

Social Assistance in Albania

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

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Policy Analysis Laboratory, October 21-24, 2019

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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

Beneficiaries

Year	Means tested benefits (social assistance – poverty)			Disability benefits		
	No. of beneficiaries	% of SP spending	% of GDP	No. of beneficiaries	% of SP spending	% of GDP
2005	505,220	5.3%	0.40%	--	10%	0.7%
2006	478,183	4.6%	0.35%	53,000	11%	0.8%
2007	406,489	2.9%	0.23%	55,754	15%	1.2%
2008	401,342	4.3%	0.34%	57,333	13%	1.0%
2009	412,189	4.2%	0.35%	129,076	11%	0.9%
2010	411,128	3.4%	0.28%	132,687	13%	1.0%
2011	417,230	3.4%	0.28%	142,243	12%	1.0%
2012	414,895	3.2%	0.27%	124,500	12%	1.0%
2013	436,201	3.8%	0.34%	--	12%	1.1%
2014	327,880	2.7%	0.26%	--	13%	1.2%
2015	331,252	3.1%	0.29%	156,934	10%	0.9%
2016	327,735	3.0%	0.28%	--	11%	1.1%
2017	--	3.4%	0.32%	--	10.90%	1.0%
2018	--	--	0.25%	--	--	1.0%

Structure of families in the programme

Family size	2012	2013	2014	2015	2016	2017	2018	Change 2018/2017 (in no)
1 member	5,484	5,641	3,854	4,406	4,301	4,582	1,643	-
2 members	8,735	9,218	6,534	6,724	7,097	7,326	2,386	-
3 members	15,036	16,581	12,517	13,188	13,821	14,352	9,156	-
4 members	28,511	30,340	22,954	23,938	24,271	24,451	18,939	-
5 members	21,751	22,998	17,699	18,124	17,963	17,867	13,692	-
6 members	11,017	11,309	8,502	8,284	7,994	7,781	5,465	-
7 or more members	8,276	8,311	6,012	5,394	4,702	4,586	2,801	-
Total	98,810	104,398	78,072	80,058	80,149	80,945	54,082	-26,037