Social Assistance in Albania

An overview and reflections on the national roll out of the proxy means testing system

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What is the instrument

• Social assistance (or literally, “economic aid”) is designed to provide support to:
  – Families “in need” without sufficient income
  – Orphans not in residential institutions
  – Families in need with triplets or more
  – Trafficking and domestic violence victims

• Sole means tested benefit in Albania
Other cash benefits

• Disability benefits
  – For people with disabilities and their caretakers

• Child benefits
  – Introduced for the first time in 2019
  – One time child benefit at birth
Reform of the SA

• The former SA system has many faults:
  – The system for determination of eligibility was multi-layered and administratively heavy
  – For urban households, system excluded arbitrarily for any form of capital assets, economically active members, etc.
  – If filters were applied rigorously, 92% of families under the poverty line were to be excluded
  – Imperfect information: the system was decentralised and was often used for political favors

• A pilot system based on automated eligibility determination (proxy-means testing)
  – Pilot in three regions, with almost 50% of the total population from 2014
  – National roll-out in 2018
The new system

• A model was chosen to predict welfare of families
  – Based on a set of variables, modeled according to the LSMS survey (proxy-means testing)
  – Chosen variables and their verification:
    • Location, household membership and characteristics etc are easy to verify including through social worker visit
    • Ownership of durable assets – can be misrepresented
    • Ownership of productive assets – usually correlated with poverty especially in rural areas
Implementation

• Piloting of new system required significant preparations
  – New system based on applicant self-declaration
  – Establishment of a national database and automatic processing of applications through a centralised system managed by the State Social Service
  – Interface with other national databases, including tax office, vehicle registry and unemployment database
Impact on targeting

• Goal of reform:
  – Improving equity and efficiency of the SA programme
• Targeting:
  – Share of benefits accruing to poorest decile increased from 34% in 2009 to 45% in 2015
  – Contribution to decrease in poverty rate has increased from 0.3 p.p. before the reform; to 0.5 pp during the pilot and estimated 1.2 p.p following national roll-out
  – 75% of spending goes to the bottom 40%
Impact on coverage

• Overall NE coverage decreased:
  – from 12.7% of the population in 2009
  – to 10.4% in 2015,

• However, coverage of the extreme poor remained unchanged, and the coverage of the richest decile decreased.

• Equity improvements are derived from the suspensions of benefits from ‘richer’ beneficiaries due to tighter controls and inspections.
Impact on efficiency

• Dramatic improvements in transaction costs
  – Administrative efficiency: currently 5 working days needed to determine eligibility, as opposed to 25 days prior to reform
  – Centralisation of the system contributes to efficiency

• MIS has been developed and is operational nationwide and applicants’ intake data are cross-checked with seven external databases.
  – Other cash assistance incorporated, such as electricity compensation programme
Issues to consider

• Structure of benefits:
  – Determination of eligibility is based on a regression formula and exclusion errors will always persist
  – Benefit is a flat amount based on the household structure
  – Has not been tied to a minimum living standard
    • Average size of benefit for a 4 member household is less than EUR 40 per month
    • Minimum wage is 210 EUR
Ethical considerations

• Automated system
  – The application **rejection rate** in the beginning of the process was high
  – Decreased as a result of self-selection; as well as increased familiarity with the system
  – Several adjustments to the weight happened during the pilot stage
  – Nevertheless, it is difficult to explain why “sufficient score has not been achieved” for eligibility

• Even if there are changes to the formula perfect targeting will not be possible.
  – There may still be cases where specific group(s) are excluded.
Welfare predictors

• Housing and dwelling
  – Asset rich, income poor – especially for temporary hardships or elderly
• Urban/rural impact
  – Best results in rural area due to waiver of arbitrary restrictions for land ownership
• Once the households are eligible, the amount of benefit for similar size and age structure households are the same, independent of whether the household has other income.
  – This implies that the benefits are not linked with the objective of reduction of the poverty (consumption) gap.
Other challenges

• Poverty measurement
  – LSMS/HBS/SILC

• Access of beneficiaries to social care services
  – Time limitation
  – Absence of real activation measures
<table>
<thead>
<tr>
<th>Year</th>
<th>Means-tested benefits</th>
<th></th>
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<th>Disability benefits</th>
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<tbody>
<tr>
<td></td>
<td>No. of beneficiaries</td>
<td>% of SP spending</td>
<td>% of GDP</td>
<td>No. of beneficiaries</td>
<td>% of SP spending</td>
<td>% of GDP</td>
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<tr>
<td>2005</td>
<td>505,220</td>
<td>5.3%</td>
<td>0.40%</td>
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<td>10%</td>
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<td>2006</td>
<td>478,183</td>
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<td>0.35%</td>
<td>53,000</td>
<td>11%</td>
<td>0.8%</td>
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<td>2007</td>
<td>406,489</td>
<td>2.9%</td>
<td>0.23%</td>
<td>55,754</td>
<td>15%</td>
<td>1.2%</td>
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<td>2008</td>
<td>401,342</td>
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<td>0.34%</td>
<td>57,333</td>
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<td>2009</td>
<td>412,189</td>
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<td>0.35%</td>
<td>129,076</td>
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<td>2010</td>
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<td>0.28%</td>
<td>132,687</td>
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<td>2011</td>
<td>417,230</td>
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<td>0.28%</td>
<td>142,243</td>
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<td>2012</td>
<td>414,895</td>
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<td>0.27%</td>
<td>124,500</td>
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<td>2013</td>
<td>436,201</td>
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<td>0.34%</td>
<td>--</td>
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<td>2014</td>
<td>327,880</td>
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<td>2015</td>
<td>331,252</td>
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<td>0.29%</td>
<td>156,934</td>
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<td>2016</td>
<td>327,735</td>
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<td>2017</td>
<td>--</td>
<td>3.4%</td>
<td>0.32%</td>
<td>--</td>
<td>10.90%</td>
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<td>2018</td>
<td>--</td>
<td>--</td>
<td>0.25%</td>
<td>--</td>
<td>--</td>
<td>1.0%</td>
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Structure of families in the programme

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<tr>
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<td>1 member</td>
<td>5,484</td>
<td>5,641</td>
<td>3,854</td>
<td>4,406</td>
<td>4,301</td>
<td>4,582</td>
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<td>2 members</td>
<td>8,735</td>
<td>9,218</td>
<td>6,534</td>
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<td>7,326</td>
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<td>3 members</td>
<td>15,036</td>
<td>16,581</td>
<td>12,517</td>
<td>13,188</td>
<td>13,821</td>
<td>14,352</td>
<td>9,156</td>
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<td>4 members</td>
<td>28,511</td>
<td>30,340</td>
<td>22,954</td>
<td>23,938</td>
<td>24,271</td>
<td>24,451</td>
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<tr>
<td>5 members</td>
<td>21,751</td>
<td>22,998</td>
<td>17,699</td>
<td>18,124</td>
<td>17,963</td>
<td>17,867</td>
<td>13,692</td>
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<tr>
<td>6 members</td>
<td>11,017</td>
<td>11,309</td>
<td>8,502</td>
<td>8,284</td>
<td>7,994</td>
<td>7,781</td>
<td>5,465</td>
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<tr>
<td>6+ members</td>
<td>8,276</td>
<td>8,311</td>
<td>6,012</td>
<td>5,394</td>
<td>4,702</td>
<td>4,586</td>
<td>2,801</td>
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<tr>
<td>Total</td>
<td>98,810</td>
<td>104,398</td>
<td>78,072</td>
<td>80,058</td>
<td>80,149</td>
<td>80,945</td>
<td>54,082</td>
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