



## Socio-Economic Perspective in Albania, Objectives and Implementing Instruments

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### Abstract

Every policymaker, before drafting a socio-economic policy, must consider the impact of the drafted policy and the effects on all interest groups. In this paper, economic policies that have a direct impact on society, research instruments, and law enforcement reforms will be presented. The methodology for collecting information, and comparison of legal analysis and data to achieve the results of this paper will be used qualitative and quantitative methods, as well as descriptive methods. The paper is based on a detailed analysis of the sources primary and resources. The study, understanding, and then explanation or drafting of social economic policies cannot be achieved without first studying the main object with which this policy deals, which is money. The descriptive method used in this paper aims to reflect the current state of implementing instruments in Albania. The statistical method was used to analyze the study materials. Every individual, business, and institution carries out its expenses depending on the income. The government realizes its income through taxation and depending on this income it draws up the expenditure plan. This is a rule that no one can avoid.

**Keywords:** socio-economic policy, instruments, money, expenditure, government

### 1. Introduction

Due to the important developments that took place in Albania in the early 1990s, it was necessary to implement economic reforms that would enable the country to transition from a centralized economic system to a market economy system. The reform of the economic-social system was another essential component of the structural changes on the way to the market economy. The reform in this area was crucial for the establishment of macroeconomic stabilization. Also, the implementation of an effective monetary policy framework was seen as an essential condition for the stabilization process.

It was challenging to understand that monetary policy readjustment can be facilitated by changes in the financial sector and vice versa, through an interactive and evolutionary process. A part of the state economic strategy that is used to achieve macroeconomic objectives and to influence the level of production in fiscal policy.

In the context of the implementation of fiscal reforms, we can say that they have a significant impact on the country's economy. In Albania, Tax Administration is a main subject under the Ministry of Finance and Economy, which functions as the main authority responsible for the implementation and administration of National taxes, public payments, VAT, and the collection of social and health insurance contributions.

From the implementation of the reforms, it is observed that the drop in disposable income has an impact on the

drop in demand in the market, which limits the supply, which has an impact on production, investment, and economic growth.

## **2. Methodology**

The purpose of this paper is mainly to highlight some of the important moments in the theoretical but also the practical aspects of social economic policies, and the distribution of income, by trying to highlight some of the challenges and advantages of the implementation. Socioeconomic management is prioritized due to the state of the transitional economy and the government's ongoing need for funding.

To realize this research theoretical data were collected through scientific publications on public institutions in Albania such as INSTAT and the Ministry of Finance and Economy. The secondary data are collected from the research reports and other publications related to this paper.

## **3. Literature Review**

Draft and implementing social and economic policy usually, is used a lengthy process known as the mechanism of transmission, which includes instruments, intermediate aims, and current objectives. Social policies are those that include all provisions and actions aimed at preventing, avoiding, or resolving social problems and poverty on a personal or societal level, as well as those that strive to improve the well-being of society's most vulnerable populations. Analysis and research of statistical data on income distribution attest to the necessity of the state enacting socially beneficial policies. Public revenues are the resources that the state and other organizations legally have access to meet the costs of the public services they provide. It is typical of public revenues that their goal is to realize societal economic and social policy as well as finance public-pleasing outcomes. Direct instruments are simply used and don't require a complex financial market, which is generally absent in underdeveloped countries.

The restoration of the state and the fight against the worst problems, like poverty, have benefited greatly from social policies. More and more nations are focusing their attention on studying and implementing social policies that are becoming more and more effective after the COVID-19 crisis, owing to our unceasing, irrepressible efforts. The pandemic altered how individuals engage and communicate with each other. Social isolation, limitations, and disconnection caused people to physically part ways and had an impact on their mental and emotional well-being.

Due to the delay in enacting amendments to the law that would lessen the tax burden, improve access to finance and credit, and generally increase aggregate demand, the government's Economic Recovery Program is still only partially implemented. Additionally, we do not observe a clear priority being placed on expenditures in public health, an area of government spending that is significantly behind both regional and European standards. The capacity of systems to adapt fast and grow over time during crises varies greatly from nation to nation and is heavily influenced by the initial fiscal space available to them. In addition to enabling better-formatted social assistance in normal times, social protection instruments like social registers, streamlined and computerized registration and verification processes, updated and integrated social security and payroll databases, well-organized payment systems, and legislation that allows adaptations in times of emergencies also enable systems to scale up quickly and affordably in times of crisis. The medium-term recovery phase offers a chance to improve the social protection system's durability, sustainability, and cost-effective responsiveness to upcoming crises.

## **4. Analysis of Results**

There are rules in existence that permit businesses and the state to temporarily lower the wages/payments of employees who have been temporarily dismissed from their jobs. In many EU nations, the state only pays for the actual number of employees who are not working or for reduced working hours. Many of the Western Balkan countries lack these regulations and the monitoring capacity that required social security and payroll databases to be well-integrated and current, so they will continue to rely on significant general wage subsidies. less efficient and more expensive. Social registries and computerized registration/verification processes can be subject to a similar defense. Social registers incorporate data from various ministries' databases to maintain current information on not just the recipients of social assistance programs.

As a result, properly built social registers can facilitate faster registration and verification processes for population groups who are particularly impacted by disasters.

What about the gray market?

Given that informal businesses and employees are not registered with the tax and social security agencies, assisting them in times of crisis is a significant difficulty. However, it is crucial that they receive support from both an equality standpoint (many of the poor work in the informal sector) and an economic substitution standpoint (informal businesses, despite not paying taxes, contribute to economic growth, are part of value chains, and employ people who would otherwise require government assistance).

There is no magic wand to support the informal sector, therefore some businesses and people there will inevitably not get assistance. In the informal sector, there are ways to sustain significant segments of the population. For instance, near-poor families who do not receive formal income or other forms of public aid can also be included in the social assistance program. From a public health perspective, these families' support is especially crucial because it is likely that they have been adversely impacted by the crisis. If they do not receive support, they are likely to continue working, which will lessen the effectiveness of social distancing measures.

**Table 1 - GDP by economic activity, 2017-2021**

	2010	2011	2012	2013	2014
<b>GDP distribution at current basic prices (% of GDP) <sup>c</sup></b>					
Agriculture, forestry, and fishing	20.7	21.1	21.7	22.5	22.6
Industry <sup>d</sup>	13.8	13.6	13.3	14.4	14.2
of which: Manufacturing	6.3	6.6	5.3	5.6	5.6
Construction	14.8	14.7	13.2	12.0	10.8
Services	50.7	50.7	51.8	51.1	52.3
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	19.1	18.9	19.2	18.3	18.5
Information and communication	4.2	3.9	3.6	3.2	3.0
Financial and insurance activities	2.7	3.0	2.8	2.6	2.9
Real estate activities	7.1	7.0	6.9	7.3	7.2
Professional, scientific and technical activities; administrative and support service activities	3.2	3.3	4.5	5.0	5.4
Public administration and defence; compulsory social security; education; human health and social work activities	11.6	11.9	12.5	12.7	12.9
Arts, entertainment and recreation, repair of household goods and other services	2.8	2.8	2.2	2.1	2.5
<b>GDP by economic activity at 2010 constant prices (Annual % change) <sup>e</sup></b>					
Agriculture, forestry and fishing	7.6	4.8	5.4	0.7	2.0
Industry <sup>d</sup>	19.5	2.1	-3.6	13.4	0.6
of which: Manufacturing	11.6	10.5	-15.7	6.6	3.6
Construction	-7.5	3.2	-8.5	-8.4	-6.8
Services	2.4	2.7	3.2	0.5	4.1
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	4.2	3.5	1.9	-5.2	2.3
Information and communication	-16.5	-3.7	-5.4	-11.5	-2.4
Financial and insurance activities	5.7	8.4	2.3	1.7	0.1
Real estate activities	0.5	0.0	1.1	8.7	1.7
Professional, scientific, and technical activities; administrative and support service activities	0.9	5.0	34.7	13.1	8.1
Public administration and defence; compulsory social security; education; human health and social work activities	4.5	4.6	6.7	4.0	5.6
Arts, entertainment and recreation, repair of household goods and other services	22.6	-2.1	-22.4	-1.3	25.2
Gross domestic product	3.7	2.7	1.4	1.1	2.2
Structure of employment (% of total)					
State sector	18.4	17.8	17.1	17.9	17.7
Budgetary	14.0	13.9	13.4	14.1	13.9
Non-budgetary	4.4	4.0	3.7	3.8	3.8
Non-agricultural private sector	26.7	27.7	28.0	31.7	34.4
Agricultural private sector	54.9	54.5	54.9	50.4	47.9

Source: (INSTAT, Annual report, 2021)

## 5. Results and Recommendations

Albania is putting into practice significant structural reforms that will promote equitable economic growth, boost productivity and competitiveness, expand employment, and enhance governance and the provision of public services.

Faster economic growth would also be facilitated by increased regional connections, access to regional and international markets, and market and export diversification.

The Albanian government is implementing a comprehensive reform agenda with a focus on territorial devolution, financial sector stabilization, energy, social assistance, disabilities, and macroeconomic and fiscal stability. Another top aim of the Albanian administration is boosting international investment. However, to do this, the legal system must be improved, the business climate must be improved, and strategies and policies must be put into action. Albania is totally open to foreign investment and is a strategically located country with a market economy. Reforms that are aimed at streamlining corporate procedures, lowering taxes to manageable levels, and expanding access to the free market have been implemented in the context of EU membership in recent years. The benefits of investing abroad benefit both the investor and the nation in which they are made. In addition to this initial investment, global capital flows, the transfer of management expertise, the evolution of economies, and technical advancements.

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