual social inclusion reports;
- Technical Resource Facility (TRF) for Social Inclusion and Poverty Analysis established.

#### 3.4.1.1 Statistical Indicators

**Context:** The introduction of EU level and National Level indicators to measure and monitor social inclusion is a challenging undertaking and requires a retrospective view of existing surveys and administrative data across the six policy domains, a system for managing the transition to the use of SILC to measure and monitor social inclusion, a mechanism for keeping abreast of policy updates and statistical innovation of social inclusion methodologies, and integrating methodologies for ensuring the integration of key variables such as gender, ethnicity, disability, spatial location, settlement type etc. A Statistical Indicators Group – which will bring together representatives from the DSIGE Department in the Ministry of Social Welfare and Youth, INSTAT, Ministry of Health, Ministry of Education, Ministry of Urban Development, Ministry of Culture – will be established to undertake the task of elaborating standards, definitions, data sources and indicators – to monitor and measure social inclusion. The table below provides information on specific objectives, outcome indicators and actions.



	Objectives	Outcome indicators	Actions	Priority level
<b>Statistical Indicators elaborated</b>	<p>Reliable and credible indicators – with clear definitions – and identifiable data sources.</p> <p>Trained government officials on measuring and monitoring social inclusion.</p>	<p>Statistical Indicator and Integrity Group (SIIG) established.</p> <p>Standards, definitions, data sources, and indicators for social inclusion elaborated.</p> <p>Government officials trained on measuring and monitoring social inclusion.</p>	<p>Terms of reference for SIIG drafted</p> <p>Membership of SIIG identified</p> <p>SIIG meetings convened and outputs incorporated into annual social inclusion report</p> <p>International and local consultancy support recruited to assist the SIIG</p> <p>Conduct an assessment of training needs of SIIG members</p> <p>Develop a training package on social inclusion for SIIG members</p> <p>Conduct training sessions<sup>42</sup> on social inclusion with SIIG members</p>	1

### 3.4.1.2 Glossary

**Context:** As social inclusion shifts from a conceptual framework to an operational set of actions in Albania, there will be a growing need for greater understanding of qualitative and quantitative methods associated with its use, greater precision in the use indicators, and better understanding of use statistical techniques associated with the measurement of social inclusion. In order for policy makers, academics, think tanks and civil society actors to engage with the discourse of social inclusion, a glossary will be developed and published in English and Albanian. The glossary will need to be periodically updated to keep abreast of changes in, and the addition of, terminologies, techniques, and definitions. The table below provides information on the objective, outcome indicator and actions.

	Objective	Outcome indicator	Actions	Priority level
<b>Glossary published</b>	<p>Improve understanding of methodological and statistical terminologies used in social inclusion.</p>	<p>Glossary published and periodically every two years.</p>	<p>Commission one international and national consultant to prepare the initial glossary.</p> <p>Glossary updated every two years by national consultant.</p>	1

42 Training sessions will address questions such as: What is social inclusion? What methods are used to collect data on social inclusion? How is data collected? The topics to be covered during training sessions will be based on the results from the needs assessment.

### 3.4.1.3 Administrative Data

**Context:** Administrative data does not routinely document gender, ethnicity and disability status<sup>43</sup> of people who use public services. This means that key data for most of the National level indicators – and some of the EU level indicators - cannot be delineated. There are on-going efforts to roll-out an IT system (ROMALB) which is designed to record administrative data on Roma and Egyptians, a new technical assistance facility for gender equality has been established, and there are plans to develop systems to record data on people with disabilities. The table below provides information on the objective, outcome indicator and actions.

	Objective	Outcome indicator	Actions	Priority level
<b>Administrative data elaborated</b>	Data on gender, ethnicity and disability is recorded by administrative systems.	Evidence of improved statistics in gender, ethnicity and disability linked to National level indicators and the EU level indicators.	<p>Conduct annual audit of systems used to collect administrative data on gender, ethnicity and disability across different public bodies – particularly those linked to the six domains covered by the EU level and National Level Indicators.</p> <p>Develop Terms of Reference for the annual audit.</p> <p>Appoint national consultant to conduct the national audit of administrative data.</p> <p>Incorporate the audit on gender, ethnicity, and disability statistics in the Annual Social Inclusion Report.</p>	2

### 3.4.1.4 Technical Resource Facility

**Context:** In the previous plan public investment in skills, techniques, organisational capacity, public awareness and systematic analysis and reporting on social inclusion was minimal. The absence of public investment significantly contributed to short-comings associated with the 2007-2013 cross-cutting strategy on social inclusion. In the context of Albania being granted EU candidate status the demand and need for skills and organisational capacity to manage and elaborate the social inclusion agenda will grow. Moreover, within the framework of implementing a sector approach, the demands of the EU social *acquis*, and the introduction of SILC, it is foreseen that the

43 In the context of social inclusion reference to gender, ethnicity and disability is about different realities and the needs of people across society. This necessitates measures to assess whether all people are empowered to take a full and productive role in family, community, society and the economy. To be in control of their own lives to make the choices they wish and thus have fair and equal access to services, support and opportunity.

GoA will need appropriately resourced support processes including the capability to conduct complex social inclusion analysis and to channel this analysis into a range of economic and social policies. Planning and impact analysis, and facilitating Albania's participating in EU Level forums on social inclusion – including the OMC – will be integral to the framework of Albania's EU accession. It is envisaged that the Technical Resource Facility (TRF), for social inclusion and poverty analysis under the leadership of the MOSWY, will need to be established to provide direct guidance, support and advice. The TRF will also be responsible for managing developing an on-line modular course in social inclusion (in Albanian and English) and two Competition Funds: one on methodological issues for measuring and monitoring social inclusion and poverty; and the other on the secondary analysis of social inclusion data.

The overall goal of the two Competition funds will be to develop insights and deeper understandings of factors that impact on poverty, social exclusion, material deprivation, risk of poverty, inequality, access to labour market and other aspects relevant to the life of individuals and families in the Republic of Albania by raising the capacities of researchers and policy analysts to innovate with methodologies and to conduct secondary research in policy areas that have not been given sufficient attention in Albania, but are of significant importance to the formulation of efficient public policies. The Competition funds should stimulate researchers to use a variety of available data sources and existing research materials, and promote dialogue between data producers and data users. The table below provides information on the objective, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Technical Resource Facility established</b>	Upgrade technical and organisational skills for the collection, monitoring, analysis, reporting of social inclusion within central and local government structures, and among civil society actors.	<p>Evolution over time of improved analysis and reporting of social inclusion in Albania.</p> <p>Competition Fund to promote and support policy dialogue on methodological issues linked to SILC survey and other data sources established.</p> <p>Competition Fund to promote and support secondary analysis of SILC data and other data sources established.</p> <p>Albania's participation in EU forums – including the OMC – that focus on social inclusion.</p> <p>TRF website operational and promoting awareness and engagement with social inclusion in Albania and providing insights into developments in EU member states and accession candidate countries.</p>	<p>Prepare Terms of Reference for the design of the TRF.</p> <p>Appoint consultants to undertake scoping and design of TRF for social inclusion and poverty analysis.</p> <p>Assess governance structures for the location of the TRF.</p> <p>Establish TRF.</p> <p>Design a fit-for-purpose website for the TRF.</p>	1

### **3.4.2 Pillar B: Effective systems for the governance of social inclusion**

**Policy Context:** Social inclusion linked to the strategic policy development and reviews of the government. In practice sector strategies have not had this guiding function as they have tended to be free standing, one-off documents with little reference to assessments of what financial and human resources could possibly be available to implement the strategies. The previous 2007-2013 was a victim of this practice. The slowdown in growth of government revenues was clearly a contributing factor that reduced the relevance of the 2007-2013 strategy further. The government will reduce this risk by ensuring that the SIPD is integrated into the IPMG-ESS structures, is incorporated into the National Sector Programme (NSP) - which will guide and inform support from IPA 11 and other development partners – and is delineated into the MTBP. The measures outlined under this pillar are therefore critical to overall success of the SIPD:

- Thematic Group on Social Inclusion established to ensure the coordination and implementation of the SIPD as part of National Sector Programme (NSP) for the Employment, Skills and Social Policy (ESSP) Sector;
- Institutional review of Department of Social Inclusion and Gender Equity undertaken to improve the ways in which social inclusion is managed by government and embedded in government systems;
- Communication strategy for social inclusion prepared and implemented that takes account of central and local government, the private sector, and civil society actors.

#### **3.4.2.1 Integrating Social Inclusion**

**Context:** The main task to be undertaken by the IPMG-ESS is the preparation of the National Sector Programme (NSP), which helps set the annual work programme of the ESSP sector. Establishing a specific thematic group on social inclusion will facilitate the coordination of annual work programmes on social inclusion by government actors and development partners, improve the overall governance of social inclusion within the MoSWY and across government departments, and ensure that capital and recurrent expenditures for social inclusion outlined in the SIPD is better integrated into the medium term budget plan (MTBP). The table below provides information on specific objectives, outcome indicators and actions.

	Objectives	Outcome indicators	Actions	Priority level
<b>Social inclusion integrated into government plans and actions</b>	<p>Integration of social inclusion into strategies, action plans, sector approaches, national sector programmes and sector support programmes, and budgets supported by the government and development partners.</p> <p>These tasks will be undertaken as part of the process of implementing the SIPD Action Plan and its integration into the MTBP and the NSP.</p>	Thematic group on social inclusion established within the framework of IPMG-ESS structures.	<p>Operating terms of reference for thematic group approved by MoSWY.</p> <p>Chair of thematic group identified and agreed.</p> <p>Membership of thematic group agreed upon.</p> <p>Thematic group meets at least three times a year.</p>	1

### 3.4.2.2 Public Administrative Arrangements of Social Inclusion

**Context:** Social inclusion is formally managed by the Department of Social Integration and Gender Equity (DSIGD) in the MoSWY. The DSIGD has a limited number of staff and has little in the way of an operational budget to undertake technical analysis or to actively ensure that social inclusion is integrated into the government policies and programmes. The technical and organisational weaknesses of the DSIGD are well documented in the reviews of the 2007-2013 strategy conducted in 2009 and 2012. If the weaknesses identified in these reviews, which still persist, are not systemically addressed then the SIPD will endure limitations in its implementation. In addition to internal challenges confronting the DSIGD, there are horizontal issues that also need to be addressed during the course of implementing this plan. These limitations pertain to the level of authority vested in the DSIGD and its ability to effectively lead and coordinate the activities of Ministries, Agencies, and Departments (MAD's) that fall outside the immediate sphere of command and control of the MoSWY. The table below provides information on the objective, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Public administrative arrangement for social inclusion strengthened</b>	Effective and efficient public administration.	Sufficient staff provided, a reasonable operating budget, and a unit established for the management and coordination of social inclusion that enables it to effectively coordinated and led.	<p>Terms of reference for governance review prepared and agreed with Prime Minister's Office and MoSWY.</p> <p>Consultants for review appointed.</p> <p>Review undertaken.</p> <p>Outcomes from the review acted upon before the end of the term of this plan and incorporated into MTBP.</p>	2

### 3.4.2.3 Communication strategy

**Context:** The SIPD is a mechanism for enabling Albania adjust its sector policies to adopt, accommodate and adapt social inclusion approaches in line with the requirements of the EU integration process. This calls for an update of existing policies and the adoption of measures that will improve living and working conditions of citizens, with a particular focus on vulnerable groups, ensuring that all enjoy the benefits of economic growth and improved competitiveness. This shift in approach needs to be communicated clearly and concisely within government Ministries, Departments and Agencies (MADs), among private sector actors, and across a range of civil society organisations and forums. The communication strategy for this diverse range of audiences needs to ensure that specific stakeholders, and wider Albanian society, are aware of the goal and purpose of the SIPD and its activities, understand why it is necessary and what benefits it will deliver, and build a reputation that outputs from the SIPD is trusted, is of high quality, and provides innovative information. The table below provides information on specific objectives, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Communication strategy developed</b>	Albania's efforts to measure and monitor social inclusion is widely disseminated through well designed and efficient communication strategy.	<p>Evidence of improved social inclusion analysis being used by Albanian policy makers.</p> <p>Evidence of wider understanding among the public of the importance of measuring and monitoring social inclusion as part of the effort to generate economic growth, improve competitiveness and reduce poverty.</p> <p>Number of mass media report on social inclusion analysis.</p> <p>Number of EU reports referring to social inclusion analysis in Albania.</p> <p>Annual evaluation of the communication strategy is used to addresses weaknesses and is used to modify the strategy.</p>	<p>Development of communications strategy that encompasses print and electronic media.</p> <p>Production of relevant literature on social inclusion.</p> <p>Printing and distribution of the SIPD.</p> <p>Convening forums where stakeholders have opportunities to input into and feedback on the design of what needs to be communicated, when to communicate, and how much to communicate.</p> <p>Conduct an annual evaluation to assess the effectiveness of communications strategy.</p>	2

### 3.4.3 Pillar C: Improved policy dialogue

**Policy Context:** The level of public policy understanding of social inclusion, its strategic importance to the milestones that Albania needs to meet as part of its EU accession agenda, and its salience to the design of policies that improve economic growth and reduce poverty is relatively low. Too often the term is used as a proxy definition for ‘vulnerable groups’. While such groups are integral to the definition, focus and analysis of social inclusion, they are not the only populations embraced by the term. To redress this misunderstanding and to ensure that social inclusion – in the context of the transition to the SILC survey in 2016 and regularisation of the HBS and LFS – is applied across a range of policy domains and population groups, the government will adopt the following measures:

- Publish an annual report on Social Inclusion in Albania based on existing and future survey and qualitative data prepared;
- Develop and implement periodic/thematic qualitative surveys of social inclusion in Albania that focus on the intensity, causes and types of social exclusion
- Ensure policy dialogue on social inclusion in Albania is established through periodic events and an Annual National Social Inclusion conference;

#### 3.4.3.1 Annual Report

**Context:** As data for the EU level and national level indicators becomes available, coupled with the use of the EU SILC survey, the evidence base for regularly measuring, monitoring and reporting on social inclusion and poverty in Albania will improve. This growing level of data availability will need to be compiled into an annual social inclusion and poverty report. The report will not simply focus on quantitative surveys and administrative data, but also provide an update on qualitative factors that impact on social inclusion - including the macroeconomic environment, public financial management and the MTBP, public administration arrangements, sector plans and strategies, legislation, EU accession, and the plans/actions of development partners. The table below provides information on the objective, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Annual reports prepared and published</b>	Informative social inclusion report based on quantitative and qualitative data.	Annual social inclusion report produced in 2016, 2017, 2018, 2019 and 2020.  Annual social inclusion report demonstrates progress in implementation of SIPD Action Plan.	Template prepared for the annual social inclusion report.  Consultants appointed.  Report published annually in Albanian and English.	2

### 3.4.3.2 Qualitative Analysis of Social Inclusion

**Context:** In social science there is widespread acknowledgement of the importance of using a range of methods to assess social and economic phenomena. In order to adequately understand social exclusion issues in Albania and to establish a firm basis on which to draw policy recommendations, data that offers context-specific “depth” understanding is required.

Social inclusion is a complex issue that benefits from the coherent integration of qualitative and quantitative approaches. Analysts involved in social inclusion therefore need to be encouraged to supplement quantitative methods with qualitative methods that best correspond to the specific nature of the issues under investigation<sup>44</sup>. Qualitative methods typically refer to a range of data collection and analysis techniques that use purposive sampling and semi-structured, open-ended interviews. These techniques, which both produce and analyse textual data, allow for more in-depth analysis of social, political, and economic processes. The case for qualitative analysis rests on the unique and important insights that it brings in its own right and, secondarily, on its capacity to address the weaknesses of stand-alone quantitative approaches. For example, qualitative analysis of the types, scope, depth and intensity of social inclusion varies by identity attributes (such as gender, age, ethnicity, disability status), location attributes (place of residence, settlement type, typography, distance, climate, natural resources) and economic attributes (economic activities, infrastructure, levels and types of investment, characteristics of enterprises, presence or absence of education and health facilities, labour market characteristics,), governance attributes (presence or absence of law enforcement, levels of honesty and corruption, responsiveness of public bodies to service delivery) and social attributes (access to social networks, presence of civil society actors,

<sup>44</sup> Quantitative research methods—where data are collected and analysed in a more standardised and often numerical form—leave less room for open-ended questions and unexpected findings. Many important characteristics of people and communities including identities, perceptions, and beliefs cannot be meaningfully collected through formal questionnaire surveys. They cannot be adequately understood without reference to the local context in which they live.



recreational facilities, levels of trust and solidarity, non-cash based exchange, conflict and cooperation). The table below provides information on specific objectives, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Qualitative analysis conducted and published</b>	Improve depth of understanding about social inclusion in Albania.	Baseline qualitative study of social inclusion in Albania.  Qualitative evidence of types, causes and intensity of social inclusion in Albania elaborated.	Identify domains of social inclusion to be prioritised for qualitative studies in Albania.  Prepare national baseline qualitative study of the types, causes and intensity of social exclusion in Albania (2016).  Minimum of 5 thematic qualitative studies on social exclusion conducted in 2017, 2018 and 2019.  Update national baseline qualitative study of the types, causes and intensity of social exclusion in Albania (2020) as part of preparations for a new approach for the period spanning 2021-2025.	1

### 3.4.3.3 Annual Conference

**Context:** The Annual Conference on Social Inclusion in Albania (ACSIA) will be organised by the MoSWY and draw attention to research and innovations that have been introduced over the previous 12 months. The innovations presented help will place the analysis and reporting of social inclusion on more sustainable pathways and enable the government, the private sector and civil society actors to better respond to the needs of citizens. The annual conference will provide a platform to launch the annual social inclusion report and to invite high level key note speakers. The conference will highlight measures that have been taken to strengthen financial governance and public administration, improvements in particular sectors, measures taken for reducing risk and vulnerability in local communities, and highlighting evidence from qualitative and quantitative data for measuring and monitoring social inclusion in Albania.

Participants attending the conference as well as presenters will drawn from a variety of Albania interest groups – including central and local governments, the private sector, the non-governmental sector, and international development partners. The Albania perspective will be complemented by an outlook on practices, innovations and ideas for addressing social inclusion in EU member states and other accession candidate countries.

The conference should be based on a partnership principle with co-funding (in cash or in –kind) from the private sector. The table below provides information on the objective, outcome indicators and actions.

	Objective	Outcome indicators	Actions	Priority level
<b>Annual conference held</b>	To promote learning and to share ideas about measuring and monitoring social inclusion in Albania and the EU.	<p>Improved quality of policy dialogue on the reduction of social exclusion and poverty in Albania.</p> <p>Better understanding of the risk and vulnerability to social exclusion in Albania</p> <p>Annual social inclusion report launched at the conference.</p>	<p>Content and focus of annual ACSIA will be planned in advance.</p> <p>Speakers identified in advance.</p> <p>Commercial co-sponsors identified and signed-up.</p> <p>Keynote speakers identified and invited.</p>	1

### 3.5 ROLES AND RESPONSIBILITIES

In Albania there are already a number of capacity development initiatives that are salient to social inclusion. These cover a broad range of activities and competencies and provide a mix of technical assistance, analysis and training interventions. The structure of the SIPD reform, through pillars and components, will help the future alignment of these initiatives, and also generate new initiatives, to support the social inclusion and poverty reduction reform and direct future support to where it is needed most. These observations hold true for the government too in that the structure of the SIPD provides a framework for the channelling capital and recurrent expenditures for the measurement and monitoring of social inclusion within the MTBP. The shift to a sector approach in the ESSP sector will also enable particular components of the SIPD to be prioritised and to prepare a detailed approach to capacity building and for dialogue with the development partners in this important area of public policy.

While the general responsibility for implementation of reforms for the measurement, monitoring and reporting of social inclusion rests with the MoSWY, the SIPD involves the entire government sector. Thus the overall responsibility for the successful implementation of the SIPD is shared among all these public sector stakeholders.

Within the MoSWY, the structures for the IPMG-ESS are being implemented, including a framework for ensuring that social inclusion is incorporated into the sector approach and is fully reflected in future sector support programmes. The thematic group on social inclusion will have a key role in ensuring the implementation of the pillars and components of this SPID.

### 3.6 THE SOCIAL INCLUSION POLICY DOCUMENT ACTION PLAN MATRIX

Pillars	Implementation deadline						Responsible institution	Involved institutions	Budget (EUR) (SIPD – 5 years)	Budget MTBP (2016–2018)	Budget Development Partners (2016–2018)	Budget Gap (2016–2018)
	2015	2016	2017	2018	2019	2020						
Pillar A- Sustainable systems for social inclusion												
Action 1: Statistical Indicators elaborated												
• Statistical Indicator and Integrity Group (SIIG) established;							MoSWY, INSTAT	MoSWY, SSS, INSTAT, MH, IPH, Health Insurance Fund, MAS, MUD, MF, AIDA, NES, MEDTE, NVETAQ, MC, CEC, MJ, Legal Aid Commission, Central Court of Tirana	70 000			
• Six meetings in 2016;	X											
• Standards, definitions, data sources, and indicators for social inclusion agreed and elaborated;												
• 100 government officials trained on measuring and monitoring social inclusion;												
Action 2: Glossary published												
• Glossary published;	X			X		X	MoSWY		21 000			
• Glossary updated every 2 years.												
Action 3: Administrative Data elaborated												
• Five audits conducted on statistics in gender, disability, ethnicity;	X	X	X	X	X	X	MoSWY		30 000			
• Audits linked to national-level indicators and EU-level indicators;												
Action 4: Technical Resource Facility established												
• One Competition Fund established to promote and support policy dialogue on methodological issues linked to SILC survey and other data sources;												
• One Competition Fund established to promote and support secondary analysis of SILC data and other data sources;	X	X	X	X	X	X	MoSWY	Central and local government structures, 1 125 000 and civil society actors				
• Albania participating in at least three EU forums of social inclusion by 2020;												
• One TRF website established;												
• TRF website operational: 5,000 hits in 2017; 10,000 hits in 2018; and 12,500 hits in 2020;												
Pillar B- Effective systems for the governance of social inclusion									247 000			

[illegible]







## **RESOURCES AND BUDGET ALLOCATION**

## Resource and budget allocation (in thousand Euro)

Pillars	2015	2016	2017	2018	2019	2020
<b>Pillar A</b> <b>Sustainable systems for social inclusion</b>						
Action 1: Statistical Indicators	10	20	20	10	5	5
Action 2: Glossary	15	-	3	-	3	-
Action 3: Administrative Data	5	5	5	5	5	5
Action 4: Technical Resource Facility	25	100	200	250	300	250
<b>Pillar B</b> <b>Effective systems for the governance of social inclusion</b>						
Action 1: Integrating Social Inclusion	7	7	7	7	7	7
Action 2: Governance of social inclusion	-	-	20	100	100	100
Action 3: Communication strategy	10	20	20	20	20	20
<b>Pillar C</b> <b>Improved Policy Dialogue</b>						
Action 1: Annual Report	-	50	50	50	50	50
Action 2: Qualitative Analysis	-	60	15	15	15	70
Action 3: Annual Conference	-	15	20	20	20	25
<b>Sub Total All Pillars</b>	<b>72</b>	<b>277</b>	<b>360</b>	<b>477</b>	<b>525</b>	<b>532</b>
Grand Total of Estimated Expenditures	72	277	360	477	525	532
<b>Albanian Government National Budget</b>	<b>50</b>	<b>117</b>	<b>125</b>	<b>212</b>	<b>225</b>	<b>282</b>
<b>Development Partner Contributions</b>	<b>22</b>	<b>160</b>	<b>235</b>	<b>265</b>	<b>300</b>	<b>250</b>









# 5

## **MEASURING AND MONITORING SOCIAL INCLUSION AND POVERTY IN ALBANIA**



## 5.1 OVERVIEW

**T**he indicators delineated in this chapter provide the basis for advancing the measurement, monitoring and reporting of social inclusion in Albania.

The measurement and monitoring methodology is designed to ensure comparability of key indicators of inclusion in Albania with the situation in EU Member States and states in the process of EU accession and to ensure insight into specificities of the problem of social inclusion in Albania. Standardisation of the measurement of social inclusion and poverty in Albania will allow for approximation and harmonisation of various strategic documents regulating this area in Europe. Currently, the main sources of data for calculation of poverty and social inclusion indicators are the Living Standards Measurement Survey (LSMS) and the Labour Force Survey (LFS). Also, data from the Household Budget Survey (HBS), and vital education statistics are used as collected by the Albanian Statistical Institute and the Ministry of Education, as well as data on health collected by the Albanian Institute of Public Health (IPH). Data on access to justice is collected by the Ministry of Justice and its subordinate agencies. Data on housing is collected by the Ministry of Urban Development and the National Housing Agency. The LSMS survey collects data on income, spending and consumption of households, data on the key elements of personal consumption as well as the more significant indicators of living standards (housing conditions, and possession of durable goods).

The HBS provides data on income but is primarily used for the provision of an appropriate context for the calculation of expenditures. It is noteworthy that the regularity of the HBS is being improved as is the quality of data collected. These changes are designed to take better account of the specific features of Albania and the problems related to household income measurement (both due to grey economy as well as to cash receipts from abroad that are not officially registered).

As a non-EU member state Albania is not obliged to conduct SILC regularly. However, following the pilot phase of SILC in 2014 intensive efforts are underway to conduct the survey on an annual basis. The system of collection of data on social protection at administrative level is not yet harmonised with EU standards, and this needs to be part of wider system of upgrading information required for monitoring poverty and social inclusion.

The existing sources of data do not allow for the measurement of indicators, which require

monitoring the same households over a longer time period (e.g., for the permanent at-poverty-risk rate). Also, data on the overall population, and its disaggregation, is only available for some indicators. In order to generate accurate and informed conclusions about the situation of vulnerable groups, changes in a society must be monitored over a considerably long period. Therefore existing statistics will not provide a detailed classification of households by different criteria. Particular problems will be encountered in cross-referencing several distribution criteria<sup>45</sup> (e.g., detailed age distribution, gender distribution, people with disabilities, overview by types of households, region/municipality, level of education, and ethnic affiliation). This holds true despite recent efforts to improve the sample frames and to produce and compile specific descriptive statistics on gender<sup>46</sup>, ethnic minorities<sup>47</sup>, and disability<sup>48</sup>. To address these issues the Thematic Group on Social Inclusion (within the IPMG-ESS) will establish a Statistical Indicators and Integrity Group (SIIG) to ensure that data standards<sup>49</sup> are developed across all the EU level and national level indicators.

## 5.2 OVERVIEW OF INDICATORS FOR FINANCIAL POVERTY

The Republic of Albania is in the process of planning to deploy the Survey on Income and Living Conditions (SILC) as a basis for its monitoring, analysing and reporting on social inclusion. This development constitutes a significant improvement in living standard statistics and will facilitate full data comparability between the Republic of Albania, other accession candidate countries and European Union Member States, which have carried out this survey regularly since 2004. Relative poverty indicators obtained on the basis of the SILC survey will not be comparable with the relevant indicators for the period 2006-2012 obtained on the basis of the LSMS. However, certain rough comparisons will need to be drawn in order to create a retrospective view. Living conditions indicators for vulnerable social groups (the Roma and Egyptians, persons with disabilities, gender disaggregation etc.) will still be missing due to

45 For example, the LSMS and LFS surveys have a limited sample of self-identified Roma which does not allow for sound analysis of this population group. In LSMS 2012, the un-weight case of the Roma people was 228 persons. Restricted to the age of economic activity, this means that 74 Roma men and 90 Roma women were been surveyed. The same holds for the LFS: only 218 Roma respondents were interviewed in the three pooled years of 2009, 2010 and 2011

46 INSTAT (2015) Roma and Egyptians in Albania: A socio-demographic and economic profile based on 2011 census, 2015

47 INSTAT (2014) Women and Men in Albania, 2014

48 INSTAT (2015) Profile of the Disabled Population in Albania, January 2015

49 A consultation with the Commissioner for Personal Data Protection will be held to discuss data protection policies.

methodological limitations, as the abovementioned surveys do not allow for conclusions with sufficient reliability. European statistics also face the same limitation, and surveys designed specifically for this purpose will need to be used instead. It will therefore be very important to have clear guidelines for the implementation of additional qualitative surveys in order to obtain as clear an idea on specific indicators of social inclusion and additional definition of the system of monitoring country specific indicators.

Policy makers in Albania need to be aware that the SILC focuses on the **at-risk-of-poverty rate** which is the share of people with an equivalised disposable income <sup>50</sup> (after social transfer) below the **at-risk-of-poverty threshold**, which is set at 60 % of the national median equivalised disposable income after social transfers<sup>51</sup>. This indicator **does not measure wealth or poverty**, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living. The **equivalised disposable income** is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age, using the so-called modified *OECD equivalence scale* which gives a weight to all members of the household (and then adds these up to arrive at the **equivalised household size**: 1.0 to the first adult; 0.5 to the second and each subsequent person aged 14 and over; 0.3 to each child aged under 14.

In SILC **at-risk-of-poverty rate before social transfers** is calculated as the share of people having an equivalised disposable income before social transfers that is below the at-risk-of-poverty threshold calculated after social transfers. Pensions, such as old-age and survivors' (widows' and widowers') benefits, are counted as income (before social transfers) and not as social transfers. This indicator examines the hypothetical non-existence of social transfers. The **persistent at-risk-of-poverty rate** shows the percentage of the population living in households where the equivalised disposable income was below the at-risk-of-poverty threshold for the current year and at least two out of the preceding three years. Its calculation

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50 The equivalised disposable income is calculated in three steps: all monetary incomes received from any source by each member of a household are added up; these include income from work, investment and social benefits, plus any other household income; taxes and social contributions that have been paid, are deducted from this sum; in order to reflect differences in a household's size and composition, the total (net) household income is divided by the number of 'equivalent adults', using a standard (equivalence) scale: the modified OECD scale; this scale gives a weight to all members of the household (and then adds these up to arrive at the equivalised household size. The resulting figure is called the equivalised disposable income and is attributed equally to each member of the household. For poverty indicators, the equivalised disposable income is calculated from the total disposable income of each household divided by the equivalised household size.

51 See [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty\\_rate](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:At-risk-of-poverty_rate)

requires a longitudinal instrument, through which the individuals are followed over four years.

The most common objection<sup>52</sup> to the use of indicators to assess the *at-risk-of poverty rate*, is that it measures inequality and not poverty in that it is highly sensitive to income inequality and completely insensitive to income level. Thus in high income countries the risk of poverty may be equal to or even be higher than in lower income countries, and the absolute numbers and proportion of the disadvantaged population may continue to grow despite economic development and vice versa, the risk of poverty may not decrease despite lower income. In times of crisis, earned income is usually the first to decline, which has an impact on income distribution and median income and leads to a lowered poverty threshold. In such situations, individuals who were immediately below the threshold may exceed it, despite the fact that their actual situation has, in fact, deteriorated. Under such conditions, according to the at-risk-of-poverty rate the proportion of the population at risk will decrease.<sup>53</sup>

In order to obtain a comprehensible insight into poverty trends in Albania, poverty should be monitored and presented according to different definitions and methodologies and not just on the SILC methodology. So while it is very important for Albania to adopt the EU *at-risk-of-poverty* measure, it is equally important to monitor the status of absolute poverty (**measured based on consumption as defined in the LSMS**). Absolute poverty in Albania halted in 2008, but began to increase following the onset of the financial crises: the poverty headcount increased from 12.4% in 2008 to 14.3% in 2012. This means the scale of absolute poverty in Albania is still substantial, and it will be important to ascertain how many individuals and households are not able to meet even very basic needs. The use of more than one approach accords with the Eurostat's recommendations that in addition to income more measures, such as consumption, should be used in the assessment of living standards.<sup>54</sup> Monitoring absolute poverty is important not only with regard to monitoring the development of the number of people who are poor, but also with regard to developing policies aimed at reducing the poverty of groups unable to meet the minimum needs for food and other expenditures.

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52 Rava Ilion. M. (2010, April). Poverty Lines across the World. *Policy Research Working Papers*, No 5284, Washington DC.

53 Eurostat (2013a) Statistical matching of EU-SILC and the Household Budget Survey to compare poverty estimates using income, expenditures and material deprivation. *Eurostat Methodologies and Working papers*

54 Eurostat. (2013b). The measurement of poverty and social inclusion in the EU: achievements and further improvements, Working Paper 25, 25 November 2013 presented at UNCEC Conference, Geneva 2-4 December 2013



## Indicators for financial poverty and social protection

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
<b>PRIMARY INDICATORS</b>			
1. At-risk-of-poverty rate by gender and age, and by region	<ul style="list-style-type: none"> <li>Share of persons with an income per consumer unit below 60% of the national median income per consumer unit. Income per consumer unit is calculated by dividing household income by the modified OECD scale (weight 1 assigned to the first adult, weight 0.5 to other adults over the age of 14 and weight 0.3 assigned to each child under 14). Thus each person in one household disposes of the same income be it a child or an adult.</li> <li>The indicator is monitored disaggregated by gender and age (0–17; 18–64; 65+) based on changes introduced in 2010 and in alignment with OMC.</li> </ul>	LSMS <sup>55</sup> (but for consumption)	SILC <sup>56</sup> HBS <sup>57</sup>
1a. At-risk-of-poverty rate by household type	<ul style="list-style-type: none"> <li>At-risk-of-poverty rate by different household types depending on the household size, number of adults and number of dependent children.</li> <li>The indicator is monitored for: <ul style="list-style-type: none"> <li>Single households, by age (under 30, 30–64 and 65+) and gender;</li> <li>Two adults, no dependent children (both under 65, minimum one adult 65+);</li> <li>Other households without dependent children;</li> <li>Two adults with one, two, three or more dependent children;</li> <li>Single parent households with one or more dependent children;</li> <li>Other households with dependent children.</li> </ul> </li> </ul>	LSMS	SILC
1b. At-risk-of-poverty rate by the work intensity of members of households	<ul style="list-style-type: none"> <li>Work intensity of the household refers to the number of months that all working age household members have been working during the income reference year as a proportion of the total number of months that could theoretically be working in a household.</li> </ul>	LSMS	SILC
1c. At-risk-of-poverty rate by the most frequent activity status at the labour market and gender	<ul style="list-style-type: none"> <li>The most frequent activity status of members of the household aged 16+. On the basis of the most frequent activity status in the previous year (economic activity status lasting six or more months) the individuals are classified as economically active (employed, self-employed or unemployed) and economically inactive (pensioners and other inactive persons).</li> </ul>	LSMS	SILC
1d. At-risk-of-poverty rate by tenure status	<ul style="list-style-type: none"> <li>With respect to the basis of use of apartment in which the household lives. Households are differentiated to those living in an apartment owned by one of the members, or where they live free of charge and households paying lease (rent) for housing.</li> </ul>	-	SILC
2. At-risk-of-poverty Threshold	<ul style="list-style-type: none"> <li>60% of the median equivalised income of all the households in a population. This is the illustrative value of the poverty line above the defined poverty line. It is expressed in PPS, Euros and the national currency. It needs to be monitored for the entire population, for single person households, households with two adults and two children.</li> </ul>	-	SILC

55 Living Standard Measurement Survey

56 Statistics on Income and Living Conditions survey

57 Household Budget Survey

3. Inequality of income distribution, quintile ratio S80/S20	<ul style="list-style-type: none"> <li>Quintile ratio S80/S20 compares the total equivalent income of the top and the lowest quintiles. The top quintile represents 20% of the population with the highest equivalent income, and the lowest quintile 20% population with the lowest income. It only measures the changes in the top and the lowest quintiles of equivalent income.</li> </ul>	LSMS	SILC
4. Persistent at-risk-of-poverty rate	<ul style="list-style-type: none"> <li>Percentage of persons at risk of poverty in minimum two of the three previous years (condition: existence of panel data)</li> <li>Disaggregated by gender, and total for population.</li> </ul>	-	SILC
5. Relative at-risk-of-poverty gap	<ul style="list-style-type: none"> <li>Difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60 % of national median equivalised disposable income).</li> <li>Disaggregated by gender, and total for population.</li> </ul>	LSMS	SILC
<b>SECONDARY INDICATORS</b>			
6. Dispersion around the at-risk-of-poverty-threshold	<ul style="list-style-type: none"> <li>Share of persons with the income per consumer unit lower than 40%, 50% and 70% of the median national income per consumer unit.</li> <li>The indicator so defined explores the sensitivity of the risk of poverty and dispersion around the at-risk-of-poverty-threshold.</li> </ul>	LSMS	SILC
7. At-risk-of-poverty rate anchored at a moment in time	<ul style="list-style-type: none"> <li>Share of persons with income per consumer unit in the current year. (t) below the poverty line effective three years earlier (t-3) (adjusted by price increase over the previous three years).</li> </ul>	-	SILC
8. At-risk-of-poverty rate before social transfers	<ul style="list-style-type: none"> <li>Calculated by deducting social transfers from the total disposable household income.</li> <li>Used in combination with standard at-risk-of-poverty rate to measure the impact of social transfers.</li> <li>Depending whether pensions are considered a social transfer, two definitions of disposable household income before social transfers are applied.</li> <li>Social transfers include: social welfare (financial assistance, cash grants), benefits and other receipts on the basis of social protection; receipts on the basis of unemployment benefit and for temporarily unemployed persons; alimonies, health insurance benefits; receipts and benefits from disability insurance, scholarships of pupils and students etc.</li> </ul>	LSMS	SILC
9. Inequality of income distribution – Gini coefficient	<ul style="list-style-type: none"> <li>Measure of inequality of income taking into account the entire income distribution.</li> <li>The values are in the interval between 0 (when each person would dispose of the equal income – perfect equality) and 1 (when only one persons would dispose of the total income – full inequality), whereby the inequality of income distribution grows with the increase of the value of coefficient.</li> </ul>	LSMS	SILC
10. At-persistent-risk- of-poverty rate (50% of the median)	<ul style="list-style-type: none"> <li>Share of persons with income per consumer unit below 50% of the median national income per consumer unit in at least two of the three previous years (condition: existence of panel data).</li> <li>Disaggregated by gender and total for population.</li> </ul>	LSMS	SILC
11. In-work poverty (full / part time)	<ul style="list-style-type: none"> <li>Proportion of individuals classified as employed and who are at risk of poverty.</li> <li>This indicator needs to be analysed by personal characteristics, characteristics of the work place and household. It also needs to be analysed relative to at-risk-of-poverty faced by the unemployed and the inactive.</li> </ul>	LSMS	SILC

NATIONAL INDICATORS			
1. Absolute Poverty Line	<ul style="list-style-type: none"> <li>Based on consumption at a monthly level below the minimum required for food and other expenditures excluding food who are beneath the poverty line (plus individuals living in poverty, extreme poverty, by spatial location, poverty gap).</li> </ul>	LSMS	Need to find mechanism to assess consumption based poverty
2. Household indebtedness rate	<ul style="list-style-type: none"> <li>Ratio of monthly loan instalments and total household income.</li> <li>Monitoring by income deciles is required to assess the extent to which the poor have difficulties accessing loans.</li> <li>Other loans and debts of the household can be included.</li> </ul>	-	SILC
3. Share of social transfers (other than pensions)	<ul style="list-style-type: none"> <li>Allocation of social transfers in population and share of social transfers in the income of the poor and non-poor.</li> </ul>	LSMS	SILC
4. Efficiency and effectiveness of social transfers	<ul style="list-style-type: none"> <li>Efficiency of social transfers               <ul style="list-style-type: none"> <li>At-risk-of-poverty rates are compared before and after social transfers. An indicator defined in this way allows for measuring of the at-risk-of-poverty rate decrease as a consequence of social transfers.</li> <li>The second method of measuring efficiency of social transfers is to measure the percentage of social transfers distributed to population at risk of poverty.</li> </ul> </li> <li>Effectiveness of social transfers               <ul style="list-style-type: none"> <li>Percentage of relative at-risk-of-poverty gap eliminated by social transfers. It shows the allocation of social transfers by the level of the household income and thus supports development of interventions in the domain of targeting of social transfers.</li> </ul> </li> </ul>	LSMS	SILC
5. Self-perceived at risk of poverty rate	<ul style="list-style-type: none"> <li>Poverty line set on the basis of income of population – 60% of the median equivalent income – applied on the self-perceived assessment of respondents on the minimum sum required for a household to live in a satisfactory manner.</li> </ul>	LSMS	SILC
6. Inability to access financial services	<ul style="list-style-type: none"> <li>Persons without adequate access to financial services/products.</li> </ul>	National Accounts	SILC National Accounts
7. Social Protection Programmes	Pensions and Social Insurance:	SII <sup>98</sup>	SII
	Key indicators for adequate pension: <ul style="list-style-type: none"> <li>At-risk-of-poverty rate of older people</li> <li>Median relative income of older people</li> <li>Aggregate replacement ratio</li> <li>Change in the projected theoretical replacement ration for base case 2014–2050 accompanied by information on type of pension scheme, and change of projected public pension expenditures 2006–2046</li> <li>At-risk-of-poverty rate of older people</li> <li>Median relative income of older people (60+)</li> <li>Aggregate replacement ratio (incl. other social benefits)</li> <li>Income inequality – (S80/S20) among population aged 65+</li> <li>Risk of poverty gap of elderly people</li> <li>Risk of poverty gap of pensioners</li> <li>Incidence of risk of elderly poverty by the housing tenure status</li> <li>Risk of poverty calculated at 50% and 70% of the median national equivalised income for the elderly</li> </ul>	LSMS	SILC

7. Social Protection Programmes	Key indicators for sustainable pension:	SII <sup>58</sup>	SII
	<ul style="list-style-type: none"> <li>— Total current expenditure (% of GDP),</li> <li>— Employment rate of persons aged 55-64</li> <li>— Effective labour market exit rate</li> <li>— Projections of pension, public and total, 2014-2050 (% of GDP);</li> <li>— Decomposition of the projected increase in public pension expenditure (Decomposition with the old age dependency ratio, the employment effect, the take-up ratio and the benefit ratio,)</li> <li>— Old age dependency ratio (current and projected for 2020, 2050, 2070)</li> <li>— Evolution of life expectancy at birth and at ages of 60 and 65, by sex (current and projected)</li> <li>— Pension system dependency ratio (number of pensioners relative to contributors, current and projected to 2050)</li> <li>— Contribution to public and private pension schemes (pension contributions to public pension schemes as a share of GDP, current and projected 2050)</li> <li>—</li> </ul>	LSMS	SILC
	Indicators for modernised pensions:		
	<ul style="list-style-type: none"> <li>— Gender differences in the risk of poverty (0-65, 65+, total, women/men living alone)</li> <li>— Gender differences in the relative income of older people</li> <li>— Gender differences in aggregate replacement ratio</li> <li>— Gender differences in the relative income of older people</li> <li>— Other indicators: <ul style="list-style-type: none"> <li>○ Spatial distribution of pension recipients</li> <li>○ Participation of Roma and Egyptians in public and private pensions</li> </ul> </li> </ul>		
	Social Assistance, Disability and Social Care Services:		
	Key indicators		
	<ul style="list-style-type: none"> <li>— Social Protection expenditure, current, by function, gross and net</li> <li>— Social Protection expenditure (excluding pensions) as % of GDP</li> <li>— Cash benefits - number of clients (decomposed by PwD, gender, age, settlement type, spatial distribution, stock and flow)</li> <li>— Number of cash benefit clients placed on active labour market programmes</li> <li>— For Social Care - Numbers and proportion (%) provided with residential and community services (number and composition of children, elderly and PwD), guardianship and adoption, numbers provided with services relating to domestic violence, human trafficking, matrimonial strife, divorce, blood feuds, counselling, juvenile offending, child abuse, abandonment etc.</li> <li>— Staff to client ratios in residential and community services</li> </ul>		



### 5.3 OVERVIEW OF INDICATORS FOR EMPLOYMENT AND SKILLS

Work is relevant for people not only as a source of income but also to enable their wider inclusion in the society. The remarkable significance of employment for people has been recognised and confirmed through establishment of an independent dimension of employment in the Social Inclusion Process at the EU level. Three primary and two secondary indicators agreed at EU level have been amended by a list of national employment indicators. The Labour Force Survey (LFS) allows for collection of the majority of the required data but not those for employment rate by the most frequent activity status in the last year, household labour intensity, share of long-term informally employed persons and share of the unemployed who gave up on job search.

#### Indicators for Employment and Skills

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
<b>PRIMARY INDICATORS</b>			
1. Regional cohesion	– Dispersion of regional employment rates represents a coefficient of variation of employment rates between regions in Albania. Dispersion of regional employment rates is zero when the employment rates in all the regions are identical. It grows with the growth of differences in employment rates between regions.	LFS <sup>59</sup>	LFS
2. Long-term unemployment rate	– Represents a proportion of persons unemployed for 12 months and longer in active population aged 15–64. – Disaggregated per gender, and total for population.	LFS	LFS
3. Persons living in jobless households	– Share of persons aged 0–65 living in these households relative to the total size of this age group. – It is calculated in particular for: ○ population aged 0–60, in order to exclude the influence of pension regulations; ○ children (aged 0–17) living in jobless households, expressed as a percentage of the total number of children; ○ In calculating indicators, students aged 18–24 living in households comprised of students only should not be computed in the value of either the numerator or denominator.	-	LFS
<b>SECONDARY INDICATORS</b>			
4. Share of long-term unemployed in total number of the unemployed	– Proportion of persons unemployed for 12 months and longer in the total number of unemployed	LFS	LFS
5. Very long-term unemployment rate	– Proportion of persons unemployed for minimum 24 months in active population (aged 15–64).	LFS	LFS

NATIONAL INDICATORS			
1. Activity rate	<ul style="list-style-type: none"> <li>Share of the employed and unemployed population (both categories defined by ILO standards) relative to working age population (aged 15–64). This indicator is a measure of total offer of labour in the society over the observed period. It indicates the size and structure of human resources on the labour market, but individually does not show inclusion in the labour market.</li> </ul>	LFS	LFS
2. Employment rate	<ul style="list-style-type: none"> <li>Share of the employed persons (ILO definition) in the working age population (15–64). Also, it represents one of the key indicators of labour market that needs to be taken in combination with other indicators or disaggregated by gender, age, region, ethnic affiliation, labour status, etc. Taken independently, this indicator cannot provide accurate information on employment (the high employment rates in countries with high levels of labour informality may indicate high engagement of population in informal, often agricultural, non-productive labour activities in order to survive in conditions of extreme poverty). Therefore, this indicator should be analysed in combination with additional indicators denoting type and quality of employment.</li> </ul>	LFS	LFS
3. Employment structure by professional status	<ul style="list-style-type: none"> <li>Represents the share of owners/co-owners of companies (institutions), owners/co-owners of a shop, free lancers or persons working on service contracts, individual farmers, employed workers and helping members of households in the total number of the employed.</li> <li>Disaggregation by gender, age, education, ethnic affiliation, type of settlement will be required.</li> </ul>	LFS	LFS
4. Employment rate by the most frequent activity in the last year	<ul style="list-style-type: none"> <li>Share of persons who stated they had been employed for more than 6 months in the previous year (not necessarily in continuity) relative to the working age persons. This indicator represents the strictest measure of employment whereby the persons who are within the reference one-year period are registered as the employed.</li> <li>In EU-SILC methodology, this indicator is not used independently but for disaggregation of at-risk-of-poverty rates. However, taken independently and in combination with other labour market indicators, it can represent a good measure of relatively full employment at annual level. This indicator should also be disaggregated by gender, age, education, ethnic affiliation, as well as to be presented for the category of persons with disabilities.</li> </ul>	LFS	LFS
5. Share of the employed with less than 15 work hours/week	<ul style="list-style-type: none"> <li>The share of employed persons who work less than 15 hours during the working week in the total number of the employed.</li> <li>Indicates hidden unemployment in view of the extremely low labour intensity at individual level. The indicator should be used in combination with poverty indicators as well as with the indicator of labour intensity at the household level.</li> <li>Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	LFS	LFS
6. Household labour intensity	<ul style="list-style-type: none"> <li>Represents the ratio of the total number of months that working age household members spent in employment during the previous year and the number of months that these members could have spent theoretically in employment.</li> <li>Shows full or low intensity of inclusion of the household in labour, may well indicate differences among households of certain categories of population as well as individual household members but also to allow insight into connections between labour intensity and aspects of financial poverty.</li> </ul>	LFS	LFS

7. Share of the informally employed	<ul style="list-style-type: none"> <li>– Share of the employed who work without a labour contract, entrepreneurs and the self-employed without a registered enterprise.</li> <li>– The indicator is particularly relevant for analysing social inclusion in the labour market in Albania.</li> <li>– Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	National Accounts	National Accounts
8. Share of long- term unemployment	<ul style="list-style-type: none"> <li>– Share of informally employed persons who have been in this status for two or more years. Allows insights into long-term aggravated access to the formal labour market.</li> <li>– Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	LFS	LFS
9. Sectoral employment structure	<ul style="list-style-type: none"> <li>– Share of employment in individual sectors of economy relative to total employment. The indicator primarily describes the economic structure of the society through labour force distribution, but may at the same time show whether certain groups have been deprived of the possibility of inclusion in developmental sectors of economy or if certain groups concentrate in certain traditional, low productivity sectors as well as in those with explicitly unfavourable working conditions.</li> <li>– Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities. Requires implementation of sector ISIC 4 classification<sup>60</sup>.</li> </ul>	LFS	LFS
10. Unemployment rate	<ul style="list-style-type: none"> <li>– Share of persons who were unemployed (ILO definition) in the reference period relative to the total number of active persons. A significant labour market indicator that, in combination with activity and employment rates and adequate disaggregation by gender, age, ethnic affiliation and some marginalised categories, may show dimensions of relative exclusion from employment.</li> </ul>	LFS	LFS
11. Share of the unemployed who gave up on job search	<ul style="list-style-type: none"> <li>– Share of dependent persons who gave up on job search and moved into inactive status. Shows the effects of long-term unemployment, the 'discouraged' unemployed who withdraw from the labour market, for the reason of losing hope in opportunities of finding a job.</li> <li>– Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	LFS	LFS
12. Share of the unemployed not registered with the NES	<ul style="list-style-type: none"> <li>– Share of persons who, according to the ILO definition, are unemployed or are not registered with the NES in the total number of the unemployed. Shows exclusion from services of mediation of the national institution in charge of employment.</li> <li>– Disaggregate by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	LFS	LFS

13. Share inactive employment programmes	<ul style="list-style-type: none"> <li>– Share of the unemployed who were included in the active labour market measures of NES in the course of the previous year in the total number of the unemployed.</li> <li>– This indicator should provide insight into access to employment support services, disaggregated by gender, age, education, ethnic affiliation, forced migrant status, and show for the category of persons with disabilities.</li> <li>• Share of Roma and Egyptian population registered as unemployed involved in active labour market programmes</li> </ul> <p>This indicator is based on the number of Roma and Egyptian registered as unemployed engaged in active labour market programme/total number of Roma and Egyptians registered as unemployed</p>	NES <sup>61</sup>	NES
14. Number of approved start-up loans	<ul style="list-style-type: none"> <li>– The number of approved start-up loans and SMEs supported paid from the state budget for the unemployed relative to the number of the unemployed.</li> <li>– Monitor by gender, age, education, ethnic affiliation, and show for the category of persons with disabilities.</li> </ul>	AIDA <sup>62</sup> MEDTE <sup>63</sup>	AIDA
15. Number of approved Social Businesses	<ul style="list-style-type: none"> <li>– The number of applications for social business, number of approved social businesses approved, main purposes of social businesses approved, regional distribution of social businesses, number of employees in social businesses, gross added value of social businesses as % of GDP, number of volunteers engaged in social businesses.</li> </ul>	Promoting Social Business Agency	Promoting Social Business Agency
16. Employment Programmes	<ul style="list-style-type: none"> <li>– Active and Passive Employment programmes <ul style="list-style-type: none"> <li>○ Expenditure on passive employment programmes (%of GDP)</li> <li>○ Expenditure on active employment programs (%of GDP)</li> <li>○ Data on stock and flow, gender, age, household type, settlement type, spatial distribution, and ethnicity</li> </ul> </li> <li>– TVET programmes <ul style="list-style-type: none"> <li>○ Expenditure on TVET programmes (% of GDP)</li> <li>○ Course mix of TVET graduates (current and projected)</li> <li>○ Data on stock and flow, gender, age, household type, settlement type, spatial distribution, and ethnicity.</li> </ul> </li> </ul>	NES NVETAQ <sup>64</sup>	NES NVETAQ

60 International Standards for Industrial Classification – see <http://unstats.un.org/unsd/cr/registry/isic-4.asp>

61 National Employment Service

62 Albanian Investment Development Agency

63 Ministry of Economic Development, Trade and Entrepreneurship

64 National Agency for Vocational Education, Training and Qualification



## 5.4 OVERVIEW OF INDICATORS FOR HEALTH

Until recently the EU had not advanced very far with the selection of health indicators, which hold significance for poverty and social exclusion. The portfolio of primary indicators includes two indicators (life expectancy and self-perceived health status by level of income) despite the noted limitations of these. For example, differences in life expectancy may result from distinct nutrition habits, smoking or other behavioural differences that need not be directly linked to social exclusion in a country. Mortality defined in this way is not central to the context of social exclusion, unlike the differing mortality rates (and differences in medical status) according to the socio-economic characteristics.

EU level health indicators are at the crossroads of policy questions and data sets, which reflects a policy interest as well as a selected set of possibilities in terms of what can be calculated. The SILC survey contains a small module on health, composed of 3 variables on health status and 4 variables on unmet needs for health care. The variables on **health status** represent the so called Minimum European Health Module (MEHM)<sup>65</sup>, and measures 3 different concepts of health: Self-perceived health; Chronic morbidity (people having a long-standing illness or health problem); Activity limitation – disability (self-perceived long-standing limitations in usual activities due to health problems); All indicators are expressed as percentages within (or share of) the population and breakdowns are given by: sex, age, labour status, educational attainment level, and income quintile group.

In EU SILC:

**Self-perceived health** is operationalised by a question on how a person perceives his/her health in general using one of the answer categories very good/ good/ fair/ bad/ very bad.

**Chronic morbidity:** the concept is operationalised by a question asking if the respondent suffers from any longstanding (of a duration of at least six months) illness or health problem.

**Activity limitation:** the concept is operationalized by using the Global Activity Limitation Indicator (GALI) for observing limitation in activities people usually do because of one or more health problems. The limitation should have lasted for at least the past six months. Three answer categories are possible: 'severely limited', 'limited but not severely' or 'not limited at all'.

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65 See: [http://www.eurohex.eu/pdf/Reports\\_2010/2010TR4.6\\_Health%20Module.pdf](http://www.eurohex.eu/pdf/Reports_2010/2010TR4.6_Health%20Module.pdf)

**Self-reported unmet needs:** Person's own assessment of whether he or she needed examination or treatment for a specific type of health care, but didn't have it or didn't seek for it.

EU-SILC collects data on two types of health care services: medical care and dental care.

**Medical care:** refers to individual health care services (medical examination or treatment excluding dental care) provided by or under direct supervision of medical doctors or equivalent professions according to national health care systems.

**Main reasons for unmet needs** observed in the SILC survey are the following:

1. Could not afford to (too expensive)
2. Waiting list
3. Could not take time because of work, care for children or for others
4. Too far to travel or no means of transportation
5. Fear of doctors (resp. dentists), hospitals, examination or treatment
6. Wanted to wait and see if problem got better on its own
7. Didn't know any good medical doctor (resp. dentist)
8. Other reasons.

**"Reasons of barriers of access"** combines the following three reasons: 'Could not afford to (too expensive)', 'Waiting list' and 'Too far to travel or no means of transportation'.

**Age:** the age completed at the time of the interview.

**Educational attainment level:** the education attainment levels of individuals are classified according to the International Standard Classification of Education (ISCED) version of 1997 and are grouped as follows:

Pre-primary, primary and lower secondary education (ED0-2):

- Level 0: no formal education or below primary education
- Level 1: Primary education or first stage of basic education
- Level 2: Lower secondary or second stage of basic education

Upper secondary and post-secondary non-tertiary education (ED3\_4):

- Level 3: Upper secondary education
- Level 4: Post-secondary non-tertiary education

First and second stage of tertiary education (ED5\_6):

- Level 5: First stage of tertiary education
- Level 6: Second stage of tertiary education.

**Labour status:** most frequent/main labour status (derived from self-reported data on number of months of year spent in labour statuses). The following breakdown for disseminating of data is used:

- Employed persons (EMP)
- Unemployed persons (UNE)
- Retired persons (RET)
- Other inactive persons (INAC\_OTH)

**Income quintile group:** is computed on the basis of the total equivalised disposable income attributed to each member of the household. The data (of each person) are ordered according to the value of the total equivalised disposable income. Four cut-point values (the so-called quintile cut-off points) of income, dividing the survey population into five groups equally represented by 20% of individuals each, are found:

- First quintile group of equivalised income (Q0\_20)
- Second quintile group of equivalised income (Q20\_40)
- Third quintile group of equivalised income (Q40\_60)
- Fourth quintile group of equivalised income (Q60\_80)
- Fifth quintile group of equivalised income (Q80\_100).

The first quintile group represents 20% of population with lowest income and the fifth quintile group 20% of population with highest income.

Given the limited scope of the EU SILC data for health, and the significant, and in some instances catastrophic, bearing that health has poverty and social exclusion 13 national health indicators have been identified. A number of these indicators are in the updated portfolio of EU indicators, in the special module referred to as the Minimum European Health Module (MEHM)<sup>66</sup>.

## Indicators for health<sup>676869</sup>

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
<b>PRIMARY INDICATORS</b>			
1. Life expectancy	<ul style="list-style-type: none"> <li>At birth – by gender – average number of years that an infant is expected to live (assuming his life is subject to current mortality conditions).</li> <li>At the age of 1 – by gender – average number of years that a 1 year old child is expected to live (assuming his life is subject to current mortality conditions).</li> <li>At the age of 60 – by gender – average number of years that a 60 year old person is yet expected to live (assuming his life is subject to current mortality conditions).</li> </ul>	INSTAT <sup>67</sup> LIFE TABLES	INSTAT LIFE TABLES
2. Self-perceived medical status by income level	<ul style="list-style-type: none"> <li>The variables refer to the respondent's own assessment of whether he or she needed the respective type of examination or treatment, but did not have it and if so what was the main reason of not having it.</li> <li>Eurostat currently disseminates the following indicators for unmet needs: Self-reported unmet needs for medical examination for reasons of barriers of access; Self-reported unmet needs for medical examination by reason; Self-reported unmet needs for dental examination by reason.</li> </ul>	LSMS	SILC
<b>NATIONAL INDICATORS</b>			
1. Rate of non-coverage by health insurance	<ul style="list-style-type: none"> <li>Share of persons without health insurance in total population disaggregated by gender, age, region, income, type of settlement, and people with disabilities.</li> </ul>	LSMS Health Insurance Fund	SILC Health Insurance Fund
2. Persons with chronic illness limiting them for the long term in their performance of daily living activities but who do not have the status of PwD	<ul style="list-style-type: none"> <li>Percentage of persons who have an officially diagnosed illness on the basis of which, and pursuant to the law, a certain degree of disability is accorded, but whose disability has not been recognised (relevant for the disability status ensures access to specific resources and services, regulates specific rights in the area of work, employment, social benefits and health care for People with disabilities).</li> </ul>	LSMS	SILC
3. Mortality rate of infants and children up to the age of 5	<ul style="list-style-type: none"> <li>Share of children who died in the first 28 days of life (neonatal period).</li> <li>Share of children who died before turning one relative to the total population of children up to the age of 1 – expressed per 1000 live births.</li> <li>Share of children who died by the age of 5 relative to 1000 live births.</li> <li>To be disaggregated by age, gender, ethnicity, type of settlement, and region.</li> </ul>	INSTAT WHO <sup>68</sup> MH <sup>69</sup>	INSTAT WHO MH
4. Restrictions to obtaining prescribed medication, medical treatment and orthopaedic aids due to lack of funds	<ul style="list-style-type: none"> <li>Share of persons who are unable to purchase medication and/or orthopaedic aid due to lack of funds during the previous year. Disaggregation by gender, age, region, income, type of settlement, and disability.</li> </ul>	LSMS MH Health Insurance Fund	SILC MH Health Insurance Fund

<sup>67</sup> Institute of Statistics

<sup>68</sup> World Health Organisation

<sup>69</sup> Ministry of Health



5. Coverage by vaccination	<ul style="list-style-type: none"> <li>Share of children vaccinated relative to the total population of children. Results of vaccination may be monitored as a capture of vaccinated children at birth (BCG vaccine), which is the most frequently used indicator to capture the number of children by vaccinated, but the number of vaccinated children at the age of 1, 2, 7, 12 and 14 (vaccines DRP, OPV, HepB, Hib and planned revaccinations) may also be used as indicators. The number of duly vaccinated children by the age of 14 could also be used as an indicator.</li> </ul>	INSTAT WHO IPH <sup>70</sup>	INSTAT WHO IPH
6. Maternal mortality rate	<ul style="list-style-type: none"> <li>Mortality of women due to illness and conditions during pregnancy, at delivery and six weeks after delivery, which is an important indicator for assessing the medical status of women in the generative period and as well as the quality of medical care provided, calculated per 100,000 live births.</li> </ul>	WHO MH	WHO MH
7. Number of children born with Down syndrome and congenital abnormalities	<ul style="list-style-type: none"> <li>Number of children born with Down syndrome and congenital abnormalities per 100000 live births.</li> </ul>	WHO INSTAT MH	WHO INSTAT MH
8. Breast cancer incidence	<ul style="list-style-type: none"> <li>Breast cancer incidence at 100,000 women.</li> <li>Number of newly diagnosed women per year.</li> <li>Number of mammogram examinations conducted per year by age.</li> <li>Age standardised death rate per 100000 women aged 0-64.</li> <li>Age standardised death rate as a consequence of breast cancer per 100000 women all ages.</li> </ul>	WHO INSTAT IPH	WHO INSTAT IPH
9. Number of abortions	<ul style="list-style-type: none"> <li>Number of abortions per 1000 live births.</li> <li>Number of abortions per 1000 live births, mothers aged up to 20.</li> <li>Number of abortions per 1000 live births, mothers aged over 35.</li> </ul>	WHO INSTAT MH IPH	WHO INSTAT MH IPH
10. Cervical cancer incidence	<ul style="list-style-type: none"> <li>Cervical cancer incidence at 100000 women</li> <li>Number of newly diagnosed women per year</li> <li>Age standardised death rates as consequence of cervical cancer</li> </ul>	WHO INSTAT MH IPH	WHO INSTAT MH IPH
11. Colon cancer	<ul style="list-style-type: none"> <li>Colon cancer incidence at 100000 men</li> <li>Colon cancer incidence at 100000 women</li> <li>Number of newly diagnosed men per year</li> <li>Number of newly diagnosed women per year</li> </ul>	WHO IPH MH	WHO IPH MH
12. Hospitalisation rates	<ul style="list-style-type: none"> <li>Average length of stay</li> <li>Average daily bed occupancy rate</li> </ul>	IPH	IPH
13. Tuberculosis	<ul style="list-style-type: none"> <li>Case detection rate for all forms of tuberculosis. The ratio of the number of notified TB cases to the number of incident TB cases in a given year.</li> </ul>	IPH	IPH
14. Health Expenditures and Workforce	<ul style="list-style-type: none"> <li>Total costs of health care in the public sector (nominal, % of total health care costs, and as % of GDP)</li> <li>Private costs of health care (nominal, as % of total health care costs, and as % of GDP)</li> <li>Expenditures on medicines as % of total expenditures on health care</li> <li>Expenditures on prevention and public health services (as percentage of total health care expenditures)</li> <li>Workforce: <ul style="list-style-type: none"> <li>Density of nurses</li> <li>Density of physicians</li> <li>Density of dentists</li> </ul> </li> </ul>	National Accounts IPH MH	National Accounts IPH MH

## 5.5 OVERVIEW OF INDICATORS FOR EDUCATION AND TRAINING

The strategic importance of education to poverty and social exclusion is highlighted in the EU 2020 Strategy where education is defined as a driver of sustainable growth, and investment in education is one of the most effective ways of fighting inequality and poverty.<sup>38</sup> The importance of reducing school drop-out rates is highlighted as a way to prevent both exclusion from the labour market and the wider social exclusion in the future.

The Laeken portfolio of social exclusion indicators agreed in 2001 covered education with two indicators: one primary (early school leavers not in training) and one secondary (persons with low level of education). The following update (July 2003) introduced one more primary indicator – low functional literacy of pupils (as measured by the PISA test which was introduced into Albania in 2000). In 2006 this was updated by another indicator in the portfolio of secondary indicators. In this SIPD, Albania will adopt 12 national specific indicators of education relevant to social inclusion, which should allow for a more accurate picture of the status of education of the population. Still, the problem is absence of adequate education statistics, means that data consolidation by the Albania Institute of Statistics and the Ministry of Education, as well as patchy coverage of data for vulnerable groups, for children with developmental problems, and Roma and Egyptian children. There are also difficulties with capturing some aspects of university education, the collection of data related to drop outs from secondary education and indicators of education of adults that are not computed in Albania such as (functional literacy of adults and lifelong learning of adults). In addition to indicators of education in the context of social inclusion, there are indicators on *Education and Training 2020*<sup>71</sup>. The following EU benchmarks for 2020 have been set for education:

- At least 95% of children (from 4 to compulsory school age) should participate in early childhood education;
- fewer than 15% of 15-year-olds should be under-skilled in reading, mathematics and science;
- the rate of early leavers from education and training aged 18-24 should be below 10%;
- at least 40% of people aged 30-34 should have completed some form of higher education;
- at least 15% of adults should participate in lifelong learning;
- at least 20% of higher education graduates and 6% of 18-34 year-olds with an initial vocational qualification should have spent some time studying or training abroad; and
- the share of employed graduates (aged 20-34 with at least upper secondary education attainment and having left education 1-3 years ago) should be at least 82%.

Core indicators are also used to monitor progress in a number of additional priority areas currently not covered by benchmarks, such as languages, adults' skills, teachers, investment in education and training, ICT in education, entrepreneurship in education and VET.

Some of the 2020 benchmarks for Education and Training hold relevant to Albania. So in addition to the 3 EU-level social inclusion indicators, 12 national level indicators have been selected which bear some relationship with the EU 2020 indicators for education and training.

### Indicators for Education and Vocational Training

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
<b>PRIMARY INDICATORS</b>			
1. Early school leavers not in training	– Share of persons aged 18–24 in the total number of persons aged 18–24 who have completed elementary education or less (the highest level of education or training attained is 0.1 or 2 according to ISCED <sup>72</sup> -97) and who have not attended any training or education in the period of four weeks preceding the survey.	LFS	LFS
2. Low functional literacy of pupils (PISA) (Maths, Science and Reading)	– Literacy expressed as a low result of pupils in PISA <sup>73</sup> test. The test measures knowledge and skills of 15-year olds (reading, math knowledge, scientific literacy), from the aspect of functional literacy and capability for real life.	PISA <sup>74</sup>	PISA
<b>SECONDARY INDICATORS</b>			
3. Persons with low level of education	– Share of adults (aged 25+) whose highest level of completed education or training ISCED -97 is 0.1 or 2.	LFS	LFS
<b>NATIONAL INDICATORS</b>			
1. Coverage of children by preschool education	– Share of children involved in preschool education programmes relative to the total number of children of the adequate age. Monitoring disaggregated by three sub-indicators is called for: <ul style="list-style-type: none"> <li>○ Capture of children by mandatory preparatory preschool programme;</li> <li>○ Capture of 4-year old children;</li> <li>○ Capture of children at primary and secondary school education;</li> <li>○ Capture Roma and Egyptian Children.</li> </ul>	MES <sup>75</sup>	MES
2. Coverage of children 7-14 by primary education	– Monitor by two rates: <ul style="list-style-type: none"> <li>○ Share of children aged 7 enrolled in primary schools relative to the total number of children of that age,</li> <li>○ Share of children aged 7–14 attending any class of primary school relative to the total number of children of that age.</li> </ul> – Monitor disaggregated by level of income of the household, type of settlement, ethnic affiliation, level of education of the mother, employment status of the mother, status of PwD, gender and region.	MES	MES

72 International Standard Classification of Education

73 Programme for Integrated Student Assessment

74 Programme for International Student Assessment

75 Ministry of Education and Sports

3. Primary education drop-out rate	<ul style="list-style-type: none"> <li>Number of pupils of a certain generation who completed primary schools relative to the number of children from that generation who enrolled into primary schools decreased by the number of children who are still in education for repeating a class.</li> <li>The indicator should be monitored disaggregated by gender, ethnic affiliation, type of settlement, status of PwD and level of education of the mother. A central register of pupils is required for reliable monitoring since pupils change schools and repeat classes occasionally.</li> </ul>	MES	MES
4. Coverage of children aged 15-18 by secondary education	<ul style="list-style-type: none"> <li>Monitor by two rates: <ul style="list-style-type: none"> <li>Share of children aged 15 enrolled in secondary schools relative to the total number of children of that age;</li> <li>Share of children aged 15-18 attending any class of secondary school relative to the total number of children of that age.</li> </ul> </li> <li>Monitor disaggregated by level of income of the household, type of settlement, ethnic affiliation, status of PwD and level of education of the mother.</li> </ul>	MES	MES
5. Secondary education drop-out rate	<ul style="list-style-type: none"> <li>Number of pupils of a certain generation who completed secondary schools relative to the number of children from that generation who enrolled into primary schools decreased by the number of children who are still in education for repeating a class.</li> <li>Monitor disaggregated by gender, type of settlement, ethnic affiliation, level of income of the household, status of PwD and the level of education of the mother.</li> </ul>	MES	MES
6. Functional literacy for people aged 15+	<ul style="list-style-type: none"> <li>Share of persons 15+ who have not completed primary education and are unable to read half a page text on the topic from everyday life relative to the total number of inhabitants 15+. The indicator should be monitored disaggregated by age, gender, type of settlement, status of PwD and ethnic affiliation.</li> </ul>	MES LFS	MES LFS
7. Coverage by university education	<ul style="list-style-type: none"> <li>Share of persons enrolled into basic studies relative to the total number of persons of the same age (monitor a wider age interval (e.g. 18–30) in order to capture potential pauses between secondary).</li> </ul>	MES	MES
8. Special Education Needs	<ul style="list-style-type: none"> <li>Number of children receiving free textbooks (as % of all children attending school).</li> <li>Disaggregated by age, gender, disability, ethnicity, settlement type, region.</li> <li>Expenditure, current, gross and net and % of GDP.</li> <li>Number of children receiving food subsidies (as % of all children attending school).</li> <li>Disaggregated by age, gender, disability, ethnicity, settlement type, region.</li> <li>Expenditure, current, gross and net and % of GDP.</li> <li>Number of children receiving education scholarships (from 9th Grade and above as % of all children in and above 9th grade).</li> <li>Disaggregated by age, gender, disability, ethnicity, settlement type, region, education level and type of school.</li> <li>Expenditure, current, gross and net and % of GDP.</li> <li>Number of children attending 'second chance' programmes (as % of all children attending school).</li> <li>Disaggregated by age, gender, disability, ethnicity, settlement type, region.</li> <li>Expenditure, current, gross and net and % of GDP.</li> <li>Number of children receiving transport subsidies to travel to school (as % of all children attending school).</li> <li>Disaggregated by age, gender, disability, ethnicity, settlement type, region.</li> <li>Expenditure, current, gross, net and % of GDP.</li> </ul>	MES	MES



9. Participation in TVET programmes	– Number of persons attending TVET courses and schools.	MES	MES
	– Disaggregated by age, gender, disability, ethnicity, settlement type, region.	LFS	LFS
10. Number of young persons aged 18-24 not in employment, education or training (NEET)	– Expenditure, current, gross and net and as % of GDP.		
	– Number of TVET graduates.		
11. Performance of Albania relative to EU objectives in Education	– Disaggregated by subject specialisation, age, gender, disability, ethnicity, settlement type, region.		
	– Measured against EU 28, EU 2020 Targets, Republic of Albania annual data, and Education Strategy for Albania until 2020.	LFS	LFS
12. Public Expenditures on Education	– Participation of children in preschool education (from age of 4 to enrolment in mandatory education).	PISA	PISA
	– Early School Leavers not in training (% of persons aged 18-24 with primary education (ISCED 2) not in education or training)	Eurostat	Eurostat
	– % of pupils with low levels of reading literacy (below Level 2 on PISA scale).	Census	Census
	– % of persons aged 30-34 who completed university education		
	– Lifelong learning (% of adults aged 25-64 participating in education and training).		
	– Public expenditures (as % of GDP):		
	– % by central government	MES	MES
	– % by regional government	MF <sup>77</sup>	MF
	– % by municipality		
	– Preschool		
	– Primary		
	– Secondary		
	– Higher		
	– Education not classified by levels and ancillary services in education		

76 See: <http://www.oecd-ilibrary.org/docserver/download/8113171ec014.pdf?expires=1433580083&id=id&accname=guest&checksum=03132503EE236DD254726F967CBE33EE>

77 Ministry of Finance

## 5.6 OVERVIEW OF INDICATORS FOR DEPRIVATION OF BASIC NEEDS

Deprivation of basic needs is a country specific dimension of social exclusion involving three groups of indicators – indicators of housing, household utilities, access to durable goods and indicators of fulfilment of basic needs such as nutrition and hygiene.

### Indicators for Material Deprivation

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
<b>5.1 HOUSING</b>			
1. Housing status	<ul style="list-style-type: none"> <li>Share of persons relative to the basis of use of the apartment in which the household lives. Distinctions are made between households living in the apartment owned by one of the household members or live free of charge and households who pay rent for the apartment. This indicator needs to be calculated by size of household, type of settlement, income intervals and number of children up to the age of 18 who live in the household.</li> </ul>	LSMS Census	SILC Census
2. Households /persons who used to be homeless	<ul style="list-style-type: none"> <li>Share of persons who had no housing relative to the total population. Allows insight into extent of experience of homelessness, primarily among persons who are in insecure housing situations (collective accommodation, accommodation with friends or illegal status). The indicator can be monitored based on the distinction between primary (no dwelling or temporary accommodation) and secondary homelessness (e.g. living in a tent, shack, wagon, trailer).</li> <li>The indicator should be monitored disaggregated by age, gender, education, size of household and number of children, level of income of a household, ethnic affiliation and forced migrant status.</li> </ul>	-	SILC
3. Household income thresholds for electricity subsidies and the amount of electricity which is subsidised	<ul style="list-style-type: none"> <li>Number of households, settlement type, household size, household income, and subsidised electricity amount (kWh).</li> </ul>	APC <sup>78</sup> ERE <sup>79</sup> SSS <sup>80</sup>	APC ERE SSS

78 Albanian Power Corporation

79 Energy Regulator

80 State Social Service

4. Access to infrastructure	<ul style="list-style-type: none"> <li>– One of the key indicators of assessment of minimum quality of housing. Represents a proportion of households by with running water and power.</li> <li>– Households differ by: <ul style="list-style-type: none"> <li>○ Living in apartments equipped with running water and power installations;</li> <li>○ Living in apartments without running water and power installations;</li> <li>○ Living in apartments equipped with running water installations but without power; and</li> <li>○ Living in apartments equipped with power installations but without running water.</li> </ul> </li> <li>– A second method of representation is: share of households whose apartments do not have basic installations in the following dimensions: power, running water, connection to public water supply, toilet, connection to public sewage, bathroom (all that are under the average score on the summary scale). On the basis of the score per individual dimensions the scale of exclusion is constructed that could distinguish between households without any infrastructural equipment (neither power nor running water), those that have only power, but no running water, to those that have both power and the running water but remain outside of the systems of public water supply and sewage.</li> <li>– The indicator should be monitored disaggregated by age, gender, size of household and the number of children, level of income of households, ethnic affiliation, and status of person with disabilities.</li> </ul>	LSMS	SILC
5. Density/ overcrowding	<ul style="list-style-type: none"> <li>– This indicator is also one of the key indicators of assessment of minimum quality of housing. It is computed as a proportion of households that have less than 8–10 m<sup>2</sup> per member and as a proportion of households that have more than two members per room.</li> <li>– Disaggregate by gender, age, size of households and the number of children in households, education, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	LSMS	SILC
6. Quality of housing and maintenance problems	<ul style="list-style-type: none"> <li>– The indicator may be defined as a proportion of households whose apartment has three or more of the following problems: <ul style="list-style-type: none"> <li>○ Insufficient space for all household members;</li> <li>○ The apartment is damp;</li> <li>○ Leaking roof;</li> <li>○ Dilapidated walls/floors;</li> <li>○ Rot in joinery (doors, windows);</li> <li>○ Inadequate daily lighting;</li> <li>○ Not heated in winter due to lack of money;</li> <li>○ Inadequate for persons with mobility problems (the elderly, PwD).</li> </ul> </li> <li>– The indicator should be disaggregated by gender, age, number of children in households, level of income of households, ethnic affiliation, type of settlement, status of person with disabilities.</li> </ul>	LSMS	SILC
7. Financial burden imposed by housing related costs	<ul style="list-style-type: none"> <li>– Share of households where the total housing costs (rent, utilities, power, etc.) exceed 50% of the total disposable income of the household.</li> <li>– The indicator should be disaggregated by gender, age, employment status, education, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	LSMS	SILC
8. Barriers in securing better housing conditions	<ul style="list-style-type: none"> <li>– Share of households that apply for social housing and proportion of approvals of social housing (includes social housing and subsidised housing costs).</li> <li>– Expenditure, current, gross and net, and as % of GDP.</li> <li>– Disaggregate indicator by gender, age, size of households and the number of children in the household, employment status, education, level of income of households, ethnic affiliation, and status of person with disabilities.</li> </ul>	MUD <sup>81</sup> NHA <sup>82</sup>	MUD NHA

9. Quality of housing neighbourhood	<ul style="list-style-type: none"> <li>Defined as a proportion of households who face one of the below problems in their surroundings: <ul style="list-style-type: none"> <li>High levels of water, air and/or soil pollution due to vicinity of industry, waste dumps and storages of hazardous materials or due to traffic,</li> <li>High frequency of crime,</li> <li>High noise levels,</li> <li>Absence of social and economic infrastructure (schools, health care centres, transport),</li> <li>Surroundings not suited to the special needs of persons with disabilities.</li> </ul> </li> <li>The indicator should be disaggregated by gender, age, number of children in households, employment status, education, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	LSMS	SILC
<b>5.2 POSSESSION OF DURABLE GOODS</b>			
1. Possession of household appliances	<ul style="list-style-type: none"> <li>May be computed as a proportion of households who have a score on the summary scale of appliances (stove, air conditioner, washing machine, dishwasher, microwave oven, refrigerator, deep freeze, vacuum cleaner, TV set, radio and other music devices, personal computer, passenger vehicle and DVD) below the average or as a proportion of households wherein the value of appliances is below the average. The content of the standard list of appliances varies between the countries and in time.</li> <li>Indicators are computed by gender, age, size of households, type of settlement, income intervals and the number of children up to 18 who live in the household.</li> </ul>	LSMS	SILC
<b>5.3 FULFILMENT OF BASIC NEEDS</b>			
1. Quality of nutrition – inadequate nutrition for lack of money	<ul style="list-style-type: none"> <li>Share of households that cannot afford two meals a day due to lack of funds.</li> <li>Share of households that cannot afford a meal with meat or a replacement for meat minimum twice a week due to lack of funds.</li> <li>Disaggregate by gender, age, size of households, number of children in the household, education, employment status, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	DHS <sup>83</sup>	DHS <sup>84</sup>
2. Quality of clothing – inadequate clothing	<ul style="list-style-type: none"> <li>Share of households that can afford clothing and footwear when needed by a member of household.</li> <li>Disaggregate by gender, age, size of households, number of children in the household, education, employment status, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	HBS	HBS SILC
3. Hygiene	<ul style="list-style-type: none"> <li>Share of households that can afford adequate quantities of basic (non-luxury) daily hygiene products (soap, shampoo, toothpaste, female hygienic items, washing powder) for all members of the household.</li> <li>Disaggregated by gender, age, size of households, number of children in the household, education, employment status, level of income of households, ethnic affiliation, type of settlement, and status of person with disabilities.</li> </ul>	HBS	HBS

81 Ministry of Urban Development

82 National Housing Agency

83 Demographic and Health Survey

84 It is anticipated that the Demographic and Health survey will be implemented in Albania in 2016



## 5.7 OVERVIEW OF INDICATORS FOR SOCIAL PARTICIPATION AND HUMAN RIGHTS

Social participation is a country specific dimension of social exclusion and includes 6 indicators the objective of which is to cover wide areas of cultural, civic, political participation, accessibility of justice system, incidence of family violence, but also the self-perceived assessment of social exclusion. The availability of official data on this dimension of social exclusion is very low and the report uses descriptions and definitions that do not strictly correspond to the definition of indicators. The purpose here being to initiate and gain a general insight into this important dimension of poverty and social exclusion.

### Indicators for Social Participation and Human Rights

EU INDICATORS OF SOCIAL EXCLUSION	DEFINITION	CURRENT DATA SOURCES	FUTURE DATA SOURCES
1. Possession of personal documents	<ul style="list-style-type: none"> <li>Share of persons who have citizenship certificates and birth certificate.</li> <li>Disaggregated by age, gender and ethnic affiliation. These document are especially relevant for women in order to exercise right to property or family pension – marriage certificate so it would be pertinent to monitor also the share of persons married but who do not hold marriage certificates.</li> </ul>	Civil Registration Office	Civil Registration Office
2. Possibility to exercise rights to social protection in case of need	<ul style="list-style-type: none"> <li>Share of persons who justly requested but did not obtain social protection relative to the total number of persons who obtained this protection. Disaggregated by programme types, age, education, gender, ethnic affiliation and type of settlement (urban/rural).</li> <li>The form of social protection for which there is information on reasons for failure to exercise right to social welfare.</li> </ul>	SII SSS	SII SSS
3. Level of cultural participation	<ul style="list-style-type: none"> <li>Share of persons who did not get involved in any cultural event over the last 3 months among the persons aged over 14.</li> <li>Disaggregated by age, education, gender, type of settlement, ethnic affiliation, status of PwD, status of physical isolation (serving a prison sentence, army service, and hospital treatment).</li> <li>Cultural events are all forms of exhibiting cultural content requiring at least a minimum level of activation of the beneficiary (arrival to a play, involvement in internet forums, purchasing special publications, watching TV, reading papers, etc.).</li> </ul>	INSTAT MC <sup>85</sup>	INSTAT MC
4. Level of political participation	<ul style="list-style-type: none"> <li>Share of citizens over the age of 25 who have the right to vote and who did not take part in any level of political elections over the past 8 years.</li> <li>Total and disaggregated by age, education, gender, status of PwD, type of settlement, and ethnic affiliation.</li> </ul>	CEC <sup>86</sup>	CEC

85 Ministry of Culture

86 Central Election Commission

5. Presence and dialogue with civil society organizations	<ul style="list-style-type: none"> <li>— Number of civil society organisations.</li> <li>— Total and disaggregated by region.</li> <li>— Number of laws, strategies, and policy documents consulted with civil society organisations.</li> </ul>	Central Court of Tirana  TACSO <sup>87</sup>	Central Court of Tirana  TACSO
6. Access to justice	<ul style="list-style-type: none"> <li>— Share of persons of age whose property, civil, marital, etc. rights have been violated and who have given up from initiating court proceedings for lack of funds, ignorance of the justice system, pressures, etc.</li> <li>— Number of legal aid applications, and number of approvals. Percentage of cases won.</li> <li>— Monitor disaggregated by gender, age, ethnicity, employment status, status of PwD and ethnic affiliation, and duration of sentences, region.</li> <li>— Monitored by number of penal cases, number of civil cases, and number of discharged cases.</li> <li>— Monitored by number of convictions of adults and juveniles.</li> <li>— Monitor disaggregated by gender, age, employment status, status of PwD and ethnic affiliation.</li> <li>— Number of custodial sentences.</li> <li>— Monitor disaggregated by gender, age, ethnicity, employment status, status of PwD, ethnic affiliation, and duration of sentences.</li> <li>— Number of crimes per 100000 inhabitants.</li> <li>— Number of community service sentences and probation orders.</li> <li>— Monitor disaggregated by gender, age, ethnicity, employment status, status of PwD, ethnic affiliation, duration of sentences, settlement type.</li> <li>— Percentage of municipalities that have an online system for reporting and monitoring cases of gender-based violence.</li> <li>— Number of municipalities that have a referral mechanism for domestic violence.</li> <li>— Number of cases of domestic violence addressed by the National Centre for Victims of Domestic Violence.</li> <li>— Number of cases of child abuse and neglect.</li> <li>— Number of abused (sexual and physical) children that received supportive services</li> <li>— Number of neglected children that have received supportive services.</li> <li>— Monitor for disaggregation by gender, age, ethnicity, and settlement type.</li> </ul>	MJ <sup>88</sup>  Legal Aid Commission  Prison Department  Probation Service  Department of Social Inclusion and Gender Equality  Agency for the Protection of Children's Rights	MJ  Legal Aid Commission  Prison Department  Probation Service  Department of Social Inclusion and Gender Equality  Agency for the Protection of Children's Rights

87 Technical Assistance for Civil Society Organisations

88 Ministry of Justice



# APPENDIX





## APPENDIX 1: COUNTRY CONTEXT

### Context of Social Inclusion in Albania: Trends and Features in the Policy Environment

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**Overview:** Social inclusion involves measures to enable individuals and groups to access public services so that they can participate to the fullest extent of their abilities in social, economic and political life of the society in which they live. Policies that support inclusion therefore aim to ensure access of all citizens to good quality public services and to access public goods that enhance their well-being. Social inclusion is therefore not solely determined by policy statements, objectives and targets elaborated in specific sector strategies. The macroeconomic and fiscal framework and the quality of public financial management, accountability and transparency of governance are significant and determinant factors too. For example, tax policy raises the necessary resources for public programmes, but the design features of these policies have direct growth, redistributive and social inclusion impacts.

Second, expenditure policy, through its impact on the level and composition of expenditure influence policy outcomes. Finally, the regulatory and institutional policy framework establishes rules within the economy and defines the incentives along which both public and private agents base their decisions.

A good understanding of the broader growth, poverty and institutional context alongside specific sector strategies is necessary in order to appreciate the intensity, causes and types of social inclusion. The context will need to be updated in Albania's Annual Social Inclusion Reports, and this section therefore provides an overview of the policy environment that informs and drives the opportunities and the challenges for improving conditions for social inclusion.

## Macroeconomic and Fiscal Framework

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Albania managed to avoid recession throughout the global financial and economic crisis that heavily affected its main EU trading partners and spilled over through trade, remittances and investment links. Nonetheless, average annual growth between 2009 and 2014 slowed to below 3% to the lowest level of 1.4% growth in 2013, before marking an improvement to an estimated 1.9% growth in 2014. A modest pick-up of lending during 2014 and the accelerated spending of the last quarter are the main reasons of this modest growth. External migration has also traditionally given an additional impetus to spending by boosting domestic consumption. This reflects the large-scale migration to Greece, Italy, and other countries in Europe; since 1990, about one-fifth of the total population has left and is living abroad. Migration has been an important to coping with the lack of jobs and decent earnings opportunities in Albania. Official estimates indicate that remittances are the largest source of foreign exchange, equivalent to almost 14 percent of GDP. This flow has stimulated domestic demand, especially in non-tradable activities such as construction and services, and has complemented the earnings of almost all resident Albanians.

The 2014 Budget performed well in comparison to disappointing revenues and missed deficit targets in recent years. The need to finance the budget deficit and

the recognition of accumulated arrears, estimated at 5.3% of GDP, pushed up the level of public debt to 72.6%<sup>89</sup> at the end of 2014, from 70.5% a year earlier. As a result of the weakening economy, poverty rates increased while unemployment remains high at around 18%. Per capita GDP in purchasing power standards was €3,600, slightly higher as compared to the estimated €3,500 in 2013. However it still remains below potential.

External imbalances remained large in 2014, reflecting a narrow production base, the overall low competitiveness of the economy and a large fiscal deficit. The current account deficit increased to 12.1% of GDP in 2014. The modest increase in the exports of goods in 2014 has been affected by weaker external demand, mostly due to fluctuations in the prices of fuels, minerals and electricity on the international market. A lower level of exports as compared to the previous year was observed in the first quarter of 2015, while imports were slightly higher. Remittances have increased by 10.6% in 2014 as against 2013 although remaining substantially lower compared to 2012.

Monetary policy has been prudent and a stable exchange rate has contributed to maintaining a low inflation rate. In February, the new central bank governor was voted in by Parliament. His appointment marked the end of a period of uncertainty for the Bank of Albania, following the discovery of a cash theft from the Bank's treasury by a former

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89 IMF, April 28, 2015

employee, which led to the subsequent dismissal of the previous governor. The central bank's independence was maintained and its proper functioning ensured.

Fiscal consolidation remained high on the policy agenda. Fiscal imbalances have caused public debt to reach 72.6% of GDP at the end of 2014 and fiscal buffers are now largely exhausted due to weak macroeconomic forecasting in the past and large accumulated government arrears reveal substantial weaknesses in public finance management and have sapped liquidity and confidence in the economy.

Albania's revenue- and spending-to-GDP ratios (26% and 31% respectively in 2014) are low by regional standards, as is tax efficiency<sup>90</sup>. The burden of the necessary budgetary adjustment primarily falls on revenues, including tax policy reforms and the strengthening of tax administration and collection. In 2014 revenues have picked up as they account for 26% of GDP. Furthermore, expenditures reached 31% of GDP in 2014. However the efficiency of tax collection, often influenced by the election cycle, still remains weak. The IMF approved a 3-year €330.9 million Extended Fund Facility arrangement in February 2014 to support a bold arrears clearance programme that aims to repay obligations, worth 5.3% of GDP, from 2014-2016. At end-March 2015, the World Bank approved a USD 220 million Public Finance Policy Based Guarantee for

Albania, which has enabled the country to tap international lenders at favourable terms and reduce its reliance on domestic banks for financing the deficit. The conditions attached to the International Financial Institutions (IFI) loans concern significant improvements in public finance management (PFM) to avoid the re-emergence of arrears; the resolution of bad loans and the strengthening of financial sector supervision to revive lending; the redesign of the electricity market framework which exposes Albania to volatile hydrological conditions as well as budgetary risks for financing imports; and the reform of the pension system to ensure its long-term sustainability.

The first quarterly review under the IMF agreement in May 2014, found the programme to be on track. Fiscal performance was in line with programme targets, and arrears clearance began to move forward. The authorities remained committed to further fiscal consolidation in 2015. The authorities also made progress in preparing the pension reform strategy. However, the electricity sector continues to pose a large fiscal risk. Reforms were deemed urgently needed to improve collections, curb high distribution losses and reduce theft in order to end the current reliance on fiscal support to finance the sector. The second review of the IMF was interrupted in September 2014 due to the extraordinary situation at Bank of Albania: Following alleged theft at the institution several officials were arrested and dismissed, including the governor who is accused of abuse of power.

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90 Measured as (tax revenue/GDP) / tax rate

In February 2015 the IMF board approved the second and third reviews under the extended arrangement, by therefore allowing for disbursement of about € 52.5 million (SDR 47.1 million), in addition to two previous tranches approved earlier in 2014. In May 2015 the IMF board completed the fourth review and approved the disbursement of about €35.9 million. The IMF board decided to proceed with delivery of the other three tranches following the first one, based on the general performance of the Albanian government. The IMF observed that the program is broadly on track. Still many challenges are laid ahead, mainly related to further fiscal consolidation, completion of an ambitious reform in the energy sector, addressing the non-performing loans and moving ahead with structural reforms.

As jointly concluded in the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey, following the submission of the Economic reform Programme (NERP) 2015-2017 Albania is encouraged to continue with reforms during 2015-2017 and focus in the following areas:

1. Pursue fiscal consolidation in line with the objective to put the public debt ratio on a downward path and lower it to less than 66% of GDP by 2017. At the same time, preserve fiscal space for growth-enhancing public investment by making sure that revenue performance remains on track, allowing for the initially budgeted capital expenditure to be executed.
2. Progress towards eliminating high fiscal risks posed by the electricity sector by reducing distribution losses at an average rate of 5 percentage points in the coming years and by improving the bill collection rate. Evaluate the fiscal impact of the property compensation scheme and accommodate the costs in the medium-term budget, if necessary by adjusting the parameters of the scheme with the aim of creating a realistic, transparent and sustainable compensation framework.
3. Reinforce the budget management framework by implementing the public finance management strategy agreed with the Commission and adopted in December 2014, in particular by moving towards adopting a credible fiscal rule which will effectively ensure the sustainability of public finances in the long run and by strengthening budget forecasting.
4. Take further measures to address the issue of non-performing loans, involving all key stakeholders including the Bank of Albania as necessary, with a view to achieving a sustainable reduction of their level. In this context, addressing impediments related to judicial enforcement and collateral execution would appear helpful. More specifically on the sectoral reforms, Albania is invited to:
5. Adopt and start to implement the law on



higher education, as well as the new strategy for higher education. Establish an independent accreditation system for all public and private universities. Continue the restructuring of the VET system with a view to improving the relevance of the training for the needs of the labour market.

6. Improve the overall business environment, including by implementing the merger of the NRC (National Registration Centre) and NLC (National Licensing Centre) to further ease the regulatory and administrative burden for businesses. Start the implementation of the simplification regime for authorisations. Make the newly established investment council fully operational.
7. Adopt and start to implement the transport strategy and action plan for 2016-2020. Focus investments on the core network. Adopt and start to implement the national energy strategy and the Power Sector Law, including speeding up the unbundling of the energy sector. Prepare single sector pipeline of priority investments for both transport and energy.
8. Adopt a strategy on the land cadastre and concrete measures to increase momentum in agricultural land consolidation.

## Public Finance Management

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According to latest EU assessment, as well as the latest IMF programme reviews in 2015, the Albanian authorities have been advised to pursue a credible and relevant stability oriented macroeconomic policy aiming at restoring fiscal stability and sustainability. The high levels of public debt remain a key source of macroeconomic risk, which will require careful monitoring to put the public debt ratio on a downward path and lowering it to less than 66% of GDP by 2017. At the same time, it should preserve fiscal space for growth-enhancing public investment by enhancing revenue collection. Arrears clearance has progressed according to schedule, which once completed will also ease the pressure of the fiscal space beyond 2016. The authorities demonstrate commitment for fiscal consolidation over the medium term including the implementation of the fiscal rule in order to begin to reduce public debt, as envisaged under their macroeconomic programme.

A number of detailed reviews of the Albanian PFM system, including two Public Expenditure and Financial Accountability (PEFA) assessments in 2006 and 2011<sup>91</sup>, a World Bank public finance review in 2014<sup>92</sup>, revealed the following weaknesses in recent years:

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91 See: <https://www.pefa.org/>

92 World Bank (2014) Albania Public Finance Review: Toward a Sustainable Fiscal Policy for Growth, Report No 82013 –AL, January 2014.

- **Macroeconomic forecasts** require considerable improvement to ensure prudent fiscal and financial planning. Overoptimistic revenue forecasts and liberal spending plans, which had been approved during budget preparation but not cut back during the budget year when the revenue collection felt short, have negatively impacted multi-year commitments and led to a substantial accumulation of arrears and ultimately to the rise of public debt.
- **Medium-term budgeting** and budget ceilings are not sufficiently linked to the annual budget process, budget execution is constrained by the limited treasury functions for recording multi-year commitments made by line-ministries and other spending institutions.
- **Tax administration** is weak both in terms of administration capacity and IT systems, resulting in both relatively low tax collection and high tax evasion. The tax revenue to Gross Domestic Product (GDP) ratios is low compared to the European average<sup>93</sup>. The implementation and enforcement of tax legislation requires significant improvements.
- The **public procurement system** is affected by limited institutional capacities of key actors, lack of efficient operational capacity of the contracting authorities, weak remedy functions, low quality of public spending and limited focus to achieve “value for money”.
- **Financial reporting** is not in line with Government Financial Statistics (GfS) 2001 and European System of Accounts (ESA) 2010 standards.
- A sound system of **public internal financial control** (PIFC) is not yet in place. While the legal framework is appropriate, the financial management and control standards, including risk management are not systematically applied across the administration. Centralised ex-post complaint driven financial inspections are not conducted on a regular basis. Internal audit staff lack capacities, audit engagements are not systematically risk-based and the audits performed by the internal audit units are still transaction-based rather than systems audits.
- **Corruption and fraud** are widespread across the administration and affect public service delivery, undermining the potential impact of any PFM reform and ultimately the efficient use of public resources. Corruption and inefficiency in the judiciary further weakens the enforcement of rule of law in respect of mismanagement and abuse of public funds. The government has put clear emphasis on fight against corruption, which is also targeted in the framework of the PFM strategy and the sector budget support.
- With respect to external audit, the High State Control (HSC) is not operating fully

93 IMF report A Tax Reform Strategy for Consolidation and Growth, and the IMF's Country Report 14/211 of July 2014, <http://www.imf.org/external/pubs/ft/scr/2014/cr14211.pdf>

in line with International Organisation of Supreme Audit Institutions (INTOSAI) standards. Hence, the revision of the institutional framework governing the HSC adopted by the Parliament will need to be implemented to align audit work with INTOSAI standards. It is now necessary to adopt the necessary administrative provisions to fully implement the revised HSC law. The new law allows the HSC to carry out the full range of audits, which goes considerably beyond the current focus on financial/regularity audits. This will lead to a major improvement to the current situation where the focus still is on single financial transactions, which do not address systemic causes of non-compliance.

The Government of Albania adopted the comprehensive Public Finance Management Strategy 2014-2020<sup>94</sup> to address the weaknesses, which paved the way for the approval of Instrument for Pre-Accession (IPA) 2014 Sector Budget Support Programme for PFM. The first High Level steering committee meeting for the implementation of the reforms took place in April 2015, which mandated the relevant coordinative structures for the implementation and presented the Action plan for 2015-2017. Further work on the annual action plans is ongoing to specify the subordinate steps to reach multiyear targets. As of end-April, none

of the key objectives are yet implemented fully. However several areas have progressed in the first part of 2015. A new organisational structure was approved for the Ministry of Finance reinforcing its capacity by an additional 45 additional staff, to have sufficient resources to address capacity weaknesses and lead the implementation of the reforms. A further assessment of a functional review of the Ministry of Finance has also been agreed to be conducted in the second half of the year.

At the end of 2014 the Medium Term Budget Programme (MTBP) 2015-2017 was processed through parliamentary review together with the annual budget 2015 setting out medium term ceilings. Preparations for the amendment of the Organic Budget law to introduce mandatory ceilings for medium term are ongoing. Analytical work for the future introduction of a fiscal rule and fiscal council started with the commissioning of an IMF assessment. The clearance of unpaid arrears progressed largely in line with the Arrears Clearance Strategy - apart from inconsistencies regarding the First-in First-out (FIFO) principles - with significant reductions having been made by the end of the year. Paid arrears, including most of the VAT arrears, totalled € 241 million or 2.4% of GDP out of the total 5.3% of GDP at the end of 2014. The external audit of audit of arrears clearance process continued on track however revealed numerous potential weaknesses mainly in the application of public procurement procedures and internal control procedures linked to

94 Ministry of Finance (2014) Albanian Financial Management Strategy 2014-2020, December 2014

the management and monitoring of the investment contracts. The auditors provided a draft list of recommendations in January 2015. As a response the authorities published a summary of the way forward to address these challenges.<sup>95</sup>

The system upgrade for recording of multiyear commitments in the Treasury system was not completed, only a temporary solution was found which also caused that for some period the Treasury could not perform payments. The further rollout of online access to the Treasury system from 5 to another 15 budget organisation was not achieved. In December 2014, amendments to the **Public Procurement** Law and Rules for the use of modern procurement techniques framework agreements, central purchasing and joint procurement were adopted. Also a decision on conducting the competitive concessions public-private partnership procedures electronically by enabling the current usage of electronic means for these procedures was adopted.

Revenue performance in 2014 increased, also as a result of improvements in the tax administration. The **tax administration** developed a corporate strategy for 2015 to 2019. Detailed implementation plans remain to be developed over time for all strategic objectives, including the provision and securing of resources. A new IT platform and

the roll out of new business processes for e-filing and other services were deployed although users faced difficulties in filing tax declarations online during the first quarter of 2015. A new strategic approach for the roll out of a rules-based tax risk model and the establishment of the Risk Management Directorate has been designed to address compliance weaknesses and target the tax gap. Coordination between the tax and customs administrations has been strengthened by ensuring the interoperability of their IT systems, as well as the conduct of joint checks and audits. The number of disciplinary measures against tax inspectors also increased. Its internal anti-corruption directorate continued to refer to the Prosecutor's Office cases of tax inspectors suspected of abuse of office and of forging official documents.

Regarding public internal financial control (PIFC), although the legal framework is largely in place and in line with the acquis, amendments to the respective laws on Financial Control, Internal Audit and Financial Inspection have been drafted. Apart from the legislation key weaknesses focus on implementation. The Ministry of Finance is in the process of finalising the annual PIFC report for 2014 by end of May 2015 which notes shortcomings in control environment, application of risk management, asset management, budget planning and implementation processes procurement- and human resources control systems with gaps in procedural and regulatory framework. There is an increase

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95 See: [http://www.financa.gov.al/files/userfiles/Strategjia\\_e\\_parandalimit\\_te\\_borxhit/Informacion\\_per\\_auditimin.doc](http://www.financa.gov.al/files/userfiles/Strategjia_e_parandalimit_te_borxhit/Informacion_per_auditimin.doc)



of recommendations to heads of public units which are highly accepted but lack implementation. Also there is an increase in sending cases of serious violations for penal proceedings. Internal audits tend to rather conduct inspection work and unevenly apply system based approach.

In respect of external audit the Law on High State Control (HSC) was amended in January 2015 strengthening the alignment and the quality of audit with INTOSAI. The High State Control updated its development strategy for 2015-2017 for the implementation and gradual alignment of the standards. The High State Control published its 2014 report; the Parliamentary review is planned for June 2015. As regards follow up of 2013 audit report the Ministry of Finance in consultation with the HSC prepared a detailed action plan for the implementation of the recommendations at the end of 2014 the implementation of which is ongoing.

In respect of fighting **corruption** the Anti-corruption Strategy and related Action Plans have been adopted in March 2015. Efforts have been intensified to increase referrals to the Office of the Public Prosecutor however efforts to bring cases of high-risk fraud, corruption and misuse of public funds to justice need to be substantially stepped up.

Information regarding Albania's budget transparency and oversight is generally available. The minimum requirement of publication of the budget is met. Budgetary information is available to the general public

on the website of the Ministry of Finance<sup>96</sup> notably the approved budget law, including the budget tables, as well as related Decisions of the Council of Ministers published in the Official Journal.<sup>97</sup> Budget information is available for the past 12 years' period 2003-2015, including detailed information on the medium-term budget plans (MTBP) as from 2001. The published budget documentation include: a Pre-Budget Statement, Executive's budget proposal, the Enacted budget and In-Year Reports. The 2014 Audit Reports are published in the website of the High State Control- Supreme Audit Institution.<sup>98</sup> The annual budget for 2015 was discussed and approved by the Parliament in December 2014. After its approval, the annual budget was published in the Official Journal.

The main challenges regarding full budget transparency are:

- The most recent **Open Budget Index** (OBI) for Albania in 2012 showed that the country scored 47 out of 100, which indicates that the Government provides the public only with "some information" on the national government's budget and financial activities during the course of the fiscal year.
- Many budget documents produced for internal use while they could be used for improving comprehensiveness of information published.
- A **Citizens' Budget Guide**, or simplified

96 See: <http://www.financa.gov.al/>

97 See: <http://www.legjislacioni.gov.al/>

98 See: <http://www.klsh.org.al/>

versions of budget documents using non-technical language and accessible formats, would facilitate citizens' understanding of, and engagement with, government's plans and actions during the budget year.

- While the MTBP provides detailed information on sector programs, there is no strategic overview of policy initiatives and major investments and their impact on public finances. Another deficiency in analytical procedures is the lack of distinction in the budget process between existing commitments and new policy initiatives.
- Annual Report Extractive Industries Transparency Initiative in Albania for the year 2012, published in November 2014. Albania stands among 31 countries complying with the Extractive Industry Transparency Initiative. The Albanian Government publishes informative report on the extraction of oil, gas and other minerals, contribution of this industry to the State budget and allocation and spending of these income.
- Public policy instruments available to the Government affect development objectives both directly through public sector interventions and through their impact on the private sector.

## Public Administration

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A well-functioning public administration is necessary for democratic governance,

for the delivery of public services that improve social cohesion, and for building a basis for the implementation of EU rules and standards. Although there is no formal *acquis* on Public Administration Reform (PAR), the recently published Principles of Public Administration provide guidelines for the Commission to structure its work around six core areas: strategic framework for public administration reform; policy development and coordination; public service and human resources management; accountability; service delivery and public finance management. These areas define what good governance entails in practice and outline the main requirements to be followed by the countries in the EU integration process.

Successive European Commission progress reports and conclusions from Joint Working Groups and High Level Dialogue have pointed out the same problem areas: the lack of a strategic framework and effective sector coordination mechanism for PAR; the need to strengthen the capacity to draft policies and legislation, which are effective and in compliance with the *acquis*; the need to establish a professional civil service, through proper implementation of the Civil Service Law at all levels of administration and the need to build a reliable and comprehensive reporting system to monitor the implementation of civil service legislation; the need to guarantee independent monitoring by the Civil Service Commissioner and ensure follow-up to the recommendations of the independent institutions; ensure transparency of the public administration;

to establish adequate legal framework and institutional setups for the implementation of administrative procedures, and appropriate setups that ensure administrative and political accountability of the administration. The World Bank has also highlighted that improvement of service delivery and enhancement of the accountability of public officials should be considered in parallel with the capacity building of public administration.

In reply to these challenges, the Albanian Government has adopted in April 2015 the Cross-Cutting Public Administration Reform Strategy 2015-2020, along with the Strategy for Anti-Corruption (April 2015), Strategy for Public Finance Management (December 2014), Digital Albania Strategy (April 2015) and Strategy for Decentralisation and Local Governance (under finalisation at the time of writing). The Public Administration Reform Strategy 2015-2020 (PAR Strategy) will address all the above identified problems.

The Public Administration Reform will affect all the internal stakeholders working in the public administration institutions which will undergo substantial changes and will need to adapt to a new processes and way of working. The main institution leading the reform process is the Minister of State for Innovation and Public Administration. The Department of Public Administration (DoPA) leads the civil service reform in cooperation and is responsible for the technical side of the PAR reform. The Albanian School for Public Administration (ASPA) is responsible

for training civil servants and employees of the public administration. Clearly a variety of stakeholders will be involved in the process related to their competences. Oversight bodies – Commissioner for Civil Service Monitoring, Commissioner for Personal Data Protection, People's Advocate (Ombudsman), Commissioner for Protection from Discrimination (CPD), and High State Control are a few of the oversight bodies. Promoting cooperation between state authorities, municipalities, civil society, international organisations and other participants in the process is therefore crucial. Ultimately, it is the general public that will benefit from the reforms as they will have a more efficient and transparent public administration and better access to a range of public services in social welfare, health, education, housing, and access to justice.

The PAR Strategy addresses the deficiencies that have been pointed out in the various assessments and analysis such as the weak coordination of the overall policy and decision making framework, the weak capacities to manage effectively the public administration both in terms of making use of management tools and in terms of implementing the legal framework to pursue the establishment of a depoliticised, merit based and professional civil service, the low capacities to perform quality policy analysis and legal drafting addressing alignment with the EU *acquis* and its implementation, the poor quality of the services provided to citizens and businesses, the corruption of the public administration and the necessity to increase its transparency

and accountability of its acts to the public, the need to modernise the administrative set up and to strengthen the implementation of administrative acts including those of judicial administrative bodies.

The PAR strategy is structured according to four main pillars:

**a) Policymaking and Quality of Legislation**

The aim of the policy goal in this area is to have policymaking, legislation drafting, as well as monitoring and evaluation systems, which are clearly defined and regulated, linked with government priorities and budget planning in order to enable government to have analysis based policies, drafting of qualitative policies and legislation and approximation of legislation to the EU *acquis*.

**b) Organisation and Functioning of Public Administration**

The aim of the policy goals in this area is to establish efficient public administration structures and reduce corruption.

**c) Civil Service: Human Resource Management**

The aim of the policy goal in this area is to develop a professional, impartial, and independent and merit based civil service.

**d) Administrative Procedures and Oversight**

The aim of the policy goal in this area is to build a model with

the citizen in the centre through the modernization of public services, improvement of the efficiency and response of administrative services.

The implementation of the PAR Strategy is planned to be conducted in two phases. During the first phase, which coincides with the activities set out in the action plan of 2015 - 2017 (medium-term objectives), efforts will focus on improving the legal framework and procedures for the drafting of policies, strategies, action plans and legislation, as well as on building the capacity involved in these processes, including monitoring. Furthermore, the focus will be set on the institutional structural reform and improvement of services offered to the public through ICT tools, implementation of the civil service legislation and building institutional capacities for its implementation, and completion and operation of the human resources electronic database of the public administration (HRMIS) in order to improve the approximation of the civil service system to European standards. The second phase covers the period 2018 - 2020 (long-term objectives) and aims at consolidating the achievements of the first phase of implementing the strategy. It will be based on an assessment of the achievement of the objectives of the previous period and reassessment of priorities as well as it may include new activities in key areas of administrative reform, or in areas where progress has not been sufficient during the previous phase.



## Administrative and Territorial Reform and the National Crosscutting Strategy for Decentralisation and Local Governance:

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The government is embarking on the Administrative and Territorial Reform (ATR). The goal of the ATR is “to enhance local administration’s efficiency, quality and standards of service delivery and a fair territorial development by enabling greater human and financial resources, by augmenting local responsibilities and competencies and by guiding them towards a transparent and more inclusive decision-making.”<sup>99</sup> The number of local government units (LGUs) will be reduced to 61. This new reorganization will include multiple steps that will focus on assessing and developing an inventory of the state of LGUs and developing supportive structures that will assist LGUs during the transition period. The Agency for the Enforcement of the Territorial Reform (AETR) will support LGUs and coordinate their relationship with central-level institutions.<sup>100</sup>

The goal of the National Crosscutting Strategy for Decentralisation and Local Governance (NCSDLG), 2015 – 2020 is enhancing

the efficiency of local governments, strengthening local finances and increasing fiscal autonomy, and promoting good governance. For instance, to strengthen fiscal decentralisation, the government will focus on improving the management system of public finance, improving the capacity of local government in the sector of capital investments, increasing the transparency on the distribution of public funds, and increasing local revenues.<sup>101</sup> During 2015 – 2020, the emphasis will be placed on decentralizing public funding, improving the quality of public services, enhancing the transparency and accountability of local governments, and strengthening community participation in decision making. One of the first steps will be the revision of the Organic Law on the Organisation and Functioning of Local Governance. The NCSDLG emphasizes that the revised law will incorporate the principle of asymmetric decentralisation, which will take into consideration the different capacities and needs of local government units in Albania.

## Poverty and social protection

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The efforts of the government in addressing the needs of vulnerable groups will be guided by the Social Protection Strategy (2015-2020) and NSDI (2015-2020), among others. The Social Protection Strategy has three objectives: alleviating poverty, improving the well-being of people with disabilities,

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99 Minister of State for Local Issues. (2015) *National Crosscutting Strategy for Decentralisation and Local Governance, 2015 – 2020*, p. 19.

100 Ibid., p. 20.

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101 Ibid., p. 23.

and developing social care services.<sup>102</sup> The strategy introduces a multidimensional approach to enhancing the provision and quality of social protection services. To alleviate poverty, the government will increase the effectiveness and transparency of the Cash Assistance scheme; develop an Integrated Management Information System; strengthen the management, monitoring, and evaluation skills of local and regional structures; and develop integrated services by linking the Cash Assistance scheme with other programs that focus on professional education and employment.<sup>103</sup> To enhance the well-being of persons with disabilities, the government will reform the disability assessment system, increase the transparency of the Disability Cash Entitlements through data systems, link cash entitlements with social care services, and develop an Integrated Management Information System.<sup>104</sup>

In terms of the pension reform, the goal of the government is “making pension systems sustainable in the long run and credible for future generations, while ensuring the main objective of providing adequate income security for the elderly population.”<sup>105</sup> The

emphasis will be placed on increasing the coverage, addressing informality, enforcing the collection of contributions, improving the targeting of vulnerable groups, and increasing the retirement age for both women and men.<sup>106</sup>

The reform of social care services will be driven by the principles of decentralization, deinstitutionalization and diversification of social care services. Some of the objectives include establishing a system of integrated social care services; building an Integrated Information System at regional and central level; establishing and strengthening the monitoring and inspection mechanisms for the quality of services offered at local, regional and central level; and improving the skills of service providers.<sup>107</sup>

NSDI (2015-2020) has established the strategic goal of guaranteeing social rights. This includes strengthening the coordination between central and local government structures regarding the provision of social care; improving residential care institutions; reducing discrimination against the LGBT community; and providing special status to different disability groups.

The multidimensional approach to poverty and social exclusion is also evidenced in the National Action Plan on Youth (2015-2020) and the National Action Plan on

102 Ministry of Social Welfare and Youth. (2015). *National Social Protection Strategy, 2015-2020*.

103 Ibid., pp. 14-15.

104 Ibid., p. 15.

105 Project Preparation Facility. (2014). *Governance and Public Financial Management in the Employment, Skills and Social Policy Sector. An Assessment of Structures for Policy and Programme Coordination*, p. 12.

106 Ibid., p. 13.

107 Ibid. p. 16.

the Integration of Roma and Egyptians (2015-2020). The National Action Plan on Youth (2015-2020) focuses on youth policy coordination in education, employment, health, and culture.<sup>108</sup> In addition, the action plan emphasizes the importance of strengthening youth participation in social life and decision-making processes. Meanwhile, the National Action Plan for the Integration of Roma and Egyptians (2015-2020) has established six priority areas for the government, including civil registration, education and intercultural dialogue, employment and vocational education and training, healthcare, housing and urban integration, and social protection. Some of the indicators that have been developed to measure the extent that Roma and Egyptians are integrated into the society are: percentage of Roma and Egyptian community members who have full access to the civil registry service; percentage of education institutions attended by Roma and Egyptian girls and boys that promote intercultural dialogue and mutual understanding through school-based community development; percentage of Roma and Egyptian men and women participating in VET and active employment programs integrated in the labour market; and number of representatives of Roma and Egyptian communities that are self-employed.<sup>109</sup>

Poverty was falling in Albania up until

2008, but has begun to increase since then following the onset of the economic crisis.<sup>110</sup> According to INSTAT, the poverty headcount increased from 12.4% in 2008 to 14.3% in 2012.<sup>111</sup>

People living in rural areas, especially in remote rural areas and mountainous areas, have lower standards of living than people living in other parts of the country. Employment opportunities are few and incomes from employment are relatively low. It is especially concerning that there are few employment opportunities for young people in rural areas.<sup>112</sup> Women also are especially disadvantaged in rural areas. They often work in unpaid family farm labour, which limits their economic independence and empowerment.<sup>113</sup> In 2008, poverty headcount was highest in the mountain regions, but has since fallen from 26.6% to just 15.3%. By 2012, the poverty rate was the highest in the coastal regions. While the share of the rural population living in poverty declined by about 12% between 2008 and 2012, the share of the urban poor increased by about 37%. These regional changes may be linked to the more concentrated efforts at regional development and to the continuous internal migration of the population from

108 Part of the National Strategy on Development and Integration (2015-2020).

109 Ministry of Social Welfare and Youth. (2015). *National Action Plan for the Integration of Roma and Egyptians, 2015-2020*, pp. 39-79.

110 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, p. 6

111 Instat (2013)

112 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

113 UNDP (2013) *National Study on the Rural Labour Market*, Tirana: UNDP

rural to urban areas.<sup>114</sup> The depth of poverty also increased between 2008 and 2012 from 2.3% to 2.9%. Poverty depth was highest in the mountain regions in 2008 but by 2012 the coastal region had the highest depth of poverty.

Poverty is linked to a variety of causes, including labour market status including unemployment or inactivity, age, geographical location, ethnicity, gender, level of education and other factors.<sup>115</sup> Available data indicate that the population groups facing higher risk of poverty are the unemployed, the less educated, people living in rural areas and those engaged in own account farming.<sup>116</sup> One fifth (20%) of children live in poor families that rely on economic aid for their survival. Roma and Egyptian children are faced with especially miserable conditions.<sup>117</sup> They face widespread discrimination and suffer from cases of unprotected evictions from their homes<sup>118</sup>. Many children from poor families spend their time on the street often working in informal jobs, selling small items or

begging. They are at risk of abuse, violence, and discrimination. A recent study identified over 2,500 'children of the street' of whom two thirds were between the ages of 4 and 14, and three quarters of whom were from the Roma and Egyptian communities.<sup>119</sup> Roma women who are abused or trafficked have a higher probability of living in poverty due to low educational attainment and detachment from the labour market.<sup>120</sup> Children living in families affected by blood feud suffer isolation and lack access to basic public services.

People in work may be in poverty if they work for very low wages. The "working poor"<sup>121</sup> earn about 17% less than the working non-poor.<sup>122</sup> When individuals are employed in the informal sector, they lack social security entitlements. Lacking social security, they do not benefit old age pension.<sup>123</sup> On average, only just over two fifths (44%) of the working poor are entitled to social security benefits compared to almost three quarters (72%) of

114 INSTAT (2013) Albania: Trends in Poverty 2002-2005-2008-2012.

115 UNDP (2011) *Report on Vulnerable Groups Excluded from the Labour Market*, Tirana: ILO and UNDP

116 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, p. 6

117 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

118 See: <http://www.roma-alliance.org/en/page/70-minister-veliaj-visits-evicted-roma-in-tirana--promising-quick-solutions.html>

119 UNICEF (2014) *National Study on Children in Street Situation in Albania*, Tirana: UNICEF

120 Ibid. p. 11

121 Referring to ILO (2009), the working poor are part of the labour market; however, their income is too small and they are not able to lift themselves and their families out of poverty.

122 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, pp.6-7

123 However, a recent decision of the government seeks to ameliorate this problem by providing social pension to individuals who are 70 years old or older. See Decision no. 927, date 29.12.2014.



the working non-poor.<sup>124</sup>

With the slowdown in economic growth, and increase in unemployment, average real wages<sup>125</sup> have begun to weaken, falling by 4.8% in the first quarter of 2014, led by a reduction in real wages of over 6% in the industrial sector.<sup>126</sup> Falling real wages are likely to further increase the incidence of poverty.

## Employment and skills

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The National Strategy for Employment and Skills (2014-2020) has established the goals of promoting opportunities for employment and skills development, providing quality vocational education and training, promoting social inclusion and territorial cohesion, and strengthening the governance of labour market and systems of qualification.<sup>127</sup> Under the guidance of the Ministry of Social Welfare and Youth, vocational schools and training centres have been integrated with the purpose of contributing to the development of a professional workforce. The strategy

emphasizes the importance of increasing the opportunities for employment and skills development for youth, women, and vulnerable groups.

NSDI (2015-2020) has established gender equality in the labour market as one of the main development goals for Albania. This goal will be achieved through numerous steps, such as adopting legislative changes for equal pay, promoting affirmative actions in the sectors where women are underrepresented, and improving access to credit and supporting business growth.

The National Strategy on Business Development and Investments (2014-2020) has established four priority areas for policy development: enterprise development and SME, industrial development, transportation, and investment stimulation. The strategy emphasizes the need for promoting social businesses, especially for vulnerable groups. During the period 2014-2020, priority will be given to ethnic minorities and persons with disabilities. The support for social businesses will initially start by developing the legal framework and then developing supportive programs. Supportive programs will also be developed for women entrepreneurs with the purpose of strengthening their business skills and leadership. Referring to the strategy, by the end of 2020 the enterprises led by women will comprise 35% of all enterprises

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124 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, pp. 6-7

125 Referring to Instat, the average salary in the public sector in 2013 was ALL 52,150.

126 National Bank of Albania, Monetary Policy Report, Q2, 2014, p. 36

127 Government of Albania, *National Strategy and Action Plan for Employment and Skills 2014-2020*, Strategic Objectives A-D, p. 44.

in the country.<sup>128</sup>

The National Strategy on People with Disabilities emphasizes that people with disabilities are entitled to the same opportunities as the “non disabled” and to support for their full participation in all fields of social life, including participation in working and community life. According to the Strategy, “barrier-free access is the key precondition for participation”. One way to include people with disabilities in working and community life is to provide support for them to set up their own businesses, often known as social enterprises or social cooperatives. The same applies to other groups, such as victims of domestic violence and gender-based violence.

To capture changes in employment, skills development, and social exclusion, the National Strategy for Employment and Skills (2014-2020), NSDI (2015-2020), and the National Strategy on Business Development and Investments (2014-2020) have several indicators, including gender gap in employment, share of female and male students attending vocational education and training, share of enterprises led by women, disbursed credit for businesses led by women, gender gap in employment, percentage of women with the Civil Servant Status, number of people with disabilities

that benefit from the disability program, percentage of enterprises led by women, and disbursed credit for businesses led by women.

Having paid employment is one of the most important ways in which households in market economies earn their livelihood and avoid falling into poverty. Access to employment is therefore an essential precondition for social inclusion. Yet the Albanian economy, with an employment rate of just 50%, is extremely weak at creating sufficient jobs for the population. As a result many hundreds of thousands of people have left the country in search of work abroad. From 2009 to 2012 the employment rate followed a slightly increasing trend as the economy was growing, but in 2013, as economic growth slowed the employment rate fell, and there was a corresponding increase in the registered unemployment rate to 16.1%. Therefore, in recent years there has been an increase in exclusion from the labour market.

As economic growth has slowed, the unemployment rate has increased further to 18.3% at the end of 2013.<sup>129</sup> These unemployment data may well be an underestimate however, as the 2011 Census recorded an unemployment rate of 29.4% in the census year (28.2% for men and 31.4% for

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128 Fletorja Zyrtare. (2014). *Per Miratimin e Strategjise se Zhvillimit te Biznesit dhe Investimeve dhe te Planit te Veprimet per Periudhen 2014-2020*. Vendimi Nr. 635, date 1.10.2014.

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129 National Bank of Albania, *Monetary Policy Report*, Q2, 2014, p. 35. This information is derived from the Labour Force Survey.

women).<sup>130</sup>

## Employment

Significant gender differences exist in the labour market in Albania with women experiencing far lower employment rates than men across all age groups. On average, the gap is around 15 percentage points, as the employment rate for women between the ages of 15-64 years is 40.7% compared to 55.4% for men (in Q1 2014). The gap is narrower among younger workers aged 15-29 years, for whom it is just 10 percentage points, but much wider for those aged between 30-64 years for whom it reaches almost 20 percentage points. This means that older women are more likely to be differentially excluded from the labour market compared to men (even though the employment rate for older women is higher than for younger women). This may be because older women are more likely to drop out of the labour market as they take on family responsibilities. It also suggests that women may face difficulties to re-enter the labour market after having children. This is an issue that should be addressed through targeted actions to assist women to re-enter the labour market, such as providing pre-school education facilities and kindergarten facilities, retraining and providing assistance for women returners, and promoting work-family balance through flexible working hours and opportunities to work at home.

130 INSTAT, *Population and Housing Census 2011: Economic Characteristics*, p. 22

These actions will make it easier for women to re-enter the labour market once their children become more independent or go to school.<sup>131</sup>

The gender gap is also narrower between men and women with a higher level of education. This suggests that educated women and girls find it easier to enter or re-enter the labour market than less educated women. It means that the provision of pre-school education facilities or kindergarten facilities may be especially important for less educated women to support their return to the labour market. It also suggests that measures to support the return of less educated women might be especially important, and that programmes for the support of women returners should also include a strong element of retraining to upgrade the skills of women to access improved job opportunities. There could be an important role of social cooperatives and social enterprises in this field following successful examples that have been introduced in places such as northern Italy and elsewhere in Europe.<sup>132</sup>

The extent of under-representation of women is highest in the non-agricultural private sector where 33.4% of employees are

131 See: <http://europa.eu/epic/studies-reports/docs/rr-554-dg-employment-childcare-brief-v-0-16-final.pdf>

132 Bartlett, W., Gordon, C., Cino-Pagliarello, M. and Milio, S. (2014) *South Eastern Europe, Israel And Turkey Trends, Perspectives and Challenges In Strengthening Vocational Education For Social Inclusion And Social Cohesion*, Torino: European Training Foundation.

women; this figure in the public sector is 48% (INSTAT, 2014)<sup>133</sup>. In the public sector, women account for the highest share of employment in professions such as specialists or ordinary employees, who are less well paid compared to professions such as legislators, senior officials and directors, policy makers, which are more often held by men.<sup>134</sup>

Women are also under-represented in civil society organisations, of which women head only 18.2%.<sup>135</sup> A similar proportion of private business managers are women. Most registered businesses led by women are located in Tirana (31%) and Elbasan (30%). Although about 70% percent of women who live in the rural areas work in agriculture, only 6% of farms are in their ownership or under their management.<sup>136</sup> Moreover, in rural areas many women work as unpaid family labour, which increases their risk of being in a vulnerable state of economic dependence and disempowerment.<sup>137</sup>

Shehaj and Adnett (2014) use LSMS data to analyse the causes of low female labour force participation. They find that this phenomenon is related to various causes. Female labour force participation is higher

in households that have the following characteristics: receive remittances; have a high level of educational attainment; and are large. In addition, the woman is the head of the household and has children. Female labour force participation is lower in wealthier households.

When women do obtain employment, they tend to earn less. Although women have on average about 1.3 years more education compared to men, they receive on average one fifth (20%) lower wages, and the gender wage gap seems to be increasing.<sup>138</sup> The increase of the gender wage gap may be due in part to the effects of the economic crisis.

According to data on employment rate by marital status taken from the 2011 Census, married males have an employment rate of 57.8% while females with the same marital status have an employment rate of 29.1%. This difference in the employment rate of almost 29 percentage points between married males and married females highlights the gender imbalance on the labour market the “breadwinner” role of men in Albanian households.<sup>139</sup> In addition, people with disabilities also find it difficult to gain access to employment, and not surprisingly the employment rate of persons

133 Instat. (2014). Women and Men in Albania. Tirana: Institute of Statistics.

134 See: *National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 – 2015*, pp. 19-20

135 Ibid., p. 17

136 Ibid., p. 20

137 Ibid.

138 Ministry of Social Welfare and Youth, Employment and Skills *Strategy 2014-2020*, 2014, p. 21

139 INSTAT, *Population and Housing Census 2011: Economic Characteristics*, p. 18



with disabilities is very low, at around 25%.<sup>140</sup>

## Unemployment

Youth unemployment has reached high levels in Albania.<sup>141</sup> According to the results of the census over one half of young people are unemployed; the unemployment rate among people aged 15-24 years is 53%.<sup>142</sup> Unemployment among young people can have serious consequences for their future social inclusion chances. Unemployment of young people may lead to a loss of human and social capital and make it more difficult for them to find a formal sector job in the future.

Roma people experience extremely high levels of unemployment, estimated at around 71% compared to around 20% for the population as a whole.<sup>143</sup> Many of the relatively few Roma who have a job are involved in trading of second hand clothing and collection of recycled materials. Most do not have a work contract and do not receive any social benefits.<sup>144</sup> Roma children often

begin work at a very early age in order to contribute to the survival of their families.<sup>145</sup>

The share of long-term unemployment in total unemployment has also increased from 73.9% in 2011 to 77.3% in 2012, with women more exposed than men.<sup>146</sup> Unemployment also has a significant regional dimension. The unemployment rate was over 30% in the prefectures of Kukës, Lezhë, Shkodër, Dibër and Durrës (i.e. mainly in the North Region). Over two fifths (41.2%) of people in employment are not regular employees, but have “self-employment” status, according to the 2011 Census.<sup>147</sup> According the Labour Force Survey in the second quarter of 2014, self-employed (employers or self employed without employees) account for 24.8% of the total employment, while unpaid family workers represent 34% of the total employment.<sup>148</sup> These people are in “vulnerable” employment as they have a lower likelihood than regular employees of having formal work arrangements, and so are less likely to have access to social security system or trade union representation.

140 Republic of Albania National Strategy for People with Disabilities

141 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

142 INSTAT, *Population and Housing Census 2011: Economic Characteristics*

143 Republic of Albania, *The Decade of Roma Inclusion: National Action Plan 2010-2015*, 2011, p. 15

144 Ministry of Social Welfare and Youth, *Employment and Skills Strategy 2014-2020*, 2014, p. 8

145 Republic of Albania, *The Decade of Roma Inclusion: National Action Plan 2010-2015*, 2011, p. 11

146 Ministry of Social Welfare and Youth, *Employment and Skills Strategy 2014-2020*, 2014, p. 25

147 INSTAT, *Labour Market Dynamics 2001-2011*, p. 45

148 Quarterly Labour Force Survey, Second Quarter, 2014, Tirana: INSTAT

## Active Employment Policies

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The National Employment Service does not provide adequate services in rural areas.<sup>149</sup> Similarly, the provision of vocational training services is limited, apart from some donor-supported projects. Employers have difficulty in finding skilled workers in rural areas as many have migrated to the towns or left the country. The state provides for the employment of people with disabilities through Law No. 7995 “On the promotion of employment”, adopted in 1995. Article 15 of the law requires that, for companies above a minimum size, one in 25 employees should be a person with disabilities. Employers who do not fulfil this quota must pay a corresponding amount to the National Employment Fund. Unfortunately, there is a widespread opinion that this law is often not respected.<sup>150</sup>

The Government is committed to increase the access to employment of people with disabilities by providing them with tailor-made vocational training courses.<sup>151</sup> Regarding Roma and Egyptian communities, the government aims to include more young people in employment and to implement a

youth entrepreneurship programme and an apprenticeship programme. In addition, the government has proposed the creation of a fund for the revival of youth organizations, the establishment of Youth Centres to assist young people to advance their creative potential, and Youth Business Incubators to provide working spaces and administrative facilities for young entrepreneurs.

The National Youth Strategy 2007-13 aimed to support young people to set up an enterprise.<sup>152</sup> A funding unit was to be established to support youth microbusinesses, and the self-employment of young women in agriculture. It envisaged creating a programme “Youth Business” to provide credit at favorable terms to young entrepreneurs.<sup>153</sup> The goal of the National Youth Action Plan (2015 – 2020), which is being developed by the Ministry of Social Welfare and Youth, is to promote youth employment through effective labor market policies.

The above-mentioned aims have been incorporated into the “Strategy on Employment and Skills 2014-2020,” which sets out four main policy axes towards employment and skills development in Albania. These are (i) to foster decent job opportunities through effective labour market policies, (ii) offer quality vocational education and training to youth and adult

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149 UNDP (2013) *National Study on the Rural Labour Market*, Tirana: UNDP

150 According to interviews with local NGOs, Lezhe, August 2014

151 See *Government Program: Public Service*, accessed on 20 August 2014 from <http://www.kryeministria.al/en/program/public-service>

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152 Ministry of Tourism, Culture, Youth and Sports, *National Youth Strategy 2007-2013*, p. 22

153 Ibid.

(iii) promote social inclusion and territorial cohesion and (iv) strengthen the governance of the labour market and qualification systems. The strategy emphasises the importance of active labour market policies in assisting unemployed people to find a job, and especially identifies the need for policies and programmes “to be targeted to those who are more disadvantaged in the labour market, especially individuals with low educational and training levels, women, youth, other vulnerable groups, and those living in rural areas”.<sup>154</sup>

Specific proposals in the Strategy for Employment and Skills relate to the reform and expansion of the National Employment Service, support for higher productivity in the agricultural sector and reform of the social safety nets. The Government is committed to reduce by half the unemployment among registered female jobseekers. It has also promised to create services for children that will support common parental responsibility and will ease the burden off parents in the labour market.<sup>155</sup>

## Vocational education and training

Under the new reform, Vocational Education and Training (VET) has become a

responsibility of the Ministry of Social Welfare and Youth. The intention is to ensure that policies on VET and policies on employment are more closely aligned.

Since 2009-2010, vocational education has been structured at three levels with a maximum duration of four years.<sup>156</sup> Specifically, level I (2 academic years) prepares semi-skilled workers, level II (1 academic year) prepares qualified employees and level III (1 academic year) prepares technical/ managers and provides professional matura, and the continuation of higher studies at universities or post-secondary studies. The new structure is designed to enable transitions to higher levels of study, and to the labour market after completion of each level.<sup>157</sup>

Vocational education is offered in 41 vocational schools, and occasionally also in some general secondary schools. Vocational schools are divided into four main fields: electro-mechanical (18 schools), economic (9 schools), construction and joinery (4 schools), agriculture, forestry, veterinary medicine (9 schools). Despite a recently modernized course structure (2+1+1) which allows for vertical and horizontal flexibility with exit and re-entry points, vocational schools are widely perceived as general education

154 Albania Strategy on Employment and Skills 2014-2020, p. 46

155 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

156 Xhumari, M. and Dibra, S. (2012) *Mapping VET Policies and Practices for Social Inclusion and Social Cohesion in Albania*, Draft Interim Report to European Training Foundation, Turin.

157 Act no 8872, dated 29.03.2002, for “For the Vocational Education and Training in Republic of Albania.”

providers that happen to have technical or occupational profiles, rather than institutions that provide students with skills appropriate to the labour market and to finding a job.<sup>158</sup> Less than one fifth of pupils who finish primary education enrol in vocational schools, despite reforms to the curricula and Albanian Framework Qualification. Enrolment has fallen in recent years, from 26,956 in 2006 to 17,346 in 2011<sup>159</sup>. The share of upper secondary students enrolled in vocation schools has fallen from 62.3% in the 1991-92 school year to just 6.9% in the 2011-12 school year.

Enrolment in vocational secondary schools has fallen over time from a peak of 62% in 1992 to just 7% of all students enrolled in upper secondary education in 2012. The largest fall occurred in the period up to 1995 by which time only 21% of students were enrolled in vocational education. Enrolment in vocational education experienced a further fall since 2007 to reach its current low level<sup>160</sup>. This is a negative trend that reflects the falling demand for skilled workers in the economy following the collapse in industrial output in the 1990s. Nevertheless, if Albania is to re-engage with high productivity growth industries there will be a need to reverse

this fall in enrolment in vocational schools and vocational programmes. Vocational education is therefore now a priority of the government, but the vocational education system will need to be completely revitalized if it is to play a significant role in the Albanian education system and provide qualified graduates to meet the needs of future growth in the economy.

Over the last twenty years the proportion of female students that have enrolled in upper secondary vocational education schools has fallen substantially. The greatest fall took place in the early 1990s. In the mid 2000s there was a rebalancing and by the school year 2007-08 just over half the enrolled students were female. Since then there has been a further decline in the enrolment of girls into vocational schools. By the 2011-12 school year, less than one in three vocational school students was female. The reason has been partly because many courses are considered to lead to 'male occupations'. The location and security situation of VET schools are also discouraging factors for girls. Since there is a clear need for young males as well as females to earn a living, this need has to be met by removing access barriers for girls. On the demand side, the female labour force could be tapped by increasing the number of girls in non-traditional fields of study. This of course requires incentives, a conducive environment, the removal of barriers and the abandonment of gender stereotyped courses – in short: reform and affirmative action. The low proportion of girls also indicates the need to reform the curricula

158 Xhumari, M. and Dibra, S. (2012) *Mapping VET Policies and Practices for Social Inclusion and Social Cohesion in Albania*, Draft Interim Report to European Training Foundation, Turin.

159 UNESCO Institute of Statistics online data

160 Calculated from INSTAT database on educational enrolment.

in order to end the bias towards such ‘male oriented’ courses and to attract more girls into upper secondary vocational education. The ‘male’ orientation of lower vocational schools is even greater. In the 2011-12 school year, girls comprised only 10% of the 4,222 students enrolled in these courses.<sup>161</sup>

Public vocational training is delivered through 10 Vocational Training Centres (VTC) in the main cities, offering short-term courses of 4-6 weeks and longer courses up to 7 months. VTCs train registered unemployed people and other people in need. Vulnerable groups are trained free of charge, other unemployed people pay a fee of €10 and other people pay a fee of €20. Over the last ten years the system has provided training to about six thousand people per year. The VTCs collaborate with community-based NPO to enroll participants from vulnerable groups, often supported by various donor projects. Trainees include Roma and Egyptians, people with disabilities and returned emigrants. In 2012 the public VTCs trained 386 participants from vulnerable groups including 166 Roma and Egyptian people, 26 trafficked women, 6 ex-prisoners, 17 orphans, 82 people with disabilities and 89 returned migrants.<sup>162</sup> There are no specialized VTCs or special courses for people with disabilities, apart

from some initiatives by NGOs and interested groups supported by international donors that support vocational courses for people with disabilities at the VTCs.

The system of Vocational Training Centres does not currently have the capacity to make substantial inroads into the skills gaps that exist in the Albanian economy. The Government will need to develop the capacity of the vocational training system substantially and ensure that the skills that are taught meet the needs of the labour market. Consequently, several private vocational centers have been established to fill the gap in vocational training. During the year 2011, about 102 private companies offered on the job training and employment for about 1,170 unemployed job seekers. Training curricula are prepared, financed and approved centrally by the National Employment Service.<sup>163</sup>

Traditionally, in EU countries, active employment policies have covered measures such as employment subsidies, support for the creation of small businesses and cooperatives, and provision of vocational education and training (VET). One of the few available studies that has evaluated these measures in Albania found that employment subsidies and on-the-job training combined with vocational education is more effective in boosting employment than vocational training courses at school or training

161 Calculated from INSTAT database on enrolment in upper secondary education

162 Xhumari, M. and Dibra, S. (2012) *Mapping VET Policies and Practices for Social Inclusion and Social Cohesion in Albania*, Draft Interim Report to European Training Foundation, Turin, p. 18.

163 Ibid.



centres.<sup>164</sup> The government is therefore committed to reform vocational education so that it will better meet the demands of the labour market and turn the State into the main supporter of vocational training. Priority is to be given to registered jobseekers under 25 years of age, and to female jobseekers.

## Education and vocational training

The National Strategy for the Development of Pre-university Education (2014-2020) has established the vision of developing an “education system that puts the student at the center, supports sustainable economic development and serves to the consolidation of a democratic society.”<sup>165</sup> One of the objectives of the strategy is promoting inclusive and quality education. This includes for instance creating a friendly school environment that supports students’ growth, expanding the network of community-based schools, organizing counselling services, and offering supportive services for children with disabilities.<sup>166</sup> For instance, the strategy has established that by the year 2020, every municipality will offer supportive services

in educational institutions for children with disabilities. Some of the indicators that have been developed to measure change over time are: the number of children with disabilities integrated in schools, the number of male and female students who drop out of school, the number of supportive programs that assist children with special needs, and education expenses for marginalized children.

NSDI (2015-2020) has established the priorities of promoting inclusive and quality learning, scaling up vocational education, and improving access to and quality of education.<sup>167</sup> To track changes in education and social exclusion, the following indicators have been developed: the number of students with disabilities attending pre-university education; number of students with disabilities in special institutions; percentage of students with disabilities coming from families with income below the poverty threshold; percentage of the population with higher education by gender; and higher education graduates by gender.

The level of education of an individual or an individual’s household is a good predictor of the quality of household living conditions. Education is linked to employment and hence to income. Children from households with a higher level of parental education tend to perform better in the education

164 Vangjeli, E., Stillo, S. and Teneqexhi, M. (2012) “Impact of active labour market programs on employment: Albania’s case”, *Journal of Knowledge Management, Economics and Information Technology*, 8: 1-17

165 Ministry of Education and Sports. (2014). *Dokumenti i Strategjise se Zhvillimit te Arsimit Parauniversitar, 2014-2020*, p. 31.

166 Ibid., pp. 41-42.

167 Government of Albania, *Draft National Strategy for Development of Pre-university Education, 2014-2020*.

system, and so social inequalities tend to be passed on through the generations. The importance of education in ensuring good living conditions is shown by statistical analyses of census data carried out by INSTAT, which show that having tertiary education as the highest education achieved in the household compared to having no education increases the probability of having four basic services by 32.6% (availability of piped water, availability of a flush toilet, availability of heating and living in a non-overcrowded dwelling). Having a secondary education also has a positive effect but to a lesser extent than tertiary education.

Access to pre-university education in Albania is relatively low compared to OECD countries.<sup>168</sup> On average, children have 9.3 years of education at school and higher education institutions, compared to 11.2 years in Montenegro, although higher than Serbia with just 8.8 years.<sup>169</sup> There are also substantial differences in the length of education in different parts of the country. For example, a person raised in Tirana attends school approximately 3.5 years more than the average person.<sup>170</sup> There is a large problem of access to education for some social groups especially children with disabilities and Roma children. Save the Children has shown

that while there are almost 18,000 children with disabilities, only 1,000 are enrolled in school at any level of education.<sup>171</sup> According to UNICEF, only 48% of Roma children are enrolled in primary education, which is less than half of the national average, and only 25% complete primary education.

## Pre-school education

Early childhood education and care (ECEC) is crucial in providing children with a secure start in life. The quantity and quality of pre-school education has a profound effect on economic and social outcomes in later life. Consequently, inequalities in the provision of pre-school education are reflected in social inequalities as generations of children progress to maturity. Provision of high quality pre-school education can contribute to ensuring social inclusion of disadvantaged children later in their lives.<sup>172</sup> Less than one tenth of Roma children of the relevant age group attend preschool institutions.<sup>173</sup>

In Albania, pre-school education covers children aged from 3-6 years. Children aged 5 years may attend preparatory school

168 Ministry of Education and Science, 'National Strategy of Pre-University Education 2009 - 2013', 2008, p. 5

169 UNESCO online data, see: <http://data.uis.unesco.org>

170 Ibid.

171 Cuko, O., Kulla, F. and Kasapi, E. (2012) *Inclusive Education in Albania: Analytical Study*, Tirana: Save the Children,

172 See: [http://europa.eu/epic/studies-reports/docs/rr-553-dg-employment-ecec-brief-v-0-49\\_final.pdf](http://europa.eu/epic/studies-reports/docs/rr-553-dg-employment-ecec-brief-v-0-49_final.pdf)

173 Republic of Albania, *The Decade of Roma Inclusion: National Action Plan 2010-2015*, 2011, p. 10

(kindergarten) to prepare for entry to primary education. The provision of early-years crèches are important as children are more likely to go to kindergarten and then school, when crèches are available. It also allows parents, especially women to work, as they have a safe place to leave their children during work time. For Roma children, crèches could be important in socialisation and in learning the Albanian language gradually without the pressures that come with the starting of school. More efforts should be placed into expanding supportive services for children with disabilities. In addition, trained staff should address the special needs of children with disabilities.

The total enrolment rate for pre-school education has increased in recent years: from 60% in 2008 to around 80% in 2013.<sup>174</sup> Figure 2-3 shows the changing pattern of enrolment in kindergartens. The proportion of children in kindergartens in urban areas has increased from 40.1% in the 1993-94 school year to 53.1% in the 2011-12 school year. This reflects the shifting pattern of population accompanying strong rural-urban migration. At the same time, the share of children attending kindergarten in receipt of food has increased from 5.3% to 19.8% over the same period. This indicates that the policy of providing pre-school places, although it has not increased in line with increasing demand has at least met increased needs of poor children to some extent.

## Basic education

Compulsory primary education begins at age six and lasts nine years up to the age of sixteen. The net primary school enrolment ratio is 94%, which is above average for the region. In recent years there has been a decreasing number of pupils attending public sector primary schools, while attendance at private primary schools has increased. In 2011, 9.4% of primary schools were private. They enrolled 5% of students and employed 7.4% of teachers. By 2011 there were 140 private primary schools, enrolling 11,633 students in the elementary cycle, and 9,547 students in the lower secondary cycle.

Enrolment in rural primary schools has fallen due to migration from rural to urban areas. There has been a worrying trend of decline in the share of girls graduating from primary education. The trend is similar in both urban and rural areas. Although enrolment in primary education is compulsory, the enrolment of Roma children is very low (ILO, 2012). Only one quarter (27%) of 6-year old Roma children attend the first grade of primary school<sup>175</sup>.

In 2011, the 'survival rate' in primary education is 98.9%<sup>176</sup>, and in lower secondary education

174 Instat. (2014). *Women and Men in Albania*. Tirana: Institute of Statistics.

175 Republic of Albania, *The Decade of Roma Inclusion: National Action Plan 2010-2015*, 2011, p. 10

176 UNESCO Institute of Statistics online database on education statistics

is 97.4%<sup>177</sup>, meaning that just over one percent of children drop out of school before completing primary education, and a further 2.5% drop out of school before completing lower secondary education. The level of dropout is especially high among the Roma children and rural girls, and in all more than 20,000 young people of each generation fail to complete secondary education.<sup>178</sup> These children face a high risk of social exclusion in later life. According to UNICEF, about 60% of Roma children drop out of school before the fourth year of primary education due to discrimination in schools and because schools are situated too far from their settlements<sup>179</sup>. The main causes of dropouts are the expenses required for school that are too great for some very poor families. In rural areas, long distances from the village to the school<sup>180</sup> and poor access to roads and transportation also lead some children to drop out from school.<sup>181</sup> Ashton (2000) points to the involvement of children in agricultural tasks as a major reason behind drop out.<sup>182</sup> Other factors such as poverty, domestic violence, gender-based violence, school

violence, lack of security in schools and while travelling to schools, and stigmatization also play a role in inducing children to drop out of school. The Second Chance programme piloted by the Ministry of Education and Sports has been assessed positively by Roma and Egyptian organizations and its extension to all schools with large numbers of Roma children is recommended.<sup>183</sup> Although it is recommended continuous monitoring and improvement as necessary to prevent segregation and facilitate transition of Roma and Egyptians back into the mainstream education system.

There is also a problem of so-called 'hidden dropout'. This occurs when students who struggle in school are ignored in class and passed from grade to grade with little individual attention from teachers and low academic achievement. Without support, struggling students disengage from class lectures and gradually fall behind as they pass through the system<sup>184</sup>.

## Upper secondary general education

Secondary general education is not compulsory. It starts after finishing primary

177 Ibid.

178 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

179 UNICEF (n.d.) *Education in Albania – Country Profile*, Tirana

180 UNICEF (2000) *Vlerësimi i kushteve sociale dhe ekonomike të rrethëve në Shqipëri*, pp. 27-28

181 Ibid.

182 Musai, B. and Boce, E. (n.d.) *Albanian Drop Out Case Report*, Tirana: Centre for Democratic Education.

183 Decade of Roma Inclusion Secretariat Foundation, *Civil Society Monitoring Report on the Implementation of the National Roma Integration Strategy and Decade Action Plan in 2012 in Albania*, May 2013, p. 41.

184 UNICEF (n.d.) *Education in Albania: Country Profile*, Tirana

education at age 16. Selection into upper-secondary education was abolished in 2009. The duration of full time studies is three years, or four years part-time, and ends with Matura exams. Students are allowed to study in secondary school up to the age of 21. In recent years, the number of private secondary schools has increased to 117 in 2011, enrolling 4,112 students. The cost of sending a child to a private school is such that only the children of middle class or wealthy parents are able to attend such schools.<sup>185</sup>

The proportion of pupils who graduate from primary school and subsequently enrol in upper secondary education has been increasing in recent years. The gross enrolment ratio in upper secondary education is relatively high, at 82.5% in 2012, indicating that only 17.5% of primary students do not enrol in upper secondary education. The gross enrolment rate is however lower for girls at just 76.6%, meaning that almost a quarter of girls did not enrol for upper secondary education in 2012. The lower enrolment of girls indicates that they face some additional difficulties in continuing their education beyond compulsory level, which may put them at greater risk of social exclusion than boys. Effective measures should be introduced to support better access for girls to upper

secondary education.

Furthermore, the proportion that do not complete upper secondary education, known as 'early school leavers' is even higher and is relatively high compared to regional peers. In 2013, the proportion of early school leavers in Albania was 30.5%, compared to just 11.4% in Macedonia and 8.7% in Serbia. Between 2007 and 2010 the proportion of early school leavers diminished, but since then has been fairly constant. In view of the importance of continuing education for social inclusion, the government should take serious steps to address this problem.

A major gap in the transition from secondary school to work is the absence of systematic educational and career guidance.<sup>186</sup>

### Higher education

Relatively few students continue their education to tertiary level in universities and other higher education institutions. In 2012, the tertiary completion rate (the proportion of young people of the relevant age group that completed university studies) was just 16.8%, compared to 21.7% in Macedonia and 24.7% in Serbia<sup>187</sup>. It is only half of the Europe 2020 target of at least 40% of 30-34-year-olds completing third level education<sup>188</sup>. If

185 See: Marjola Rukaj "Albania: the boom of private schools" Osservatorio balcanico caucasio, 2nd October 2012, available at: <http://www.balcanicaucasio.org/eng/Regions-and-countries/Albania/Albania-the-boom-of-private-schools-122645>

186 *Government Program: Public Services*, accessed on 20 August 2014: <http://www.kryeministria.al/en/program/public-service>.

187 Eurostat online data variable code [cpc\_pseduc]

188 See: <http://ec.europa.eu/europe2020/targets/eu-targets/>



Albania were to aim to reach this target it would imply a doubling of the proportion of young people who enroll in tertiary education.

The gender composition of the tertiary education sector is favourable to women. Referring to INSTAT, in 2014, women comprise more than half (56%) of full time students in higher education.<sup>189</sup> However, the share of women in higher education has fallen from a peak of 62.3% in 2002<sup>190</sup>. Women are over-represented in liberal sciences such as pedagogical studies, health studies, humanitarian sciences and the arts, while men tend to dominate in engineering and in the natural sciences.<sup>191</sup> Such gender bias in the composition of the tertiary sector enrolment is undesirable as it may channel women into relatively less well-paid jobs than men.

### ***Educational attainment***

The educational attainment of the working age population has been improving over the last decade. According to the results of the 2011 census, compared with the situation recorded by the 2001 census, the proportion of the working age population having completed tertiary level education doubled from 6.2% to 12.0%.

The proportion of the population without any educational qualification fell from 7.1% to 5.0%, and the proportion with only a primary education fell from 13.1% to 9.0% percent (between 2001 and 2011). Yet, the highest level of qualification of about half of the working age population is still only a lower secondary diploma. There are striking differences between urban and rural areas in the probability of having a tertiary education. For instance, among working age people, more than three times as many urban residents have a tertiary education compared to rural residents (17.8% against 4.7%, respectively).<sup>192</sup>

Lack of education is often associated with low skill employment, with low wages and low job security. As a result, less educated individuals are at a higher risk of exclusion from the labour market. The working poor have on average 9.6 years of education, compared to 11.5 years for the working non-poor.<sup>193</sup> A lack of education reinforces social exclusion on the labour market. People with a low level of education are more likely to be unemployed than individuals with secondary and tertiary education. In 2012, according to the Labour Force Survey, the employment rate of people with lower secondary education was 53.5% compared to 57.4% of those with upper secondary education and

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189 INSTAT. (2014). Women and Men in Albania. Tirana: Institute of Statistics.

190 Calculated from INSTAT database on enrolment in higher education

191 Ibid.

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192 INSTAT "Labour Market Dynamics, p. 45

193 Ministry of Social Welfare and Youth, 'Employment and Skills Strategy 2014-2020', 2014, p. 6

66.9% for those with university and above.<sup>194</sup>

Gender gaps in labour force participation and employment also tend to decrease at higher levels of education. Data from the 2012 Living Standard Measurement Survey (LSMS) show that on average individuals with lower secondary education earn about 24% more than people with primary education. Those with upper secondary education earn about 22% more than those with lower secondary education, and tertiary education has a wage premium of about 32% from upper secondary education” (p. 12).

### **Education of Roma children**

Less than half of the approximately 5,000 Roma children aged from 3 to 16 years old in Albania attend school. Over half do not complete any school grades at all. On average Roma people have attended 3.4 years of schooling, while the non-Roma population have attended 8.6 years of schooling. The result is that more than two-fifths (43%) of Roma children between the ages of 15 to 16 are illiterate. Among the whole Roma population, only 58% of Roma women and 66% of Roma men are literate; in comparison, 96% of non-Roma women and 98% of non-Roma men are literate. Roma girls are even less well educated than Roma boys, and by the time they are twelve years old, their attendance at school is more than one fifth (23%) lower than boys. Roma children from poor families, from remote mountain areas,

and facing other social problems tend to receive less education than others.<sup>195</sup> The main cause of low school attendance of Roma children is extreme poverty.<sup>196</sup> The average income per capita among the Roma is only one-third that of non-Roma, and due to the extreme poverty, two-thirds of Roma families are unable afford textbooks or other school materials. They are also unable to buy clothes for them to wear at school. According to a study conducted by the World Bank, 45% of Roma have no access to running water at home, as water pipes are not installed. Most Roma head-of-households do not benefit from the financial aid schemes, either because they are not registered at the civil registry offices, or for not meeting specific criteria such as that of transfer of residence.<sup>197</sup>

### **Inclusive Education Policies**

Inclusive education is a firm commitment of the Government of Albania, which has signed the United Nations Convention on the Rights of Persons with Disabilities (2009). Inclusive education is also envisaged in Law 69/2012, On Pre-university Education, in the Pre-university Education Strategy 2008-2013 and in the Action Plan for Children 2012-2015<sup>198</sup>. The latter includes the Strategic Objective of

<sup>194</sup> Ibid., p. 12

<sup>195</sup> Ministry of Education and Science, *National Strategy of Pre-University Education 2009–2013*, 2008, p. 6

<sup>196</sup> Ibid., p. 11

<sup>197</sup> Ibid., p. 15

<sup>198</sup> Cuko, O., Kulla, F. and Kasapi, E. (2012) *Inclusive Education in Albania: Analytical Study*, Tirana: Save the Children,

“Creating an inclusive and quality education system for children” will be achieved through: (1) Continuous improvement and consolidation of a free and quality public education system in the preschool and compulsory education levels; (2) Children’s inclusion in the learning process, regardless of their ethnicity, disability and geographic location or the socio-economic conditions of their family; (3) Reduction of school dropout rate. The labour-market orientation of VET systems is one of the main objectives of the “Act For Vocational Education and Training in Albania” (2011) and the “National Strategy on VET 2013-2020” (2012). The Strategy establishes that VET schools and Vocational Training Centres should design strategies to enhance the inclusiveness of their policies and practices.

Public expenditure on education in Albania is 3.4% of GDP<sup>199</sup>. This is significantly below the share of GDP spent on education by regional peers. For example, public expenditure on education in Kosovo and Macedonia amounts to 4% of GDP, while in Serbia it is 4.9% of GDP. Without further raising the resources available to the education sector it is unlikely that effective measures to promote inclusive education will succeed. The Government has stated several ambitious aims of inclusive education policies starting with an increase public expenditure on education to 5% of GDP to support good quality education for all children regardless of their origin, family

circumstances or economic status.<sup>200</sup> It has also stated that it aims to provide pre-school education for all children up to 5 years of age. Inclusive education policies are aimed at supporting disadvantaged and vulnerable pupils by providing of free transport for pupils who walk more than 20 minutes to reach school<sup>201</sup>, providing free textbooks for every third child of the family, making schools accessible to pupils with physical disabilities, and providing psychosocial counselling service in every public school<sup>202</sup>. The National Strategy of Pre-University Education 2009 – 2013 envisaged the construction of dormitories for the pupils of compulsory education, in order to create access to pupils whose dwellings are far from school and the creation of appropriate teaching conditions, teaching classrooms and other premises, particularly in rural areas or in areas with a large number of pupils. . The government has stated that it aims to provide vocational education and training courses in rural areas, to provide an

199 Eurostat online data variable code [cpc\_pseduc]

200 Government Programme, previously on government website

201 The National Strategy of Pre-University Education 2009-2013 already envisaged the provision of transport for disabled children who live far from school.

202 A reimbursement scheme for textbooks is in place, but many children cannot afford to purchase those books, as parents cannot afford to buy them. Children from the Roma and Egyptian community often are not able to buy textbooks. These groups should receive improved subsidies, or free books.

impetus to the agro-processing industry.<sup>203</sup> To motivate the school attendance by pupils from remote rural areas and those with the most developed agriculture, financing policies shall be implemented by state scholarships and other financial support.<sup>204</sup>

A further target of the Government is to reduce early school leaving, and increase the completion rate of secondary education to 90%. The government has also stated its aim to ease the transition from school to work by establishing career counselling centres in secondary schools and introducing a programme of mentors to provide courses free of charge after regular classes. The Government aims to enable every young person up to 26 years of age to obtain a university or vocational training degree, or to be placed in a job.<sup>205</sup> It also aims to offer free training courses to unemployed girls under 25 years old. The Government should also consider provision of additional vocational education opportunities specifically for girls and women coming from marginalised groups, and to the creation of professional schools for girls to support their professional development.

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203 Government Programme (available on Government website August 2014, since withdrawn)

204 National Strategy of Pre-University Education 2009 – 2013, p. 32.

205 Government Programme (available on Government website August 2014, since withdrawn)

## Health

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NSDI (2015-2020) has set the goal of ensuring equitable access to health services, improved quality of service delivery, and improved financial efficiency of the health system. The focus of the Multidisciplinary Health Reform is building capacities and improving health governance with the purpose of ensuring the effective management of health services and institutions, enhancing the quality of health services, and expanding public protection services. Some of the priorities include expanding the base for health contributions, improving health infrastructure, strengthening public-private partnerships, establishing innovative health schemes, and enhancing transparency and strengthening accountability.

The Government has expressed concern that the healthcare service is one of the worst public services delivered to Albanian citizens, and that the health system fails to effectively prevent, diagnose, treat and rehabilitate.<sup>206</sup> Many people have had problems in access to health care services. Common complaints include having to pay money under the counter to health care professionals, lack of supplies or equipment, lack of medicaments, and absence of available medical staff. Medical equipment is often inaccessible to women with disabilities who have to use

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206 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

wheel chairs.<sup>207</sup>

Some areas of health care are better provided for than others. In the field of maternity care for example, the coverage of the service is almost universal. Almost all pregnant women (97%) have received antenatal health by a qualified provider at least once during pregnancy.<sup>208</sup> Almost all women with a live birth have received ante natal care (97%) and assistance during birth (99%) by a health professional and 83% of these females have received post natal care within two days after birth.

### **Health inequalities**

An important barrier to access is the incomplete coverage of the population by social health insurance. Only half of adult men and one fifth of women surveyed by the Demographic and Health Survey 2009 claimed to be covered by state health insurance.<sup>209</sup> Health insurance coverage appears to be especially low in rural areas. Due to the poor coverage of health insurance, around one million people of working age make informal payments to receive health care for both outpatient and inpatient care, adding to social inequality and injustice. A very small proportion of people who can afford it have private health insurance.

The poor and residents of rural areas are more likely to make informal payments.<sup>210</sup> Reforms of the primary health care system have only brought about small reductions in informal payments.<sup>211</sup> Limited resources and governance failure in health care seem to be the main reasons for the practice of informal payments. Increased wages of primary care workers have had little impact on informal payments. Vulnerable groups remain less protected against such payments, and policy measures have not reached the most deprived regions of the country.

There is some evidence of differential access to health services by income level in relation to the distance that a patient must travel to the nearest health centre. Over the last decade the proportion of people that must spend a long time travelling to the nearest health centre has fallen substantially. The proportion of people who spend more than one hour travelling to the nearest health centre has fallen from almost one in ten of the population (9.2%) to less than one in forty (2.4%). There is not much difference between the poor and the non-poor in this regard. Somewhat surprisingly, the proportion that travels between 30-59 minutes to the nearest health centre has registered a strong increase between 2008 and 2012. Whether this is due

207 National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 - 2015, 2011, p. 30-31

208 Ibid., p. 30

209 Ibid., p. 31

210 United Nations Office on Drugs and Crime. (2011) *Corruption in Albania: Bribery as Experienced by the Population*, Vienna, United Nations Office on Drugs and Crime

211 Tomini and Groot (2013) Paying informally for public health care in Albania: scarce resources or governance failure? *Applied Economics*, 45(34/36),



to an increase in congestion on the roads or some other reason is unclear. Some further research is needed to establish whether this reflects a real change in travel conditions and which social groups are most affected.

A particular source of concern is that women in Albania receive lower levels of antenatal and postnatal care than do women in other countries in Europe, and at the same time there are large socio-economic and regional disparities in maternal health care use.<sup>212</sup> Women in richer households have higher levels of antenatal care than do those from poorer households, as do those living in Tirana and other urban areas. Other factors associated with high levels of antenatal care include being better educated, being employed and having fewer children.<sup>213</sup>

The health status of Roma people is generally poor, due to unhealthy living environments. Roma suffer a lack of access to basic health services. Of all countries in Central and South East Europe, Roma in Albania suffer the greatest gap in coverage by social health insurance as only one third of Albanian Roma are covered.<sup>214</sup> Only 25% of Roma earn enough

income to buy medications.<sup>215</sup> Women and children are most exposed to health risk. Roma have insufficient information about their rights to healthcare services including vaccination, and health effects of drug abuse and sexually transmitted diseases. According to a recent report by UNFPA, members of Albania's Roma community are subject to longstanding social exclusion and prejudice, most lack civil registration and don't speak the official language, limiting access to health services.<sup>216</sup>

In the health services, LGTB persons are often subject to prejudiced reactions. Due to expectations of such negative reactions, many LGTB persons hesitate to seek medical assistance when they need it. Moreover, many health workers lack the necessary knowledge about how to deal with the needs of LGBT persons.

### **Addressing health inequalities**

The Government aims to build a high quality healthcare system that offers full access and is financially sustainable. It aims to ensure universal healthcare coverage for all the Albanian residents without excluding poor people on the due to inability to pay for healthcare services.<sup>217</sup> Tomini and Groot

212 Sado, L., A. Spaho, and D. R. Hotchkiss (2014) "The Influence of Women's Empowerment on Maternal Health Care Utilization: Evidence from Albania," *Social Science & Medicine*, 114: 169-77

213 Ibid.

214 Kuhlbrandt, C., Footman, K. Rechel, B. and McKee, M. (2014) "An Examination of Roma Health Insurance Status in Central and Eastern Europe," *European Journal of Public Health*, 24(5): 707-12

215 Ibid., p. 22

216 See more at: <http://eeca.unfpa.org/news/tackling-family-planning-every-angle-albania#sthash.uTTpqPuY.dpuf>

217 Government Programme (available on Government website August 2014, since withdrawn)

(2013) argue that measures to eliminate informal payments would increase efficiency in financing the health care system.<sup>218</sup> More incentives for physicians (e.g. revenue sharing) and increasing control and accountability would contribute in this regard. Based on an analysis of LSMS data for 2002, 2005 and 2008, they suggest that the most effective policy measure in Albania would be to include inpatient care in the benefits package of the health insurance scheme. The direct contracting of inpatient services by the health insurance fund would increase the efficiency and accountability of inpatient care provision.

Reducing inequalities in health care should be an important strand of social inclusion strategy in Albania. Research in other countries has shown that women's status within the household can be a powerful force for improving the health, longevity, and mental and physical capacity of mothers and the well being of children. Based on an analysis of data from the 2008-09 Albania Demographic and Health Survey, Sado et al. (2014) show that policy actions that increase women's empowerment at home could be effective in improving maternal health.

## Material deprivation

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In the SIPD, material deprivation encompasses the following aspects: housing, possession of durable goods, and fulfillment of basic needs.

The goal of the Social Housing Strategy (2015-2020) of the Ministry of Urban Development is to provide low and middle-income Albanian families, and in particular vulnerable households, with available, accessible, affordable and quality housing solutions.<sup>219</sup> During 2015–2020, the Ministry of Urban Development will improve the legal and institutional framework both at the local and national level, coordinate the efforts between the central and local governments in the provision of social housing programs, improve access to information, and expand financial options for vulnerable groups. The strategy emphasizes the importance of enabling communities to involve in the provision of social housing solutions, e.g. through self-help housing, incremental housing, and house improvements. To measure housing and social exclusion, the following indicators have been developed: number of applicants by vulnerable group; proportion of beneficiaries by vulnerable group; the number of municipalities with a social housing allocation unit with a clear mandate regarding the inclusion of

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218 Tomini and Groot (2013) Paying informally for public health care in Albania: scare resources or governance failure? *Applied Economics*, 45(34/36), pp. 5119-5139

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219 Ministry of Urban Development. (2015). *Social Housing Strategy for the Republic of Albania, 2015-2020*, p. 28.

vulnerable groups; number of municipalities with guidelines to the specific situation of vulnerable groups (such as Roma and Egyptians, orphans, etc.); materials produced with the purpose of disseminating information on social housing allocation procedures for each social housing programs, with a specific focus on reaching vulnerable groups; number of collaborations established with CSOs and specific organizations such as the Roma Focal Points; and level of progress on legalizing and upgrading informal Roma and Egyptian settlements.<sup>220</sup>

Under the communist system all housing was under national state ownership. The housing stock was privatized in 1993 under the Law on the Privatization of State Housing (No. 7652, 1992). Within a year, 238,700 state-owned flats (99% of the total public housing stock) were privatized.<sup>221</sup> By 2002, some 46,000 families were registered as homeless. Due to large-scale rural-urban migration, many illegal houses were constructed in and around the large cities, mainly Tirana. Visible differences in housing conditions exist between poor and non-poor households.<sup>222</sup> For example, while only 3.9% of non-poor households live in overcrowded dwellings with more than three persons per room, while as many as 18.9% of poor households live in

such overcrowded conditions.<sup>223</sup> Inadequate dwelling and living conditions can have serious consequences for social inclusion, as they can produce an inter-generational poverty trap. Lack of basic services and inadequate living conditions may have a negative influence on income generation by household members. They may also influence children's education by reducing school attendance and performance. In turn, household poverty reinforces poor dwelling and living conditions.

### **Housing conditions**

Between 2001 and 2011 Census the number of buildings increased by one third (32.8%) while the population fell by 3.6%, demonstrating an overall improvement in living conditions, as far as available space is concerned.<sup>224</sup> The proportion of dwellings with inside piped water supply has also increased; in urban areas by three times.<sup>225</sup> The LSMS also gives some insight into the differences in access to running water by economic status. Over the last decade, access to running water has improved substantially, as the proportion with no access has fallen from one third of the population in 2002

220 Ibid., pp. 64-70.

221 Shutina, D. (2010) Technical Paper on Corruption Risks in the Allocation of Public Housing in Albania, Strasbourg: Council of Europe

222 INSTAT (2014) Albania: *Dwellings and Living Conditions*, p. 29

223 Data are from the Living Standards Measurement Survey, 2012, available from INSTAT LSMS online database. It should be noted however that this is a great improvement over the situation of 2008, when 17.0% of the non-poor and 42.3% of the poor lived in overcrowded accommodation.

224 INSTAT (2014) Albania: *Dwellings and Living Conditions*, p. 9

225 Ibid., p. 14

to almost one in seven in 2012. There are slightly more poor people than non-poor people lacking access to running water, but the difference is not great. Further studies are needed to identify which social groups are most affected by a lack of access to running water.

Similar improvements have taken place with regard to sanitation. Over the last decade, access to sanitation has also improved substantially. The proportion of the population with only an outside WC without piping has fallen from over one quarter (28%) to less than one in thirty (3.0%). However, three times as many poor households have only this facility compared to non-poor households. While almost all non-poor households have a WC inside the house, about 15% of poor households lack this facility. There is a clear divide between access to quality sanitation services between poor and non-poor households that contributes to social exclusion on the basis of economic status. Further studies are needed to identify which vulnerable groups are most affected by this form of social exclusion.

The census of 2011 shows that most dwellings have three rooms (43.8% of dwellings fall into this category), while just over one quarter have only two rooms (28.7%).<sup>226</sup> Just under one quarter (24.3%) have four rooms or more. Large-scale migration from rural to urban areas has caused cities in

Albania to become more crowded<sup>227</sup>. The LSMS data reveal substantial differences in the proportion of households suffering from overcrowded housing conditions between poor and non-poor households. Overall there has been an improvement with a decline in the number of overcrowded households with more than three persons per room from over one quarter (27.5%) in 2002 to less than one in sixteen (6.0%) in 2012. However, almost one in five (18.9%) of poor households still live in overcrowded conditions. This suggests a significant unmet need for greater housing space that should be provided by an expanded stock of social housing (see more below).

Another consequence of rapid rural-urban migration is a large number of empty properties in rural areas. By 2011, over one fifth (21.7%) of all dwellings in Albania were vacant. Some of these houses are used as second homes that urban residents use for recreational purposes. In 2011, the share of dwellings used as second homes was 7.3% in urban areas and 9.4% in rural areas. Most buildings are single-family dwellings, 85% of which have only one floor. The proportion of multi-family apartments in the total housing stock is just 3.7%, although in response to the increase in urbanisation an increasing number of new buildings are multi-storey apartment blocks. Living in an urban area improves the probability of a household

226 INSTAT (2014) *Albania: Dwellings and Living Conditions*, p. 17

227 Between 2001 and 2011, the rural population fell by over one quarter (26.7%) while the urban population increased by 15.8%

receiving all basic services. However, a significant proportion of households lack two or more basic services. In urban areas 5.7% of households lack two or more basic services, while in rural areas the proportion of households lacking two or more basic services is 11.6%. Relatively few households lack three or more basic services (1.4% in urban areas and 4.8% in rural areas).<sup>228</sup> The prefectures with the highest proportion of households with two or more unmet basic needs are Korça (12.8%), Lezhë (12.7%), Elbasan (11.7%) and Fier (10.6%).<sup>229</sup> Housing deprivation also affects vulnerable groups in different ways. The Roma population in particular seems to suffer from severe housing deprivation in many respects.<sup>230</sup> In contrast to many other countries, female-headed households appear to have good living conditions.<sup>231</sup> This is because in most female-headed households the male breadwinner has migrated and sends remittance back to his family at home.<sup>232</sup>

### **Social Housing Policies**

Social housing policy aims to respond to the needs of the most socially excluded

people who cannot afford to buy or rent accommodation of a minimum social standard. The law on social housing<sup>233</sup> establishes the criteria for the selection of beneficiaries of state supported housing programmes. The criteria reflect housing conditions (overcrowding); family conditions (divorced, female headed family, family with many children), social conditions (persons with disabilities, elderly, orphans, migrant workers) and economic conditions. To be preselected for the scoring system, the family should comply with two conditions. Firstly, monthly income should not be higher than 100% of the area average for social housing<sup>234</sup> and 120% for low-cost housing, and secondly, families should not own or live in a house whose size is above minimum standards.

Social housing is a local responsibility and local governments are responsible for the planning, management and delivery of social housing to the local population on the basis of need. The law provides for a range of instruments to support social housing including interest rate subsidies, housing allowances, public land development as well as the construction of new social housing. To create new social housing, local governments must provide land for construction and provide the funds for the investment based on their own local taxes and incomes. They decide who is eligible to

228 INSTAT (2014) *Albania: Dwellings and Living Conditions*. p. 31

229 Ibid., p. 33

230 UNDP (2013) *Housing Policies and Practices for Roma in Albania: Background Study*, Tirana: UNDP

231 INSTAT (2014) *Albania: Dwellings and Living Conditions*, p. 25

232 Ibid., p. 25

233 Law No. 9232 of 13.05.2004

234 Which varies in each local government unit



live in the social housing units and for their maintenance. However, local governments have very limited funds to carry out these responsibilities. Moreover, it is claimed that the social housing that is available is often allocated to non-poor households.<sup>235</sup>

Access to safe and secure housing is a fundamental human right. The government of Albania protects the human right of safe and secure housing through numerous programs, including social rented housing, low-cost housing, housing subsidies, subsidized loans, small grants, immediate grants, and land infrastructure. The selection of social housing beneficiaries is based on their living conditions as well as their social and economic circumstances. Priority is placed on fifteen groups, including single-parent families, large families, older adults, people with disabilities, young couples, families that have changed residence, orphans, returning emigrants, migrant workers, asylum seekers, fallen officers, victims of domestic violence, Roma families, Egyptian families, and recipients of economic assistance.

To take an example of the implementation of these policies at local level, the Social Housing Programme of the Municipality of Tirana aims to facilitate access to housing for vulnerable groups by providing social housing and low interest loans. This programme

assists homeless people to complete the documents needed to be included in the list of homeless citizens. However, Roma people face difficulties fulfilling the criterion of “regular income” needed to become beneficiaries of this scheme, especially if they are unemployed, since they are usually not registered as unemployed job seekers or cannot prove their income resulting from informal activities<sup>236</sup>. Typically, they would not be able to pay the rent and credit repayments even if they were to benefit from a facilitated loan.

Two recent studies conducted by UNDP<sup>237</sup> shed further light on numerous problems that characterize social housing programs. One of the largest programs – low-cost housing – is not affordable for the poor; therefore, they do not benefit from the program. In addition, banking procedures are too long and costly; local government officials and bank officers give preferential treatment to the people they know; and local government officials encourage individuals to apply for social housing even when they do not meet the legal criteria. The program of social rented housing is more likely to target low-income families. Yet, the program is not affordable for those who live close or

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235 Shutina, D. (2010) *Technical Paper on Corruption Risks in the Allocation of Public Housing in Albania*, Strasbourg: Council of Europe

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236 Council of Europe (2013) *Thematic Report on Social Housing for Roma and Legislation of Roma*, Strasbourg

237 See: <http://www.al.undp.org/content/albania/en/home/library/poverty/needs-assessment-of-social-housing-in-albania/>; <http://www.al.undp.org/content/albania/en/home/library/analysis-of-situation-of-social-housing-in-albania/>

below the poverty line. In addition, social rented housing does not address the needs of persons with disabilities. The program of housing subsidies is the smallest. Housing subsidies are viewed as a temporary solution to housing problems. There are no rules on how to discourage dependency from the program. Housing subsidies are not always utilized because apartment owners hold discriminatory attitudes towards vulnerable groups.<sup>238</sup>

A survey conducted with 27 municipalities shows that the highest proportion of beneficiaries belongs to the group of young couples. Forty percent of young couples who have applied for a social housing program have been beneficiaries. The lowest proportion of beneficiaries belongs to the groups of orphans, Egyptian families, and female-headed families. For example, only 11.0% of Egyptians who have applied for social housing have been beneficiaries. Similarly, the proportion of orphans that have benefited social housing is very low. Only 4.6% of applicants (4 out of 86) have benefited from a social housing program. Results also show that victims of domestic violence have not benefited from social housing programs. Female-headed families, together with young couples, recipients of economic assistance, and persons with disabilities are more likely to apply for social housing. However, the proportion of female-headed families that benefit from social

housing programs is small.<sup>239</sup>

These studies shed light on the importance of implementing housing programs that address the needs of extremely low and very low-income families. So far, housing programs have failed to reach impoverished individuals. In addition, these studies highlight the importance of promoting economic and social development programs in tandem with social housing programs. Socially excluded groups have multiple problems that need to be addressed simultaneously, such as unemployment, illiteracy, and mental health problems. Interventions should focus on improving access to information, increasing employment opportunities, providing access to health and mental health services, and organizing educational programs on how to manage housing units and cohabitate with others. A multidimensional approach to social housing is critical.

The provision of social housing is a Government priority.<sup>240</sup> The Government aims to distribute social housing apartments through a more transparent process and to improve housing legislation so that affordable housing is available to all people in need including those from vulnerable groups. The Government aims to provide special attention to orphan children and teenagers who are released from care

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238 Ibid.

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239 Ibid.

240 See: *Government Program: Public Services*, available at: <http://www.kryeministria.al/en/program/public-service>

institutions at the age of 18, and through deinstitutionalization to provide them with appropriate housing and employment.<sup>241</sup> It aims to build a functional child protection system, through establishment of Child Protection Units (CPUs) at local level and a system of protective and welfare services by government and the non-public sector. One of the main aims is to protect the child through empowering and assisting the family through offering different services to the families. It also aims to supply food to children living in remote areas under rough climatic conditions, regardless of family incomes. Finally, it aims to ensure electronic registration of all children at birth so that all children from vulnerable categories are recorded in the Civil Register.

## Participation and human rights

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Participation and human rights will encompass possession of personal documents, cultural participation, political participation, presence and dialogue with civil society organizations, and access to justice. The Ministry of Justice is developing the Justice Strategy for Minors (2015-2020), which focuses on judicial proceedings and alternatives services for children in conflict with the law, and victims and witnesses of criminal acts. NSDI (2015-2020) has set

numerous strategic goals with the purpose of enhancing the effectiveness and efficiency of the justice system. This includes increasing public trust in the justice system, enhancing transparency and good governance, ensuring the enforcement of court decisions, guaranteeing fundamental human rights, and ensuring access to information.<sup>242</sup> To capture changes in the justice system during 2015-2020, several indicators have been established in the NSDI. For instance, access to justice and independence of the judiciary, fight against corruption, freedom of speech, judicial system performance index, performance of courts, enforcement of court decisions, density of prisons population, the education and rehabilitation of persons on parole, the number of persons on parole included in rehabilitation activities, and number of referrals on trafficking in human beings.

There is a strong relationship between access to justice and social inclusion. Poor access to justice is translated into poor (or lack of) access to education, health, employment, and social housing programs. Referring to Tirana Legal Aid Society (TLAS) – an organization located in the capital that provides free legal aid – less emphasis is placed on legal aid programs than economic and social assistance programs. Free legal aid services are usually demanded by children in need, victims of domestic violence and trafficking, persons with disabilities, inmates,

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241 Government Programme (available on Government website August 2014, since withdrawn)

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242 *Draft National Strategy for Development and Integration, 2015-2020.*

detainees, older adults, Romani, Egyptians, and LGBT.<sup>243</sup>

Albania passed the Law no. 10039, On Legal Aid, in 2008. Referring to Law no. 10039, legal aid is provided to those individuals who “need legal aid in civil and administrative cases, but don’t have the financial means to pay for legal aid” (Article 13). The law was amended in 2013. The amendment introduced the concept of Local Legal Clinics, which should provide assistance to vulnerable groups in local government units. The State Commission on Legal Aid (SCLA) is responsible for the provision of legal aid. SCLA is comprised of representatives from the Ministry of Justice, the Ministry of Finance, the National Bar Association, the High Council of Justice, and a representative of a non-profit organizations working on legal aid.

Applicants for legal aid must complete a simple form and the Commission collects the required documents to complete the process. Receipt of legal aid absolves a plaintiff from paying court fees. In 2014, a change in the law (law no.10039, date 22.12.2008, “For legal aid, amended”) provided access to the system for people in a defined set of vulnerable categories, replacing the previous arrangement whereby only recipients of social assistance (NE) could apply. Following the amendments to the law, besides the maximum income threshold,

which is applied, other personal and family conditions are considered for free legal aid beneficiaries in case they cannot guarantee privately legal protection.

SCLA is performing very poorly.<sup>244</sup> Its activities are very limited and the level of transparency is very low. In 2012, SCLA provided legal aid to eight applicants. TLAS advocated for the provision of legal aid to thirty-three cases, most of them from the Roma community. However, it is not clear if such cases were fully addressed by SCLA. Evidence shows that application procedures are too long. Applicants should submit seven documents to SCLA. This is too demanding for several groups, especially those with low levels of education, minorities, and migrants. In addition, there is a lack of information on SCLA – the application process, types of services provided, and the length of the process; the information on SCLA is not available on the web site or social media; and services are not provided outside of the capital.<sup>245</sup> Overall, SCLA is a closed institution that lacks transparency and willingness to collaborate with other institutions. SCLA does not yet reach the most vulnerable people. For example, no applications for legal aid have yet been made by persons with disabilities. The system also fails to reach out to vulnerable people living in rural areas, and most of the applications come from the region of Tirana.

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243 Tirana Legal Aid Society (2012) *Legal Aid in Albania*, Tirana: Tirana Legal Aid Society

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244 Ibid.

245 Ibid.

The report of TLAS on Legal Aid in Albania provides several suggestions on how to make legal aid work for socially excluded people. Referring to the report, SCLA should increase transparency; make the distribution of funds transparent; advocate for greater funds from the central government; foster collaboration with the Ministry of Justice, the Ministry of Finance, the National Bar Association, the High Council of Justice, and civil society organizations. There is a great need for collaboration. One of the objectives of the Charter of the National Bar Association is “to encourage the provision of free legal aid services for those who cannot afford a lawyer” (Article 2). SCLA should draw on its partners to expand its services and advocate for greater support for socially excluded groups. In addition, TLAS suggests involving attorneys in every district to improve access to justice.

However, improving access to justice should be the first step towards a greater goal, that is, the legal empowerment of socially excluded groups. Legal empowerment is defined as “the use of law to increase the control that disadvantaged populations exercise over their lives.”<sup>246</sup> The focus should not only be on improving access to the justice system, but also on increasing the capacity of people to understand and use the law.<sup>247</sup>

Legal empowerment interventions are grouped into three categories: first-order interventions (basic awareness raising through the media or other forms of communication); second-order interventions (solving problems through the formal and informal justice system, such as through community counselling and paralegal services); and high-order interventions (advocating for changes at the decision-making level by drafting legislation, advocating for changes in the legal reform, and so forth). Presently, the number of civil society organizations that use such strategies is too small. They do not have sufficient capacities to implement legal empowerment programs at the national level, especially in poor and remote areas with high levels of poverty.

Evidence shows that legal empowerment strategies have a positive effect on access to health clinics and educational centres. Legal empowerment should be an essential component of social and economic development programs. In other words, each sector – health, education, employment, and social housing – should have a legal empowerment component. For instance, health workers should assist families in obtaining legal identity documents to demand services. Or, development practitioners should train people on how to file information requests.<sup>248</sup>

246 See: <http://asiafoundation.org/resources/pdfs/LegalEmpowerment.pdf>, p. 9

247 See: <http://www.namati.org/publications/what-do-we-know-about-legal-empowerment-mapping-the-evidence/>, p. 8

248 See: <http://asiafoundation.org/resources/pdfs/LegalEmpowerment.pdf>



The success of government policies and programs at the local level depends on the engagement of local authorities and community members. Often, they lack information, skills, and confidence. Legal empowerment “can help bridge this gap by providing vulnerable groups with the information, training, assistance, and confidence that they need to enforce their legal rights and harness existing and new opportunities presented through mainstream development initiatives.”<sup>249</sup>

Legal empowerment initiatives are most effective in the presence of strong collaboration between government agencies and civil society organizations. It is imperative that legal aid goes hand in hand with legal empowerment programs. While legal aid focuses on providing assistance at the individual level, legal empowerment focuses on educating socially excluded groups about their legal rights, and providing opportunities to apply their knowledge. This approach will not only allow them to gain access to justice, but also change their realities.

Young people are increasingly involved in criminal activities.<sup>250</sup> According to the National Youth Strategy, 2007-2013, the involvement of young people in crime is directly linked to social exclusion and to barriers to access to education, information,

culture, and employment. Other factors are also involved, including increasing family violence and a lack of prevention programmes. Criminality is higher in areas with high levels of poverty and migration than elsewhere.<sup>251</sup> NPOs lack the capacity to offer community services on a volunteer basis.

In order to ensure full access to justice for vulnerable groups, the Government aims to revise the court fees applied to claims filed by citizens and will ensure free legal assistance.<sup>252</sup> Domestic violence appears to be fairly widespread in Albania. In a national survey carried out by INSTAT in 2013, 59.4% of women reported “ever” experiencing domestic violence in their marriage or intimate relationships, and 53% were “currently” experiencing domestic violence (within the 12 months prior to the interview).<sup>253</sup> Almost one quarter (24.6%) of women “ever” experienced both physical and sexual violence, and almost one in six (16.2%) were “currently” experiencing both physical and sexual violence in their marriage or intimate relationships. Women between 18 and 24 years old were slightly more likely to “ever” experience domestic violence than other women. Women who do not work outside the home, are less well educated

249 Ibid., p. 4

250 Ministry of Tourism, Culture, Youth and Sports, *National Youth Strategy 2007-2013*, p. 29

251 Ibid.

252 Government Programme (available on Government website August 2014, since withdrawn)

253 INSTAT (2014) *Women and men in Albania, 2014*, Tirana: INSTAT

or living in rural areas are more likely to experience physical or emotional abuse than others.<sup>254</sup> Few women who experience abuse seek assistance from professional sources and most deal with the problem within the family. This indicates the low trust by women in the existing system. Often the woman (and her children) leaves her home and loses her entire safety net. Her transfer to another area, even another town represents added challenges for her social inclusion, access to services and labour market and even exercise of her political rights, such as voting. This suggests that there is a significant gap in the provision of professional help for these disadvantaged women that should be addressed by policy makers.

In relation to the problem of violence against women, the Government has announced that all public institutions are expected to introduce measures to reduce violence against women, strengthening of role of the judiciary in the prevention and support of the victims of violence and proper punishment of the violators. The re-integration of girls and women who are victims of violence will be supported through provision of social houses, employment, vocational training and social service assistance.<sup>255</sup> A domestic violence online registration and tracking system was established in June 2014. This system supports referrals: it is used to register

information on cases of domestic violence and the ways that such cases are managed by service providers. The system was initially piloted in 2009 in several municipalities.

Albania is a point of origin for cases of trafficking to destinations such as Italy, Belgium, Greece, the United Kingdom, Germany and Kosovo.<sup>256</sup> The location of trafficking for purposes of sexual exploitation within Albania is moving from bars to private apartments and members-only clubs. Organised exploitation of children as child begging is on the increase as another form of human trafficking.<sup>257</sup> Standard operating procedures (SOPs) have been developed by the Anti-trafficking Unit by the National Coordinator on Combating Trafficking in Persons to identify and refer victims of trafficking. The Ministry of Health, in collaboration with the Anti-trafficking Unit and IOM has issued guidance to health professionals on how to identify cases of trafficking to the SOP. However, no referrals had been made by 2011 and there is no evidence of any referrals having been made since then.<sup>258</sup>

The system of blood feud is still in practice in remote and underdeveloped parts of Albania. This directly affects men rather than women, but has a profound impact on all members of a family, restricting their ability to lead a

254 *National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 - 2015*, 2011, pp. 33-34

255 Ibid.

256 IOM (2014)

257 Ibid., p. 44

258 Ibid., p. 47

normal life. Greater assistance is needed for such families through the application of the justice system and through improved access to legal aid.

Children suffer routinely from family violence. According to one study, more than half of children who responded to a survey had been physically beaten by a family member.<sup>259</sup> In the period between January 2013 and June 2014<sup>260</sup> 1811 cases of children in situation of violence, abuse and neglect have been managed by the child protection units, and 251 cases of unregistered children have been reported by an NPO for 2014.<sup>261</sup> The Government aims to institutionalise the collection of data on the Roma and Egyptian community and to ensure that they are entered the Civil Register, in order to facilitate procedures for this category to benefit Economic Aid.<sup>262</sup>

Despite the formal procedures in place for administering the system of legal aid, in practice, lack of information and access to the system leads to cases in which weaknesses in the implementation of the justice system create significant barriers to the implementation of social inclusion policies.

For example, custody cases referred to state legal aid are often not processed due to the high cost of court fees and the inability of people with lower incomes to pay these fees. The cost of notarising legal documents is a further financial obstacle to the completion of court proceedings. In some cases, children from divorcing parents are cared for by grandparents. If the court procedures are incomplete and the grandparents do not have guardianship then family is unable to claim social benefits that would be due if the guardianship proceedings had been processed through the courts.

## Social inclusion initiatives

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UNDP has funded ROMALB – an electronic source used to monitor and report on the implementation of the National Action Plan for the Integration of Roma and Egyptians, 2015-2020.<sup>263</sup> The electronic system includes a set of indicators that guide the data collection process both at the local and central level. The data, which is presented in an interactive form, is used to inform social policies and programs. The findings of two recent studies, which focus on the social exclusion profile of Roma and Egyptians and persons with disabilities, will also be used to inform the interventions that focus

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259 *National Strategy on Gender Equality and Reduction of Gender Based Violence 2011 – 2015*, 2011, p. 34

260 State Agency for the Protection of Children's Rights

261 TLAS – Tirana Legal Aid Service

262 Government Programme (available on Government website August 2014, since withdrawn)

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263 Web-based system [www.ROMALB.org](http://www.ROMALB.org) for monitoring and reporting of National Action Plan for Integration of Roma and Egyptians in the Republic of Albania, 2015-2020.

on promoting social inclusion in Albania.<sup>264</sup> Another initiative is that of the Gender

Equality Facility funded by the Austrian Development Agency and European Union and being implemented by UN Women. The purpose of the facility, which will be established to support the government, will be to “increase coherence between policy, government spending and the achievement of results.”<sup>265</sup> The facility will ensure that sector strategies, programmes, and action plans demonstrate gender sensitivity; guide decision-making structures and ensure that they comply with international requirements; and strengthen the capacity of municipalities on gender mainstreaming.

### The strategic importance of disaggregating data by gender, disability, and ethnicity

Gender, disability, and ethnicity will be used as crosscutting themes for the analysis of poverty and social protection, employment and skills, education, material deprivation, and participation and human rights. This level of disaggregation is important for the following reasons: First, social inclusion (or exclusion) varies by gender, disability, and ethnicity. There is plenty of evidence, as discussed above, suggesting that persons with disabilities and Roma and Egyptians for instance face numerous barriers, such as discriminatory attitudes, that shape their experiences of social exclusion. Such

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264 UNDP. (2015a). *Profile of the Disabled Population in Albania*. Tirana, Albania: UNDP and INSTAT; UNDP. (2015b). *Roma and Egyptians in Albania: A Socio-Demographic and Economic Profile Based on the 2011 Census*. Tirana, Albania: UNDP and INSTAT.

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265 Concept paper for support from the EU for a Gender Equality Facility in GoA, p. 1.





## APPENDIX 2: SOCIAL INCLUSION AT THE EU LEVEL – CONCEPTS, SCOPE AND INSTITUTIONAL FRAMEWORK

differences will not be captured if the data is not disaggregated. Differences can be drawn between groups – socially excluded and others – as well as within groups – comparing Roma and Egyptians for instance. Second, the disaggregation of data will provide a good understanding of socially excluded groups and how their well-being changes over time. Socially excluded groups are usually missed by universal programmes. The disaggregation of data will inform policies and programmes that are tailored to their needs and priorities. Third, the disaggregation of data will contribute to the development of an institutional culture that fosters equality and promotes diversity. The analysis of data by gender, disability, and ethnicity will inform the efforts of the Albanian government in reducing inequality and promoting social and economic growth. Rising inequalities deepen social division and conflicts. In addition, they result into pessimism about living conditions, distrust in others and officials, and lower expectations about the future. Meanwhile, low levels of inequality are associated with better health and education outcomes and higher levels of

economic growth.<sup>266</sup>

### The Foundation

In its founding treaties, the European Union (EU) specified a wide range of tasks, including reaching a high level of employment and social protection, achieving the equality of women and men and raising the standard of living, quality of life and economic and social cohesion and solidarity among member states.<sup>267</sup> The EU's commitment to achieving these tasks was reiterated in 1994, when the European Commission defined *the European Social Model* as a “set of common values that include democracy and individual rights, free collective bargaining, the market economy, equal opportunities for all and social protection and solidarity.”<sup>268</sup>

Social investment and improvement of welfare states are priority actions for the

266 UNDP. (2010). *Human Development Report*. New York, NY: Palgrave Macmillan.

267 Article 2 of the Treaty Establishing the European Community.

268 White Paper on Social Policy (COM (94) 333). See: [http://aei.pitt.edu/1118/1/social\\_policy\\_white\\_paper\\_COM\\_94\\_333\\_A.pdf](http://aei.pitt.edu/1118/1/social_policy_white_paper_COM_94_333_A.pdf)

European Commission and, as a consequence, for member states. In this sense, national governments have to implement better performing inclusion strategies, with a more efficient use of social resources. The aim of the European Union's social policy is to promote employment, improve living and working conditions, provide an appropriate level of social protection and develop measures to combat exclusion. There is a substantial variation from country to country regarding which groups are subject to exclusion. Women, people living in poverty, persons with disabilities, children, youth and older persons are particularly vulnerable.

At the level of EU Member States, social inclusion is defined as a process whereby certain individuals are pushed to the margins of society and prevented from participating fully in society by virtue of their poverty, or lack of basic skills and possibilities to engage in the labour market, or in this policy document is defined as a response to the phenomenon of social exclusion, which occurs when individuals in society suffer from a lack of access to effective public services. Tackling social exclusion involves measures to enable individuals and groups to access public services so that they may participate to the fullest extent of their abilities in social and economic life of the society. Social inclusion policies therefore aim to ensure access of all citizens to good quality public services.

## Open Method of Coordination

*The coordination of social inclusion policies among EU Member States takes place through the implementation of Open Method of Coordination (OMC) at the EU level.*<sup>269</sup>

The OMC is a voluntary process of political cooperation among member states, based on an exchange of experiences, commitment to common objectives and indicators that measure progress in pursuing defined objectives and the coordination of policies.

After the Treaty of Amsterdam extended the application of the OMC to the field of employment in 1997, the EU adopted the Lisbon Strategy in 2000, *extending the OMC to the fields of social inclusion, pensions, healthcare and long-term care.*<sup>270</sup> Its integral part was the Social Inclusion Strategy, as a framework for developing national strategies and coordinating policies among the EU Member States with regard to issues concerning social exclusion. The overarching objectives were defined in 2005 both in terms of the "Social OMC" and within each separate area.

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269 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions from 2 July 2008 – 'A renewed commitment to social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion' (COM(2008) 418 final).

270 Initially, the Open Method of Coordination entailed three separate processes, which were merged in 2005 into one mechanism, the so-called Social OMC.

This coordinated action at the EU level led to the creation of national action plans<sup>271</sup>, used by member states to scrutinise their policies and define the ways in which they would carry out activities in the process of social inclusion and poverty reduction. Mechanisms were set up under the OMC to monitor the state of social affairs in the EU through the Report on the Social Situation in the European Union and the European Observatory on Social Situation and Demography.

The European Social Fund<sup>272</sup> serves as the central mechanism for pursuing objectives stipulated under the OMC; in addition, the EU has offered financial support through the following instruments: the European Globalisation Adjustment Fund<sup>273</sup>, the Fund for European Aid to the Most Deprived<sup>274</sup>, the EU Solidarity Fund<sup>275</sup> and the Employment and Social Innovation Programme (EaSI).<sup>276</sup> Complementary to the development of

the European social model is the process of designing the policy of economic and social cohesion, which aims to achieve balanced and harmonious development, primarily through narrowing the social and economic gaps between regions. This is to be achieved by supporting less developed regions through European structural and investment funds – the European Social Fund and the European Regional Development Fund, as well as the Cohesion Fund.<sup>277</sup>

## Institutional Framework

With regard to primary sources of law, progress in the area of social policy at the EU level was achieved with the adoption of the *Treaty of Lisbon, which came into force on 1 December 2009*. The Treaty introduced many innovations significant for the regulation of social affairs into the EU legal system, primarily the explicit definition of shared competence between the EU and member states in the field of social policy. Furthermore, the Treaty contains the “*Horizontal Social Clause*”<sup>278</sup>, which states that “In defining and implementing policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection,

271 Since 2008, Member States have been adopted national strategic reports, which are appraised by the European Commission and the Council through joint reports.

272 See: <http://ec.europa.eu/esf/home.jsp?langId=en>

273 See: <http://ec.europa.eu/social/main.jsp?catId=326&>

274 See: <http://ec.europa.eu/social/main.jsp?catId=1089&langId=en>

275 See: [http://ec.europa.eu/regional\\_policy/thefunds/solidarity/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/solidarity/index_en.cfm)

276 The programme merges the Programme for Employment and Social Solidarity – PROGRESS, the European Job Mobility Portal – EURES and the European Progress Microfinance Facility. See: <http://ec.europa.eu/social/main.jsp?catId=1081>

277 For more information visit the European Commission website: [http://ec.europa.eu/regional\\_policy/thefunds/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/index_en.cfm)

278 Article 9 of the Treaty of Lisbon, accessed at the website: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:C:2007:306:FULL&from=EN>

the fight against social exclusion, and a high level of education, training and protection of human health". Another important innovation in the Treaty is that it guarantees the freedoms and principles set out in the Charter of Fundamental Rights (which the Treaty of Lisbon introduces into EU primary law) and gives the provisions a binding legal force; this concerns civil, political, economic and as well as social rights.

The EU institutional framework primarily includes *the European Commission, as the body proposing regulations to the European Parliament and the Council of EU*, including those related the process of social inclusion. The European Commission comprises a number of directorates-general with competencies for activities in the sphere of social inclusion: the Directorate-General for Employment, Social Affairs and Inclusion; the Directorate-General for Education and Culture and the Directorate-General for Health and Consumers. In addition, the Commission has established several bodies that contribute to the social inclusion process, such as the Social Protection Committee.<sup>279</sup> *The European Parliament* participates in the process of social inclusion through the activities of several of its committees, namely on employment and social affairs, human rights, culture and education, women's rights and gender equality, etc. *The Council of the EU* discusses and decides on matters pertaining to the social inclusion process in various Council configurations,

primarily in the employment, social policy, health and consumer affairs council and the education, youth, culture and sports council.

Among other EU bodies significant for the process of social inclusion, it is important to highlight the role of two particular committees: the European Economic and Social Committee and the Committee of the Regions. *The Economic and Social Committee*<sup>280</sup> has an advisory role in the process of adopting legislation and constitutes the pivotal EU body for cooperation with civil society and social partners – employers and trade unions. *The Committee of the Regions*<sup>281</sup> also plays an advisory role and gathers representatives of regional and local authorities.

Also significant for the process of social inclusion is the work of several types of EU agencies. *Decentralised-community agencies* are established primarily to accomplish a very specific technical, scientific or managerial task. Agencies of this type, which are relevant for the process of social inclusion are: the European Training Foundation<sup>282</sup>, European Centre for the Development of Vocational Training<sup>283</sup>, European Foundation for the Improvement of Living and Working

279 See: <http://ec.europa.eu/social/main.jsp?catId=758>

280 See: <http://www.eesc.europa.eu/?i=portal.en.home>

281 See: <http://cor.europa.eu/en/Pages/home.aspx>

282 See: <http://www.etf.europa.eu/>

283 See: <http://www.cedefop.europa.eu/EN/Index.aspx>

Conditions<sup>284</sup>, European Union Agency for Fundamental Rights<sup>285</sup>, European Agency for Safety and Health at Work<sup>286</sup> and the European Institute for Gender Equality.<sup>287</sup> *Executive agencies*, such as the European Education, Audio-visual and Culture Executive Agency<sup>288</sup>, are mainly established to run individual EU programmes (e.g. the programme for modernising higher education – TEMPUS, which has been replaced in 2014-2020 by the *Erasmus+* programme).

## Europe 2020

The strategy *Europe 2020: Strategy for Smart, Sustainable and Inclusive Growth*<sup>289</sup> (Europe 2020 Strategy) is the fundamental document of the current EU strategic framework. This document was adopted in an attempt to “turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion” through more effective coordination of economic and social policies at the EU level, taking into account ten Integrated Guidelines which were prepared under two

distinct legal basis<sup>290</sup>. The Guidelines are drawn in a reasonably broad manner reflecting the main strands of the existing Social OMC and, importantly, stressing the importance of access to high quality, affordable and sustainable services and the key role of social protection systems, including pensions and access to healthcare. The Strategy thus provides an important basis for building on key elements of the existing OMC and takes account of the following policy frameworks:

- **Functioning of the State Ruled by Law:** Guarantees of democracy and the rule of law are part of the so-called political criteria for accessing to the European Union.<sup>291</sup> Title VII<sup>292</sup> of the Stabilisation and Association Agreement (SAA) is particularly important, comprising provisions relating to justice, freedom and security.<sup>293</sup> The European Union has noted that the Republic of Albania is expected to continue achieving progress towards their fulfilment and the implementation of key reforms

284 See: <http://www.eurofound.europa.eu/>

285 See: <http://fra.europa.eu/en>

286 See: <https://osha.europa.eu/en>

287 See: <http://eige.europa.eu/>

288 See: [http://eacea.ec.europa.eu/index\\_en.php](http://eacea.ec.europa.eu/index_en.php)

289 Adopted at the EU summit on June 17, 2010, [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

290 See <http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf> The guidelines for the economic policies were adopted in July 2010, and the guidelines for employment policies (which include social policy) were adopted in October 2010

291 In the course of EU accession negotiations, the following negotiation chapters will be particularly important for the functioning of a state ruled by law: 23 (Judiciary and Fundamental Rights), 24 (Justice, Freedom and Security), 32 (Financial Control), 33 (Financial and Budgetary Provisions) and 34 (Institutions).

292 Art. 80-87.

293 The Law on the Ratification of the Stabilisation and Association Agreement between the European Communities



and legislation, in particular, reforms in justice, the fight against corruption and organised crime, public administration, independence of key institutions, freedom of the media, protection of minorities and the fight against discrimination. Special attention should be paid to the rights and inclusion of vulnerable social groups, particularly the Roma, as well as issues of discrimination based on sexual orientation and gender.<sup>294</sup>

- **Population:** The European Union is confronted with demographic changes (ageing population, low birth rates, changes in the family structure and migration). In response to these, five key risks solutions have been identified at the EU level: support to demographic recovery by ensuring better conditions for families and the reconciliation of work and family life; stimulation of employment and increased quality of work; enhancing productivity through investment in education and research; acceptance and integration of migrants in Europe and ensuring sustainable public finances to guarantee adequate pensions, healthcare and long-term care.
- **Regional policy:** The EU's regional policy represents its development and cohesion policy for the period 2014-2020, to be implemented through European structural and investment funds; it is considered the

main policy for implementing the Europe 2020 Strategy. As in previous years, the major cohesion policy funds include the European Regional Development Fund and the European Social Fund, as well as the Cohesion Fund. However, the new 2014-2020 budget period implies certain novelties in the cohesion policy: it introduces a different classification of regions, focuses on specific priorities, includes *ex-ante* and *ex-post* preconditions for achieving specific goals and specifies reserves to be distributed based on achievement.<sup>295</sup>

- **Rural development:** The common EU agricultural policy includes two fundamental elements: supporting farmers to increase their competitiveness and promoting the development of rural areas, especially in less attractive regions. In accordance with these objectives, funding for farmers focuses on environmental protection and quality. At the EU level, responsibility towards rural development has been increased through an integrated financial instrument – the European Agricultural Fund for Rural Development<sup>296</sup> – which, in addition to strengthening the competitiveness of agriculture, aims

294 Refocusing EU Cohesion Policy for Maximum Impact on Growth and Jobs: The Reform in 10 points, accessed at: [http://europa.eu/rapid/press-release\\_MEMO-13-1011\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-1011_en.htm),

295 [http://ec.europa.eu/agriculture/cap-funding/funding-opportunities/index\\_en.htm](http://ec.europa.eu/agriculture/cap-funding/funding-opportunities/index_en.htm)

296 An increase of participation in the labour market and a decrease of structural unemployment; development of a competent workforce that matches labour market needs; promotion of high-quality jobs and lifelong learning; enhanced performance of the education and training system at all levels, as well as an increased share of persons with higher education.

at sustainable management of natural resources and a balanced territorial development of rural economy and rural communities.

- **Employment:** The Europe 2020 Strategy underlines the objective of increasing the employment rate of the population aged 20-64 to at least 75% by 2020. The Strategy also defines the guidelines which are particularly relevant in the field of employment.<sup>297</sup> These are integral to the package of integrated guidelines in the fields of economic and employment policy for member states<sup>298</sup>, and they define joint priorities and objectives. As one of the flagship initiatives, the Agenda for New Skills and Jobs<sup>299</sup> refers specifically to employment, with the objective of facilitating the achievement of the envisaged levels of employment and the sustainability of the social model.<sup>300</sup> The European Employment Strategy<sup>301</sup> represents the framework for the OMC in the field of employment. As a response to high unemployment rates in the EU,

the European Commission adopted the Employment Package 2012, as a set of measures aiming to create new jobs.<sup>302</sup>

- **Social Entrepreneurship:** The European Platform against Poverty and Social Exclusion<sup>303</sup> emphasises the development of partnerships and the potential of the social economy<sup>304</sup>. On the European level, the most comprehensive policy in this area is defined by the Social Business Initiative, envisaging objectives relating to enhancing the quality of regulations, facilitating access to financing and structural funds,<sup>305</sup> revising public procurement rules and state aid measures relating to social and local services and promoting the sector. The signing of the Strasbourg Declaration launched the continuation of activities under the

297 The European Commission proposes guidelines for national employment policies, which are approved by national Governments and are adopted by the European Council.

298 See: <http://ec.europa.eu/social/main.jsp?catId=958>

299 In addition to the Agenda, activities are also supported by the European Employment Observatory and the Mutual Learning Programme.

300 See: <http://ec.europa.eu/social/main.jsp?catId=101>

301 See: <http://ec.europa.eu/social/main.jsp?catId=1039&langId=en>

302 See: <http://ec.europa.eu/social/main.jsp?catId=961>

303 Social Business Initiative, COM(2011) 682.

304 Strasbourg Declaration, [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/declaration/index\\_en.htm](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/declaration/index_en.htm)

305 Europe 2020, A European strategy for smart, sustainable and inclusive growth, Flagship Initiative: "An Agenda for new skills and jobs: A European contribution towards full employment, EC 2010, accessed at: <http://ec.europa.eu/social/main.jsp?catId=958>

second stage of support.<sup>306</sup>

- **Education and training policies:** In EU Member States, the goals of education system reforms principally relate to enhancing the quality of education, including children in early development programmes, decreasing the number of school dropouts and increasing the number of young people with higher education as well as the number of adults who participate in lifelong learning programmes. The central issues include increasing the education system's relevance for the labour market by adapting learning outcomes, creating national qualifications frameworks and empowering the current and future labour force to adapt to new conditions and potential career shifts. One of the priorities is the recognition of competences attained through formal or non-formal learning, including informal learning, for the purposes of further learning or employment.<sup>307</sup> EU Member States participate in the Open Method

of Coordination in the field of education and training, whose major documents include the Strategic Framework for European Cooperation in Education and Training, "Rethinking Education - Investing in Skills for Better Socio-Economic Outcomes", the Recommendation of the European Commission on the Validation of Non-Formal and Informal Learning, the "Opening up Education" action plan and the "Entrepreneurship 2020" action plan.<sup>308</sup>

- **Financial Poverty and Deprivation of Existential Needs:** One of the five objectives of the Europe 2020 Strategy is to decrease the number of persons living at risk of poverty or social exclusion, which is monitored by the AROPE indicator<sup>309</sup> as a new and extended primary indicator of poverty and social exclusion. The Strategy forecasts a reduction in the number of persons living at risk of poverty or social exclusion by 20 million at the level of the European Union, followed by the transposition of this goal to national objectives.<sup>310</sup> The development of living standards indicators at the EU level is continuously undertaken within

306 Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training ('ET 2020'); Commission communication of 20 November 2012 on Rethinking Education: Investing in skills for better socio-economic outcomes (COM/2012/0669); Council recommendation of 20 December 2012 on the validation of non-formal and informal learning (2012/C 398/01); Commission communication of 29 September 2013 on Opening up Education: Innovative teaching and learning for all through new Technologies and Open Educational Resources (COM/2013/0654); Entrepreneurship 2020 action plan: Reigniting the entrepreneurial spirit in Europe.

307 AROPE – at risk of poverty or social exclusion.

308 Europe 2020, A European strategy for smart, sustainable and inclusive growth, accessed at: [http://ec.europa.eu/europe2020/pdf/targets\\_en.pdf](http://ec.europa.eu/europe2020/pdf/targets_en.pdf)

309 Indicators' sub-group, Social Protection Committee, <http://ec.europa.eu/social/main.jsp?catId=830&langId=en>.

310 Social Protection Committee Indicators Sub-group, 2014 ISG Work Programme, accessed at: <http://ec.europa.eu/social/main.jsp?catId=830&langId=en>

the Indicators’ Subgroup of the Social Protection Committee<sup>311</sup> which, *inter alia*, envisages developing an indicator in 2014 that would indicate more clearly the effect of social transfers in different crisis situations.<sup>312</sup>

- Social Welfare and Child Protection:** The Europe 2020 Strategy represents the major strategic framework in the area of social welfare and child protection. The European Platform against Poverty and Social Exclusion is the flagship initiative for the implementation of the Strategy<sup>313</sup>, which underlines the adequacy and sustainability of benefits in this field, and identifies multi-dimensional policies and measures for advancing the position of vulnerable populations such as single parent families, elderly women, minorities, the Roma, persons with disabilities and the homeless. Additionally, emphasis is placed on the need to advance the skills of the most impoverished population and to ensure the inclusion of the categories most distant from the labour market. Policy coordination in this area is provided through the OMC and the

Committee for Social Protection.<sup>314</sup> The eradication of poverty among children is one of the joint priorities of member states under the OMC; the topics of regular reports by the Committee include child poverty and wellbeing, as well as social services of general interest. The European Commission provides guidelines to member states regarding the modernisation of their social welfare systems through the Social Investment Package.<sup>315</sup> Other relevant instruments include the Charter of Human Rights, the European Disability Strategy 2010-2020<sup>316</sup>, the EU Agenda for the Rights of the Child<sup>317</sup>, as well as numerous recommendations relating to the fields of social welfare and child protection – including, as part of the Social Investment Package, the Recommendation “Investing in Children – breaking the cycle of disadvantages” (UE/112/2013)<sup>318</sup>, which proposes a long term strategy to prevent poverty and

311 European platform against poverty and social exclusion, accessed at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0758:FIN:EN:PDF>

312 Social Welfare implies all the benefits and services aimed at ensuring social safety and protection from risks

313 Social Investment Package, accessed at: <http://ec.europa.eu/social/main.jsp?catId=en&catId=1044&newsId=1807&furtherNews=yes>

314 European Disability Strategy 2010-2020, [http://ec.europa.eu/justice/discrimination/disabilities/disability-strategy/index\\_en.htm](http://ec.europa.eu/justice/discrimination/disabilities/disability-strategy/index_en.htm)

315 EU Agenda for the Rights of the Child, [http://ec.europa.eu/justice/fundamental-rights/rights-child/eu-agenda/index\\_en.htm](http://ec.europa.eu/justice/fundamental-rights/rights-child/eu-agenda/index_en.htm)

316 Council recommendation on effective Roma integration measures in the member states, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/lsa/139979.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/139979.pdf)

317 See: [http://ec.europa.eu/justice/fundamental-rights/rights-child/eu-agenda/index\\_en.htm](http://ec.europa.eu/justice/fundamental-rights/rights-child/eu-agenda/index_en.htm)

318 See <http://ec.europa.eu/social/main.jsp?catId=1060&langId=en> and also [http://ec.europa.eu/justice/fundamental-rights/files/c\\_2013\\_778\\_en.pdf](http://ec.europa.eu/justice/fundamental-rights/files/c_2013_778_en.pdf)

social exclusion for children. Towards the end of 2013, the Council of the European Union adopted recommendations on effective measures at the national level relating to integration of the Roma.<sup>319</sup>

- **Pensions:** Pension systems in the EU are also regulated by “soft legislation” coordinated through the OMC. In this area of policy, the OMC was reformed in 2005 and integrated into the “Social OMC”. The overarching objective addressing the pension system envisages adequate and sustainable pensions, which will be provided by ensuring adequate income and access to the pension system which will, in turn, help maintain living standards after retirement at an adequate level, and ensuring financial sustainability of the public and private pension systems, taking into account demographic pressures and a transparent pension system which is tailored to the needs of modern society and demographic changes.

- **Health:** The European Parliament adopted the Third Health Programme 2014-2020,<sup>320</sup> identifying four overarching objectives which member states should integrate into their health policies to promote health and prevent diseases, contribute to innovative and sustainable health systems, facilitate

access to better and safer healthcare and protect from serious cross-border health threats.<sup>321</sup> Additionally, the EU Health Strategy entitled “Together for Health”, adopted in 2007, responds to challenges faced by member states in strengthening cooperation and coordination across the EU, exchanging information and evidence-based knowledge and providing financial support and aid in developing policies and legislation.<sup>322</sup> In February 2013, the European Commission presented a document entitled “Investing in Health” as part of a package of social investment in development and cohesion.<sup>323</sup>

- **Housing:** The Joint Report on Social Protection and Social Inclusion 2010<sup>324</sup> recognised social housing and support for households in ensuring adequate and quality housing as one of the key aspects which contribute to active social

319 See: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/lsa/139979.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/139979.pdf)

320 Third Health Programme 2014-2020, [http://ec.europa.eu/health/programme/policy/index\\_en.htm](http://ec.europa.eu/health/programme/policy/index_en.htm)

321 Regulation (EU) No 282/2014 of the European Parliament and the Council of 11 March 2014 on the establishment of a third Programme for the Union's action in the field of health (2014.2020) and repealing Decision No 1350/2007/EC text with EEA relevance, accessed at: [http://ec.europa.eu/health/index\\_en.htm](http://ec.europa.eu/health/index_en.htm)

322 EU Health Strategy, accessed at: [http://ec.europa.eu/health/strategy/policy/index\\_en.htm](http://ec.europa.eu/health/strategy/policy/index_en.htm)

323 Investing in Health, Commission Staff Working Document, Social Investment Package, Brussels, 20.02.2013, [http://ec.europa.eu/health/strategy/docs/swd\\_investing\\_in\\_health.pdf](http://ec.europa.eu/health/strategy/docs/swd_investing_in_health.pdf)

324 Report of the Social Protection Committee to the Council, Council of the EU, 6500/10 SOC 115 ECOFIN 101, FSTR 8 EDUC 31 SAN 31, 15 February 2010.



protection and social inclusion policy in the European Union. The European Parliament adopted the Resolution on Social Housing in the European Union in 2013<sup>325</sup>, inviting member states and local authorities to develop their housing policies to ensure implementation of the right to housing, as a fundamental human right, in practice. The Resolution also invites the European Commission and member states to pay more attention to housing and relating services, including measures for reducing housing-related exclusion, to promote the social and economic role of social housing, to undertake measures to prevent and reduce energy poverty of households.

- **Social participation and human rights:** The European Union adopted the Charter of Fundamental Rights in 2000<sup>326</sup>, proclaiming the sanctity of human dignity and incorporating general human, civil, economic and social rights. The 2007 Treaty of Lisbon reinforced political, economic and social freedoms and set the foundation for civil dialogue in the EU through new provisions on democratic principles, with the Charter of Fundamental Rights of the EU becoming

a legally binding document.<sup>327</sup> The European Commission also adopted the Strategy for the Implementation of the Charter of Fundamental Rights.<sup>328</sup> Moreover, the Europe 2020 Strategy recognises the fundamental rights of impoverished and socially excluded persons. Relevant secondary EU legislation includes the Directive Implementing the Principle of Equal Treatment between Persons Irrespective of Racial or Ethnic Origin<sup>329</sup>, the Directive Establishing a General Framework for Equal Treatment in Employment and Occupation<sup>330</sup>, the Directive Implementing the Principle of Equal Treatment between Men and Women in the Access to and Supply of Goods and Service<sup>331</sup> and the Directive

325 European Parliament resolution of 11 June 2013 on social housing in the European Union (2012/2293(INI)), accessed at <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2013-246>

326 EU Charter of Fundamental Rights, [http://ec.europa.eu/justice/fundamental-rights/charter/index\\_en.htm](http://ec.europa.eu/justice/fundamental-rights/charter/index_en.htm)

327 Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon, 13 December 2007. 2007/C 306/01, art. 2, 6, 7, 49, 53.

328 European Commission, Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union, COM (2010) 573/4, [http://ec.europa.eu/justice/news/intro/doc/com\\_2010\\_573\\_4\\_en.pdf](http://ec.europa.eu/justice/news/intro/doc/com_2010_573_4_en.pdf)

329 Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0043:en:HTML>

330 Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0078:en:HTML>

331 Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:373:0037:0043:en:PDF>

on the Implementation of the Principle of Equal Opportunities and Equal Treatment of Men and Women in Matters of Employment and Occupation.<sup>332</sup> In 2011 the European Commission presented the EU Framework for National Roma Integration Strategies up to 2020<sup>333</sup>, which takes into account the human rights of

the Roma and ensures the foundation for their social and economic inclusion.

## Towards Social Investment

Since the advent of the Europe 2020, a “Social Investment” approach to address poverty and social inclusion has been promoted. This approach sets out to make a strong case for the contribution that well- designed social policies can make to economic growth as well as to protecting people from poverty and acting as economic stabilisers. Increasing emphasis is placed on the fact that welfare systems fulfil three functions: social investment, social protection and stabilisation of the economy. Indeed, the social investment approach strongly relies on the assumption that social and economic policies are mutually reinforcing and that the former, when framed in a social investment perspective, does represent a “precondition” for future economic and employment growth.

Social investment involves strengthening people’s current and future capacities. In other words, as well as having immediate effects, social policies also have lasting impacts by offering economic and social returns over time, notably in terms of employment prospects or labour incomes. In particular, social investment helps to “prepare” people to confront life’s risks, rather than simply “repairing” the consequences. Social investment is thus the set of policy

332 Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:204:0023:0036:en:PDF>

333 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: An EU Framework for National Roma Integration Strategies up to 2020, [http://ec.europa.eu/justice/policies/discrimination/docs/com\\_2011\\_173](http://ec.europa.eu/justice/policies/discrimination/docs/com_2011_173)



## APPENDIX 3: SOCIAL INCLUSION INDICATORS – ADAPTING THE TECHNICAL APPLICATIONS TO ALBANIA

measures and instruments that consist of investments in human capital and enhancement of people's capacity to participate in social and economic life and in the labour market. There is renewed emphasis on preventative social policy measures that can stop disadvantage from compounding, such as policies to facilitate early childhood development. The policy areas considered under social investment include *inter alia* early childhood education and care (ECEC), active labour market policies (in particular, training and job-search assistance), education, retraining and lifelong education, healthcare, social services, housing support, rehabilitation and healthcare and long-term care services. The new approach also stresses that a key element in social investment is to address disadvantage and key social challenges in a more integrated way through a combination of policies so that they are complementary and mutually reinforcing.

### Beginning with the Laeken Indicators

In 1975, the EU Council of Ministers agreed that the poor are 'the persons whose resources are so small as to exclude them from the minimum acceptable way of life in the Member State in which they live', with 'resources' being defined as 'goods, cash income plus services from public and private sources' (Council of the European Union, 1975). This definition includes both outcome elements ('the exclusion from the minimum acceptable way of life') and input elements ('...due to a lack of resources'). In 1985, the Council amended this definition and enlarged the concept of 'resources' in order to take into account material, cultural and social aspects: 'the persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State to which they belong' (Council of the European Union, 1985).

In the early 1990s European social policy made very slow progress and to many it appeared that the EU was pre-occupied with economics. It was a common market plus a

currency union. Market liberalisation was the key, coupled with the euro. Critics argued that the social dimension should be developed in parallel, but little was achieved in concrete terms. All was to change with the Lisbon Summit of March 2000, where Heads of State and Government decided that the Union

should adopt the strategic goal for the next decade of becoming ‘the most competitive and dynamic knowledge-based economy ... with more and better jobs and greater social cohesion’. Social cohesion appeared in the same sentence as “competitive economy”. The incorporation of the promotion of social

### Box 1: Laeken indicators

#### Primary Indicators

Indicator 1a: At-risk-of-poverty rate, by age and gender

Indicator 1b: At-risk-of-poverty rate, by most frequent activity status and gender

Indicator 1c: At-risk-of-poverty rate, by household type

Indicator 1d: At-risk-of-poverty rate, by accommodation tenure status

Indicator 1e: At-risk-of-poverty threshold (illustrative values)

Indicator 2: Inequality of income distribution - S80/S20 income quintile share ratio

Indicator 3: At-persistent-risk-of-poverty rate, by gender (60% national median)

Indicator 4: Relative median at-risk-of-poverty gap, by gender

Indicator 5: Regional cohesion (dispersion of regional employment rates)

Indicator 6: Long term unemployment rate, by gender

Indicator 7: Persons living in jobless households, by age and gender

Indicator 8: Early school leavers not in education or training, by gender

Indicator 9: Life expectancy at birth, by gender

Indicator 10: Self-defined health status by income quintile by gender

#### Secondary Indicators

Indicator 11: Dispersion around the at-risk-of-poverty threshold

Indicator 12: At-risk-of-poverty rate anchored at a moment in time

Indicator 13: At-risk-of-poverty rate before social transfers, by gender

Indicator 14: Inequality of income - distribution Gini coefficient

Indicator 15: At-persistent-risk-of-poverty rate, by gender (50% national median)

Indicator 16: Long term unemployment share, by gender

Indicator 17: Very long-term unemployment rate, by gender

Indicator 18: Persons with low educational attainment, by age and gender

inclusion within the overall strategy of the EU was taken up by successive Presidencies: Portugal, France, Sweden and Belgium. At the Nice Summit in December 2000, it was agreed to advance social policy on the basis of an open method of coordination, modelled on that already adopted for employment in the “Luxembourg process”. The process of open co-ordination involved fixing guidelines for the Union, establishing quantitative and qualitative indicators to be applied in each Member State, and periodic monitoring in a process of peer review. A set of 18 social indicators were agreed by Heads of State and Government at the **Laeken** European Council in December 2001. These indicators were the result of work by the Sub-Group on Social Indicators established by the Social Protection Committee

The indicators, which were structured into three distinct, but mutually reinforcing levels: *Level 1* consisted of lead indicators for the main fields covered, i.e., financial poverty, employment, health and education; *Level 2* consisted of supporting indicators, which described other dimensions and challenges. The primary and secondary indicators were agreed at the EU level – see Box 1.

These indicators were designed to be considered as a *consistent whole* reflecting a balanced representation of EU social concerns, rather than as a set of individual indicators. Member States were given the possibility, with *Level 3* indicators, to monitor also country-specific indicators relevant to additional interpretation of primary and secondary indicators, allowing them to monitor some of

the specific phenomena of social exclusion relevant in the context of individual Member States and which help to interpret the Level 1 and Level 2 indicators. The importance of these Level 3 indicators must not be underestimated. They provide a key element in the process whereby members states can learn from each other and help make social inclusion relevant to the policy environment of each participating state and give a voice to those living in poverty and experiencing social exclusion.

Monitoring indicators for social exclusion highlighting the phenomenon of “multidimensionality” of social exclusion and to the need to develop, in addition to the above mentioned dimensions and Laeken indicators, additional indicators allowing monitoring in the following areas: housing conditions, recurrent and occasional poverty, access to public and private services, in-work poverty, over-indebtedness, dependency on social and family assistance, etc. Thus in July 2003, the EU Social Protection Committee endorsed the first updated portfolio of indicators. The updated portfolio included 21 indicators (12 primary and 9 secondary). Three new indicators were introduced: At-risk-of-poverty by work intensity of members of household, low functional literacy performance of pupils - measured by Programme for International Student Assessment (PISA) test, and in-work poverty. Two indicators were redefined: At-risk-of-poverty rate by the most frequent activity status and gender, and persons living in jobless households (as a consequence of a highlighted need to pay special attention to children and allow for research of poverty



and social exclusion among children not only through one indicator of poverty but to adopt disaggregating by age in the situations when this distinction makes sense and is statistically robust).

## EU Enlargement and Adapting to New Complexities

The initial reports on social inclusion contained values of the Laeken indicators in the Statistical Annexes of each country's national report. The data was drawn from the Labour Force Survey (LFS) for the employment-related indicators and the European Community Household Panel (ECHP), for the income-related 4 indicators, health and other indicators. The ECHP was replaced by the EU Statistics on Income and Living Conditions (EU-SILC)<sup>334</sup>, which has gone on to become the EU reference source for income and social exclusion statistics which provides two types of data: Cross-sectional data pertaining to a given time or a certain time period with variables on income, poverty, social exclusion and other living conditions; and Longitudinal data pertaining to individual-level changes over time, observed periodically over a four-year period.

The EU Joint Report of the Commission and

the Council in 2003 Joint Report<sup>335</sup> noted "with enlargement, the Union will have to face new and comparatively greater challenges in promoting social inclusion". It was therefore "crucial to involve all Acceding Countries in the EU social inclusion process, well before the date of formal enlargement". Before accession, the Commission engaged in a bilateral co-operation process, which led to each new Member State drafting a Joint Inclusion Memorandum (JIM), with the aim of identifying the key social issues and the major policies in place or planned. In July 2004, the ten new Member States submitted their first National Action Plans (NAPs).

In June 2006, the Social Protection Committee adopted a report on indicators to be used in the Open Method of Coordination (OMC)<sup>336</sup> in the field of social welfare and social protection. Thus defined indicators cover the areas of social inclusion, pensions and health and therefore represent a set of indicators for monitoring social inclusion and social welfare. Four portfolio of indicators were identified within the OMC indicators in the field of social inclusion and social welfare: a portfolio of

334 Under a gentleman's agreement between Eurostat and some EU-15 countries, an interim version of EU-SILC was launched in 6 EU Member States plus in Norway in 2003. 15 member states introduced the survey in 2004, and Germany, the Netherlands and the United Kingdom started in 2006.

335 See: [http://ec.europa.eu/employment\\_social/soc-prot/soc-incl/final\\_joint\\_inclusion\\_report\\_2003\\_en.pdf](http://ec.europa.eu/employment_social/soc-prot/soc-incl/final_joint_inclusion_report_2003_en.pdf)

336 European Commission, Employment, Social Affairs and Equal Opportunities DG, *Portfolio of overarching indicators and streamlined social inclusion, pension, and health portfolios*, Brussels, June 2006

overarching indicators<sup>337</sup>, as well as a portfolio of indicators within each of the three basic dimensions: social inclusion<sup>338</sup>, pensions and healthcare. The portfolio of social inclusion indicators, including some amendments introduced up to 2009, covered the originally adopted social inclusion indicators in Laeken. On the basis of the new, commonly agreed portfolio of indicators whose aim was to monitor the European Strategy for Social Protection and Social Inclusion, which the Commission received in September 2006<sup>339</sup>, the first set of harmonised strategies for the period

2006–2008 in the form of *National Reports on Social Protection and Social Inclusion Strategies*. In their national reports the Member States reported against the objectives endorsed in March 2006<sup>340</sup>. In 2008, a new list of indicators for the monitoring of the health care and long-term care objectives of the Open Method of Coordination on Social Protection and Social Inclusion was adopted, as well as two new health related indicators to be included in the overarching portfolio.

## Update of Social Inclusion Indicators 2009

The next update of the portfolio of indicators for monitoring the European Strategy for Social

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337 Overarching indicators should reflect overarching objectives. Structural indicators have also been included in order to strengthen the link with the Lisbon Strategy and the Strategy of Sustainable Development

338 The indicators used for monitoring the social inclusion dimension build on the portfolio of Laeken indicators in their existing form. Essentially, the methodological framework used in the development of indicators was maintained. The agreed portfolio includes 11 primary, 3 secondary and 11 context indicators. The portfolio of primary indicators was streamlined to contain only the most relevant indicators describing different dimensions of poverty and social inclusion. Several indicators previously in the primary portfolio were moved into the portfolio of secondary indicators. At the same time, the portfolio of overarching indicators is extended to include other Laeken indicators either because they are believed to be more adequate for monitoring general social cohesion (in which case they are kept as contextual information only) or because they are considered key indicators for monitoring social cohesion (and/or its interaction with employment and growth) as well as social exclusion and poverty (in this case they are included in both portfolios).

339 In 2006, the report adopted by the SPC only contained a preliminary list of indicators in the area of health care and long-term care, also highlighting areas for development.

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340 The objectives are defined for each portfolio of indicators in the document of the European Commission *Portfolio of Overarching Indicators and Streamlined Social Inclusion, Pension and Health Portfolios* as of June 2006 and subsequent revisions. As for the set of overarching indicators, these indicators do not necessarily have to be linked to specific objectives, since there are indicators illustrating both overarching objectives (1. Improve social cohesion, gender equality, equal opportunities for all... 2. Establish more effective interaction between the Lisbon objectives relating to economic growth, creating new jobs and increasing social cohesion with the objectives of the EU Sustainable Development Strategy).

Protection and Social Inclusion<sup>341</sup>, implemented in 2009, resulted in introduction of additional indicators for monitoring social inclusion. The Indicators Sub-Group (ISG) agreed on a broad common methodological framework for the development of the overarching portfolio, and the review/development of the three strand indicators lists. This framework built on the methodological principles agreed for the Laeken portfolio. However, it departed from the original framework in two ways: the choice of indicators is not limited to outcome indicators in order to better reflect the action and impact of policies; and, as explained below, some flexibility is introduced as how strictly the criteria are applied, notably allowing for the inclusion in the list of “commonly agreed **national** indicators” based on commonly agreed definitions and assumptions. Each of the four indicators portfolios (i.e. the portfolio of overarching indicators and each of the three strand indicators portfolios) should aim at providing a comprehensive and efficient tool for monitoring of the common objectives, and should therefore:

- Be comprehensive and cover all key dimensions of the common objectives;

- Be balanced across the different dimensions; and
- Enable a synthetic and transparent assessment of a country’s situation in relation to the common objectives.

The selection of individual indicators should, in principle, be guided by the following minimum set of methodological criteria:

- Capture the essence of the problem and have a clear and accepted normative interpretation;
- Be robust and statistically validated;
- Provide a sufficient level of cross countries comparability, as far as practicable with the use of internationally applied definitions and data collection standards;
- Be built on available underlying data, and be timely and susceptible to revision;
- Be responsive to policy interventions but not subject to manipulation.

Past experience in the development of indicators by the ISG had shown that specific key information might be essential to capture one of the key dimensions of a commonly agreed policy objective (portfolio criteria 1), while not fulfilling all criteria for the selection of indicators (e.g. comparability, normative value). The following three categories (EU, National, and Context) aimed to guide the user of the specific purpose and limitations of each indicator in the list

Each portfolio therefore contained:

- *Commonly agreed EU indicators* contributing to a comparative assessment

341 European Commission, Employment, Social Affairs and Equal Opportunities DG, Portfolio of indicators for the monitoring of the European Strategy for the monitoring of the European Strategy for Social Protection and Social Inclusion – 2009 update, Brussels, September 2009, available at: <http://ec.europa.eu/social/main.jsp?catId=756&langId=en>

of member states progress towards the common objectives. These indicators might refer to social outcomes, intermediate social outcomes or outputs.

- *Commonly agreed national indicators based on commonly agreed definitions and assumptions* that provide key information to assess the progress in relation to certain objectives, while not allowing for a direct cross- country comparison, or not necessarily having a clear normative interpretation. These indicators are especially suited to measure the scale and nature of policy intervention. These indicators should be interpreted jointly with the relevant background information (exact definition, assumptions, representativeness).
- *Context information:* Each portfolio will have to be assessed in the light of key context information, and by referring to past, and where relevant, future trends. The list of context information proposed is indicative and leaves room to other background information that would be most relevant to better frame and understand the national context.

## Innovations in the Indicators introduced in 2010

The EU process launched in 2000 ended in 2010. In June 2010, and the European Council adopted the Europe 2020 Strategy which

is the EU's growth strategy for the current decade, aiming at a developing in the EU a smart, sustainable and inclusive economy. In this context, the European Council adopted a social inclusion target, namely lifting at least 20 million people from the risk of poverty and exclusion by 2020. To monitor progress towards this target, the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) EU Council of Ministers agreed on an '**at-risk-of poverty** or social exclusion' indicator (AROPE). This indicator defines the share / number of people who are at risk-of- poverty or severely materially deprived or living in households with very low work intensity. The high political profile of the AROPE and the huge effect of the financial and economic crisis in terms of increase of poverty in the EU and in most accession candidate countries, has given a very important visibility and policy relevance to this indicator, means that it requires high standards for comparability. The AROPE consists of three sub-indicators that are derived from EU-SILC data:

- a relative component: the at-risk-of poverty rate / monetary poverty (AROPE)
- a "kind of" absolute component: material deprivation
- an exclusion of labour market component: severe low work intensity

This broader "at-risk-of-poverty or social exclusion" indicator is relevant in capturing several dimensions. More precisely it includes people that are at least in one of the 3 categories: People at risk-of-poverty, who have an equivalised disposable income below the risk-of-poverty threshold, set at 60 % of

the national median equivalised disposable income (after social transfers). People who suffer from severe material deprivation and whose living conditions severely constrained by a lack of resources. They experience at least 4 out of the 9 following deprivations items: they cannot afford: (i) to pay rent or utility bills, (ii) to keep their home adequately warm, (iii) to face unexpected expenses, (iv) to eat meat, fish or a protein equivalent every second day, (v) to take a week's holiday away from home, (vi) a car, (vii) a washing machine, (viii) a colour TV, or (ix) a telephone. People living in households with very low work intensity who are those aged 0-59 living in households where adults worked less than 20% of their total work potential during the past year.

Historically the at-risk-of-poverty rate has been used in the European Union as the main indicator to monitor progress towards the eradication of poverty in the European Union until the adoption of Europe 2020. It is defined in the EU as the percentage of the population with an equivalised disposable income below the at-risk-of-poverty threshold, which is set in each country at 60 % of the national median equivalised<sup>342</sup> disposable income expressed in

national currency. Although collected through EU-SILC, the full harmonisation of the definition for each income component is difficult to reach given that:

The at-risk-of-poverty rate is a measure of income inequalities rather than a direct measure of poverty. In particular other elements such as the available wealth could have a determining influence on the living standards of a given household (income poor vs. wealth).

Cross-country comparisons of relative poverty measures such as the at-risk-of-poverty rate have to be done carefully for a number of reasons among which: 1) relative poverty levels have to be analysed jointly with national poverty thresholds in order to avoid misinterpretations; 2) the use of a standard equivalised income scale across the EU is a normative approach which does not always reflect the actual "cost" of children, or the resources actually available to them, and 3) the underlying concept of household income does not include imputed rent (the money that one saves on full (market) rent by living in one's own accommodation or in an accommodation rented at a price that is lower than the market rent or rent free) as well as the value of self-produced goods for own consumption.

The risk of poverty threshold is related to the general level of income, and its distribution, over the whole population. This threshold may, therefore, change in various directions from one year to another when individual incomes change suddenly, as it has occurred since the

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342 The equivalised disposable income of a household is defined as the sum of all the incomes of all its members divided by its equivalised number of members, defined according to the following scale: 1 by household / 1st adult, 0.5 for each other adult and 0.3 for each child less than 14 years. The choice of the poverty threshold at 60% of the national median is conventional and represents the level of income that is considered necessary to lead an adequate life.



beginning of the economic crisis in many countries. The focus on the monetary side also excludes from the concept some benefits in kind (education, health, childcare, etc.) which – depending on the relative generosity of national social protection systems – may have a different impact on the disposable income.

However, even though they are significant and need to be kept in mind, these limitations do not undermine the policy relevance of an analysis focused on income poverty since the household income remains a key determinant of individuals' material situation and can be influenced through labour market and transfer policies. By providing an estimate of the proportion of people whose living conditions are affected by a lack of resources, the indicators related to material deprivation (MD) complement the picture of social exclusion derived from income inequalities based indicators. They reflect the differences in living standards across countries and are thus very much needed in an EU comparative context.

In the EU, MD indicators are based on a common basket of goods and services which are relatively independent from each other. These items refer to economic strain and durables and were selected in order to reflect: a) the lack of an ordinary pattern common to a majority or a large part of the population in the European Union and b) an adequate level of comparability over time and across countries. Another essential cause of social exclusion is related to the exclusion of many citizens from the labour market. Besides being dependent on social benefits, their contact with the labour

market is often further reduced and access to health, culture and leisure is hampered. Children growing up in jobless households are also particularly affected by this situation.

### Further Refinements to the Indicators

The high visibility of AROPE as an EU-2020 indicator and the need to solve some drawbacks in order to have an even better instrument in times of economic and financial crisis, has led Eurostat and the European Statistical System (ESS) to identify further improvements and to develop complementary indicators. For example, it is recognised that the AROPE indicator needs to be analysed with caution since the poverty threshold set at 60% of the national equalised median disposable income (national currency) can change from one year to another due to the evolution of the general level of income and its distribution in a country. With respect to the effect of the financial and economic crisis, changes in the poverty threshold can be due to the fact that different sources of income are not all hit at the same time. Work incomes (i.e. wages and salaries) are often the first to decrease as the situation on the labour market deteriorates, while other sources of income, such as pensions and social benefits, do not adjust immediately. As work incomes decrease while others remain unchanged, there could be a distortion in the overall income distribution and the median income, and therefore the poverty threshold, falls. However at the same time and as a

consequence, people with an income that was previously slightly below the poverty line may now move above the line, even though their actual situation has not changed or has even worsened (e.g. those whose sources didn't deteriorate too much in a first time such as pensioners). The AROPE may then remain stable or even decrease although the median income decreases, which is indeed misleading.

Moreover EU-SILC data, on which the AROPE indicator and its 3 sub-indicators are built, do not provide for all countries with sufficient precision at regional level. Presently, accurate data is mainly disseminated by degree of urbanisation (thinly populated, intermediate urbanised and densely populated areas). However, the moves are being made towards delivering data on poverty and inequality at the regional level. Improving the availability of regional data is an urgent policy need coming from DG Regional Policy (DG REGIO), in the context of streamlining the EU 2020 Strategy into this domain of action through complementing GDP with poverty and inequality data for monitoring purposes (2014-2019).

In addition to the AROPE indicator, the European Commission announced the adoption of a Recommendation on Child Poverty in the Communication on the European Platform against Social Exclusion: *Investing in children:*

*breaking the cycle of disadvantage*<sup>343</sup>. This communication follows, in the wake a decade of cooperation at EU level, and has led to a common understanding of the determinants of child poverty through substantial work on developing appropriate **monitoring indicators**, identifying common challenges and successful policy approaches, which has given political momentum to the issue. The Europe 2020 Strategy has given new impetus to tackling and preventing child poverty, and new indicators for measuring and monitoring particular features of child poverty and social inclusion are currently under development and review.

The Experience of Applying Social Exclusion Indicators in EU Members States and EU Accession Candidate Countries

Although the EU experience in measurement of poverty and social exclusion is indeed related to the EU situation, with 28 different countries having important differences in their levels of economic development, the EU is not at all a homogeneous area where indicators are easily set up fitting to the needs and situations of all countries. MD items are nevertheless typical examples of absolute measurements that were set up in order to be used for a large number of countries. Of course national disparities apply concerning what is considered as a minimum necessary set of material living conditions. For example, the MD items selected are not very well adapted to Nordic countries as they do not

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[http://ec.europa.eu/justice/fundamental-rights/files/c\\_2013\\_778\\_en.pdf](http://ec.europa.eu/justice/fundamental-rights/files/c_2013_778_en.pdf)

correspond to items that are absent from households in these countries except in very exceptional circumstances (and de facto the MD rates are very low in Nordic countries). However the MD variables and related indicators set are tools that are adapted to the majority of EU Member States, despite their diversity, and allow comparable measurement (as in any case, using again the MD example, the fact that MD is low in the Nordic countries correspond to a reality, i.e. that their welfare systems provide good support for material living to people severely constrained by a lack of resources). In particular each time a new country joined the Union, as it was the case relatively recently for Bulgaria and Romania in 2007 and Croatia in 2013, it has been possible to compute and analyse MD, and more generally poverty and social exclusion, data and compare them with other EU countries.

Accession candidate countries such as Turkey, Serbia and Macedonia have adopted the SILC survey methodology – including the AROPE indicator. The Republic of Albania is presently not able to report comparably against the AROPE indicator, but data for this composite indicator will become available with the implementation of the SILC. However, Albania is well placed to begin the task of collecting data on living conditions and social protection from several key instruments including the Household Budget Survey (HBS), the Labour Force Survey (LFS), Programme for Integrated Student Assessment (PISA), and gradually elaborating data on social protection at the administrative level to comply with (ESSPROS – European System of Integrated Social Protection Statistics).

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