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ANNEX I.5

to the Financing Agreement on the Annual Action Plan in favour of the Republic of Albania for 2024

Action Document for EU for Employment and Social Inclusion

ANNUAL ACTION PLAN

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and annual and multiannual action plans and measures in the sense of Article 9 of IPA III Regulation and Article 23(2) of NDICI - Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

Title	EU for Employment and Social Inclusion Annual Action Plan in favour of the Republic of Albania for 2024
OPSYS	OPSYS business reference: ACT-62392
ABAC	ABAC Commitment level 1 number: JAD.1354182
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)
Economic and Investment Plan (EIP)	Yes Human Development 100%
EIP Flagship	No
Team Europe	No
Beneficiary of the action	The action shall be carried out in Albania
Programming document	IPA III Programming Framework
PRIORITY AREAS AND SECTOR INFORMATION	
Window and thematic priority	Window 4: Competitiveness and inclusive growth Thematic Priority 1: Education, employment, social protection and inclusion policies, and health (100%)
Sustainable Development Goals (SDGs)	Main SDG: SDG 10: Reduced inequalities Other significant SDGs: SDG 1: No poverty; SDG 4: Quality education; SDG 5: Gender equality; SDG 8: Decent work and economic growth; SDG 16: Peace, justice and strong institutions
DAC code(s)	16010 – Social protection (50%) 16011 - Social protection and welfare services policy, planning and administration (25%)

	16015 - Social services (incl. youth development and women+ children)			
	16020 – Employment Creation (25%) 11330 – Vocational training (25%)			
Main Delivery Channel	12000 – Recipient government			
Targets	<input type="checkbox"/> Climate <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Internal markers and Tags	Policy objectives	Not targeted	Significant objective
EIP		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EIP Flagship		YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	
Tags:		YES	NO	
Transport		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Energy		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Environment and climate resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Digital	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	Economic development (incl. private sector, trade and macroeconomic support)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Human Development (incl. human capital and youth)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Health resilience	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Migration and mobility	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Agriculture, food security and rural development	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Rule of law, governance and Public Administration reform	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Other	<input type="checkbox"/>	<input type="checkbox"/>
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Tags	YES	NO
	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	education and research	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION			
Amounts concerned	Budget line: 15.020201 Total estimated cost: EUR 28 000 000 Total amount of EU budget contribution: EUR 28 000 000 of which - EUR 24 000 000 for budget support - EUR 4 000 000 for complementary support		
MANAGEMENT AND IMPLEMENTATION			
Implementation modalities (management mode)	Direct management through: - Budget Support - Sector Reform Performance Contract - Procurement		

beneficiaries. The labour market situation of marginalised groups is particularly vulnerable and strengthening social protection systems alongside labour market measures is paramount to ensure sustainable growth. Albania's public social spending in social protection is among the lowest in Europe (9.1% of GDP in 2022, Economic Reform Programme (ERP) of January 2023²). Funding for labour market measures remains meagre, ensuring coverage for only a small share of the inactive, unemployed, and underemployed. The social protection benefits are relatively well targeted (ERP, January 2023), but spending for the social assistance programme is contained despite recent increases and a high share of the population at risk of poverty is uncovered. Reforms to address the weak social protection system, unequal access, and coverage of social and healthcare services for the most vulnerable, high levels of precarious/informal employment, the polarisation of the labour market, and an education and training system that does not respond to private sector needs in terms of quality or labour market relevance, are now even more relevant and would require added impetus. Increasing innovation and skills of young people and adults as well as coverage and adequacy of integrated social care system are recognised as key reform measures in the ERP 2023 – 2025.

The Action is linked with the National Employment and Skills Strategy 2023 – 2030 and the National Social Protection Strategy 2024 – 2030 (under preparation); under the umbrella strategy National Strategy for Development and European Integration (NSDEI) 2022-2030. The policy vision and goals outlined in the two strategies are aligned with the EU integration requirements for the country, sector recommendations and progress of implementation take into consideration the policy guidance issued by the Commission in the framework of the Economic Reform Programme (ERP)³ assessment, the above-mentioned Economic and Investment Plan for Western Balkan, the European Pillar of Social Rights, as well as other relevant assessments carried out. In particular, the Action is linked with Window 4: Competitiveness and inclusive growth of EIP; Thematic Priority Education, employment, social protection and inclusion policies, and health. It contributes directly to SDG 10: Reduced inequalities; as well as other significant SDGs including SDG 1: No poverty; SDG 4: Quality education; SDG 5: Gender equality; SDG 8: Decent work and economic growth; SDG 16: Peace, justice and strong institutions.

1.3 Beneficiary of the Action

The action shall be carried out in Albania.

2. RATIONALE

2.1. Context

Albania has continued to maintain overall focus on the EU reform agenda, despite the challenge of addressing the economic and social consequences of the triple shock of the 2019 earthquake, the pandemic and of the Russian war of aggression against Ukraine (Commission Report 2023). The first Intergovernmental Conference with Albania were convened in mid-2022, officially opening the screening process.

On 15 September 2021, the EU adopted the Instrument for Pre-Accession Assistance 2021 – 2027 (IPA III). IPA III has a budget of 14.2 billion euro to support the implementation of reforms related to the accession process of Albania, Bosnia and Herzegovina, Kosovo⁴, Montenegro, North Macedonia, Serbia and Türkiye.

² [2023 Economic Reform Programmes of Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, Türkiye and Kosovo*: The Commission's overview and country assessments - European Commission \(europa.eu\)](#)

³ European Commission (EC, 2022), Economic Reform Programme of Albania (2022-2024) Commission Assessment, 21 June 2022

⁴ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

The Economic and Investment Plan for the Western Balkans sets out a substantial investment package mobilising around 30 billion euro for the region over the next seven years.

The IPA III Strategic Response of Albania (2022) sets out how Albania plans to use IPA III Financial Assistance to contribute to the overall and specific objectives outlined in the IPA III Programming Framework. The priority reforms which are identified as most important to address key objectives of sustainable development of Albania and integration with the European Union derive from the main related three-year strategic documents that are updated annually, respectively the **National Plan for European Integration (2023-25)** and the **Economic Reform Programme (2023 – 2025)**⁵. The new **National Strategy for Development and European Integration** is the overarching policy document covering the period 2023 – 2030⁶.

IPA III Regulation outlines the general and specific objectives of the instrument and five thematic windows and priorities. Under *Thematic Priority 1 “Education, employment, social protection and inclusion policies, and health”* are the following sub-sectors: education (all levels), youth, sports, employment, vocational education and training, social protection and inclusion, as well as social housing and public health. This strategic framework is fully coherent with the priorities of ‘Investing in a digital future’ and ‘Investing in human capital’ under the **Economic and Investment Plan for the Western Balkans (EIP)**.

The intervention is in line with the **European Education Area (2021-2030)**⁷, which sets priorities to improve quality, equity, inclusion and success for all in education and training, make lifelong learning and mobility a reality for all and support the green and digital transitions in and through education and training. Moreover, it is coherent with the **Digital Education Action Plan 2021-2027**, which sets out a common vision of high-quality, inclusive and accessible digital education in Europe and aims to support the adaptation of the education and training systems of Member States to the digital age.

The EU’s strategy for the Western Balkans (**A credible enlargement perspective for an enhanced EU engagement with the Western Balkans**)⁸ aims at encouraging appropriate engagement from all levels of government, social partners, and civil society. Further efforts are needed to increase the competitiveness of strategic sectors in the country and to address high unemployment, especially among the young. The integration of Roma (and Egyptians) into society by supporting their full participation in education and in the labour market is of particular importance and will be a key priority.

The **Economic Reform Programme (ERP)** envisages measures to improve the employability of the most vulnerable unemployed jobseekers through better targeted Employment Promotion Programmes and employment services. Further improvements, particularly for those at the margins of the labour market, hinge on the improvement of active employment policies and the provision of quality social services. The ERP notes the importance of labour market analysis, institutionalisation of needs and tailoring the active labour market measures (PG 5.2) and the application of the youth guarantee programme for supporting youth not in education and not in employment (PG. 5.1). The **ERP** contains several reforms measures relevant under Thematic Priority 1 ranging from the teacher training and employment, to improve the quality and coverage of VET, developing the plan for optimisation of public providers of education and vocational training (Reform measure 1); improving the employability of the most vulnerable unemployed jobseekers (Reform measure 2); and increasing the coverage and adequacy of integrated social care system to reduce the share of the population at

⁵<https://financa.gov.al/wp-content/uploads/2023/02/Economic-Reform-Programme-2023-2025.pdf><https://financa.gov.al/wp-content/uploads/2023/02/Economic-Reform-Programme-2023-2025.pdf>

⁶<https://konsultimipublik.gov.al/Konsultime/Detaje/538>
<http://qbz.gov.al/eli/vendim/2023/02/22/88><https://konsultimipublik.gov.al/Konsultime/Detaje/538>

⁷ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021G0226\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021G0226(01)&from=EN)

⁸ [Balkans_BorchureA5_V7.indd \(europa.eu\)](#)

risk of poverty (under Reform measure 4). Moreover, the sectorial priorities are an important part of the country's long-term strategic framework defined in the **National Strategy for Development and European Integration 2022-2030** (NSDEI 2022-2030). This overarching strategic framework provides directions and defines the priorities of sustainable economic and social development of the country in its path towards EU integration, including the link with the Sustainable Development Objectives to achieve the goals of the 2030 Agenda by defining the vision for the development of democracy, the social and economic development of the country during the period 2021-2030. Employment and social inclusion is addressed in the third pillar of NSDEI 2022-2030, Social Cohesion, which focuses on the development of human resources as the most valuable capital in the country, aiming at providing basic public services for all, fighting poverty and promoting employment, strengthening the social protection system and supporting all individuals in need.

The two main strategies relevant to this AD are the National Employment and Skills Strategy (NESS) and National Social Protection Strategy (NSPS). The MoECI and MoHSP are the lead ministries responsible for the implementation of the respective sectorial strategy.

The new **Employment and Skills Strategy (NESS) 2023 – 2030⁹** carries this vision forward with more ambitious goals related to the advancement of the skills agenda and labour market policies. One of the key measures of the new NESS (2023-2030), under Policy Goal 2¹⁰, is a "supported and inclusive transition to work for young people (NEET) through the implementation of the Youth Guarantee scheme". A Youth Guarantee Action Plan was launched in 2022 and adopted in 2023 with the NESS 2023-2030, committing to providing a decent employment, training, or education offer to every youth NEET (15- 29 years old) within four months of their identification, in line with the recommendations of the EC. The Youth Guarantee will enable further alignment with the **EU social acquis and policies** as part of the ongoing European integration process including the **Pillar of Social Rights**. It includes a commitment to provide youth with decent jobs and quality education, in line with the UN Sustainable Development Goals #8 (Decent Work and Economic Growth) and #4 (Quality Education).

The National Social Protection Strategy (NSPS) 2020-2023 combines specific policies and programmes aimed at providing social assistance/Ndihma Ekonomike (NE), services to people with disabilities (PWDs) and measures to expand the provision of social care services to children, families, and older people. The strategy aims to mitigate poverty, ensuring access to social services for vulnerable people. A new strategy on social protection has been developed, but not yet fully approved.

The vision of the National Employment and Skills Strategy (NESS) and of the National Social Protection Strategy (NSPS) is inspired by the general goals of "Europe 2020" for achieving quick, sustainable, and inclusive growth, as well as the European Pillar of Social Rights.

The Government of Albania (GoA) has long established inter-institutional and operational organisational measures for managing the implementation of a broad sectorial/cross-sectorial approach through the **Integrated Planning System** (IPS). Since 2018 a sectorial/cross-sectorial management mechanism was formed to manage and coordinate policies of priority areas, namely the **Integrated Policy Management Groups** (IPMGs). The Employment and Social Policy IPMG comprises two thematic working groups: a) Employment and Skills and b) Social Protection and Inclusion.

⁹DCM 173 dated 24.03.2023

¹⁰ Policy Goal 2 of the NESS 2023-2030 aims at "enabling decent employment for women and men through the implementation of inclusive labour market policies".

2.2. Problem Analysis

The European Pillar of Social Rights¹¹ focuses on (i) equal opportunities and access to the labour market, (ii) fair working conditions, and (iii) social protection and social inclusion. An effective implementation of the Pillar requires substantial commitments in terms of adequate financial resources, clearly defined governance tools and an ambitious but realistic roadmap¹² all of which are relevant to Albania's accession to the EU. The Implications of public finances in the social inclusion sector for the delivery of an SBS programme need to be addressed from a systemic and allocative point of view. Costed strategies are in place, reflected in annual and mid-term budget programmes, and policy directions are being broadly followed. However, the implementation of policies and the pace of reforms is impacted by mismatches between policy goals and objectives and financial allocations; the need for viable funding mechanisms and strategic resource allocations to key social inclusion policy areas beyond annual and mid-term horizons. Funding transitions for new services and systems, requires high levels of sustainability and coordination within the different institutions covering labour markets, social protection as well as overall inclusive economic growth.

Main stakeholders and corresponding institutional and organisational issues: mandates, potential roles, and capacities

The proposed intervention targets measures linked with social inclusion that fall under the remit of at least two different line ministries: MoECI and MoHSP. The MoHSP clearly has the most straightforward mandate in the area of social inclusion. However, with the reconfiguration of financial and administrative responsibilities for employment, skills and social policy, each of the two line ministries manages significant budget proportions of the overall sector.¹³ This warrants the need to develop a strong coordination instrument for managing internal dialogue to facilitate cooperation and coordination between ministries and agencies responsible for inter-related aspects of policy, and improving the linkages between different stages of the policy cycle, the budget cycle and public financial management outturns. There is a clear need to link the content and focus of particular programmes to governance structures that improve decision-making across the budget cycle with public financial management systems that focus on outcomes; in order to ensure synergies and avoid overlaps between the programme outcomes across the different institutions.

Labour market policies and Vocational Education and Training is led by the MoECI and falls under the new employment and skills department which has policy making and oversight responsibilities for strategic policy and programme design. It is also responsible for ensuring effective inter-institutional coordination and collaboration with the three key institutions i.e. the **National Agency for Employment and Skills (NAES)** - responsible for the implementation of employment and skills development-related public policies and the **National Agency for Vocational Education Training and Qualifications (NAVETQ)** – responsible for the development of qualification standards and quality assurance in VET and the State Labour Inspectorate (SLI) – responsible for upholding the Labour Code (LC) and for inspecting social care services that fall under the mandate of the MoHSP. The NAES is the executive agency responsible for the provision of employment services and day-to-day management of public VET providers.

¹¹ European Commission (EC, 2017a), European Pillar of Social rights – Building a fairer and more inclusive European Union, signed by the European Parliament, the Council and the Commission at the Social Summit for Fair Jobs and Growth in Gothenburg, Sweden, on 17 November 2017. Accessed at: https://ec.europa.eu/commission/publications/european-pillar-social-rights-booklet_en Accessed at: https://ec.europa.eu/commission/publications/european-pillar-social-rights-booklet_en

¹² European Economic and Social Committee (EESC, 2018), Implementing the European Pillar of Social Rights: what is needed to guarantee a positive social impact, <https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/implementing-european-pillar-social-rights-what-needed-guarantee-positive-social-impact> <https://www.eesc.europa.eu/en/our-work/publications-other-work/publications/implementing-european-pillar-social-rights-what-needed-guarantee-positive-social-impact>

¹³ MoHSP's health and social protection programmes amount to 48% of the total sector budget (including cash benefits) and the employment and skills programme account for 8% of the sector budget as defined herewith.

Social Inclusion and Protection is led by the MoHSP as the primary institution in charge of policy design and oversight in the area of social protection and social care services. The **State Social Service (SSS)** is the executive agency in charge of the management of cash programmes and **social care services**¹⁴ as well as setting service delivery standards and staff competencies at the national level. **Local Governments** have a primary role in the establishment and management of social care services providing for vulnerable people¹⁵, but do not have direct authority in the management of social protection cash-based programmes (NE and disability). Local governments, however, have the responsibility to manage the process of applications as well as follow up with applicants and/or beneficiaries through spot checks. Local governments have the responsibility for drafting and approving the social care plans to guide the provision of social services. All 61 municipalities have drafted and approved their local social plans. Some of these plans are currently being revised with the support of various partners, as their validity period has ended. However, social care services remain limited in supply and unevenly distributed in the territory. Services are concentrated in the main urban areas and reflect limitations in resources and capacities. Challenges remain to strengthen the capacities of local government units in assessment, planning, budgeting and provision of social care services. Community-based approaches in social care services have been strengthened and more diverse types of service provision have emerged, encompassing areas such as psychological support, awareness raising and advocacy. Over the years, the number of municipalities covered by social care services (public and non-public) has also increased. The MoHSP reports that as of 2022, there are 250 public social care centres, of which 80 are residential and 170 are day-care centres. Yet, at least two municipalities (Libohova and Himara) do not provide any social care service¹⁶.

Overall, at the ministry and executive agency level there is a need to strengthen capacities for monitoring, evaluating and implementing the respective sectorial strategies, other cross-cutting sector strategies and actions plans. **The structure of the General Department for Employment and Skills (former MoFE until January 2024, now MoECI) was revised during the first quarter of 2023** adding more resources to the General Department for Employment and Skills.¹⁷ At the MoHSP, the Directorate for Policy Development for Social Protection (DPSSP) oversees the implementation and monitoring the Strategy of Social Protection. Overall coordination between the MoHSP, the MoECI, and their subordinate institutions needs to be strengthened for both planning and budgeting purposes.

The IPMG on Employment and Skills has convened regularly. Attention was devoted to discussing the progress of government reforms on employment and social protection sector. The respective thematic groups **have convened regularly** and endorsed several strategic policy documents, both in the employment and social protection sector, including the annual progress reporting of the National Employment and Skills Strategy and Social Protection Strategy, the draft National Plan for People with Disabilities 2021-2025, the National Education Strategy 2021-2026, the Annual NESS Report 2021, and the Youth Guarantee.

¹⁴Social care services are non-cash interventions supplied to individuals, families and communities to help reduce poverty, mitigate risks, improve inclusion and integration, and to live full and satisfying lives. At the individual level social care services in Albania are designed to serve adults and children with disabilities; families with marital difficulties; reduce impediments to the labour market; frail old and elderly people; people with long- term and chronic illness, children and adults at risk of physical or sexual abuse; youth and adults with drugs and substance abuse problems; children deprived of parental care, mistreated by their families, or in conflict with the law

¹⁵Law 139/2015 “On local self-government in Albania”, Article 24.

¹⁶ See NSPS Progress Report 2022, June 2023, at https://shendetesia.gov.al/wp-content/uploads/2023/11/ENGLISH_SP-monitoring-report_final-version.pdf. This progress report also point out some discrepancies in data as reported by MoHSP and SSS. The new draft Strategy of Social Protection 2024 – 2030 reports that there were five municipalities not providing any social care services in 2023.

¹⁷ The MoFE General Department of Employment Policy, Skills and Social Insurance will increase to 30 staff, from the current 10 staff. The same structure has been confirmed under the MoECI.

2.3. Lessons Learned

After nearly three decades of prolonged transition, Albania is now a middle-income country that features persistent economic and social policy challenges. Several development partners focus on issues related to employment and social protection in Albania. The interventions of development partners with regard to the key policy areas contained in this policy document, as a wider policy frame, are summarised and described below.

The EU has provided substantial support to the Albanian authorities through sector budget support with the IPA 2020 **EU for Social Inclusion (on going)** targeting both employment and social care services; **and the IPA 2015 EU on Employment and Skills, concluded in 2019**. Through the current IPA II SBS EU for Social Inclusion 2020-24, EU has engaged in a more structured policy dialogue with the GoA on social protection. The **IPA 2022 EU4Youth** programme led by the Minister of State for Youth has interventions contributing to youth wellbeing and activation. The IPA 2021 **EU for Innovation** programme (phase 2) aims to strengthen the innovation ecosystem and to boost start up creation in Albania, thus contributing to competitiveness, growth and employment.

Previous IPA assistance focused on key institutional reforms and capacity building of the various employment and skills actors, primarily through assistance to the modernisation of the VET system. In addition, a number of projects have considerably increased the capacity of municipalities and CSOs to address gender equity and minority rights. The EU played a significant role in strengthening the capacities of CSOs to advocate for and deliver services to populations at risk of exclusion under the frame of the **European Instrument for Democracy and Human Rights, The Civil Society Facility and Media (CSF&M)** programme, and the **Regional Local Democracy (ReLOAD) programme** as well as through a number of regional projects.

The **employment and skills sector** has benefited from the support of international development partners that have contributed to narrowing the financial gap due to limited public funds, introduced new practices and improve human resources – all of which have been undertaken within the framework of implementing the NESS strategy (2014 – 2020). The main supporters in the sector are the EU Delegation through various funding mechanisms including Euro 50.65 million in the ongoing IPA 2020 **EU-funded SBS on Social Inclusion**, and EUR 30 million from the IPA 2017 **EU SBS on Employment**.

Other main partners contributing in the sector are followed by the **Swiss Development Cooperation (SDC)** – *Skills Development for Employment (implemented by UNDP)*, *Skills for Jobs (implemented by Swiss Contact)* and *Making the Labour Market Work for Young People (RISI Albania)*; **German Development Cooperation (GIZ)** focusing in migration, skills development and employment, and **BMZ Program**– ‘Regional Challenge Fund’ (loan), and infrastructure development (financed by SDC) as well as **Italian Development Cooperation**.

In terms of **social inclusion**, EU has provided support to promote the social inclusion of minorities and other disadvantaged groups, in particular the Roma and Egyptian communities in Albania. This has been done through tailored interventions with limited scope under the national action programme or alternatively, through specific actions funded from the **Civil Society Facility and the European Instrument for Democracy and Human Rights**. EU has supported the project "**Economic and social reintegration of Roma and Egyptians – a booster for social inclusion (ESERE)**", implemented by UNDP, the **Promoting Good Governance and Roma Empowerment at Local Level (ROMACTED)** programme managed by the **Council of Europe**, and the **ROMA Integration 2020** programme managed by the **Regional Cooperation Council (RCC)** and other regional projects. Combating discrimination and protecting the rights of vulnerable groups (including LGBTI, minorities and Roma) is part of the European Union/Council of Europe Horizontal Facility.

The World Bank through a USD 48 million **Social Assistance Modernisation Project** has been supporting reforms in cash assistance and disability programmes with a focus on improved equity and access for the poor,

enhancing capacity, simplifying complex application processes and establishing management information systems. The **Swiss Development Cooperation** is a key partner in this sector through support towards a social inclusion programme, *Leave No one Behind* (2022-2026), implemented through **One UN in Albania**. A number of development partners – including **Swiss Development, Sweden, Italian Development Cooperation, and USAID** provide a financial and technical support to a range of NGOs that focus on people disabilities, children at risk, Roma and Egyptians. Each of these programmes, apart from a Swiss Development disability reform programme, is valued at less than Euro 0.5 million. **GIZ** has a regional programme for the Western Balkans – *Social Rights of Vulnerable Groups* – which aims to improve the provision of social services on the local level and is working with selected partner municipalities in Albania. It has to be emphasised though, that as an increased role of local authorities is envisaged, it would be important that all these interventions and support, including those anticipated by this Action, are aligned under a common framework and leading up to qualitative and sustained results across the country.

This Action can lead to the harmonisation and galvanisation of support from international development partners as well as lead to tangible changes. However, The IPMG in Employment and Skills, provides an opportunity to improve donor coordination mechanisms, and can play a role in increasing the beneficiaries' ownership of the accession process and gradual alignment of donor interventions. Sectors that are horizontal, such as employment and skills and social, **need enhanced forms of donor coordination**. However, **cooperation among donors cannot make up for shortcomings in political engagement, leadership, and consensus within government – which needs to be the prime driving force in strengthening such ownership**. Strengthening donor coordination mechanisms should be aligned with the government's commitment to increase its responsibility and ownership of programme implementation and at the same time ensure sustainability.

One of the most relevant issues of assistance in the areas of social inclusion relates to the **ownership and sustainability of interventions and the tendency for development partners to pick and protect 'pet project' or to select 'distinct' populations with little regard to the development of systems**. Focusing on 'projects' without due regard to the **sustainability of systems** means high attrition, a lack of legacy, and weak impact. Ownership of individual programmes and projects by the end beneficiaries is important and in the case of works and supplies adequate maintenance is required. This is even a more, an issue in the case of employment and skills and social protection, where a number of new institutions are being established and where municipalities are playing more strategic and front-line roles in service delivery. These changes require additional support in staff recruitment and maintenance costs for new buildings and IT systems. In order to ensure sustainability, it is necessary that such costs be fully covered by the state budget within the MTBP.

For stand-alone technical assistance projects, key factors affecting impact and sustainability are the **lack of political involvement** and the lack of **human and financial resources** for the continuation of the implementation of reform measures after technical assistance projects end. A major pitfall is that the assistance becomes a substitution and does not trigger efforts to scale up or improve national resource allocation. Moreover, greater attention should be paid to the development of legislation in line with all national procedures which are salient to expanding coverage and inclusiveness of essential public services. Inter-ministerial coordination and alignment with the mid-term budgetary framework, therefore, need to be assured a much higher priority. A multi-modality programme – that blends sector budget support and technical assistance - stands a better chance of achieving this goal.

2.4. Additional Areas of Assessment

2.4.1. Public Policy

The priorities for this Action are defined in accordance with the Government of Albania policies as stipulated in Pillar 2 (*Economic Sustainable Growth, Interconnection and Green Growth*) and Pillar 3 (*Social Cohesion*) of the **National Strategy for Development and European Integration** (NSDEI) 2022- 2030. Regarding integrated service delivery, the NSDEI 2022 – 2030 has included the following goal “every Albanian

individual and family, such as the categories in need, will have equal access and will benefit from a functional and integrated system of social care services, based on the principles of decentralisation, deinstitutionalisation and diversification of services of social care” (NSDEI 2022-2030, page 133). Under the social protection chapter, NSDEI 2022-2030 also highlights priority measures linked with combatting inequalities and fighting discrimination against ethnic minorities, LGBTIQ and other populations prone to discrimination. It also highlights the importance of upholding gender equality principles and combatting gender-based violence through the strengthening of referral mechanisms for domestic violence and adequate provision of services. These policy benchmarks have also been set out in a number of policy document which adopt a cross-sectoral approach towards social inclusion, such as the National Plan of Action for **Integration of Roma and Egyptians** (2020-2030) which focuses on providing access and reintegration opportunities for these communities in the areas of: employment and skills, social protection, and inclusive education; (b) **National Agenda for Children's Rights 2021 - 2026**, (c) **Plan of Action for Lesbian, Gay Bisexual, Transgender (LGBT) 2021 – 2027** and the National Strategy for Gender Equality 2021 – 2030 and the National Youth Strategy. The priorities set out in this EU Action are reflected in the Economic Reform Programme (ERP) 2023-2025 which prioritises “Increasing the coverage and adequacy of integrated social care system to reduce the share of the population at risk of poverty”. Based on the ERP, the Government of Albania will fund reforms in the social protection area at an average EUR 250 million per year for the 2023 – 2025 period, which is 10% higher than in 2022 and over 20% higher on an annual basis than the pre-pandemic period.

The priorities for assistance are also directly linked to specific social inclusion policies set out in Sector Strategies, in particular, the National Employment and Skills Strategy 2023 – 2030 and the National Social Protection Strategy. The main policy directions as stipulated by the main strategies are:

The **National Employment and Skills Strategy 2023 – 2030** was completed in late 2022 and it aims to carry forward the significant positive impact that was generated both in terms of employment outcomes and towards modernizing the vocational education and training system in the country during the last decade.

NESS underlines its commitment to providing quality employment and lifelong training for all, building on current progress in labour market governance and systems and strengthening capacities to deliver services for all, in particular those further away from the labour market. The strategy seeks to integrate economic, education, vocational and entrepreneurship policies together through an action plan and by unifying employment and vocational education and training to get closer to the labour market demands as well as provides enhanced focus on lifelong learning opportunities. The strategy features two main pillars or policy goals: (i) Skills development and better matching of demand with supply in the labour market for more employment; and (ii) Enabling decent employment for women and men through the implementation of inclusive labour market policies. The strategy was developed in 2022 under the leadership of the Ministry of Finance and Economy, building on an extensive consultation process with key institutional stakeholders as well as other interested parties, including social partners, civil society, the private sector, and international development partners. Its final endorsement by the Council of Ministers was concluded on 24 March 2023.

The strategy puts knowledge and skills at the heart of the economic model and expects to trigger a positive impact in long-term growth by promoting decent employment opportunities through more effective labour market policies and ensuring qualitative VET for young people, adults, women and men, in particular, contributing towards the country’s digital transformation and green growth agenda; while at the same time lowering opportunities for informal employment and informal employment rates in non-agriculture sectors. The strategy is comprised of 16 priority measures that focus on developing a VET offer that is more relevant and flexible, including adequate quality assurance mechanisms; fostering inclusive lifelong learning opportunities and enabling measures such as recognition of prior learning and improving data- and digital based governance and services in provisions of training and employment services. In addition, the GoA has prioritised the dual VET education system. The model is being piloted (2024-2025), including five vocational

profiles¹⁸, for 12th-grade students in ten schools, and a post-secondary profile.¹⁹ Teaching norms and instructor allocations are set by approved curricula.²⁰ Roles for mentors, school coordinators, and internship monitoring are defined under DCM No. 691, with further regulations pending. Businesses and teachers aligned with the profiles have been trained to ensure readiness.

The NESS 2023 - 2030 focuses on **key aspects of social inclusion**: improving and expanding employment and training services for disadvantaged groups using the labour market ecosystems and a particular focus on the activation of youth (Youth Guarantee); increasing women participation in the labour market as well as integration of welfare programme beneficiaries into the labour market through tailored measures and programmes. It responds to key challenges related to gender equality and women empowerment, considering the relatively low participation of women in the labour market as well as proposes measures to address inequalities and disadvantaged for specific vulnerable groups, such as ethnic minorities (Roma and Egyptian).

The main institution in charge for the implementation of the NESS 2023 – 2030 is the Ministry of Economy, Culture and Innovation (MoECI), which was assigned responsibility for employment and labour issues since its establishment in January 2024, taking over from the former Ministry of Finance and Economy (MoFE).²¹ Annual monitoring of implementation of NESS is carried out and performance in two consecutive budget support operations in the field have been successful and contributed to a positive track record in the achievement of employment and skills development objectives. Albania has developed a Youth Guarantee Programme, which is undergoing a pilot phase and is expected to be rolled out in late 2024/2025. The country has also adopted the Osnabrück Declaration and developed an Action Plan for its implementation in 2022. NESS 2023 – 2030 has an estimated cost of ALL 75.5 billion (approximately EUR 650 million), of which 67 percent is funded through the public budget and 10 percent through international development programmes.

The National Employment and Skills Strategy 2023-2030 is also closely related to the priorities of the country's development set in the NSDEI 2022-2030 and included in its second pillar “the Agenda for Economic Sustainable Growth, Interconnection and Green Growth”. It is aligned with the Economic Investment Plan for the Western Balkans and pursues objectives in line with the EU Skills Agenda to strengthen sustainable competitiveness as set out in the European Green Deal as well as with social inclusion principles set out in the European Pillar of Social Rights.

The **National Strategy of Social Protection 2020-2023** (NSSP)²² aims at reforming social protection policies through transformation of the social assistance (NE) scheme into an active scheme enabling social re-integration; revision of the system of disability evaluation; intervention and ensuring re-integration of children in families and community, while placing particular care for social and biological orphans, and ensuring delivery of integrated social and community welfare services. One of the priorities is to ensure the necessary funding for groups at stake through the Social Fund. NSSP also elaborates the need to establish linkages and better integration between active employment policies and social inclusion and protection policies. The three main strategic objectives of NSSP are: A) **Poverty reduction and alleviation**, focusing on the modernisation of the system of Economic Aid (NE) including through the administration of the national electronic register and scoring system; enhanced management capacities at the national and local level; better targeting as well as its transformation into a social reintegration programme through labour market activation measures; B) **Improved quality of life for people with disabilities**, focusing on the reformation and better targeting of cash benefit scheme for people with disabilities based on the bio-psycho-social evaluation system; increased

¹⁸ Culinary Arts, Reception, Multimedia, Auto-electrical Services, and Installations. A post-secondary profile in Accommodation Management will also be introduced.

¹⁹ In Kamëz, Vlorë, Lezhë, Tiranë, Durrës, Shkodër, and Elbasan.

²⁰ Instruction No. 25, 01.09.2024 of the Minister of Economy, Culture and Innovation.

²¹ Now Ministry of Finance (MoF)

²² The NSSP has been revised and extended to cover 2020-2023 and retains key objectives set out in this EU Action. The revised strategy is adopted through a Decision of the Council of Ministers (DCM), on 24 December 2019.

transparency including through establishment of management information systems; strengthened monitoring and inspection systems as well as establishment of an integrated system of social care services to complement cash benefits and C) **Development of social care services** based on the principles of decentralisation and deinstitutionalisation, for the inclusion of vulnerable groups in Social Protection programmes.

The National **Social Protection Strategy outlines reform priorities for the 2020 – 2023** period for social protection and social care services. It integrates measures to empower and support people living in poverty, people with disabilities, children, women, elderly, youth, ethnic minorities and other vulnerable categories. The overall vision is building a social protection system to combat socio-economic inequalities with policies and mechanisms to protect all vulnerable or excluded individuals through prevention programmes and social reintegration combined with employment schemes.

NSSP was subject to a Mid-Term Review in 2019, based upon which its scope was extended until the end of 2023. In 2023 the MOHSP – as the lead institution has initiated a process for the drafting of the new NSSP 2024 – 2030. The main strategic direction that will guide the preparation of the new policy document have been spelled out in the NSDEI 2022-2030 and ERP 2023-2025. Some of the policy directions included in these documents aim at:

- Assessing the adequacy of social assistance benefits and minimum wage based on the Survey of Income and Living Conditions (SILC) data and the establishment of a transparent mechanism for their review (ERP 2023-2025);
- Establishment of effective mechanisms for the activation, support and empowerment of individuals on welfare (ERP 2023-2025 and NSDEI 2022-2030);
- Improving the quality of life for people with disabilities through client-centered, accessible and affordable services and benefits and ensuring access to health, education, justice and all aspects of public life (ERP 2023-2025 and NSDEI 2022-2030);
- Expanding the coverage of social care services through the financial mechanism of the national Social Fund as well as the full decentralisation and transformation of residential services to community – based services. (ERP 2023-2025 and NSDEI 2022-2030).

Progress has been noted in terms of policy implementation and credibility of the two main strategies, summarised below.

Progress related to the implementation of the NSSP 2020-2030

Strategic Objective A (Poverty Alleviation and Reduction):

The number of individuals living below the at-risk-of-poverty threshold decreased from 681,000 in 2018 to 622,705 in 2021. In 2022, around 64,000 families benefited from the economic aid scheme. Progress has been made in transitioning recipients of economic aid into employment. In 2022, 2,501 individuals were employed NAES, and 1,077 individuals were registered in professional training from the NE scheme. Despite the challenges, child poverty levels were estimated at 28.5% in 2021.

Strategic Objective B (Improvement of Persons with Disabilities and their Quality of Life):

The implementation of a new assessment approach reduced the total number of beneficiaries by 27%, leading to a 20% budget savings in 2022. The indexing of the disability allowance by 7.5% in 2022 provided further financial support to persons with disabilities.

Strategic Objective C (Development of Social Care Services):

The number of people receiving social care services has significantly increased from 10,000 beneficiaries in 2019 to 42,553 in 2021. As of 2022, there are 250 public social care centers, which include residential and day-care centers, providing essential services for those in need. The establishment of the Agency for Quality Assurance of Health and Social Care Services ensures the quality of services, reflecting a commitment to

delivering high standards of care. Integrated socio-health services have been established in 50 health centers across the territory. The number of social services increased by 46% in 2022 compared to 2020, with 13 specialised services introduced in different districts.

In all three strategic objectives, the results achieved represent a positive step, reflecting the commitment and progress made in achieving social and economic well-being for vulnerable populations.

- **Progress related to the implementation of the NESS:**

Policy Goal 1: Skills Development and Labor Market Matching

Strategic Objective 1.1: Reducing Skills Mismatch for All Occupations. Albania's primary focus is to reduce skills mismatch in the labor market. This involves adapting and expanding the Vocational Education and Training (VET) programs based on labor market information and skills needs analyses. The Albanian Qualifications Framework (AQF) successfully referenced to the European Qualifications Framework (EQF), enhancing recognition and compatibility. Moreover, Sector Skills Committees, particularly in the Information and Communication Technology (ICT) sector, were established to work on Skills Need Assessments, ensuring that VET programs align with the industry's demands. In 2022, 2,238 companies cooperated with VET schools, and 1,732 signed dedicated agreements for work-based learning. The tracer study in 2022 showed that 57.5% of VET graduates found employment, a substantial increase from the previous year. The work culture of public VET providers now includes self-assessment processes, which cover all five quality areas, and a digital platform (www.scvet.al) was introduced to monitor implementation. Albania is actively pursuing the development of a quality-assured VET system through a comprehensive accreditation model.

Strategic Objective 1.2: Upskilling for Both Men and Women at a Working Age. Albania aims to upscale skills for individuals at a working age. It has made considerable progress in adapting VET programs and expanding life-long learning opportunities. A National Implementation Plan (NIP) for the Osnabruck Declaration was developed, focusing on green and digital transitions. The regulation on the recognition of prior learning, adopted in late 2021, creates a positive environment for skills enhancement. Albania recognises the potential of private VET providers and is exploring options to channel public funds into non-formal training markets. The Law on Employment Promotion was amended in 2023 to pave the way for the operationalisation of the Social Employment Fund and the Youth Guarantee Scheme.

Policy Goal 2: Decent Employment Opportunities

Strategic Objective 2.1: Mediating and Delivering Effective and Inclusive Programs Supporting Employment. Albania has diversified its portfolio of Active Labor Market Measures (ALMMs) to provide inclusive support for employment. In 2022, 4,344 jobseekers benefited from eight different ALMMs, with 53% being women. The Youth Guarantee Scheme is integrated into the National Plan, focusing on accessibility and awareness. NAES is enhancing the IT system for employment services to support the Youth Guarantee Initiative. A referral mechanism has been established to activate social assistance/NE program beneficiaries. Integrated Case Management (ICM) has been introduced, providing tailored social and employment services for marginalised communities. Physical access to labor market services for people with disabilities has improved, and the rollout of this model is ongoing.

Strategic Objective 2.2: Ensuring Decent Work for Everyone, Everywhere Albania is dedicated to ensuring decent work across the nation. The State Inspectorate for Labor and Social Services (SILSS) is continually consolidating its structure and improving labor inspection. An "awareness platform" encourages cooperation with the private sector, while sector-specific checklists have enhanced the inspection process's efficiency. Risk-based inspections are underway, and efforts are made to address gender-based discrimination issues. The minimum wage has increased gradually, with the latest increase to ALL 40,000 in April 2023. This focus on decent work conditions contributes to a safer and more compliant work environment for employees.

In terms of **financing, the strategic framework** for the budget support programs in Albania has been costed and well-integrated into the medium-term budget framework. The NESS 2019-2022 was initially estimated to cost 17.5 billion ALL or EUR 142.7 million, primarily financed through three budget programs under the

Ministry of Finance and Economy. The new Employment and Skills Strategy 2023-2030, adopted in early 2023, has an estimated cost of around 640 million EUR for the 8 years, with the majority of budget increases planned for the 2025-2030 period.

Budget allocations to the employment sector are expected to remain consistent at an average of 6.1 billion ALL annually for the 2023-2025 period. While funding for active labor market programs is not expected to increase significantly, the Youth Guarantee program is anticipated to be funded through EU support and state budget resources. However, there have been issues with the absorption of funding in the employment and VET sector, with consistent underspending in recent years.

In the social protection sector, the NSPS 2020-2023 was costed at 24.8 billion ALL (EUR 202 million) and financed through the social protection budget program under the Ministry of Health and Social Protection. The social protection sector budget allocations increased compared to pre-pandemic projections. Spending on cash benefits constitutes over 95% of the total program, and the Social Assistance program saw increased spending due to adjustments in benefit amounts in 2022. Spending on disability benefits remained relatively stable, while spending on social care services remained modest. It slightly increased in 2020 and 2022 to around 18 billion ALL and projected to go down to 17 billion ALL in 2023. This decrease has not been accompanied with a commensurate increase in spending on services.

Furthermore, funding for capital expenditure in social care services has been allocated in the 2023 budget. However, the predictability and sustainability of services funded through the Social Fund remain volatile. The impact of the Social Fund on the financing mix of social care services is minimal, despite annual budget appropriations. Spending on social care services remains very modest at around 900 million ALL annually, which comprises expenditure on social care institutions managed by the State Social Service (SSS) as well as expenditure on the Social Fund. Since its operationalisation in late 2019 and until the end of 2022, the Social Fund has only paid about 137 million ALL to support over 20 social services at the municipal level, in addition to financing already ongoing programmes deployed through the regional councils. The impact of the Social Fund in the financing mix of social care services is insignificant, despite annual budget appropriations between 150 – 200 million ALL.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore, the policy can be supported by the Commission with the proposed budget support contract.

2.4.2. Macroeconomic Policy

Albanian economy showed resilience and rebounded quickly after the contraction during 2020 due to the COVID-19 pandemic. The economy rebounded remarkably with an average 8.9% growth rate during 2021. The growth momentum continued during 2022 despite the global shock caused by the war in Ukraine leading to increased costs, investor insecurity and growing inflationary pressures. The pace of growth slowed down during the 2022, with preliminary assessments of overall growth forecast in 2022 set at 4.8% (INSTAT 2023)²³, higher than initial IMF and WB forecasts. Economic growth during the first half of 2023 was moderated, at 2.8% and 3.3% year in year growth respectively in the first and second quarters. It will continue to be supported by strong private consumption, real estate as well as services, in particular tourism. While the government plans to contain spending in line with fiscal consolidation plans, higher costs of public service provision are expected to create additional pressure on growth.

²³ INSTAT, Quarterly Economic Growth 30 March 2023. <https://www.instat.gov.al/al/>

In 2022, the Albanian economy was highly affected by soaring domestic inflation – mainly driven by imported inflation. The inflation rate reached its peak in September 2022, at 8.1% as compared to a 3.7% level in January 2022, fuelled predominantly by food and oil price increases. Inflation rates started to subside in 2023, with annual average inflation during the second quarter of 2023 recorded at 4.6%, dropping by 1.9 percentage points compared to the first quarter, supported by weaker global inflation rates and the appreciation of the exchange rate. Inflation rates as expected to return to the Bank of Albania's (BoA) target of 3% by mid-2024, as international commodity prices stabilise, fiscal and monetary policies tighten, and growth slows down, although domestic inflationary pressures remain high driven by wage growth and labour market conditions. Elevated prices for essential products, in particular food, will weigh on private consumption this year (EIU, Q3 2023). The exchange rate of the Lek against the Euro experienced a rapid decline during 2023. In July 2023 the exchange rate of the Albanian Lek was 12% stronger than the previous year. Exchange rates began to stabilise in September, around the new levels reached during the first half of the year. The appreciation of the domestic currency played a key role in keeping inflation rates lower and improving payment balances in the economy. Monetary policy has been cautious, taking into account the exchange rates and fiscal consolidation policy pursued by the government. The Bank of Albania raised the key policy rate by 25 basis points to 3 percent in May 2023, following five consecutive hikes in 2022.

Public debt declined further to less than 65% of GDP in 2022 from the estimated 73.2% in 2021. In the first quarter of 2023 public debt was estimated at 63.3% of GDP (MoFE), supported by the appreciation of the exchange rate. The budget deficit (3.2% of GDP) and the public debt ratio continued to decrease in 2022, but fiscal space remains limited, heightening the country's vulnerability to external shocks. The budget balance was positive in the first three quarters of 2023 at 52 billion ALL or about 2.4% of GDP, the highest value ever recorded, reflecting higher revenues and cautionary spending given the uncertainties ahead. Investment spending declined by 9.6% compared with the previous year, reflecting lower expenditure planned and implemented for the Reconstruction Fund. Overall budget expenditure increased to 426 billion ALL, or a 3.6% year on year increase, driven primarily by the increase in public sector wages and local government expenditure. Fiscal revenues increased by 12% in the first three quarters of 2023 on account of robust growth, increased inflation, formalisation efforts and higher profit tax and personal income tax revenues. VAT revenues contributed 1.2 percentage points to total growth. Revenues from profit tax generated the second highest contribution to total growth. FDI inflows in 2022 reached the level of EUR 1.3 billion, considerably higher (33%) than in the previous year. In June 2023 Albania issued a 5-year maturity Eurobond valued at EUR 600 million.

Albania continued the fiscalisation process and actions to tackle informality. The October 2023 budget revisions reallocated the surplus funds to positive performance projects, in particular aiming at the completion of the Reconstruction Programme as well as supporting subsidy schemes in the agriculture sector. Macroeconomic parameters continue to target constant public deficit levels and a decrease of public debt.

Albania remained committed to stability-oriented policies but some weaknesses in economic governance persist. In its Economic Reform Program 2023-2025, it confirmed its commitment to return to its pre COVID-19 fiscal consolidation path as soon as the economic recovery allows and underlined its plan to achieve a positive primary balance in 2024.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.4.3. Public Financial Management

PFM reforms are ongoing and the overall appraisals of PFM shows a positive trend confirmed by recent diagnostics. Reforms in some PFM domains were impacted by COVID-19 pandemic and some political and institutional changes; as well as capacity constraints.

The **SIGMA assessment** of Public Administration Principles of November 2021 concludes that **for PFM the overall trajectory is upwards** with the PFM score improving from 2.7/5 in 2017 to 3.3/5 in 2021.

Performance in Albania is now above the regional average. Most improvements have been in transparency and comprehensiveness of budget reporting, operational framework of internal audit; and the institutional and legal framework for procurement. Challenges remain on full implementation, notably for internal audit and procurement competitiveness and transparency.

A comprehensive **PFM Strategy** (2019-2022) was in place, with regular reporting on its progress. The new follow-up PFM Strategy is under way and the first draft has been completed in January 2024, also integrating reforms required under the EU accession process. This strategy is complemented by additional plans, including a PIFC Action Plan 2021-2022, a Medium-Term Debt Strategy 2022-2024 and a National Strategy on Public Procurement. A Medium-Term Revenue Strategy (MTRS) is under preparation but not yet adopted. Albania remains open to **diagnostic assessments** with a second TADAT recently concluded, and a new PEFA (with a review of PFM aspects related to climate change) under preparation.

Over the last two years the Ministry of Finance and Economy (MoFE) strengthened its macro-economic and fiscal forecasting capacity. Efforts continue to improve the quality of the medium-term budget programme and links between budget and planning documentation, but progress is slow, and the new methods and systems (AFMIS, IPSIS) are not yet fully applied. Ongoing capacity building, particularly at local government level, continues on **gender-responsive budgeting** (GRB), but without extension to new budget programmes.

The **Fiscal Risk** unit set up in 2019 has gradually expanded the scope of its monitoring and reporting functions, although coverage remains incomplete. Monitoring of State-owned enterprises (**SoEs**) was broadened in 2021, adding the water sector and a selection of other companies, in addition to the energy sector.

The decision-making and management process for public investment requires strengthening, including a stronger gatekeeper role played by the Ministry of Finance in the appraisal and approval of projects including for concessions and PPPs and fiscal risk management. Public investment management procedures need to be anchored more firmly within the Medium-Term Budget Framework Process and clear information on fiscal implications of projects. New procedures for Public Investment Management adopted in early 2022 have partially addressed these issues.

On **Domestic Revenue Mobilisation**, tax revenue saw significant post-COVID-19 rebound with higher than forecast receipts in 2021, 2022 and the first half of 2023. Although rising again, the revenue/GDP rate remains lower than in peers, and concerted efforts for boosting revenues should be pursued to move away from the rather piecemeal tax system reforms. EU and IMF have advocated strongly for a Medium-Term Revenue Strategy to reach this. A draft has been prepared, but the adoption has been postponed due to the complicated economic context. On tax policy significant taxation potential is achievable through reducing exemptions and aligning thresholds over different taxes.

Albania is signatory to international conventions on BEPS and exchange of information, and regularly submits to peer reviews. It started automatic exchange of information for tax purposes in 2020. Albania continues to be "grey-listed" by the FATF, for strategic deficiencies in its Anti-Money laundering framework. An action plan to achieve delisting is being implemented, but a number of actions remain outstanding. A beneficial ownership register was set-up in 2021, as well as a centralised bank account register.

For the upcoming period, the PFM reform strategy will need to be further implemented and renewed. Particular attention will need to be paid to the management of **PFM risks**, including:

- An improved application of the existing framework for **medium-term and annual budgeting**, including greater inclusion of Parliament in budget revisions even where normative acts are not required. Continued application of the **fiscal rules** when the economic situation allows. Reflect the changed outlook of financial markets in the new **debt strategy**.
- Continued efforts to improve the monitoring and management of **fiscal risks**, in particular those associated to SOEs in the energy sector; increase transparency and prevent the build-up of **arrears** in

a light of persistent inflationary risks; monitor **PPPs** related fiscal risks, as well as those stemming from different **sovereign guarantee schemes for loans to companies**,

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.4.4. Transparency and Oversight of the Budget

Budget transparency has improved in terms of quantity and relevance of information at both central and local level with the implementation of the PFM reforms since 2014. The organic budget law prescribes budget documents to be published and respective timelines, while the Law on the Albanian Supreme Audit Institution (SAI) law stipulates requirements for external audits and provides for adequate independence provisions. Government now publishes all key budget documents in a timeframe consistent with international standards. Improving budget transparency and budget oversight are dedicated objectives included in the PFM Strategy.

All budget documentation foreseen for 2021 was published in a timely manner. The 2022 budget (Executive's budget proposal and the enacted budget) was published in a timely manner on the MoFE website and in printed form in the Official Gazette and the 2023 Executive's Budget proposal was published on 20 October 2022. Therefore, the **entry level requirements for budget support** are met as both the Executive's budget proposal and the enacted budget were published within the legal time limit.

The **Open Budget Index (OBI)** survey covering 2021 scored Albania 52/100, in line with scores from 2019 and a significant improvement compared to 2015 and 2017. OBI found that all required budget documents were published, but the audit report was delayed (partly caused by impact of COVID-19 on audit work). Albania scores well for the quality and comprehensiveness of its pre-budget statement and enacted budget, but there is scope for improvement in its mid-year review and citizen's budget. Albania scores relatively low for public participation, due mainly to the absence of formal public consultation during the budget approval (there is consultation during the formulation) and on external audit programming. Both MoFE/MoF and the Supreme Audit Institute have responded by organising more formal consultations with civil society in 2021 and 2022. On budget oversight Albania scored 67/100, with good scores for legislative and audit oversight (64 and 72 respectively). The assessment concludes that Albania's Parliament provides adequate budget oversight.

The **budget preparation and reporting calendar** was respected in 2021 and 2022. The government has continued to make use of **normative acts** to introduce relatively significant modifications to the budget that were endorsed by Parliament ex post. These include budget adjustment related to COVID-19, and also the introduction of some of the social measures in response to the energy crisis in 2022.

The MoF has also improved financial reporting, including expanded **reporting on fiscal risks** emanating from SOE's, local government and PPPs. This includes specific reports or reporting integrated in the budget documentation. The content and coverage of the fiscal risk statement and supporting documentation can still be improved. In light of the potential fiscal risk impact of the energy crisis, particularly the reporting on SOE's (with a focus on energy SOEs) should be maintained and improved.

In 2021, the Supreme Audit Institution (SAI) was able to resume its regular **audit programme**, after a slowdown in 2020 due to COVID-19. 158 audits were concluded (out of 120 planned). Several thematic audits linked to COVID-19 and earthquake spending were added to the programme. There was progress on objective to increase the proportion of financial and performance audits. Auditing local government increased with 45 audits performed in 2021 (12 in 2020). This in part due to a Constitutional Court decision imposing that all municipalities be audited annually. For this purpose an increase in the SAI budget was approved by Parliament. The SAI has a system to track the acceptance and implementation of its **recommendations** and reported a slight 1% decrease in acceptance and an 8% increase in implementation of recommendations. SAI's independence has considerably improved since 2017 (SIGMA, 2021) although its institutional capacity needs

to be expanded. In December 2022 SAI adopted the Development Strategy 2023 -2027, with actions aimed at strengthening capacity and fostering independence.

A few important steps were also undertaken to improve **transparency related to COVID-19 and post-earthquake expenditure**, which may provide useful lessons for emergency expenditure related to the energy crisis. Initially the earthquake and COVID-19 expenditure was partially kept outside the regular budget processes due to its exceptional nature. In 2021, reporting and oversight of this expenditures was integrated in regular budget preparation and reporting (included in the 2022 budget as well as in the budget implementation report for 2020).

In conclusion, the relevant budget documentation has been published and the eligibility criterion met.

3. DESCRIPTION OF THE ACTION

The Action consists of a Sector Reform Contract **to expand coverage, inclusiveness, effectiveness and shock responsiveness of social protection systems and employment opportunities for youth and adults in Albania**, including populations at risk of exclusion. It builds upon progress achieved during the previous years and intends to support the country face the challenges arising from the structural changes in global economic and labour market contexts, towards a more inclusive society and skilled labour force.

3.1. Intervention Logic

The Overall Objective (Outcome) of this action is to expand coverage, inclusiveness, effectiveness and shock responsiveness of social protection and labour market measures including categories at risk of exclusion.

The Specific Objective(s) (Outcomes) of this action are to:

1. Promote skill development and employment by enhancing education training and labour market integration, in particular for disadvantaged categories (social assistance beneficiaries, people with disabilities, migrants, Roma and Egyptian communities and women).
2. Improving the adequacy of the social protection measures, accessibility and quality of integrated social care services at the local level.

The **Induced Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 Governance and delivery systems are enhanced to facilitate increased labour market participation, including social and disability assistance beneficiaries, youth, women, men, and other populations at-risk of exclusion.
- 1.2 More relevant Vocational Education and Training (VET) programs are provided with a focus on quality, inclusive lifelong learning and system permeability.
- 2.1 Increased outreach and adequacy of social protection measures.
- 2.2 Functional and integrated system of quality social and community care services at the local level is established.

The **Direct Outputs** to be delivered by this action contributing to the corresponding Induced Outputs are:

- 1.1.1 Enhanced technical and organisational capacities at NAES to provide intensified job counselling and support to categories further away from the labour market.
- 1.1.2 Enhanced capabilities of the skills intelligence system to enhance evidence-based decision-making in the employment and VET sector.

- 1.2.1 Diversified and flexible VET offer to expand lifelong learning opportunities through better access to digital and blended forms as well as funding schemes.
- 1.2.2 VET providers and teachers capacitated to provide relevant skills for the jobs of the future including digital transformation and green jobs.
- 2.1.1 Social protection programmes reviewed to enhance coverage and effectiveness.
- 2.2.1 Social care service human and regulatory infrastructure enhanced.
- 2.2.2 Support for setting up of innovative integrated services provided.

3.2. Indicative Activities

Activities related to Output 1.1

- Technical assistance for internal business processes at NAES and different service models for employment (including digital, mobile employment service etc.)
- Supporting the implementation of the Employment Social Fund (through complementary support);
- Enhance workforce skills and capacities at the local and central level to ensure good quality of provision of employment, VET and social services, skills for social workers and other personnel in VET institutions, and regional/local and National Employment Services.
- Providing technical assistance for the expansion and operationalisation of the skills intelligence system (Labour Market Observatory), including assessment and design solutions for data interoperability.
- Review, restructure, Employment Promotion Programmes (EPP)/Active Labour Market Measures (ALMMs) and expand the range and scope of programmes offered to and guiding the most vulnerable. Models/procedures still to be consolidated at regional level and to be introduced at local level.
- Capacity building for policy design, budgeting and monitoring at MoECI.

Activities related to Output 1.2:

- Redesign of VET skills and qualification packages tailored to green economy and digital transformation based on the assessment of the skills gap analysis.
- Alignment of VET qualification packages with EQF
- Support for institutionalisation and scaling up the Recognition of Prior Learning (RPL), following the piloting phase guarantee (through complementary support);
- Support for the development, implementation and recognition of micro-credentials across institutions, businesses, sectors and borders.
- Feasibility study for introduction of individual learning accounts.
- Capacity building and review of quality assurance, inspection and planning functions for VET.
- Capacity building for policy design, budgeting and monitoring at MoECI.

Activities related to Output 2.1:

- Conduct assessments of the risks faced by different population groups and analyze their potential impacts of climate risks, disaster occurrences, social vulnerabilities, and economic conditions on communities.
- Assessment of the gap between the needs and current provision of social services.
- Develop a robust, resource-efficient concept for an intersectional framework of Adoptive Social Protection (ASP) that modifies current social protection initiatives to address disaster-related impacts, with a strong emphasis on supporting the most vulnerable groups and establishing efficient coordination mechanisms between government structures to ensure a cohesive ASP approach.
- Assessment and set-up of a social accountability mechanism on rights and obligations of partners involved, including appeal mechanisms.

Activities related to Output 2.2:

- Support to the implementation of legislation and develop good practice guidelines in social care for implementing agencies with responsibility for ensuring delivery, quality assurance of social care services;
- Skills development to case management and other contemporary practices in working with specific needs of various groups through technical assistance.
- Enhancing policy coordination and implementation at the local level and partnerships between municipalities and civil society in service provision, monitoring and evaluation of existing and new standards of service provision.
- Support implementation of national and local practices for commissioning service provision, including manuals, and templates (terms of reference, service specification, price indicators, service quality indicators, performance indicators, model contracts etc.)
- Enhance social workforce availability, skills and capacities at the local and central level to ensure good quality of provision of social services.
- Assessment and support for the consolidation of the Needs Assessment and Referral Units (NARUs) to strengthen information management practices, case referrals and monitoring and evaluation of local level service provision.
- Support to increasing local government capacities to facilitate and adequately apply public procurement procedures for social care services, including further adaptations/guidelines on regulatory framework if required.
- Establishment of mechanisms and platforms to generate and support practical measures that foster inter-municipal cooperation in service planning and service delivery.
- Support for design and implementation of new integrated health care, long-term care and social services
- Technical assistance for trainings on the human rights approach to disability for providers of services for persons with disabilities

Overall activities (linked to all outputs)

The main activities to implement the budget support package are policy dialogue, financial transfer, performance assessment, reporting and capacity development:

- Engagement in policy dialogue around conditions and government reform priorities, the verification of conditions, targets and the payment of budget support;
- Transfer of EUR 24 million to the beneficiary country over fiscal years 2025, 2026 and 2027 with fixed and variable tranches disbursements.
- Continued support to reinforce the Government's institutional capacities to implement the National Strategy on Social Protection (NSSP), National Strategy on Employment and Skills (NESS), and supplementary measures.
- Enhancing donor coordination through regular dialogue, and capacity building for Social Protection and Employment and Skills strategies through complementary assistance.
- Strengthening monitoring and evaluation systems for tracking implementation of the Social Protection and Employment and Skills Strategy;
- Regular monitoring of budget support eligibility criteria.
- Enhanced transparency and public consultations with civil society actors and other key stakeholders in the sector such as private businesses, and social partners.
- Communication and visibility of budget support.

The expected results of the complementary technical assistance support are:

- Sound monitoring of budget support implementation.
- Increased awareness of the NESS and NSSP strategies and policies.

- Enhanced technical and organisational capacities at MoECI/NAES and NAVETQ and MoHSP/SSS and municipalities.
- Enabling framework in place for effective and efficient social protection and labour market support measures.

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

In the context of Environmental Protection, Climate Change, and Biodiversity, it's evident that climate change poses substantial challenges to Albania. Rising temperatures, droughts, floods, sea-level increases, and other extreme weather events not only impact individual livelihoods but also exert pressure on Albania's national and local economies. Whether these challenges are recurring or isolated, the paramount objectives are protecting people from the consequences of climate change and addressing its fundamental causes. Within this framework, it is imperative to implement measures that not only reskill workers and support those who are unemployed but also facilitate a transition toward greener economies in Albania. One powerful tool in achieving these goals is social protection, which can safeguard populations at higher risk of climate-related hardships and those adversely affected by the shift towards more sustainable practices. Ensuring that these vulnerable groups have access to adequate social protection is crucial in mitigating income and asset losses, as well as preserving community capital that underpins their livelihoods and economic activities.

Furthermore, the actions aimed at providing social protection can double as opportunities to foster more sustainable production and consumption while addressing the root causes of climate change and environmental degradation. The introduction of new social inclusion initiatives at the municipal level, including social care services and employment support, complements efforts to reduce poverty by incentivizing and enabling greater environmental stewardship.

In the pursuit of environmental sustainability, it is imperative to conduct a thorough assessment during the implementation of the Action of the operations' environmental and climate footprint, identifying areas with the most significant negative impacts. Engaging the staff in participatory assessments will be pivotal to ensure widespread involvement in our greening endeavours. Additionally, integrating greening measures into the work plans and meticulously measuring their impact is essential for gauging progress and refining the sustainability of the initiatives implemented. The Action makes reference to the measures to green the operations of public and private operators implementing EU cooperation programmes and projects²⁴, such as defining environmental criteria for procurement and promoting circular economy principles, further guide our efforts toward more environmentally responsible practices. These steps not only align with international commitments but also empower our stakeholders to contribute meaningfully to a more sustainable future.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1²⁵. This implies that gender issues should be taken into consideration in the design of the different modalities (SBS, and TA) the needs of vulnerable groups, including women and girls as equal beneficiaries of this programme. Gender is

²⁴ [Quick Tips: Greening Project and Office Management | Capacity4dev \(europa.eu\)](#)

²⁶ INSTAT (2023) Labour Force Survey Q4 2022. <https://www.instat.gov.al/media/11343/quarterly-labour-force-survey-q4-2022.pdf>

mainstreamed across all performance indicators. It will ensure increasing access and equal opportunities to social protection, training and employment opportunities.

According to the labour force survey²⁶, women are less likely to participate in the labour market. The women labour force participation rate is 69.1 %, whereas for men this indicator is 80.7 %. The men labour force participation rate is 11.6 percentage points higher than women. The labour force participation rate for women is increased by 5.9 percentage points and for men is increased by 3.0 percentage points compared to the same quarter of 2021²⁷. In addition, domestic violence remains a challenge in the country in spite of some progress. There is a strong need to increase efforts in the provision of protective, rehabilitation and reintegration services and accessibility for victims/ survivors of violence and in particular by the most vulnerable groups of women such as: women suffering domestic violence, women with disabilities, women from Roma and Egyptian communities and women in rural areas²⁸.

Some of the activities under the interventions will increase the capacities for gender mainstreaming as per EU quality assurance, and particularly pursuant to CoM Decision on gender mainstreaming in the medium-term budgetary programme. Special attention will be paid to the linkages between gender-responsive sector priorities and the midterm budget planning (MTBP). Moreover, some expected results directly target reducing poverty and social exclusion among women and men and increasing their participation in labour market and in VET programmes. It will contribute to insuring equality and access of women social services in both urban and rural areas. This will reduce barriers and increase the accessibility on the outskirts of poor areas and reduce disparities between rural and urban areas as a major issue in employment and skills and social care. Moreover, the education-labour market integration through the VET schools will contribute also to improvement in employment opportunities for women. Moreover, the monitoring and evaluation framework for the program includes sex-disaggregated data and gender indicators for a review on the effectiveness of measures for both genders. During the implementation of the Action, equal opportunities will be guaranteed. Human resources, strategic plans and policies will reflect contemporary working practices and take into account gender issues and equal opportunities.

Human Rights and Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. Support to vulnerable groups of women and men citizens, including national minorities, is one of the traditional sectors of activity of CSOs and of EU support in Albania. Organisations active in these areas have been largely involved in the formulation of the Action Document and will be among the beneficiaries of the capacity building components. The creation of VET schools as multifunctional centres will serve also for the purpose of connecting these groups with their local community education and employment possibilities. The creation of new curricula with special focus on social inclusion is part of the activities.

The Action gives special attention to safeguarding the rights, and enabling access to justice, of specific groups, including people with disabilities, poor, rural, elderly, children, and Roma and Egyptians, and particularly women among them, as well as children at risk of exclusion from school due to disabilities, bullying, physical and sexual abuse and radicalisation.

Disaster Risk Reduction

²⁶ INSTAT (2023) Labour Force Survey Q4 2022. <https://www.instat.gov.al/media/11343/quarterly-labour-force-survey-q4-2022.pdf>

²⁷ ibid

²⁸ Gender Brief- Albania. UN Women and UNDP (2020).

The Action endeavours to enhance the national social protection framework, promoting resilience in two key areas: (i) supporting the implementation of the national policy frameworks for employment, skills and social protection within the context of Disaster Risk Reduction (DRR) and climate change considerations and (ii) establishing a preparedness framework for the sector. It also seeks to integrate the Adaptive Social Protection (ASP), which aims to infuse climate change and disaster risk considerations into the design and implementation of social protection systems. This approach makes them more responsive to shocks and stresses, ultimately ensuring the well-being of vulnerable populations, particularly in regions susceptible to climate-related risks and natural disasters. ASP encompasses measures such as strengthening social safety nets, expanding social assistance programs, and ensuring access to essential services for those in need. Within this framework, addressing the estimated 15.8 million EUR funding gap for unfunded mandates in social care services in decentralised contexts is imperative for effective response and support.

To bolster preparedness and resilience of the social protection system and communities, the Action encompasses various actions. It includes recommending the development of an emergency framework for social protection to respond to the evolving needs of vulnerable communities in the context of DRR and climate change. Additionally, it aims to enhance the Ministry of Health and Social Protection (MoHSP) by creating a conceptual framework for social protection that integrates climate and disaster considerations. This framework will guide policies and operational plans with an inclusive lifecycle approach to social protection, employment, skills, and climate resilience withing the DRR context. Furthermore, it will help in estimate the value of social protection schemes in disaster preparedness and climate adaptation.

In addition to increased resources and improved capacity, there is a need for real-time information about the needs of affected individuals and the services they receive. This information platform can be developed based on the existing MIS for social care services, making the operationalisation of MIS a pivotal component of the national social protection system and its integration with employment, skills, climate, and disaster consideration within the context of DRR. The Action emphasises the importance of enhancing evidence-based support and policy measures for communities, aligning with the national strategies (NSDEI, NESS, NSPS) which will be closely monitored throughout the implementation.

Lastly, the social protection response system will strive for a more balanced integration of cash and care support services within the framework of DRR and climate adaptation. Expanding existing cash programmes and introducing new ones will a priority, fostering discussions among policy makers and key stakeholders to improve coverage and adequacy in the context of DRR and climate resilience

Other Issues

3.4. Risks and Assumptions

It is assumed that the Albanian Authorities (Government of Albania, Parliament) will secure their full commitment to work towards the achievements of programme objectives, as well as to guarantee their sustainability. The MoECI as lead institution for coordination of the stakeholders in the sector IPMG will operate a coordination structure for regular monitoring key strategies and implementation of Action Plans as well as any updates required.

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Macroeconomic	The economic crisis could lead to higher public debt, slow implementation of	Medium	Medium	- Continuous coordination with international partners (IMF, WB, EU MS) to agree on short to medium term response.

	social reforms and increase the poverty gap among different groups.			
Public Finance Management and budget transparency	The crisis response measures are not part of the regular budget mechanism and reporting.	Low	Medium	<ul style="list-style-type: none"> - EUD to promote the independence and role of the Supreme Audit Institution, including by a request for a performance audit on the emergency measures implemented in 2022-2023. - EUD to engage on regular policy dialogue observing the status of the transparency of the emergency response measures and accountability. - EUD to involve in its regular policy dialogue the Supreme Audit Institution and civil society organisations.
Political	Risk of social instability caused by the high costs of living leading to government instability.	Low	Medium	- EUD to support the Government in the implementation of its external communication strategy informing public stakeholders on the nature of the crisis and of the measures in place to alleviate the economic burden on the most vulnerable.
Governance				
	Delayed drafting and approval of the new NSSP 2024-2027 and accompanying Action Plans	Low	Medium	Continuous dialogue with MoECI and MoHSP to ensure that strategies are agreed
	Lack of commitment , political support and ownership to expand coverage of social care services and employment opportunities for youth, women and men in Albania	Medium	Medium	<p>Continuous policy dialogue in the context of the EU Support for the implementation of the NESS, NSSP, and MTBP preparation including the priorities in view of EU accession agenda.</p> <p>The Action has been designed in very close and detailed consultations with representatives from the Government of Albania, with municipalities, civil society and development partners to both identify priorities and achieve consensus on realistic options for achieving results.</p>
	Weak link between policy objectives and financial allocations for implementation of	Medium	High	The envisaged instruments (budget support and technical assistance) will contribute to mitigating and addressing some of the risk posed by unfunded mandates. Moreover, alignment between policies, planning and the

	the NESS, the NSSP and lack of a medium-term perspective may negatively affect stakeholder's ability to fulfil their mandates and achieve results			annual budgeting process will also help mitigate this risk.
	Limited absorption capacity and lack of human resources to carry out technical and organisational reform processes	Medium	High	Support through ongoing and proposed complementary capacity in employment and skills will help mitigate this risk. In addition, technical assistance under this Action and the actions of other development partners will further mitigate this risk.
	Weak sector coordination between central level institutions and between central and local level hinders implementation and progress Complexity of technical and organisational reforms cannot be effectively managed by the lead institution given the horizontal interface between social protection, employment and skills.	Medium	High	The IPMG in Employment and Skills, chaired by the Minister for MoECI, exists and has been meeting to coordinate the current reform on employment and skills. The MoHSP is a member of the IPMG, and MoHSP representatives are part of the Thematic Groups.

External Assumptions

- The continuous policy dialogue between the EU and Government will promote continued commitment towards timely and effective implementation of the strategies and identify gaps and shortcomings and advocate.
- Performance assessment and policy dialogue will closely observe that the budget allocations are in line with internal fiscal rules, are transparent and accountability is ensured.
- The Government is engaged in pursuing policy objectives related with this Action and the broader strategic context, which also contribute directly to alleviating the effects of the rising inflation and poverty affects brought on by the war in Ukraine.

3.5. Indicative Logical Framework Matrix

Results	Results chain	Indicators	Baselines (value and year)	Targets by the end of the budget support contract (value and year)	Sources of data [1 per indicator]
Indicative Impact of the policy	To expand coverage, inclusiveness, effectiveness and shock responsiveness of social protection and labour market measures including categories at risk of exclusion.	Employment rate of population of 15 to 64 years disaggregated by gender. At-risk-of poverty rate (AROP)	2022 Q4: 56.3% ²⁹ 22% (SILC 2021)	60% (TBD) 20% 20(TBD)	INSTAT LFS INSTAT SILC
Expected Outcomes of the policy	1.Social inclusion increased through upskilling, employment and social reintegration of disadvantaged categories 2. Adequacy of the social protection measures, accessibility and quality of integrated social care services at the local level are improved	1.1 Gender employment gap (15 – 64) 1.2 Adult participation in training 2.1 Impact of social transfers (excluding pensions) on poverty 2.2 Percentage of population receiving basic package of social care services	1.2. 13.1% (2021) 1.2 0.7% (2021) 2.1 12.7% (2021) 2.2. 11,5% (2021)	1.1. 12.5% (TBD) 1.2 3.5% (TBD) 2.1 18% (TBD) 2.2 20 % (TBD)	1.1 INSTAT LFS 1.2. INSTAT /LFS 2.1. INSTAT SILC 2.2. MOHSP SSS administrative data

²⁹To be updated on 24.05.2023 when LFS 2022 is published

Induced Outputs	1.1. Governance and delivery systems are enhanced to facilitate increased labour market participation, including NE and DA beneficiaries, youth, women, men and other populations at-risk of exclusion	1.1.1 Adult EPPs ³⁰ beneficiaries that belong to disadvantaged communities	1.1.1 1,249 individuals (2022 TBD)	1.1.1. 15% increase over previous year result	1.1.1 MoECI/NAES administrative data
	1.2 More relevant Vocational Education and Training (VET) programs are provided with a focus on quality, inclusive lifelong learning and system permeability	1.2.1 Operational expenditure of VET schools and training centres increased			1.2.1 MoECI/NAES administrative data
	2.1 Increased outreach and adequacy of social protection measures	1.2.2 Share of students in dual VET system out of the total number of students in VET schools	1.2.1 361.3 million ALL (FY 2023)	1.2.1 75% higher than baseline	1.2.2 MoECI/NAES administrative data
		2.1.1 Share of children at risk of poverty benefitting from child-focused social protection measures	1.2.2 0 (2023 – 2024 academic year)	1.2.2 15%	2.1.1 MoHSP administrative data/INSTAT SILC
	2.2 Functional and integrated system of quality social and community care services is established	2.2.1 Number of services for social care provided at the local and regional level, by typology, supported through the Social Fund ³¹	2.1.1. 0 (No child benefits in place)	2.1.1 70% (Year 2027)	2.1.1 MOHSP/SSS administrative data
			2.2.2 54 (2023, 39 local and 15 regional services)	2.2.1 84 (or 30 social care services over the baseline by 2027)	

³⁰Only EPPs as per Employment promotion law, based on the number of EPP beneficiaries from vulnerable groups, excluding jobseekers under 29 years of age.

³¹ The Law for Social Care Services (121/2016, article 8) defines the main typology of social services as: (i) para-social services; (ii) services in community centers, including development centers; (iii) services in residential centers, including shelters; (iv) social services for emergency situations; (v) alternative care services for children without parental care; (vi) specialised services; (vii) phone or online counseling service.

Direct Outputs	1.1.1 Enhanced technical and organisational capacities at NAES to provide intensified job counselling and support to categories further away from the labour market	1.1.1.1 Number of jobseekers using digital employment services	1.1.1.1 40% of category 1 jobseekers and 10% of category 2 and 3 (2022)	1.1.1.1 60% of category 1 and 14% of rest (Year TBD)	1.1.1.1 NAES administrative data
		1.1.1.2 Number of mediations facilitated by employment offices, by gender and category	1.1.1.2 7,624 mediations (2021)	1.1.1.2 TBD	1.1.1.2 NAES administrative data
	1.1.2 Enhanced capabilities of the skills intelligence system to enhance evidence-based decision making in the employment and VET sector	1.1.2. Number of products generated by the skills intelligence system on a regular basis	1.1.2 0 (2022)	1.1.2 TBD	1.1.2 MoECI/NAES administrative data
	1.2.1 Diversified and flexible VET offer to expand lifelong learning opportunities through better access to digital and blended forms as well as funding schemes	1.2.1.1 Number of national and regional Skill Need Analyses (SNA)	1.2.1.1 No regular SNAs conducted	1.2.1.1 National and regional SNA every two years	1.2.1.1 Monitoring Reports of Osnabruck Declaration National Implementation Plan
		1.2.1.2 Number of students and adults that use online and blended teaching offered by VET providers			1.2.1.2 NAES Administrative data
	1.2.2 Vet providers and teachers capacitated to provide relevant skills for the jobs of the future including digital transformation and green jobs.	1.2.2 Capacities of VET teachers and support staff are increased through training and capacity support	1.2.2 TBD	1.2.2 TBD	1.2.2 NAVETQ administrative data

	2.1.1 Existing social protection programs reviewed to address disaster-related shocks, with specific attention to the most vulnerable populations.	2.1.1 Eligibility criteria and policy options established for adaptive social protection measures through risk and vulnerability assessments	2.1.1 No adaptive social protection measures in place	2.1.1 Framework and systems for adaptive SP established	2.1.1 MoHSP administrative data/NSPS monitoring reports, regulatory framework
	2.2.1 Social care service human and regulatory infrastructure enhanced	2.2.1.1 Organisational functions, business processes, monitoring and evaluation; financing and workforce planning for social care services in place	2.2.1.1 25 services (TBD)	2.2.1.1 TBD	2.2.1.1 MoHSP administrative data/NSPS monitoring reports
		2.2.1.2. Quality assurance practices on public and private social services strengthened (Inspection services strengthened, new methodology developed, revised job descriptions are in place, monitoring and oversight mechanisms established at local and national level)	2.2.1.2 TBD	2.2.1.2 TBD	2.2.1.2 MoHSP administrative data/NSPS monitoring reports
	2.2.2 Support for setting up of innovative model of integrated services provided at primary health care system	2.2.2 Number of primary health care centres providing integrated model of social and health care	2.2.2 50 services (2022)	2.2.2 150 services (TBD)	2.2.2 MoHSP administrative data/NSPS monitoring reports
	Improved financial space to implement the NSSP and NESS Sector Strategy objectives	% of tranches disbursed on time and in accordance with amount agreed in SRC	% of SRC disbursements are completed as planned	100 % of SRC disbursements are completed as planned	SRC disbursement reports

		Amount of financial gap of NSSP and NESS (based on MTBP 2024-26)		Decreasing trend	
	Continued policy dialogue with the Government of Albania on the implementation of the NESS and NSSP reform strategy	Number of technical/strategic high level policy dialogues to discuss and review implementation of the NESS and NSSP strategy, focusing on variable tranche triggers and continued overall relevance/credibility and satisfactory progress in the implementation of the Strategies	4 IPMG meetings annually 8-10Ad-hoc meetings annually (programming, monitoring)	4 IPMG meetings annually 10-12 Ad-hoc meetings annually (programming, monitoring)	Annual Report for Albania Annual reports for the implementation of the NESS NSSP Strategy and Action Plans SRC disbursement report
	Enhanced donor coordination	Number of meetings to coordinate	Regular donor coordination meetings (2-4 yearly)	Regular donor coordination meetings (2-4 yearly)	Donor matrix, reports on donor coordination
	Strengthened monitoring and evaluation systems for the strategy implementation	Extent to which an annual review of progress is established Extent to which the monitoring system recommendations are taken on board in decision making process'	Annual monitoring is carried out on the basis of a performance assessment framework including progress against set indicators, analysis and recommendations	Annual monitoring is carried out on the basis of a performance assessment framework including progress against set indicators, analysis and recommendations	Annual NESS and NSPS Strategy Monitoring reports
	Enhanced capacity for coordination and	Number of coordination meetings facilitated and organised supporting	4 annually	4 annually	TA project monitoring report;

	monitoring of the strategy implementation	the Ministry of Economy, Culture and Innovation and Ministry of Health and Social Protection and Ministry of Education, and Sports Number of technical staff trained at the technical secretariat of MoECI and MOHSP/ disaggregated by gender	7	15	meetings reports; training reports/ attendance list
	1. Sound monitoring of BS implementation	Number of independent monitoring missions organised Number of monitoring report prepared Quality and timeliness of payment request	1 per year 1 annually Payment requests are complete and submitted in line with the indicative payment schedule	2 per year 2 annually Payment requests are complete and submitted in line with the indicative payment schedule	Independent Monitoring Mission reports EUD payment dossier verifying conditions and implementation progress/ MoECI

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Albania.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation of the Budget Support Component

4.3.1. Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 24 000 000 and for complementary support is EUR 4 000 000. This amount is based on the size of financing in the sector, costing of the strategies, indicatively estimated financing gap and assessed level of national funding sufficiently encouraging to support the reform.

4.3.2. Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the NESS and NSPS and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement that may be used for variable tranches may focus on the following policy priorities:

- Improved effectiveness of labour market measures.
- More flexible, relevant and permeable VET system.
- Increased adequacy and coverage of social protection benefits.
- Functional and integrated system of quality social and community care services at the local level is established.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante or at the latest by the end of the first quarter of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3. Budget Support Details

The following disbursement calendar and profile proposed for the action is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change.

The full budget support amount is split in five fixed tranches and four variable tranches.

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Albanian Lek (ALL) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

4.4. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³².

4.4.1. Direct Management (Procurement)

The following areas will be covered:

³² [EU Sanctions Map](#). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Support to the institutions of responsible for social inclusion and employment for the management of reform processes, implementation, and workforce skills development, financing mechanisms at local and central level, enhancing donor coordination for the sector, support to communication and visibility and strengthening monitoring and evaluation systems for tracking implementation of the Social Protection and Employment and Skills Strategy.
- Monitoring and compliance review for the implementation of the employment, VET and social protection reforms and the SRC programme, to support the data/information compilation, fact finding and documentation to inform decisions on tranche releases.

4.5. Scope of geographical eligibility for procurement

The geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Indicative third party contribution (EUR)
Budget support - cf. section 4.3	24 000 000	N.A.
Outcome 1 Social Inclusion increased through upskilling, employment, and social reintegration of disadvantaged categories;	14 000 000	N.A.
Outcome 2 Adequacy of Social Protection measures, accessibility and quality of integrated social care services at local level are improved;	10 000 000	N.A.
Methods of implementation – cf. section 4.4		N.A.
Procurement (direct management) – cf. section 4.4.1	4 000 000	N.A.
Evaluation – cf. section 5.2 Audit – cf. section 5.3	To be covered by another Decision	N.A.
Strategic Communication and Public Diplomacy – cf. section 6	To be covered by another Decision	N.A.
Totals	28 000 000	N.A.

4.7. Organisational Set-up and Responsibilities

The Government of Albania has established inter-institutional and operational organisational measures for managing the implementation of a broad sectoral/cross-sectoral approach through the Integrated Planning System (IPS) which acts as the main system that sets the tools and mechanisms for integrated public policy planning by providing an effective allocation of financial resources. The IPMG on Employment and Skills (previously called the IPMG on Employment and Social Policies) was initially established as a pilot in 2015,

and subsequently revised in 2018³³. In August 2023, the architecture of IPMGs was revised through a new Prime Minister Order.³⁴ The IPMG “Human Capital Development” is responsible for the employment and skills and social protection areas, alongside education, healthcare, culture and sports. This IPMG also performs the role of sectoral monitoring of the IPA Sector on Education, Employment and Social Policies, Chapters 2, 3, 19 25, 26 and 28 of the EU Acquis and the Sustainable Development Goals (SDGs). The IPMG is comprised of two Thematic Groups: (i) Employment and Skills; and (ii) Social protection and Inclusion.

The function of the IPMG on Human Capital Development is to guide and coordinate institutions involved in the sector for informed policy making, co-operation and using a results-based framework to develop and implement key government reforms. The IPMG has been supporting regular dialogue and interaction with development and integration partners. The main institutional stakeholders involved in the management, implementation and oversight process of the action through the IPMG, and the relevant thematic areas are the Prime Minister Office (PMO), Ministry of Economy, Culture and Innovation (MoECI; previously under Ministry of Finance and Economy (MoFE)³⁵), National Agency for Employment and Skills (NAES), Ministry of Health and Social Protection (MoHSP), civil society and private sector representatives, as well as municipalities. The Deputy Minister of MoECI covering Employment and Skills provides overall political leadership for the Employment and Skills sector. At a donor level, the working group on Employment and VET, co-led by EUD and SDC, is quite active and convenes regularly.

The IPMG on Human Capital Development (previously Employment and Skills) has convened regularly, approximately four times every year, discussing the progress of government reforms on employment and social sector. Stakeholders, including rights-holders’ groups such as youth and women organisations are invited to contribute to these discussions as needed. On-going policy dialogue with focus on improved sector coordination will contribute, among others, to better follow-up of policy implementation and improve sector monitoring and evaluation, transparency and accountability. In order to coordinate and engage with the key institutions and civil society organisations to ensure policy dialogue and knowledge management between central and sub-national levels of government.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The monitoring framework on Employment and Skills is in place. The action plan of the NESS 2023-2030 includes a clear timeline for reporting on progress of the strategy. During the previous cycle strategy, Annual Reports were prepared regularly providing updated information and analysis on the implementation of policy measures and (any) challenges encountered. The NESS 2013 – 2020 underwent a mid-term review in 2019, on the basis of which the priority measures were revisited and the Action Plan for its implementation was extended to 2022. The monitoring frameworks have in addition informed and guided the design of the new NESS strategy 2023 – 2030.

One of the key challenges identified in the employment and skills sector has been the need to develop tools and methods that can be used to assess links between service delivery outcomes and the policy goal of quality

³³ Prime Minister Order No. 157 dated 22.10.2018

³⁴ PMO Order No 90, dated 01.08.2023.

³⁵ This responsibility has been transferred under the new Minister of Economy, Culture and Innovation. A new revision of the PMO Order is expected to that effect.

jobs and decent employment opportunities for youth and adults. The monitoring and evaluation frameworks for NAVETQ and NAES, including Employment Offices (EOs), Vocational Training Centres (VTCs) and Secondary VET schools (VS) have all been developed with external IDP support. The Monitoring and evaluation framework that has been developed will enable the collection, compilation, and provision of information in a systematic, consistent, logically sequencing and easily accessible manner by decision-makers. This system can be used to closely monitor the delivery of public services, such as VET and employment services. The system also has an interface with information on the implementation of the National Employment and Skills Strategy 2023-2030, and thus has capabilities for measuring the impact the public services and the Strategy have on the beneficiaries.

For monitoring and evaluation of employment and VET, the responsibility falls mainly on NAES and NAVETQ, as there is no specific unit or dedicated position to perform this task at the ministry in charge of employment and skills. However, in NAES, a dedicated unit in charge of VET monitoring has been established and the monitoring framework for VET providers has been integrated into the main IT Management System. There is no dedicated monitoring unit or position to perform this task at the NAVETQ. NAES' Digital Management Information System which was operationalised in 2022 has further enhanced monitoring capacity in terms of employment and vocational training services delivery. A skills intelligence system is currently under development, which will provide updated labour market analyses based on administrative and statistical data compilation. Digital management information systems will be developed for VET school management as well.

Another related objective with regard to monitoring has been to enhance accountability through the assessment of progress and performance and provide better quality information to relevant stakeholders. A key element for the finalisation of the monitoring and evaluation system is to integrate and embed it into the culture and routines of the respective institutions. The achievement of outputs from the system will depend on the regular utilisation of the tools.

Monitoring framework on Social Protection

The Annual Report of the National Strategy for Social Protection 2020 - 2023 highlights several challenges related to the reporting on some of the indicators that are provided by other institutions – for example, data from the Institute of Statistics (INSTAT) on poverty, welfare and social inclusion. There is no clear mitigation strategy on how data gaps can be addressed. Setting up a sector-wide monitoring framework is essential, yet this would require commitment and significant efforts to ensure better linkages between the existing information systems and the databases in use. In the recent past, various IDPs have contributed to establishing and fostering the use of focused databases such as the one on domestic violence, Roma and other categories. Their integration and consolidation into one monitoring framework remain fundamental. Integration of the existing databases would also contribute to greater clarity for involved institutions and improve efficiencies in using - already stretched - resources. The monitoring of the NSP strategy is supported by several data sources – with the main one being the MIS of NE and disability and State Social Services reports as well as the contribution from IDPs and civil society. The utilisation of the National Register of Social Care Services remains limited since the July 2022 cyber-attack on government databases, and it is currently disconnected from the other two MIS on cash benefits.

Annual monitoring reports are prepared for the implementation of NSPS. In addition, periodic reports on the implementation of ongoing reforms contribute to the monitoring framework, such as reports from the Working Group on disability assessment reform. MoHSP lacks a dedicated structure for monitoring and evaluating the Social Protection strategy, other sector strategies and action plans. The absence of adequate human and financial resources for monitoring and implementation of national policies at the central level and local levels of governance severely hampers policy impact assessment and the quality of decision making across the policy cycle and across different tiers of government and should be in the focus of the ongoing policy dialogue with MoHSP.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the NESS 2023 – 2030 and the NSPS 2024 – 2030.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring: The Ministry of Economy, Culture and Innovation will be in charge for the overall monitoring of the Action. The two line ministries will be in charge of data collection and providing analysis and for the preparation of the implementation monitoring reports, which shall be presented to the IPMG.

5.2. Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is a priority sector for the Government and acts as an enabler for a flagship initiative of the EIP such as the Youth Guarantee.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination³⁶. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

³⁶ See best [practice of evaluation dissemination](#) See best [practice of evaluation dissemination](#)

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement contracts, and contribution agreements.

Communication will be an integral part of the dialogue with partner countries, and any progress or setback will be reported as part of the policy assessment. Joint information and communication activities may be undertaken.

7. SUSTAINABILITY

Political sustainability

The sustainability of this Action primarily depends on political, financial and structural factors. Sustaining political support for reforms in social protection and employment and skills is the result of political negotiations and agreement between the left and right political wings. There is general agreement from all political parties on the need for reforms in social protection, employment and skills.

Sustainability of human resources

Sustainability of the reform also depends on the existence of qualified human resources. This requires hiring qualified staff for new roles (such as in ASCAP) and responsibilities and training existing staff – particularly at the municipal level. Regarding the training of the existing and new staff, the reform objectives in the new NESS and the new NSSP strategies foresees a significant increase in training activities, mainly to be carried out by or in collaboration with MoECI/NES and MoHSP/SSS and, in the case of social care services, in coordination with the Albanian School for Public Administration. Financial and technical assistance support from international expertise is of significant importance for the successful preparation of staff to manage and implement new ways of designing and delivering services – particularly at the municipal level and with NGOs. Special attention should however be paid to ensure ownership of the national stakeholders when development of legislation, procedures, guidelines is supported by technical assistance. This will be achieved through capacity building.

Financial sustainability

The NESS measures are linked to a detailed Action Plan which have been costed and anchored within the Medium-Term Budget Programme. Costing estimates, amounting to ALL 75.5 billion (EUR 650 million) over an eight -year billion appear to be realistic given the current level of financing in the sector. The NSSP 2024 – 2030 is currently under development and the soundness of financial allocations for its implementation will need to be assessed at a later stage. The Government has significantly increased budgets in the social protection sector, in particular for cash benefits (NE and disability benefits) in the wake of the Covid-19 pandemic and to provide relief to families to counter the effects of rising energy prices and inflation.

In the context of decentralisation there are significant disparities in the abilities of municipalities to mobilise own source revenues and LGs remain significantly dependent on national level resources; in particular, as regards funding new mandates such as social care services.

The contributions of EU budget support for the implementation of the NESS and the NSSP measures will reduce the financial gap by and ensure financial feasibility to implement the objectives set out in this Action.