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PERMANENT MISSION OF
THE REPUBLIC OF ALBANIA
GENEVA

Nr. Prot 93

The Permanent Mission of the Republic of Albania to the United Nations Office and other International Organizations in Geneva presents its compliments to the Office of the High Commissioner for Human Rights and with reference to the Latter's note (Poverty 2008) of 20 November 2009 has the honour to provide the attached Submission of the Government of the Republic of Albania in response to the Questionnaire on the social protection of seniors.

The Permanent Mission of the Republic of Albania to the United Nations and other International Organizations in Geneva avails itself of this opportunity to renew to the Office of the High Commissioner for Human Rights the assurances of its highest consideration.



Geneva, 3 February 2010

OFFICE OF THE HIGH COMMISSIONER
FOR HUMAN RIGHTS

GENEVA

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REPUBLIC OF ALBANIA
MINISTRY OF LABOR, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES

General Directorate of Policy
Directorate of Pensions and Wages Policy
Directorate of Social Services Policy

No. _____ Prot.

Tirana, _____ 2010

Subject: Response to the questionnaire of the High Commissioner office for Human Rights on social protection.

To: Mr. Garmend Turdju
General Secretary
Ministry of Foreign Affairs

Mr. Spiro Koçi
General Director
General Directorate for Multilateral Relations
Ministry of Foreign Affairs

TIRANA

In response to your written request with Prot no. 16802 dated 29/12/2009 with regard to the questionnaire on social protection we have prepared the necessary information reflecting the social security and social protection legislation and programs that make up social protection.

Social insurance in Albania, according to law no. 7703 dated 11.05.1993 "On Social Security in the Republic of Albania" amended, is being implemented through two contributory programs that are respectively social insurance and health insurance.

Social protection program reflecting law no. 9355 dated 10.03.2005 "On social assistance and services" as amended, includes economic assistance program for families in poverty, support programs for persons with disabilities (PLA) and the program for the deliverance of care services for individuals as children, young people, people with limited abilities, elderly and women.

1. Display the legal framework under which it was decided the use of social programs?

The scheme of compulsory social insurance in the Republic of Albania is based on law nr.7703, dated 11.5.1993 "On social insurance in the Republic of Albania" (as amended) and regulations in its implementation. The law determines the population groups obliged to get insured and groups that benefit from this scheme. One of the columns of social insurance is compulsory

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pension insurance branch, which consists of old age pension, disability pension, pensions and family payments for death.

Social protection scheme, (amended) reflects law no 9355 dated 10.03.2005 "On social assistance and services" and sub legal acts in its implementation. This law provides assistance and social services for vulnerable individuals and groups unable to fulfil basic vital needs, develop personal skills and maintain integrity due to limited abilities and restricted economic, physical, psychological and social opportunities.

- *Indicate which is the minimum age that a person must meet to be recognised as an old individual and if such depends on the nature of the profession that the potential beneficiaries exercise?*

According to law no. 7703, dated 11.5.1993 "On social insurance in the Republic of Albania", article 31, determines the age for old age pension benefit, which is considered to be 65 years for men and 60 years for women, given the transition period related to gradually extension of the retirement age until 2014. According to the aforementioned law the benefits for old age pension are divided into three forms, depending on age and length of employment:

Full, partial and reduced retirement pension, under the conditions spelled out in law.

Individuals' men aged 65 and women aged 60 years old, are entitle of a **full retirement pension** after they have contributed for a total of 35 years of insurance. Given the transition period an exception to this rule can be applied under Article 92 of Law nr.7703, dated 11.5.1993. Mothers who have given birth to 6 children or more which are over 8 years old, have the right to retire, when the reach age of 50 years and have contributed to their insurance for a total of 30 years

Reduced retirement pension is acquired by people that have been insured for not less than 35 years, have reached age 62 for men and 57 for women, when age for full retirement under the transitional provision (Article 92 of law no. 7703, dated 11.5.1993), is greater than this age, do not perform economic activities as employed, employer or self-employed. Reduced pension is part of the full pension and remains reduced throughout benefit. This pension is calculated by subtracting from the full pension the amount that comes from multiplying the number of months of pension benefit, before filling the age specified in Section 92, with monthly reduction coefficient. Reduction coefficient of full age pension, for persons who fulfil the conditions laid down in the first paragraph of this article is 0.6 percent per month.

Monthly retirement pension measure consists of a basic amount and of a supplementary. The base amount should provide at least a minimum living standard, which is annually indexed in connection with the price index of some selected goods, defined in the regulation of the Social Insurance Institute. The addition consists of one percent per insured year multiplied by the average insurance appreciated that insured persons have achieved through contributions.

The Council of Ministers index annually the basis of individual assessment in relation to the development of the average contributions paid this year. The total amount of pension will be not more than twice the basic amount, or 75 percent of the average net wage line 3 years to 10 years of work for the insurance of the person, which should be smaller.

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Average net wage of 3 consecutive years of the last 10 years of work of the insured person, is indexed annually according to the rules of indexation of base rate.

When a person qualifies for full retirement pension which means has fulfilled the requirements for retirement pension but continues to work, will receive additional, in 0.34 percent of the full pension for each month that worked on the completion of conditions. A full retirement pension beneficiary, which interrupts retirement pension, continues to work and pays contributions, takes on additional pension in the mass of 0.34 percent for each month break. This additional pension is calculated on the extent resulting after the increase and the indexation performed on the pension during the break time.

The partial retirement pension, conditions - 15 years of insurance, age 65 years old for men and 60 years old for women. Partial pension is determined as part of the full pension. The retirement pension is calculated by multiplying years of full insurance and making the division with 35.

- *Are there restrictions such as for example a minimum period for the entitlement of receiving social support?*

For the retirement pension, the invalidity pension and that of family one there are no waiting periods for qualifying that right, so applying, exercise for this right begins from the moment when a compliance with the provisions laid down in law.

In social protection: i) In order to qualify for an economic aid program, the period of verifying the economic and social situation consist of 30 days. ii) Persons with disabilities who are examined for the first time by KMCAP, are entitled to benefit a payment two months after the decision is reached by the commission.

- *Specify whether or not the social program for the elderly is of a contributory nature?*

The social insurance scheme is a contributory nature of type PAYGO under which each generation pays for the other generation. Each employed person is obliged to be insured to the extent provided for 21.6% of salary for contribution effect (which varies from 16120th lek / month in 80600th lek / month or five times the minimum wage), of which 8.6% of wages are covered by the employee and 13% by the employer on the insurant's account. The insurance amount for the pension branch constitutes 88% of the total social security's contributions. These definitions differ for specific categories of employees as self-employed persons with income from ownership, self-employed in agriculture, the part-time employees, etc. Social and health security scheme is of contributory nature where each employee is obliged to get insured in the amount of 3.4% of the salary for contribution effect, where 50% of which is paid by the employer.

Under Article 33 of Law nr.9355, financing of economic assistance programs, payment for persons with disabilities and social services are covered by the state budget and local government budgets. Sources of funding consist of: a) state central budget funds b) funds from taxes and local fees.

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Council of Ministers determines the measure of payment for families within the economic aid scheme which consist of a monthly benefit, and is calculated according to family structure and the maximum measure is 7500 lek whereas the minimum payment is 800 lek.

The Council of Ministers determines the measure of payment for the limited ability of all groups. That amount consist of 8700 Lek and is indexed, each year, alongside the growth rates of minimum wage, in national scale, but the indexed amount of payment cannot be more than the minimum pension in the city in nation scale.

Persons in need of social care services are admitted in public residential institutions for free, if their families lack any sort of incomes and an amount of money in cash is provided to them for personal expenses. Council of Ministers through decision no. 115 dated 31/01/2007 determines for providing for personal expenditures the following: i) 300 lek per month for children 2-5 years old; ii) in 1000 lek per month for children 6-14 years old; iii) 500 lek for people with Limited Abilities; iv) 4,000 lek per month for the elderly. Persons whose incomes consist of, a retirement pension, state, cooperative, family pension or disability pension, when qualified as entitle of social care services within public residential institutions contribute with 50 percent of their pension.

2. In case of lack of legal base, describe administrative decrees or regulations which allow the use of such social programs.

The goals of the policy designed for the protection of the elderly are well defined in the Social Inclusion Strategy which aims at the easement of the economic difficulties, social inclusion of the elderly people and gives rise to the opportunities for a dignified, healthy and longer live life, during their elderly age. The Government approved this document in February 2008 and the first monitoring report was drafted in 2009.

In implementing its program of governance and social inclusion strategy, in the field of pensions, the Government has concentrated the attention to the maximum increase of minimum incomes for pensioners.

The implementation of policies in the field of social security, for the protection of the elderly

- *Increase of Pensions:* In 2009, the minimum income of pensioners in the city reached 12227 leks per month and in the village in 7234 lek per month achieving so a 46% increase of the city's pensions and over 99% of the village's pensions, compared with 2005. In the first place such increase achieves total recovery of the erosion effects of inflation, in the amount of the pension, provides a real addition for the city pensions and ensures the implementation of the government's program which defines that the village pensions must increase with high rates, doubling in 2009. So the minimum pension in the villages has increased from 3630 lek / month in 2005, to 7234 lek / month in 2009. At the same time the average incomes of the pensioners of the villages have doubled. For the year 2009 the minimum income of pensioners in the city increased by 8%, while in the village with 17%, compared to a year ago.

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- *A prioritised increase of village pensions:* The policy is continually implemented with great growth and differentiated village pensions compared with those of the city, in implementing the development strategy of the social security scheme, with the aim of equalizing those with City pensions in 2012

- *The reduce of social security contributions:* the increase of pensions in general has been achieved through the implementation of government policies and commitment of its structures, to reduce the contributory evasion and informality in the economy. During these years the reduction of contributory social security charge by 38.5% became possible to 24.5%, favouring in this way and promoting the development of business in settlement of obligations to the state. So the contributory burden of the employer for social insurance, starting from 1 May 2009, is reduced by 29% that was in 2005, to 15%. The reduction of contributory rate has positively influenced in the reduction of informality, the increasing number of contributors and consequently in the increase of contributory incomes. Also various measures have been undertaken aiming at a financial balance of the social insurance system and increasing the performance during the collection of contributions.

- *Immediate assistance at the end of the year:* Aiming at the fulfilment of the needs of pensioners at the end of years 2005, 2007, 2008 and 2009 decisions for economic assistance to pensioners (remuneration of end of year) from which benefit about 530 thousand persons, with the 5000 lek per person (in 2009, 2500 lek) have been implemented.

- *Compensation of pensioners and disabled:* In addition to these policies during the year 2006 and onwards the established funds have been made available to the Institute of Social Insurance for compensation of pensioners and disabled, due to changing electricity price.

Supplementary schemes are implemented for specific categories, which are financed from the state budget and by the supplementary contributions of beneficiaries:

- Persons carrying out constitutional functions and state employees (central budgetary institutions) receiving state benefits as additional income on benefits provided by compulsory insurance. Financing is provided by the state budget and supplementary contribution to pay persons employed in these functions and tasks. (Law No.8097, dated 21.03.1996, "For additional state pensions to persons who perform the constitutional functions and state employees", as amended).
- Military Armed Forces of the Republic of Albania, employees of State Police, Employees of the Guard of the Republic of Albania, employees of the State Information Service, Prison Police officers, Fire Police officers, Officers of the Internal Control Service. Financing is provided by the state budget and supplementary contribution paid by beneficiary entities. (Law No.10142, dated 15.5.2009, "On supplementary social security for military armed forces staff of the State Police, Guard of the Republic, the State Information Service, the Prisons Police, the Fire Protection and Rescue Service Police and internal control in the Republic of Albania", amended).
- Employees of universities, of Higher Education services, Albanological Research Centre, Academy of Sciences and all other institutions of public research in the Republic of Albania, who hold scientific titles are entitle to benefit supplementary state (retirement) pension supplemental benefit pensions (old age), as additional income on benefits provided by law no.7703, dated 11.05.1993, as amended. Financing is provided by the State budget and supplementary contribution paid by beneficiary people under (Law No.10139, date 15.05.2009 "On State supplementary pensions for University employees).

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The above supplementary schemes are managed by the Institute of Social Insurances.

Law No.9355 dated 10.03.2005 "On Social Assistance and Services" alongside with bylaws in its implementation, regulate the relations between the process of financing and providing economic assistance, the payment for persons with limited abilities and social services in Albania. The Social Protection Sectorial Strategy, approved via the Council of Ministers decision no.80 dated 28.01.2008, aims to provide incomes and services for individuals to live with dignity and to apply their capabilities and skills, as desired. (Attached CD of legislation in English)

3. Describe the institutional framework regulating the use of these social programs?

- *Indicate the authority or central, regional or local level structures, which comprise the team of conceptualising, exercising and controlling the use of these social programs.*

Social Insurances in the Republic of Albania are lead and administered by the Social Insurances Institute (ISI), which is a public, independent institution consisting of the central directorate, regional departments and local social security agencies.

The activity of ISI is lead by the Administrative Council which is the highest administrative tripartite body, with the participation of State, employees and employers organizations. Article 68 and 69 of the social insurances law, determines that the income and social security costs are regularly reflected and annually revision by the audit committee, established in accordance with the Statute of the Institute of Social Insurance.

Council of Ministers enjoys the right of supervising the financing of social insurances, the auditing of the annual accounts and budget approval. Article 12 of the Statute of ISI determines that the within the composition of the institute an internal audit unit must be established, aiming at the audition of its structures, its activities not less than once in 2 years.

Every year the Administrative Council of the ISI through the Ministry of Finance submits to the Council of Ministers: the annual report and balance of ISI, the annual budget and financial plan of the ISI, the financial development and 3-year panning of ISI. The administrative council of ISI once every 5 years submitted to the Minister of Finance and through the Minister of Finance to the Council of Ministers its 5 year planning. The Institute of Social Insurance reports to the Minister of Finance for the implementation of government policies in the field of social security, for the implementation of annual development program of social insurance scheme and other matters appointed by the Minister. Ministry of Finance oversees the implementation of government policies in the field of social security.

Under Article 27 of Law 9355, the Ministry of Labour, Social Affairs and Equal Opportunities is the authority responsible for policy formulation, legislation, programming of economic assistance funds, payment for persons with disabilities and social services, rates and service standards, and control their implementation at all levels of structures, central and local at public and at private sector.

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Minister of Labour, Social Affairs and Equal Opportunities establishes the Inspectorate for Economic Assistance, Payments for Persons with Disabilities and Social Services, which monitors the operation and implementation of legislation and structures depending on its institutions and departments, municipalities or economic aid to the municipality. Procedure of performing the control of these inspectorates is determined by the Council of Ministers.

State Social Service, (SSS) under Article 26 of Law 9355, is a public institution, depending on the Ministry of Labour, Social Affairs and Equal Opportunities. The highest decision-making is the Administrative Council. Highest executive authority is the Director General. He is responsible for implementing the policies of the Ministry of Labour, Social Affairs and Equal Opportunities in the field of assistance and social care services: a) programming and controlling the use of State Budget funds for economic assistance, payment of persons with disabilities and social care services; b) monitoring service standards and the proposal for approval of new services; c) determining the unique documentation necessary for applicants and recipients of social services, according to this Law. State Social Service is composed by the Directorate General and 12 Regional Directorates. Administrative Council members are also representatives from associations of Persons with disabilities and representatives of associations of children.

Various other authorities or other structures which are included in the monitoring of social programs are the Prefect, the Supreme State Audit and the Ombudsman.

- *What civil society organizations are involved in the development of legal framework, its use and exercise of control over this program? If any, describe their role.*

OSCE has contributed in the process of drafting the strategy for persons with disabilities. UNICEF has contributed in the process of drafting the framework for protecting all children. UNFPA has contributed in the process of drafting the policy document of the third inter-age. Other local organizations have participated in the process of policy formulation and implementation of social protection

The cost and coverage of programs

1. *Indicate the number of beneficiaries and if possible specify their profile (age, ethnicity, sex, origin).*

Number of beneficiaries from the scheme of compulsory social insurance, for the year 2009, is as following:

Total beneficiaries from the pension branch	533141 people
- Retirement Pensions	426447
- Invalidity Pensions	46516
- Family Pensions (survival)	60178

Beneficiaries of the program of economic assistance, payment for skills and limited social services are all Albanian citizens regardless of ethnicity and origin.

- Currently 96.797 thousand families about 455 thousand residents nationally, of which 39,259 in urban areas and 57,538 in rural areas enjoy the right to benefit from the economic assistance scheme.

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- There are 11,129 blind individuals, 4560 pre tetraplegjik, 49690 the most disabled persons physical, mental, sensory and 51,483 work invalids beneficiaries of disability payment.
- Of 49,690 persons with disabilities, 20,919 are women and 28771 men and they are grouped according to age group: 0-3 years old 3271 persons, 4-16 years old 12134 persons; 17-21 years old 7632 persons, 22-60 years old 22731 persons and 3922 persons over 60 years
- There are 51483 working disabled who benefit disability payment of whom 21788 are women and 29695 are men divided according to age group: 1588 persons are up to 30-years old, 5919 persons are between 31-40 years old, 15215 persons are between 41-50 years old; 18181 persons are between the age of 51-60 years and 10,580 persons are over 60 years old.

Statistics for social services

Naming of categories	No. service centres			By which females	Age group		
	total	Residential	daily		0-6 years old	6-15 years old	15-18 years old
public services for children	9	7	3				
No. Clients	1159	191	886	373	142	976	41
non-public services for children	45	15	30				
No. Clients	7044	368	6676	4703	684	3505	2855

Naming of categories	No. service centres			By which females	Age group	
	total	residential	daily		18-22 years old	Above 22 years old
public services for young persons	2		2			
No. Clients	150		150	90	75	75
Non-public services for young persons	13	3	10			
No. Clients	8724	60	8664	4625	6094	2630

Naming of categories	No. service centres			By which female	Age group		
	total	Residential	daily		18-25 years old	25-35 years old	Above 35 years old
Public services for women	1		1				
No. Clients	290		290	290	28	125	137
Non-public services for women	14	4	10				
No. Clients	2624	59	2565	2624	591	910	1123

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Naming of categories	No. services centres			By which	Age group		
	Total	Residential	daily		Under 65 years old	65-75 years old	Above 75 years old
public services for the elderly	12	2	10	Female			
no. Clients	774	135	638	191	171	456	147
Non-public services for the elderly	10	4	6				
no. Clients	523	103	420	170	239	168	116

Naming of Categories	No. services centres			By which	Age group	
	total	Residential	daily		under 16 years old	Above 16 years old
Public services for PLA	12	6	6	females		
no. Clients	315	171	144	129	117	198
Non-public services for PLA	12	3	9			
no. Clients	1563	66	1497	933	286	1277

2. What are the geographical areas that this program covers with social services (national, regional and local level)?

The social security program is being implemented at national level therefore it covers all regions and municipalities of the country.

The economic assistance program, the payments for persons with limited abilities as well as the social services are nationally.

3. What is the annual budget of the program?

Social security program for 2008 has accomplished a budget of 65.985 million leks, 16% of which is covered by the state budget through transfers. Social insurance costs make up 5% of the GDP.

Budget in years according to social protection programs:

		ne milion leke					
	Denomination	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Budget 2010 detailed
B	Social Protection	10,350	11,814	12,250	15,214	18,276	20,324
I	Ndihma Ekonomike (Economic	3,257	3,048	2,672	3,517	4,200	4,900

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	Aid)						
2	Energy price compensation		676	353	380	350	1,000
3	People with Limited Abilities	6,097	7,014	8,129	9,120	9,346	11,700
5	The persecuted	0	0	0	1,000	3,170	2,000
6	Expenditures Administration & Social Services	490	523	592	689	687	689
	From expenditures from care services	369	398	440	448	483	534
7	Budget Investment	81	92	51	60	40	35
	nga llogji per sherbimet e perkujdesit	56	63	13	0	0	35

4. What are the primary sources of its funding?

Primary sources of financing social security:

The benefits that this law provides are financed by the social insurances fund, to which employers, employees and other persons voluntarily insured would contribute regularly... Contributions of employed persons will be shared with their employer. Social security fund stands as a separate unit from the state budget fund and consists of income and expenses.

Besides the contributions of insured persons and their employers the state contributes for the people who are unable to pay contributions, particularly for:

- Citizens serving compulsory military service;
- Employees who receive a payment of unemployment;
- Citizens who are covered by the benefit scheme under the decision of the Council of Ministers;

Also state budget covers subsidies to support additional expenses, as a result of:

- Indexation of benefits that occurs every year under social security law
- Coverage of expenses when income is not enough;
- Payment for additional activities, defined by the Council of Ministers;

Social security costs are being covered even:

- By State budget subsidies, approved by the People's Assembly;
- Incomes from the investments of the social insurance fund;
- Other income, including fines, income from social security administrative activities, gifts, inheritance, etc...

The sources of funding economic assistance scheme, payments for the limited abilities and care services are the state budget.

5. Is this program funded by national, regional or local resources? Or depends on foreign funding?

Sources of financing social security fund are mainly from social security contributions and subsidies from the state budget. When social insurance costs are not covered by the income provided above, the difference is covered by state budget.

a) Contributions of persons insured and their employers;

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- b) State Budget subsidies
- c) Incomes from the investment of the social insurance fund;
- d) Other incomes, including fines, income from social security administrative activities, gifts, inheritance, etc.

Sources of financing the fund of the social protection are national and local sources.

6. *What is the number of persons who are not receiving social support?*

The compulsory pension scheme (First Pillar) is universal for the entire population. All citizens who are employed, including self-employed, employers and civil service employees are covered by this system.

7. *What is approximately the amount of social support in relation to a monthly?*

The Monthly Measure of retirement pension consists of a very basic and a supplementary amount. The base amount, which is indexed annually in connection with the price index of some selected goods, defined in the regulation of the Social Insurance Institute should provide at least a minimum living standard. The addition is 1 percent per year basis multiplied by the appreciated average insurance that insured persons have achieved through contributions. The Council of Ministers annually indexes basis of individual assessment in relation to the development of the average contributions paid for this year. The total amount of pension will be not more than twice the basic amount, or 75 percent of average net wages line 3 years to 10 years of work to ensure the person, which must be smaller. Average net wage of 3 consecutive years of the last 10 years of work of the insured person, is indexed annually according to the rules of indexation of base rate. The invalidity pension is calculated at 80% mass of the average net of the salary of the three best years within the last 10 years.

Procedures for the implementation

1. *What are the procedures that apply to transfer this social assistance for beneficiaries?*

Under Article 87 of Law No. 7703, dated 11.5.1993, "On social insurance in the Republic of Albania", the payment of social insurance benefits is made by specialized institutions. The Albanian Post and second level banks (commercial) are in charge of delivering the pension payments.

Ministry of Labour, Social Affairs and Equal Opportunities transfers the funds for economic assistance program, the payments for persons with disabilities and social services as conditional grants in the beginning of each year for every unit of the local government.

The Council for local governance unit, under Section 29 of the above law: i) approves funding and the number of families in the economic aid scheme ii) approves funding for the payment of persons with disabilities; iii) approves funding for social care services; iv) designs the plan for the development of social care services, based on resources, needs and local priorities; v) approves and supports the development of care services based on need assessment of local priorities; vi) makes decisions for people, families, types of social services will be provided based on: a) assessing the needs of individuals and families, conducted by the social administrator b) financial opportunities for the provision of these services, and vii) decides, in

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accordance with the legislation in force, the right and extent of economic benefit for family assistance, as well as providing special benefits as determined by law; viii) with its own funds, and based on the specific criteria, supports economic aid, or other forms of immediate assistance for families in need

2. *What is the application procedures set to inform beneficiaries of social services?*

The Obligation for information is defined in Article 62 / 1 of Law No. 7703, dated 11.05.1993 and Decision no. 837, dated 28.12.2005 "For information on contributions and benefits from social security. Social Insurance Institute, which is the only institution that administers the compulsory social insurance (pension system, etc.) is in the initial stages of creating the electronic base that provide data entry system in search of personal information from any contribution paying. Currently, the transparency of individual benefits and the situation of the periods of insurance, are realized through the system of periodic reports

Social administrators in town halls or municipalities under Article 31 of Law 9355, carry the duty: a) to identify families who need economic assistance, persons with disabilities and the needs of individuals for social care services; b) of helping in the preparation of documentation for persons applying for the benefit of economic aid, payments of disability and social care services; c) to assess the needs of individuals or families seeking to obtain social services, in accordance with national and local priorities, the financial opportunities for the coverage of these services, they prepare the documentation and proposals for approval in the Council the Municipalities or the Commune, etc..

The units of the local governments, under the guidance no. 338 / 3 dated 10.03.2006 "On implementation of the Decision no. 787, dated 14.12.2005" On determining criteria, procedures and economic aid measure" carry the duty of posting each month in centre administrative unit (attached decision and handbook) the lists of the beneficiary names entitle of receiving the economic assistance and the extent of such benefit.

3. *Are there other social services, assistance or subventions as to which beneficiaries may have through these financial aid: If yes, describe them*

Specific schemes approved by the Council of Ministers and financed by the state budget are being implemented with the aim of supporting specific groups:

- Employees who have worked in the mines underground field for a period not less than 11 and a half years and have a general period not less than 23 years in cases where there has not been any exercise of economic activity benefit a special financial treatment (Under the Law no.8685 date 9.11.2000 "For a special treatment to employees who have worked in the mines; the underground", as amended). Such financing is made by the State budget.
- Employees who have worked in several companies of military industry (Under the Law No.9179 dated 29.1 2004 "For a financial special treatment of the employees who have worked in several companies of military industry", as amended) benefit special financial treatment.
- Military pilots who have flee reactive and propeller aircraft and their management board, as well as the pilots and technicians flying the Unit of Medical Transport helicopter benefit a special financial treatment in addition to their retirement age pension. The

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- funding is provided from the state budget. (Law 9128 date 29.07.2003 "For a special financial treatment of pilots, in addition to the retirement pension, as amended).
- Effective, non-commissioned officers and seaman of submarines and polumbare of naval forces (Under Law 9361 dated 24.3.2005 "For a special financial treatment for effectives, and non-commissioned officers, the navigation of submarines and naval forces, retired) benefit a special financial treatment in addition to retirement age. Funding is provided from the state budget.
 - War veterans receiving a monthly reward. After the death of the veteran, the right to a monthly compensation and benefit is offered and is benefited only by the spouse unable to work, minors and other persons unable to work and which are under the veterans dependency, in the case when not entitle to benefit from social security pensions. (Law No.7874, date 17.11.1994 "On the status of veteran of the War against Nazi-fascists of the Albanian people", as amended).
 - For employment seniority purposes or service, the time of suffering the penalty of deprivation of freedom and exile as additional criminal penalties, has been recognised as valid and the Political persecuted people are considered to be entitle of the retirement pension. For the effect of pension calculation, the convicted persons enjoy the right of selecting the monthly average salary received during three years of the time within the last ten years of work, before or after criminal proceedings, or the salary received by a worker, who has worked in the same working conditions with which it has done during the convict the penitentiary. When this choice cannot be made for various reasons they are given the average pension. For the effect of pension, the time of serving the prison sentence ought to be known as double. (Law No.7514 dated 30.9.1991 "On innocence, amnesty and rehabilitation of former convicts and political persecuted" (as amended)
 - Family member of martyrs of homeland have the right to benefit a monthly financial reward. (Nr.8607 Law, dated 27.4.2000 "On the status of martyr to the Fatherland", (as amended).
 - War invalids scheme against Nazi - fascists' occupation of the Albanian people. This scheme includes and treats the wounded and wounded persons in the National Liberation War, which have been involved and participated in the War since April 7, 1939 until May 9, 1945, have performed underground activities, in the background of the enemy, or liberated areas, have been imprisoned or interned in Nazi - fascists camps. Such scheme is financed from the state budget. (Law No.7663 dated 20.1.1993 "On the Status of the War invalids against the Nazi - fascists' occupations of the Albanian people", as amended).

These schemes are administered by ISI

Social services are provided even by non public entities. Such entities provide social services for children, young people. People with Limited Abilities, elderly and women, in the form of residential and community services. The activity of these entities in the field of social care is licensed by law no. 10081 dated 23.02.2009 "For the licenses, authorizations and permits in the Republic of Albania" amended. About 95 non public services are offered for the category of children, People with Limited Abilities, young people, women and the elderly.

With the aim to protect poor families from the increased electricity price the scheme for compensation from the rise of the energy prices is being implemented. For the first 200 kWh

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consumed, the compensation amount is 500 lek per month according to the criterion for a family, and the contract with KESH (the Albanian Electrical Corporate). The new tariff covers 36% of the increased price of electricity for all of the above categories, from 9% previously covered.

The subsidy amounts covers several groups of beneficiaries such as: i) families, which are receiving economic assistance, and comprises the families who have members with disabilities, who are declared unfit to work by the decision of the KMCAP; the subsidy has become part of list of economic aid payments which is delivered by the local units ii) heads of families who receive state disability pension, and have no family members employed in the public sector, or self-employed in private sector; subsidies are reflected in a separate column in the payment list of limited abilities for this category at the local unit; iii) heads of families who receive state retirement pension and live alone or have dependent children who have no incomes; the subsidy has been included in the payment list of pension in a separate column; iv) budgetary worker's families with gross monthly salary under 35.000 lek per month; subsidy is included as a special column in the payment list of the concerned institution

Persons beneficiaries of disability payment, that with a decision of the medical committee have been determined that they need special care, are entitle to have a paid care person in their service. Currently the number of care persons or (guardians) for people with limited abilities is as the following: 3397 care persons for blind people; 4479 care persons for people pre an tetra plegic abilities; 9204 care persons for people with mental, physical and sensory disabilities. The amount of the payment is determined through a decision of the Council of Ministers

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4. Do these beneficiaries have also access to other public services such as sanitation service?

Another social scheme deals with the treatment and the medical care of the elderly people. The program of health insurance is a contributory one and the institution responsible for its implementation is the Institute of Health Insurance (ISKSH). In addition special provisions and regulations apply aiming at the protection of elderly persons, pensioners, invalids of war, etc. Thus, war invalids are entitled to free treatment in different hospitals and curative centres financed by the state. The list of refunded drugs according to medical reports, are provided free for full invalids, pensioners, for veterans with chronic disease and invalids of the war. In addition war invalids are equipped with orthopaedic devices, prostheses and cruiser for disabilities. Travelling by public services within cities becomes free, and the means of public services inter cities costs is half a ticket.

Beneficiaries of the (NE) Economic assistance program, and those entitle of disability payments and health care services are subject to specific provisions under which they benefit from health care insurance and are entitle to right to visits and treatments for free in health centres, hospital and benefit from the system of reimbursement of drugs and family doctor's recommendations.

Control mechanisms and complain procedure

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1. *Describe the control procedures used to verify the use of programmes and specify the competent authorities.*

Section 12 of the Statute of the ISI determines that within the composition of the institute an internal audit unit, whose responsibility is to audit the Institute's structures and its activities not less than once in 2 years, is established.

The Administrative Council of the ISI each year submits through the Ministry of Finance, to the Council of Ministers: the annual report and balance, the annual budget and financial plan, alongside with the financial development and 3-year perspective of ISI. The Administrative Council of the ISI once in every 5 years represents to the Council of Ministers' through the Minister of Finance, its perspective 5 years plan. The Social Insurance Institute reports to the Minister of Finance for the implementation of governmental policies in the field of social security, for the implementation of annual development program of social insurance scheme and other problems charged by the Minister. Ministry of Finance oversees the implementation of governmental policies in the field of social security.

According to article 40, law no.9355, control the use of assistance funds, payment for persons with disabilities and social care services carried out by specialized control bodies, in accordance with law no. 9009, dated 3. 2. 2003 "The internal audit in public sector".

- Controlling procedures for the economic assistance, payment of disability and social services are defined in decision 512 dated 31.05.2006 "On procedures of performing the control of economic assistance, the payment of disability and social services" as amended.
- The Inspectorate for economic assistance (NE), payment for limited abilities and social services is organized and functions in central and regional level which monitors the performance of local government units, non public entities that exercise their activity in the field of social protection. (Attached decision and instruction)

2. *Do complain procedures exist? If yes, describe them?*

Section 86 of social insurance law defines the rights and procedures for complains against decisions for benefits starting from the grievance committee near the Regional Directorates of Social Insurance, then the grievance committee to the Directorate General of ISI and appeals against certain decisions resolved in an unfavourable way are submitted to the Court, whose ruling is final.

The applicant, whose application and request for benefits of the economic assistance, payments for disability or social service with the decision of the Council of the Local Government entity has the right to appeal in the Court under section 25 of law no. 9355 dated 10.03.2005 "On social assistance and services" as amended.

Studies and evaluations of social programs

1. *Show all relative studies for these programs, especially those that serve as evaluation basis for the conceptualisation of these social programs.*
2. *Show, relative to studies that have influenced the implementation of these social programs*

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Studies with regard to the program of economic assistance (NE) and social services are conducted by the World Bank under the Project "Delivering Social Services in the Community".

Estimates of the feasibility and efficiency of social security program are implemented consistently by the ISI itself and experts of international organizations like the World Bank, through the monitoring of different indicators and those of monitoring.

- *The Replacement rate* is one of the main indicators that deal with the relation of average salary and average pension. In the city this replacement rate by 60.2% which was in 1994, it went down to 36.3% in 2008. While, in the village another different trend occurs. So in 2000 there was a drop to 14.2% from 27.3% that was in 1994. Then an increase in this ratio took place up to 26.9%, in 2008. Nevertheless in order to increase the income of pensioners, as evidenced above, the Government has taken special measures by establishing a sustainable system of compensation for minimal revenues. For this reason the calculation of a replacement rate for pension scheme would be considered full if kept in mind the comparison of the average income with the average salary. Therefore the replacement rate for the last five years has been as following:

	2004	2005	2006	2007	2008
Masa mesatare mujore e pensione te plota te pleqerise	7,709	8,592	9,499	10,143	10,957
Paga mesatare kontributive per kontribues	18,639	20,799	21,241	26,922	30,211
Shkalla e zevendesimit ne %	41.4	41.3	44.7	37.7	36.3
The average monthly of full retirement pension The average contributory salary for contributor The replacement rate in %					
	2004	2005	2006	2007	2008
Te ardhurat mesatare mujore per pensione te plota te pleqerise	8,209	9,092	9,999	11,492	12,297
Paga mesatare kontributive per kontribues	18,639	20,799	21,241	26,922	30,211
Shkalla e zevendesimit ne %	44.0	43.7	47.1	42.7	40.7
The average monthly income for full retirement pensions The average contributory salary for contributor The replacement rate in %					

Note: Due to measures taken in the direction of lowering the contribution rate and education of evasion of contributions due to the reporting of fictitious salaries the last two years has significantly increased the wages of substituting therefore the rate is reduced. Whether pensions have increased in % higher than the index of the minimum wage increase (please see the growth of pension following material)

- The dependency rate, which expresses the report of beneficiaries towards the contributors in the scheme of social insurances, has worsen from one year to another until the year of 2002 and starting with an improvement in the year of 2003, due to the fall of pace of increasing the

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number of pensioners but also due to the increase of the contributors number. Nevertheless, the size of the coefficient of dependency still continue to negatively affect simultaneously three aspects: the low number of employed people, the percentage of the unemployed to labour force remains very high; relatively high level of informal employment the dependency rate for five years continues as the following.

	2004	2005	2006	2007	2008
Numri i pensioneve te pleqerise	289,274	286,711	281,405	281,554	283,584
Numri i kontribuesve	363,773	367,316	421,433	397,739	421,032
Norma e varesise se sistemit	0.80	0.78	0.67	0.71	0.67
Number of retirement pensions					
Number of contributors					
The system's dependency rate					

- Indexation of pensions

Above we mentioned two component parts of the monthly retirement pension, the basis and the surplus amount.

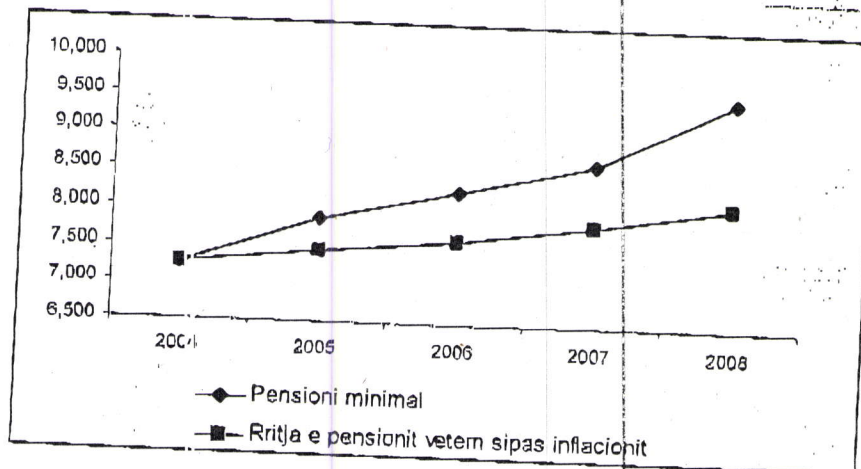
The amount of the basic pension given to all insured persons must provide a minimum standard of living. This component is regulated on the yearly basis with the price index of some selected goods, as provided in the regulation of the ISI and determined each year by the Council of Ministers. Still remains to stress that the monthly amount of the pension remains relatively low or at the boundaries of minimum vital. This has been one of the reasons that the government has recently used specific compensation policies for minimum income. Method of calculating the index is defined by a decision of the Council of Ministers No. 63 dated 1.02.2006 "On the list of goods selected for calculation of the index and determining the mode of pension indexation date".

The addition above the basic pension: This component is an individual, depends on the size and length of contributory period and 1 percent for each year of insurance multiplied with the "average basis appreciated" (salary on which contributions are paid), which is reassessed every year on the basis of development contributions. The Council of Ministers each year approves the indexation coefficient appreciated base using the growth rate of average individual contributions of the year relevant to that of the previous year.

In recent years, given the mass of low pension and taking into account the goal of the a policy for gradual equalization of the mass of rural pensions to those of urban pensions, the government has indexed pensions from year to year for more than the calculations according to the above rule, by also disbursed funds to cover the financial effects.

The below graph introduces the development of the minimum pension size in years 2004 - 2008, compared with the development of this pension (with base year 2005), if it will only be indexed by inflation:

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It remains to point out that the replacement rate is problematic for contributors who contribute with a maximum salary, which currently achieve an average replacement rate not higher than 26.5%, but, with the tendency towards decrease. This fact and others comprise issues for solutions which call for a full reformation of the social insurance system

The highlights of problems that are identified in the above studies indicate the need for **reforming the pension scheme**, with the aim to achieve a fair distribution of the contributions to the beneficiaries in order to increase the level of living standards for the elderly. Given this fact the government has taken the initiative for the implementation of a detailed study of the existing scheme and the preparation (with the World Bank assistance) of a draft containing some options for improvement of the existing scheme and the opportunity to move to the multi column system. The review of this document is subject to broad discussions with the interest groups and political parties in the country.

Studies in the field of poverty alleviation:

The poverty line is estimated by Survey indicators measuring the level of living standards, (LSMS 2002, 2005, 2008) of 2 USD per day / person.

All indicators of the level of poverty of 2 (two) USD per day per person according to LSMS 2008 have improved in relation to the LSMS 2005 and 2002.

Poverty levels indicators trends

Year	2002		2005		2008	
	Poor	Very poor	Poor	Very poor	Poor	Very Poor
Percentage of Poverty	25.4	4.7	18.5	3.5	12.4	1.2
Depth	5.7	0.8	4	0.5	2.3	0.2
Severity	1.9	0.2	1.3	0.1	0.3	0
Gini coefficient	28.2		29.6		29.8	

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Average consumption per capita (lek)	7801	9105	9731
Absolute poverty line (lek)	4891	4891	4891
Extreme poverty line (lek)	3047	3047	3047

NOTE: LSMS 2008/2005/2002 INSTAT processed by us.

Population below the *absolute poverty* line of 2 USD according to LSMS 2008 has decreased to 12.4% of total population or 360 thousand people in 2008 versus 18.5% or 600 thousand people in 2005 and 25% or 825 thousand people in 2002.

The *extreme poverty* estimated with less than 1 USD a day per person has decreased to 1.2% of the total population against 3.5% that was the indicator in 2005, or 4.7% that was in 2002.

However, the poverty index level expressed as a ratio to the absolute number of poor population according to LSMS versus total population does not show full intensity of poverty, and how poor are the poor people, this indicator is a perfect opportunity for the entire mechanism of programming and administrating the NE to the benefit of addressing specific funds for the poorer strata.

Significant improvements have marked also the indicators of the depth and severity of poverty index. The component of depth of poverty indicates the distance of poor individuals in relation to the poverty line of 2 USD a day.

The indicator of depth of poverty index shows what the difference of funds for each person must be in order to reach the poverty line and the poverty. The amount of differences of all persons identified as poor through LSMS creates opportunities for funds to be programmed and therefore transferred to the poor, so that income or their expenses compared with the poverty line is USD 2 per day. Via this indicator that looks very quite improved compared to other years LSMS, the Ministry is able to determine the costs of eliminating poverty. Indicators of absolute and extreme poverty line are important instruments to determine "Poverty Map" for each municipality / commune.

This is sufficient for the Labour Ministry to estimate the number of families in poverty for all local units on this basis and for determining the necessary funds to cover their living needs. LSMS 2008 provides the opportunities and sufficient and correct information for the purpose of managing the scheme of economic aid and its modernization as for the policy takers as well as for the local level units where programs are implemented. LSMS sets:

- The percentage of population below the poverty line (Head Country) for the country as a whole and by regions. But this indicator should divide for each municipality and commune.
- assessing the current number of the poor people and families at the national rate, in total, for each municipality / commune.
- assessing the average number of members in poor families.

Far above indicators are developed for each municipality / commune only for LSMS 2002. LSMS data of 2005 did not divide at municipality / commune. Ministry of Labour using the

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LSMS poverty indicators according to zones (coastal, mountain, central and Tirana) draw a map of poverty by stimulating certain options comparing the data of LSMS of 2005, 2002 with the administrative data of the NE programme concerning the population number under Repobes and number of population according to civic status, number of families within NE, family structure, the average number of persons in poor families and using the other additional information.

On the basis of this "map of Poverty" analyzing LSMS for 2005 and 2002¹ the projection of poverty reduction objectives for 2008-2013 was designed, and which it includes as following:

- i) the trend in the number of poor families every year, according to the county divided by rural and urban areas;
- ii) The necessary budget funds that aim at meeting growing needs for managed poverty line of 2 USD a day per person.
- iii) Increase of the average size of payment for families in the NE which is designed in accordance with the structure of poor families (average family structure for all municipalities / communes.

These forecasts set the objectives of the strategy in the period 2008-2009, matching in the extent of 90% with the results of the LSMS 2008.

Thank you for cooperation,

MURAT MEHMETI

SECRETARY GENERAL

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¹ 2002, 2005, 2008 LSMS was supported with the World Banks project funds managed by MOLSAEO in the framework of reforming the system of social protection. LSMS 2008 was required with the insistence of the Ministry which aimed to have a full comparative context with this survey therefore was supported in part with funds remaining from the project (\$ 160 thousand). The rest was financed by the UN programmes "UN 1" (with over \$ 250 thousand). INSTAT as the implementing agency is obligated to provide all the necessary information of LSMS to the units of poverty assessment in MO.SAEO, who will serve for the formulation of new policies, modernizing and improving programs to Welfare State, which is administered by MOLSAEO