ADAPTIVE SOCIAL PROTECTION IN ALBANIA: The Case of Social Assistance

Countries are increasingly turning to their social protection systems to protect poor people from the negative effects of shocks. Given the growing size and frequency of covariate shocks – such as natural disasters, forced displacement and pandemics – many countries around the world have turned to their social protection systems to build the resilience of poor and vulnerable households to such events by investing in their capacity to prepare for, cope with, and adapt to shocks.[2] This so-called Adaptive Social Protection (ASP) aims to identify how social protection systems can respond directly to protect people from sudden losses of income, disruptions to livelihoods and increasing costs of essential goods and services arising from shocks. In the absence of such support, when shocks hit, families risk falling into (deeper) poverty, which may force them to use negative coping strategies – such as withdrawing their children from school – that often negatively affect human capital accumula-

tion. The growing use of social protection programs in response to shocks is seen in the COVID-19 response: by December 2020, a total of 215 countries or territories had planned or implemented social protection measures as part of their response to the pandemic, with most of these social assistance programs delivering cash benefits.[3]

This policy brief focuses on how social assistance, which aims to protect the poorest households from destitution, can be leveraged to protect the poorest from shocks in Albania. This policy brief considers the role that the Ndihma Ekonomike (NE), Albania's poverty-targeted social assistance program, may play in mitigating the impact of shocks on the poorest people in the country, drawing on the recent COVID-19 pandemic as a case study. This policy note starts by briefly describing Albania's exposure to covariate shocks to justify why utilizing adaptive social protection

in responding to future shocks may be warranted. It then describes the NE, focusing on its recent reform and current performance, and subsequently discusses how the government used this program to respond to the COVID-19 pandemic. The note then offers recommendations, drawing on international experience, for how the NE could be further leveraged to protect the poor and vulnerable from future crisis.
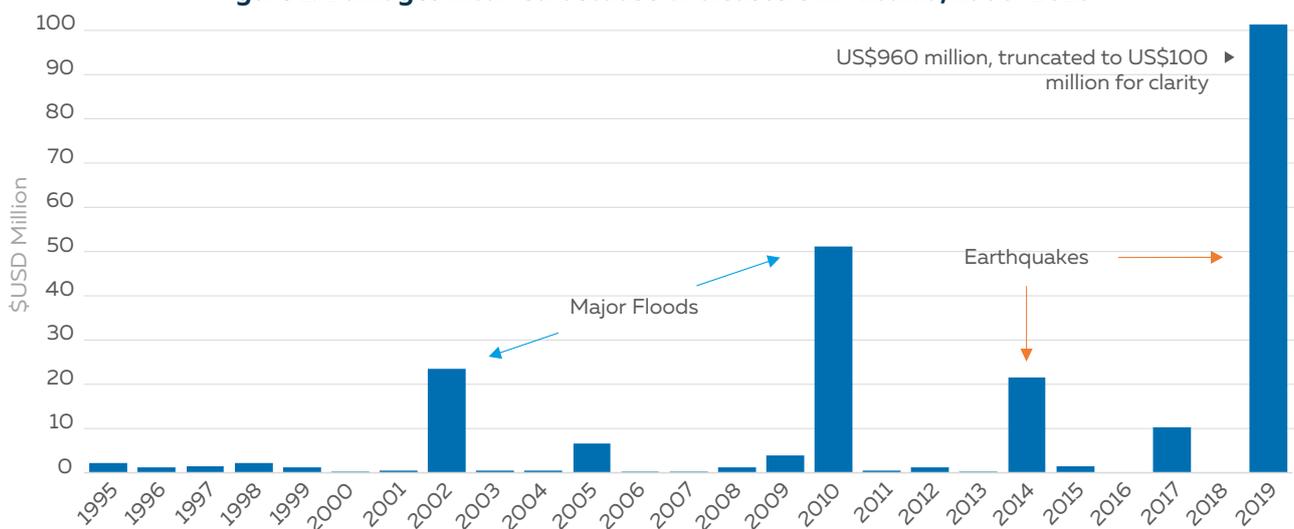
Exposed to various natural hazards, in particular flooding and earthquakes, Albania has the highest level of disaster risk in Europe according to the World Risk Index 2019.[4] Between 1995 and 2015, an average of 30,000 people were affected every year by natural disasters, and more than 95 percent of Albanian municipalities were affected by at least one disaster. Most notably, in 2019 Albania was hit by a severe earthquake. In the last decade, damages have exceeded US$1 billion (Figure 1).[5] Much of this is caused by businesses being damaged, resulting in temporary job losses. Climate change is anticipated to further increase the severity and frequency of weather-related disasters, such as floods and storms. This could subsequently affect sectors such as energy and agriculture, for example, and reduce water availability and food security.

The poor in Albania are often the most affected by disasters. While GDP per capita increased by an average of 2.7 percent per year between 2011 and 2019, the incidence of poverty remained relatively stable over the same period. At 22 percent of the population in 2021, Albania's absolute poverty rate (measured at US$5.5 per person per day) is currently the highest among the countries in the Western Balkans for which recent comparable poverty data exist (Figure 2). Projections suggest that from 2020 poverty has increased because of the COVID-19 pandemic.[6] Natural disasters have also pushed people into poverty. For example, a survey carried out following the 2019 earthquake found that severe material deprivation had increased to 41.6 percent from the 33.2 percent reported in 2018.[7] The poor, including in Albania, are often most affected by disasters, with long-lasting effects that undermine gains in human capital and poverty reduction.[8] This is because of their increased exposure to shocks and their underlying vulnerability, which limits their capacity to cope with such shocks. Poor households are thus unlikely to be able to absorb increases in energy prices, weather periods of income loss, or relocate or rebuild in response to a flood or an earthquake.[9]

Low levels of access to finance compound the need for effective social assistance to help poor and vulnerable people cope with the impacts of shocks. Albania ranks only 94th in the World Economic Forum's competitiveness rankings on ease of access to loans, the lowest ranking in the Western Balkans. Access to the country's few financial institutions
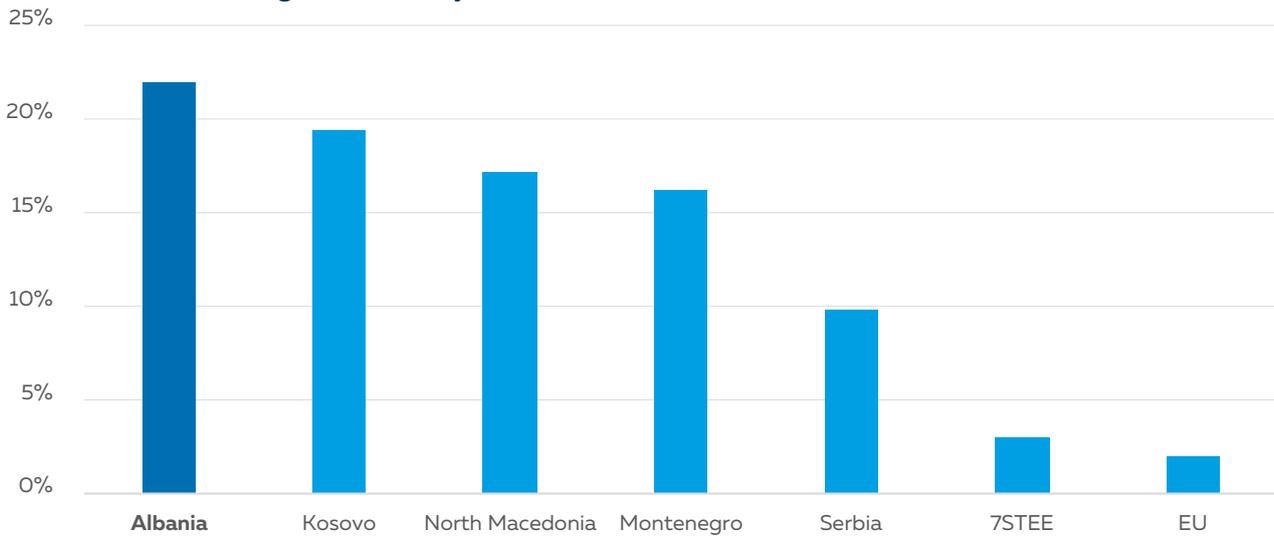
Figure 1: Damages incurred because of disasters in Albania, 1995–2019

Source: DesInventar database and Post-Disaster Needs Assessment. Figure from World Bank. 2020. Disaster Risk Finance Diagnostic Albania. Note: The figure presents aggregate damages, and the blue and red bars indicate years of major floods and earthquakes, respectively.

4 Buendnis Entwicklung Hilft and RUB. 2019. WorldRiskReport 2019: Focus: Water Supply.
5 The DesInventar database defines disasters as the set of adverse effects caused by social-natural and natural phenomena on human life, properties and infrastructure within a specific geographic unit during a given period of time.
6 World Bank. 2021. Subdued Recovery. Western Balkans Regular Economic Report No.19. Spring 2021. Washington, D.C.: World Bank Group.
7 Government of Albania, European Union, United Nations, and World Bank. 2020. "Albania: Post-Disaster Needs Assessment. Volume A Report/Tirana, February 2020." https://albania.un.org/sites/default/files/2020-05/no.4-%20Albania%20Post-Disaster%20Needs%20Assessment%20%28PDNA%29%20Volume%20A%20Report%2C%20February%202020.pdf
8 Hallegatte S et al. 2017. Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters. Climate Change and Development. Washington, DC: World Bank.
9 World Bank. 2020. Overlooked: Examining the impact of disasters and climate shocks on poverty in the Europe and Central Asia region. Washington, DC: World Bank.; UNDP. 2016. Risk-Proofing the Western Balkans: Empowering People to Prevent Disasters.

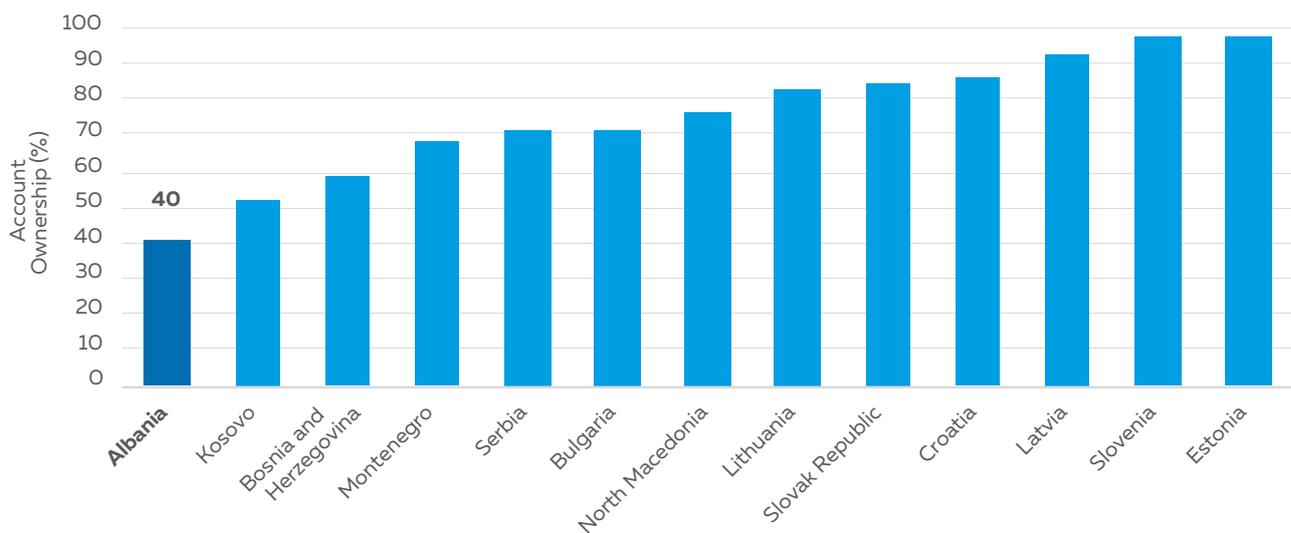**Figure 2: Poverty rates in the Western Balkans, 2021 estimates**

Source: World Bank. 2022. Steering through Crises. Western Balkans Regional Economic Report No. 21. Spring 2022. Note: SRB, MKD, MNE, 7STEE and EU estimates are derived from the income based SILC-C data, whereas KSV is measured using the consumption based HBS. Income measures in the SILC and consumption measures in the HBS are not strictly comparable.

is extremely limited: only 40 percent of the population have accounts at a financial institution or a mobile-money-service provider (Figure 3). Given the constrained environment surrounding access to finance, inequalities between socio-economic groups increase the need for poverty-targeted assistance during crises for those unable to access regular financial instruments to withstand shocks. Among the poorest 40 percent of the population, only 3.2 percent of those above the age of 15 have saved at a financial institution, while more than 12 percent of the highest earning 60 percent have saved. Similar inequalities exist in access to finance between men and women, between urban and rural regions, and across ethnicities.[10] Such low levels of access to finance, coupled with high rates of informality – and thus low access to social insurance, such as unemployment insurance – will leave many poor households with little financial support to fall back on when a shock hits.

Figure 3: Access to finance in Albania and other countries, 2017.

Source: Demirguc-Kunt et al. 2018. Global Financial Inclusion Database.

[10] Demirguc-Kunt et al. 2018. Global Financial Inclusion Database; Robayo-Abril, Monica; Millan, Natalia. 2019. Breaking the Cycle of Roma Exclusion in the Western Balkans. World Bank, Washington, DC. © World Bank. https://openknowledge.worldbank.org/handle/10986/31393 License: CC BY 3.0 IGO.

Albania's last-resort income support program, the Ndihma Ekonomike, appears to be effectively reaching poor households, although the low value of the transfer may undermine its impact. The NE is the main cash transfer program providing support to poor households in Albania. In 2011, the government adopted the Social Assistance Framework Law, which established the legal basis for revising the eligibility criteria for the NE.[11] This revision removed binary filters and adopted a Unified Scoring Formula (USF) that would better identify the extremely poor population.[12] The new eligibility criteria and targeting procedures were initially piloted and then scaled up nationwide from January 1, 2018. The 2019 European Union Survey on Income and Living Conditions (SILC) for Albania shows that 73.5 percent of beneficiaries of the NE are from the poorest 30 percent of the population, up from 60 percent in 2017,[13] suggesting some improvements in the targeting accuracy of the program.[14] This targeting accuracy can be leveraged by the government to protect the poorest households from shocks. However, while the average NE benefit amount increased by 17 percent between 2017 and 2019, recent analysis suggests that the NE benefit is equal to only a fraction of the poverty line (for example, the benefit for a household comprising two adults and two children is equivalent to 18.5 percent of the poverty line of US$3.20 per day) and lags other social minimums (for example, the benefit for a household comprising one adult member is equal to only 6.5 percent of the minimum wage).[15]

Like other countries around the globe, Albania harnessed its social assistance program to protect the poor from the COVID-19 pandemic. Within its broader response to the COVID-19 pandemic, the government adopted a set of measures specifically designed to protect the most vulnerable parts of the population from the economic impacts of the crisis. First, the government doubled the value of the NE benefit for April, May and June 2020 for those who had applied for the NE up to March 10, 2020,[16] while at the same time temporarily eliminating the need for in-person recertification every three months and allowing for applications to be submitted electronically or through the post office. Because of these changes, the number of NE beneficiaries increased by 11 percent (from 62,016 families in March 2020 to 69,073 in July 2020). Second, in the second half of April 2020, the government approved a one-off benefit (lek 16,000, equivalent to US$156) for all the families that had applied to the NE between July 2019 and April 2020 and had data in the NE management information system (MIS) but were not currently receiving NE benefits, with 4,524 families receiving this payment.[17] Finally, an inter-ministerial committee, chaired by the Ministry of Defense, was established to organize and deliver food and other support items for about 600,000 individuals identified as vulnerable by local governments. Most recently, the NE benefit was again doubled for the period January–June 2021.

Doubling the NE payment as part of the response to COVID-19 provided rapid additional support to beneficiaries, although the exact increase could have been better calibrated. Doubling the value of the NE benefit for three months was an effective means of harnessing the NE to protect some very poor households from the economic effects of the pandemic, such as rising prices or the costs associated with schooling children at home, given that the program is well targeted to the poorest quintile of the population. This doubling of the NE benefit followed a broader trend in the region: other countries in the Western Balkans similarly increased the value to existing beneficiaries of the last-resort income support program, although the rationale for such increases was not always clearly articulated or justified. Kosovo doubled the benefit for a period of three months (and reintroduced this doubling of the benefit at the beginning of 2021). In Montenegro, beneficiaries of the poverty-targeted Family Material Support Program received three ad hoc payments: €50 in April 2020; €200 in August 2020; and between €50 and €100 (depending on family size) in January 2021. However, in Albania, as in other countries, no specific objective or analysis was set out as rationale for the increase in the size of the benefit or the duration of this increase.

However, the opportunities to protect poor households through the NE were not fully exploited, leaving gaps in support across the population living in poverty. In an effort to reach additional poor people, the government introduced two measures: (i) providing a one-off payment to people with data in the NE MIS who were not currently receiving support, and (ii) delivering food and other support items for about 600,000 individuals identified by local governments as vulnerable. The first of these

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[11] In addition, the NE is intended to support certain other categories of beneficiaries: orphans who are not in social care institutions; parents belonging to families in need with two or more babies who are born simultaneously; victims of trafficking after they have left social care institutions until they are employed; and victims of domestic violence for the period of validity of the protection order or immediate protection order that are not treated in the social care institutions. These categories are not considered in this note.

[12] The targeting system has some flexibility to correct for potential exclusion errors in the identification of beneficiaries: those not passing the eligibility threshold can still receive benefits after going through a social-economic assessment carried out by a local administrator, which is supported by six percent of the NE budget managed by municipalities.

[13] World Bank staff calculations using SILC 2017 and SILC 2019. SILC 2019 results are based on the Ndhima Ekonomike variable. SILC 2017 results use harmonized hy060g variable as a proxy for Ndhima Ekonomike.

[14] This analysis does not fully capture the roll-out of the new targeting method given the timing of the survey and, as such, further analysis should be carried-out as successive rounds of household survey data become available.

[15] World Bank staff calculations for note on NE benefit adequacy prepared for the Ministry of Health and Social Protection, 2021. Calculated at per capita level for comparison to international poverty lines.

[16] The measure was approved by Council of Ministers Decree 254, approved on March 27, 2020.

[17] Based on Council of Ministers Decision 341 "On some additions and changes to Council of Ministers Decision 305, "On the determination of procedures, documentation and the amount of financial assistance for current employees and employees dismissed as a result of COVID - 19" of April 16, 2020" of April 23, 2020.

mirrored, to some extent, the actions by other countries, which used information in the management information systems of their social assistance programs or their social registries to provide support to additional poor or vulnerable households, thereby expanding the coverage of social assistance. Notably, however, the government opted not to expand the coverage of the NE to additional poor households using the full range of program procedures, such as: (i) proactively reaching out to poor households affected by COVID-19 who may have become eligible for the NE, or (ii) increasing the eligibility threshold of the Unified Scoring Formula to allow more poor people to enter the NE.[18] Recent analysis points to the impact of not providing more dedicated support to newly poor households in Albania: simulations suggest that Albania's response to COVID-19 did less to mitigate poverty increases than those of Western Balkan neighbors Kosovo and North Macedonia, even though the absolute number of new poor is within a close range.[19] Part of the reason for the low efficiency of these measures is that they covered a larger percentage of the existing poor than the new poor, while the non-poor also benefited in a significant proportion. Additionally, initial analysis suggests that providing support to additional poor households is more effective in terms of reducing poverty than increasing the value of payments to existing beneficiaries.[20]

Recent investments in the NE provide a strong foundation for advancing towards an adaptive social protection system in Albania. A global review of the response to the COVID-19 pandemic points to strong correlation between expansions in coverage of social assistance, specifically cash transfers, and presence of established social protection systems.[21] In Albania, the government has made considerable investments in strengthening the targeting of the NE, setting up an MIS, and strengthening the capacity of front-line staff to administer the scheme. These investments provide a solid foundation for advancing towards an adaptive social protection system, particularly because the eligibility criteria and targeting system are designed to identify people based on their poverty status. Using the NE as the basis, further criteria could be introduced to: (i) determine how to quickly identify additional people for support when a shock occurs; and (ii) establish the value and duration of the transfer to be provided for existing and new benefi-

ciaries. In order to rapidly identify people that need support when a shock occurs, Albania may consider investing in a social registry, which contains data that can be used to quickly identify beneficiaries to receive payments. The Philippines, Brazil and other countries have established social registries that are used to support crisis responses, as new beneficiaries are rapidly selected from the social registry database and paid immediately. A second option is to establish eligibility criteria that are then used when people apply for support during a crisis; this needs to be supported by active outreach and communication. In North Macedonia, for example, the Guaranteed Minimum Income (GMI) Program was quickly expanded to people negatively affected by the crisis through amendment of the eligibility criteria, which included assessing the incomes of applicants in the previous month instead of the normal three-month period. The decision in Albania to provide a one-off transfer to former NE beneficiaries points to how a social registry might work, in that the information on these beneficiaries was easily available in the MIS.

For such a program to respond quickly to a range of shocks, it needs to be supported by established triggers and backed by dedicated financing. In addition to establishing the rules and procedures within the NE to identify who would receive support in response to a shock, for how long and at what level, a set of rules are required to determine when such a response would be triggered, and subsequently scaled back down. In some countries, a response through the social assistance system is triggered by data from the early warning system reaching pre-determined levels.[22] This approach can be used for localized or larger (national) shocks and does not require a declaration of emergency by the national government. Other countries use procedures that have been established within their disaster risk management systems to identify and respond to crises. In terms of putting in place dedicated financing, the Ministry of Finance and Economy, with support of the World Bank, carried-out a disaster risk financing diagnostic, which recommended developing a comprehensive risk financing strategy.[23] Such a strategy could lay the foundation for further analysis of the cost of expanding the NE in response to anticipated shocks, and of possible financing mechanisms to ensure that funding is quickly available when needed.

[18] A third option would have been to modify the Unified Scoring Formula to identify households vulnerable to or affected by the COVID-19 pandemic. However, such modifications would need to be based on detailed analysis. Given the focus of this note on rapid responses to the crisis, this option is not considered here.
[19] World Bank simulations based on income data for 2017 from SILC for Albania, Montenegro, and Serbia, in: World Bank, 2022. Albania Country Economic Memorandum. Serbia is a special case, as it introduced a universal transfer that essentially wiped out any effects.
[20] World Bank simulations based on income data for 2017 from SILC for Albania.
[21] Gentilini U, Almenfi M, Dale P. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures, version of December 11, 2021.
[22] For example, the Hunger Safety Net Program in Kenya.
[23] World Bank. 2020. Disaster Risk Financing Diagnostic. Albania. Washington, D.C.: World Bank Group.

Putting in place disaster risk financing mechanisms can help ensure a rapid response to a disaster through the NE, while promoting fiscal sustainability. Governments often rely on ex-post budgetary reallocations to fund responses to disasters, which can lead to an inadequate response, in terms of timing and the size of financing, with high opportunity costs. In Albania, the opportunity cost of budget reallocations that were carried-out to finance the COVID-response is estimated to be equivalent to 0.76 percent of GDP in 2020.[24] International experience suggest that adopting a risk layering approach for disaster risk financing, which combines risk retention (such as budget allocations or contingent credit lines) and risk transfer (such as insurances), is an effective means of ensuring funds are available and effectively used for a rapid respond to a crisis. Adopting this approach for adaptive social protection can help governments to plan ahead and secure financing in advance, which will then prevent delays in post-disaster response.[25]

The Government may consider further strengthening its social assistance programs, specifically the Ndhima Ekonomike, beyond its current function as a last-resort income support to program to one that provides temporary support to poor and vulnerable people in response to covariate shocks by:

• Preparing for future crisis by (i) determining how to identify people quickly for support; and (ii) establishing the value and duration of the crisis transfer for existing and new beneficiaries.

• Strengthening delivery systems, by modifying the MIS, including potentially building out a social registry, clarifying the roles and responsibilities of social workers in terms of outreach and enrolment, and ensuring that the payment systems can quickly make payments during crisis.

• Establishing, within a national disaster risk financing strategy, a risk layering approach to finance a rapid response to shocks of varying sizes through the NE.

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[24] World Bank. Albania: the Impact of COVID-19 Related Budget Reallocations. Washington, D.C.: World Bank Group.
[25] Cubas, D., Gunasekera, R. and Humbert, T. 2020. Disaster Risk Financing for Adaptive Social Protection.