

CHILD POVERTY IN KOSOVO



Policy Options Paper & Synthesis Report

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CHILD POVERTY IN KOSOVO
Policy Options Paper & Synthesis Report

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ACRONYMS

AHC	Average Household Consumption
bps	basis percentage points
CB	Child Benefits
CBK	Central Bank of Kosovo
CEE-CIS	Central and Eastern Europe and the Commonwealth of Independent States
DFID UK	Govt Department for International Development
EU	European Union
€	Euros.
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
HBS	Household Budget Survey
IPA	Instrument of Pre-Accession Assistance
JIM	Joint Memorandum on Social Inclusion
MEF	Ministry of Economy and Finance
MLSW	Ministry of Labour and Social Welfare
MTEF	Medium-term Expenditure Framework
SA	Social Assistance
SEE	South East Europe
UNICEF	United Nations' Children's Fund

ACKNOWLEDGMENTS

'Poverty reduction starts with children'. The world has come to agree on this. Six of the eight Millennium Development Goals relate directly to children. No society has ever seen a broad-based reduction in poverty without major and sustained investments on children. Spending on a child's health, nutrition, education, and social, emotional and cognitive development, and on achieving gender equality, is not only an investment in a more democratic and a more equitable society, it is also an investment in a healthier, more literate and, ultimately, more productive population. Investing in children is morally the right thing to do. It is also a sound economic investment, with high rates of return.

Contributing to UNICEF's Global Study on Child Poverty and Disparities this report aims to strengthen the profile of children at the policy agenda, influencing the economic and social policies that affect resource allocations, and to make children a priority in national programmes.

I would like to acknowledge the expertise of the authors of the "Child Poverty in Kosovo" report, Paul Stubbs and Danijel Nestić from the Institute of Economics, Zagreb, Croatia, who have drafted the policy options paper and synthesis report using data from two UNICEF Kosovo commissioned studies completed in 2008 by Yekaterina Chzhen from the University of York, UK and in 2009 by Franziska Gassmann and Keetie Roelen from the Maastricht Graduate School of Governance, the Netherlands. I would also like to commend and thank the staff of the Ministry of Labour and Social Welfare for their contributions to this study.

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POLICY OPTIONS
PAPER

POLICY OPTIONS PAPER¹

CHILD POVERTY IN KOSOVO AND THE EUROPEAN UNION

Recent studies commissioned by UNICEF Kosovo show clearly that children are at significantly greater risk of poverty in Kosovo compared to the general population. Using the generally accepted consumption poverty line of €1.417 per person per day, based on 2006/7 Household Budget Survey data, 46.2% of the Kosovo population is in poverty, whereas 48.6% of children aged 0-19 are in poverty. The highest risks of poverty are faced by children who live in households with three or more children; children aged 0-14; children of unemployed parents; children in households receiving social assistance; and children in households with low levels of education. Whilst the risk of poverty is lower for children where at least one family member is employed, children in wage-earning households make up 36% of all children in poverty in Kosovo.

The European Union is leading the way in mainstreaming a concerted effort to fighting child poverty and exclusion, recognising the multi-dimensional nature of the problem. The EU recognises that child poverty and exclusion have high individual and social costs, with children growing up in poverty at serious risk of poor health, low educational attainment, an inability to find work in later life, and a general loss of choices. Investing in children is, therefore, important not only in terms of lifting children out of poverty now but is also an efficient and highly cost effective way of ensuring that current generations of children become healthy, productive and active adult citizens. Fighting child poverty is necessary to combat the inter-generational transmission of poverty, and to ensure that all children, regardless of their initial life circumstances and social background, enjoy equal opportunities in a society. The issue of child poverty is high on the EU's agenda in 2010, the European Year for Combating Poverty and Social Exclusion.

The lesson has been learnt that, without holistic child and family policies, child poverty is unlikely to be reduced simply as a result of general anti-poverty policies. A sustainable combination of political will, technical capacity and fiscal space is also required. Whilst the EU does not prescribe particular policies for reducing child poverty, it is clear that member states spending higher proportions of their GDP on social protection (excluding pensions) tend to have the lowest

¹ This policy options paper by authors from the Institute of Economics, Zagreb, Croatia (Paul Stubbs and Danijel Nestić) is based on a longer synthesis report 'Child Poverty in Kosovo', using data from two studies completed in 2008 and 2009 by the University of York, UK and the University of Maastricht, the Netherlands.

child poverty rates, and that benefits specifically targeted at children have the greatest impact on child poverty. The provision of affordable childcare and appropriate community-based services can also play an important role in reducing child poverty and fighting social exclusion.

THE ROLE OF CASH TRANSFERS

Kosovo has no unemployment benefits scheme, no maternity allowance, and no child benefit scheme. It does have a social pension scheme, a scheme for war disabled and the families of those killed in the war, and a disability pension scheme. In addition, Kosovo has introduced a new scheme in 2009, targeting families which take care of children with a severe and permanent disability. Currently, there are 2,158 beneficiaries of this scheme, receiving €100 per month. Its main cash transfer to poor families is the social assistance scheme, funded through the Kosovo budget. There are two categories of assistance: Category I covers poor households where no member is capable of work or where the only adult capable of work is permanently caring for a dependent. Category II covers eligible households where the adult family members are unemployed and where at least one child is aged 5 or below or is an orphan up to age 15.

In 2009, rates were raised, so that the gross standard rate of social assistance for a one person household is €40 per month, and €55 for a two-person household, with an additional €5 per month paid for each additional household member, up to a maximum of €80 for 7 or more member households. In each year up to December 2008, the numbers receiving social assistance fell, significantly. Following increases in benefits in January 2009, and the transfer of Centres of Social Work to the responsibility of municipalities, the number of claimants rose, although the numbers of Category II claimants continued to fall (Table 1).

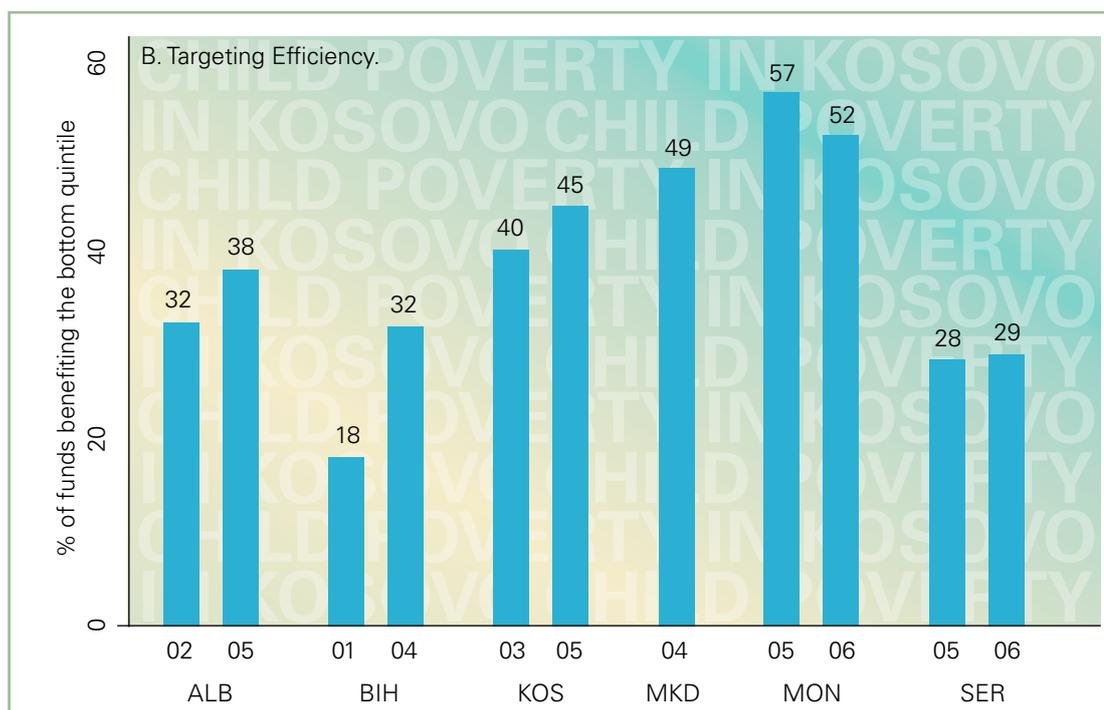
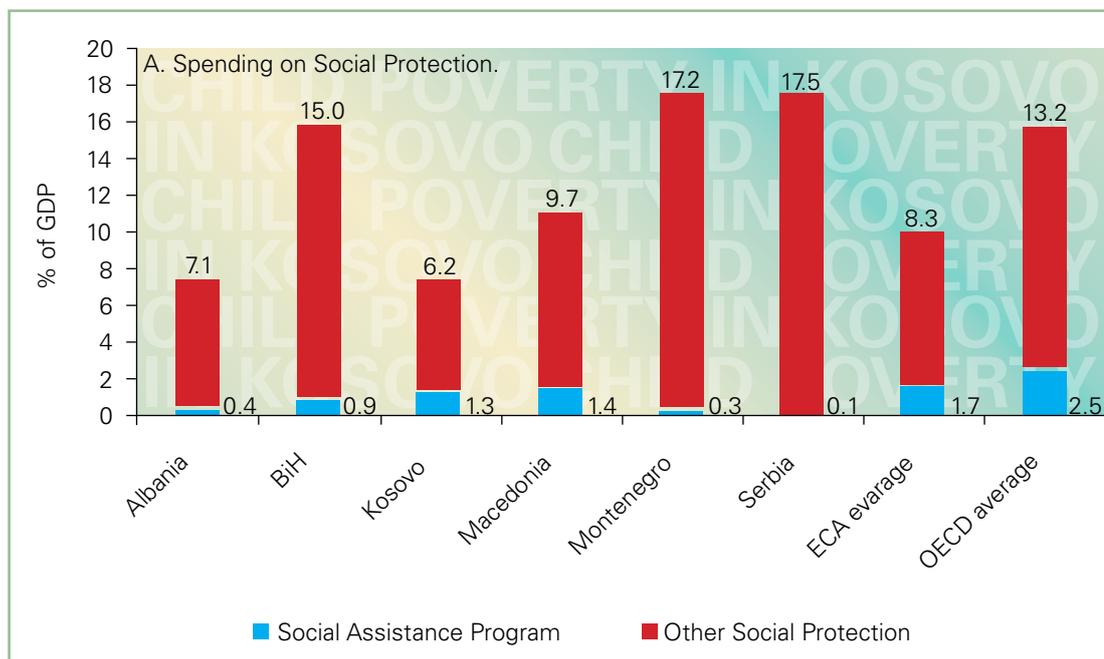
Table 1: Total no. of Households Claiming Social Assistance

	Category I	Category II	Total
December 2008	17,388 (100)	16,919 (100)	34,307 (100)
December 2009	19,022 (109.4)	16,674 (98.6)	35,654 (104)

Source: Ministry of Labour and Social Welfare.

According to the last World Bank poverty assessment, the scheme is extremely well targeted, with 78% of funds going to the poor, and 45% of funds to the bottom quintile (figure 1 below) but has limited coverage, reaching only 23% of the poor. In other words, around 695,000 poor people in Kosovo do not receive social assistance benefit. Figure 1 also shows the percentage of GDP spent on social assistance compared to neighbours, the wider region and the OECD countries. In terms of poor children, there are no schemes to reach children in poverty in wage-earning households. There are also no schemes to reach those who would be eligible for category II assistance but whose youngest child is not 5 or under. During 2009, 2,951 poor households lost their entire benefit because their youngest child turned 6 years of age.

Figure 1. Regional Comparisons



Source: Gueorguieva, A. (2008) 'Good Program, Good Investment: Policy note on the Kosovo Social Assistance Program', Washington, World Bank, April.

Kosovo's Medium-term Expenditure Framework includes a commitment to increasing social welfare including a number of changes to the Social Assistance Scheme some of which are developed in a Draft White Paper on Social Policy and were included in amendments to the Law on Social Assistance which were

returned to the Ministry of Labour and Social Welfare by Parliament. In the MTEF and through the proposed multi-donor/World Bank Sustainable Employment Development Policy Project (SEDPP), there is the aim to link Category II Social Assistance more closely to the readiness to be involved in public works and training for reintegration into the labour market.

There is limited fiscal space in Kosovo with social assistance annual spending amounting to only 18.3% of all social welfare benefit spending in 2008, being about €1m. less than budgeted for and falling from 24% in 2007 and from a high of 35% in 2004. In contrast basic old age pensions constituted 46% of expenditures in 2008, and pensions as a whole over 56% of all expenditures.

ALLEVIATING CHILD POVERTY IN KOSOVO

There are a number of policy options which could contribute to the alleviation of child poverty and exclusion in Kosovo. These are, again, set out in more detail in the longer Synthesis Report. In terms of short-term policies, the most critical concerns the revised Law on Social Assistance which should be prepared and forwarded to the Parliament as soon as possible. This law should be based on the three main amendments which were included in the Law returned by the Parliament and in the draft White Paper, namely:

- *Back-dated indexation of benefit levels to cover increased costs of the household basket. The increase has been calculated at 27.35%. Calculations suggest that such an increase would reduce overall poverty by about 2.8 basis percentage points (bps) and child poverty by 3.5bps, with significant reductions, also, in levels of extreme poverty, especially amongst children, and in the poverty gap.*
- *Increase the benefit paid to children of school age (i.e. 6-18) by €5 on condition that they regularly attend full-time education. This would have a similar, and complementary, impact on poverty rates and poverty gaps.*
- *Abolish the upper limits of household benefits so that families with 8 or more members would receive an additional €5 for each member. This would not apply to a large number of households and so would not have a very significant impact on overall poverty rates but, at relatively low cost, would significantly reduce poverty in larger households.*

Taken together, the three measures could reduce child poverty rates in Kosovo by as much as 8 bps, lowering the headline rate to around 40%.

In addition, the next Kosovo Statistical Office/World Bank Poverty Assessment, using the latest HBS data should have a special focus on child poverty including calculating headline rates, at risk rates for children of different ages, in different types of households, in rural and urban areas, etc. The study should also, if possible, outline different policy scenarios for cash transfers and calculate their impacts on child poverty.

More widely, as part of Kosovo's preparation for EU accession and participation in the Open Method of Co-ordination on Social Protection and Social Inclusion, there needs to be greater attention to Child Poverty and Exclusion in the context of national development strategies and the preparation of a new social inclusion strategy. The issue of child poverty and exclusion should become a matter of concern in the annual Progress Report issued by the European Commission on Kosovo under the EU's Enlargement Strategy as well as in terms of Instrument of Pre-Accession (IPA) funding priorities.

A number of programmes and projects are in the process of being designed or are about to be implemented, all of which have components which could relate to issues of child poverty and exclusion. UNICEF's efforts for close liaison with cooperation partners will ensure a maximization of opportunities to provide coherent approaches to reducing child poverty and exclusion. These include:

- *The multi-donor/World Bank Sustainable Employment Development Policy Project*
- *EU (IPA)-funded Support to the Ministry of Labour and Social Welfare (MLSW)*
- *DFID-funded proposed programme on the Decentralisation of Social Care Services.*

There is a need, above all, to ensure maximum effectiveness of the linkage between cash and care services in the context of decentralization, to ensure the best mix for vulnerable and excluded children.

In the more medium-term, there may be a need to provide hands-on technical assistance to the Government (especially MLSW and MEF) in order to build capacity for policy modeling and scenarios in terms of clear options for reducing child poverty in Kosovo through cash transfers. One of the first priorities should be to explore the possibility of extending Category II Social Assistance to those households who fall outside the eligibility criteria only because they no longer have a child under 6 but who do have school- age children.

In the medium- or long-term, Kosovo may consider, as most of its neighbours in the region, the introduction of a child benefit scheme. Whilst a universal child benefit scheme of €25 per child per month is estimated to halve child poverty rates in Kosovo, it is costly in the context of current fiscal space (about 5% of GDP). Universal or means-tested benefits at a level of around €10 per month, for all children, for children under 5, or for children 5-15, could all make a significant impact on child poverty rates, with the €10 per month rate coming close to the EU benchmark of 2% of GDP spent on child and family benefits. Universal child benefits tend to have lower administrative costs, reach those poor children in wage-earning households, and although more expensive than means-tested schemes, can be combined with tax systems to recoup some of the spending on non-poor households. There may, also, be a possibility of tying direct budgetary

support to a benchmark in terms of the reduction of child poverty and exclusion and ensuring that central and local budgeting is both gender-and child-responsive.

In terms of political will, raising awareness of child poverty and exclusion amongst all political parties and, in particular, amongst Parliamentarians, can be an effective means of ensuring greater child sensitivity in general policy making. This could build on work already undertaken with Parliamentarians on social inclusion issues. In the medium-term, Kosovo will need to prepare a Social Inclusion Strategy in line with that required in terms of the Joint Inclusion Memorandum for candidate countries so that, within this, a focus on a co-ordinated and effective approach to reducing child poverty and exclusion will also be needed. The fight against child poverty and exclusion should also be prioritized within the national development strategy, along with greater attention at local level to the interaction between cash transfers and social services; prioritising early childhood education; and ensuring focused strategies for the inclusion of marginalized groups and regions.



1 SYNTHESIS REPORT

I. INTRODUCTION: The Context

1.1. Child Poverty in a European Context

Reducing child poverty and exclusion has become one of the top policy priorities of the European Union, its member states, and candidate and prospective candidate countries in the last few years. Children are highly likely to be at greater risk of poverty than the general population. In many of the countries in transition in Central and Eastern Europe and the former Soviet Union, despite a period of sustained economic growth, children are often still at risk of extreme poverty. The current economic and financial crisis risks undoing even the progress that has been made, particularly when robust and fiscally sustainable systems of social protection are not in place. Child poverty and exclusion have high individual and social costs, with children growing up in poverty at serious risk of poor health, low educational attainment, an inability to find work in later life, and a general loss of choices. Investing in children is, therefore, important not only in terms of lifting children out of poverty now but is also an efficient and highly cost effective way of ensuring that current generations of children become healthy, productive and active adult citizens. Fighting child poverty is necessary to combat the inter-generational transmission of poverty, and to ensure that all children, regardless of their initial life circumstances and social background, enjoy equal opportunities in a society. A report by France's Council for Employment, Income and Social Cohesion provides a key message: „social justice goes hand in hand with efficiency when emphasising the importance of the fight against child poverty“ (quoted in Marlier et al, 2007; 10).

The European Union is leading the way in mainstreaming a concerted effort to fighting child poverty and exclusion, recognising the multi-dimensional nature of the problem. The issue of child poverty is high on the EU's agenda in 2010, the European Year for Combating Poverty and Social Exclusion. The lesson has been learnt that, without holistic child and family policies, child poverty is unlikely to be reduced simply as a result of general anti-poverty policies (Hoelscher, 2004). Rather than prescribing 'one size fits all' policy models for reducing child poverty, the European Union is seeking to strengthen the evidence base in order to improve understanding of the linkage between different sets of policies and outcomes in terms of child well-being. In the 'Open Method of Co-ordination', countries can learn from best practice through „a mutual feedback process of planning, monitoring, examination, comparison and adjustment of national ... policies ... on the basis of common objectives“ (Marlier et al, 2007; 22).

Within the EU Member States, three main factors appear to be correlated with child poverty: children living in jobless households; children living in households

at risk of in-work poverty; and children living in member states with low and/or ineffective social transfers. Governmental policies, including tax and benefit systems, are crucial, with the Commission (2008) suggesting that:

- 1. Member states which spend higher proportions of their GDP on social protection (excluding pensions) tend to have the lowest child poverty rates;*
- 2. Benefits specifically targeted at children have the greatest impact on child poverty; and*
- 3. The provision of affordable childcare can play an important role in improving the labour market situation of families.*

In the context of a wider 'Europeanisation' of social policy, there is increasing emphasis on tackling poverty and social exclusion amongst candidate countries who are required to produce and report on the implementation of commitments in a Joint Memorandum on Social Inclusion (JIM), and prospective candidate countries who are increasingly producing European-style strategies to combat social exclusion. There is also increasing recognition that, in addition to defining poverty in relative terms, as 60% of the median income, there is a need to measure absolute and extreme poverty as well as to develop a set of indicators on material deprivation.

1.2. Kosovo: social protection challenges

Kosovo Under UNSC 1244, which declared unilateral independence in February 2008, is one of the poorest countries in Europe with per capita GDP of €1,726 per annum in 2008 (Central Bank of Kosovo, 2009). Around 32% of Kosovo's estimated 2.2 million population is under the age of 15, with only 6.5% over 65 years of age. Kosovo has experienced significant economic growth in recent years, reaching 5.4% of GDP in real terms in 2008, boosted by development aid and remittances from workers abroad. The global economic crisis is likely to reduce growth to levels of between 3% and 4% in 2009 and 2010 although these may be optimistic forecasts in the light of declining FDI, remittances and exports (Toçi, 2010) and spill-over effects to small economies not yet fully integrated into global markets. Registered unemployment has remained stable, at around 338,000, throughout 2009 (CBK, 2009; 37), representing over 40% of employable, job-seeking Kosovans (Kosovo Mosaic, 2009). In October 2009, 47.6% of these were women and 64% were unskilled (CBK, op. cit.), and reportedly, some 90% are long-term unemployed (USAID/UNDP, 2009).

The latest Statistical Office of Kosovo/World Bank Poverty Assessment, utilising Household Budget Survey Data from 2005/6, estimated an overall poverty rate (those households spending an adult equivalent of less than €45 per month) of 45% of the population, and an extreme or food poverty line (less than €28 per month) of 15% (World Bank/KSO, 2008). Children were noted as one of the groups at particularly high risk of poverty although detailed calculations were not done. Over and above income poverty, Kosovo's educational enrolment rates are low by regional standards, especially at pre-primary, secondary and tertiary levels (World Bank, 2007), spending 4.6% of GDP on education, in line with regional

averages but representing a low level of public spending on education per student. Roma, Ashkali and Egyptians, arguably the most marginalised group in Kosovo today, have low rates of enrolment in primary education in the context of multiple deprivations including higher rates of poverty (KFOS/COMPASS; 2009). Health indicators are poor in general, with infant and under-5 mortality rates among the highest in Europe, and significant levels of stunted growth, malnourishment and malnutrition in young children (UNICEF, 2010). Kosovo spends about 3% of GDP on health care, with estimates that around 40% of all health expenditure is private spending, resulting in significant inequalities in access, and out of pocket payments themselves contributing to poverty (Stubbs and Haxhikadrija, 2008).

Kosovo's Constitutional Framework is compliant with international standards, and now incorporates reference to the United Nations' Convention on the Rights of the Child. UNICEF has supported the appointment of a Children's Rights Advisor in the Office of the Prime Minister and a Children's Rights team has been established in the Ombudsperson's Office. The Ministry of Labour and Social Welfare takes a lead on social protection and social inclusion and was part of a Government team preparing a Draft White Paper on Social Policy. The Medium Term Expenditure Framework for 2010-2012 has 'Poverty Alleviation and Social Stability' as one of the country's overarching goals, alongside Economic Growth, Status Settlement and Good Governance (Government of Kosovo, 2009; 9). As of January 2009, social services have been decentralised, paving the way for a more Europeanised welfare mix linked to quality standards, and a strengthening of a network of non-state community-based social service providers, working to a system of quality standards.

Notwithstanding ongoing reform efforts, a recent report for the European Commission concluded that „Kosovo suffers from a number of problems in its social inclusion system“ (Stubbs and Haxhikadrija, 2008). Among those highlighted were:

- *the lack of accurate data upon which to make evidence-based policy choices;*
- *weak horizontal and vertical co-ordination, a clash between technical and political governance, and the absence of public debate and stakeholder involvement in planning and managing services;*
- *policy commitments on gender, minorities and poverty are in place but not yet well implemented;*
- *children's policy is a major deficit, whether relating to holistic early childhood policy or a concerted response to child poverty and exclusion;*
- *whilst pensions, health and social assistance reform appear to be priorities, none of these are framed in terms of the implications for children;*
- *far too little is spent on community-based social services as part of a preventive and protective social safety net;*

- *overall strategy is lacking in terms of social inclusion with a rather diverse set of international agency influences still tending to dominate the Kosovan social inclusion landscape (ibid).*

1.3. This Study

This document provides a synthesis of recent reports, including a number of studies supported by UNICEF Kosovo, on the extent, nature, causes and consequences of child poverty in Kosovo. It addresses, in particular, the role of social transfers in reducing levels of child poverty and explores a number of policy options and scenarios. The policy options have been presented, also, in a shorter Policy Options Paper. The most important studies which form the basis of the arguments presented here are:

- *„A Profile of Child and Youth Poverty in Kosovo: Desk Review“, authored by HMO Solutions, November 2008 (henceforth HMO Solutions, 2008).*
- *„Child Poverty in Kosovo: Analysis of the 2006/2007 Household Budget Survey“, authored by Yekatarina Chzhen of the University of York, UK Social Policy Research Unit (SPRU), December 2008 (henceforth Chzhen, 2008).*
- *„The Impact of the Social Assistance Cash Benefit Scheme on Children in Kosovo“, authored by Fraziska Gassman and Keetie Roelen of the Maastricht Graduate School of Governance, Netherlands, July 2009 (henceforth Gassman and Roelen, 2009).*

In addition, UNICEF’s Regional Office for CEE-CIS has launched a major programme on ‘What works in reducing child poverty’, commissioning a series of comparative studies, including the following (which is still in draft form) which refers directly to Kosovo and which is of immense importance for this report:

- *„Child Poverty in Five CEE/CIS Countries“, authored by Jonathan Bradshaw and Yekatarina Chzhen of the University of York, UK Social Policy Research Unit (SPRU), (henceforth Bradshaw and Chzhen, 2010).*

This report is, therefore, an analytical policy review document which is aimed at Kosovan policy makers and their counterparts and partners in the international development community. Hence, many of the technical issues discussed in the reference reports are not addressed at any length here. The report aims to contribute to a debate about how to improve child well-being in Kosovo through influencing the economic and social policies which affect resource allocations, in order to make the reduction of child poverty a priority in the future.



2

CHILD POVERTY PROFILE
IN KOSOVO

II. CHILD POVERTY PROFILE IN KOSOVO

2.1. Rates of Child Poverty in Kosovo

Based on 2006/7 HBS data, using a consumption-based absolute poverty line of €1.417 a day, and an extreme/food poverty line of €0.934 per day, as well as an international comparison rate of \$2.15 per day, children aged 0-19 have a higher risk of poverty than the general population in Kosovo. Households with children are more likely to be poor than households with no children, but slightly less likely of being in extreme poverty (Chzhen, 2008; Table 1)².

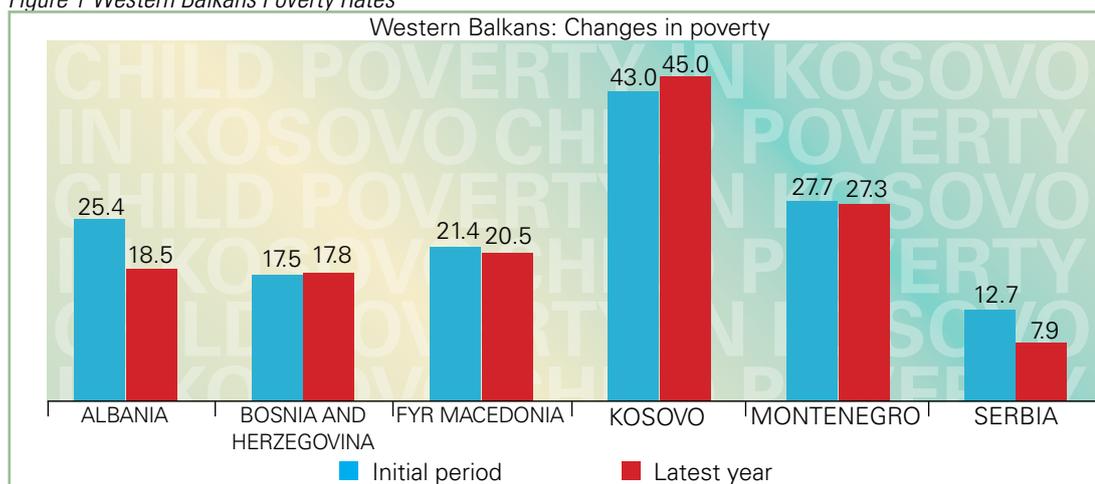
Table 1: Poverty and child poverty in kosovo

	General Population	Children	Childless Households	Households with Children
Food/Extreme poverty line	17.5%	18.9%	18.0%	17.3%
Absolute Poverty Line	46.2%	48.6%	38.3%	45.3%
\$2.15 a day Poverty Line	62.3%	65.4%	49.4%	60.8%

Source: Chzhen (2008); Tables 1 and 2; 3.

By international comparison, Kosovo has high rates of absolute poverty compared to her neighbours in the Western Balkans (Figure 1), although lower than some former Soviet Union countries in Central Asia and the Caucuses (Table 2).

Figure 1 Western Balkans Poverty Rates



Source: Gueorguieva 2007. National consumption based poverty lines from World bank poverty assessments. Notes: Initial period: Albania (2002), Bosnia and Herzegovina (2001), FYR Macedonia (2002) Kosovo (2003), Montenegro (2005), Serbia (2004) Latest year: Albania (2005), Bosnia and Herzegovina (2004), FYR Macedonia (2004) Kosovo (2005), Montenegro (2006), Serbia (2006)

² Using the same data set, Gassman and Roelen (2009) produce slightly different headline rates, but are in broad agreement with Chzhen (2008) in terms of differences in child and general poverty rates.

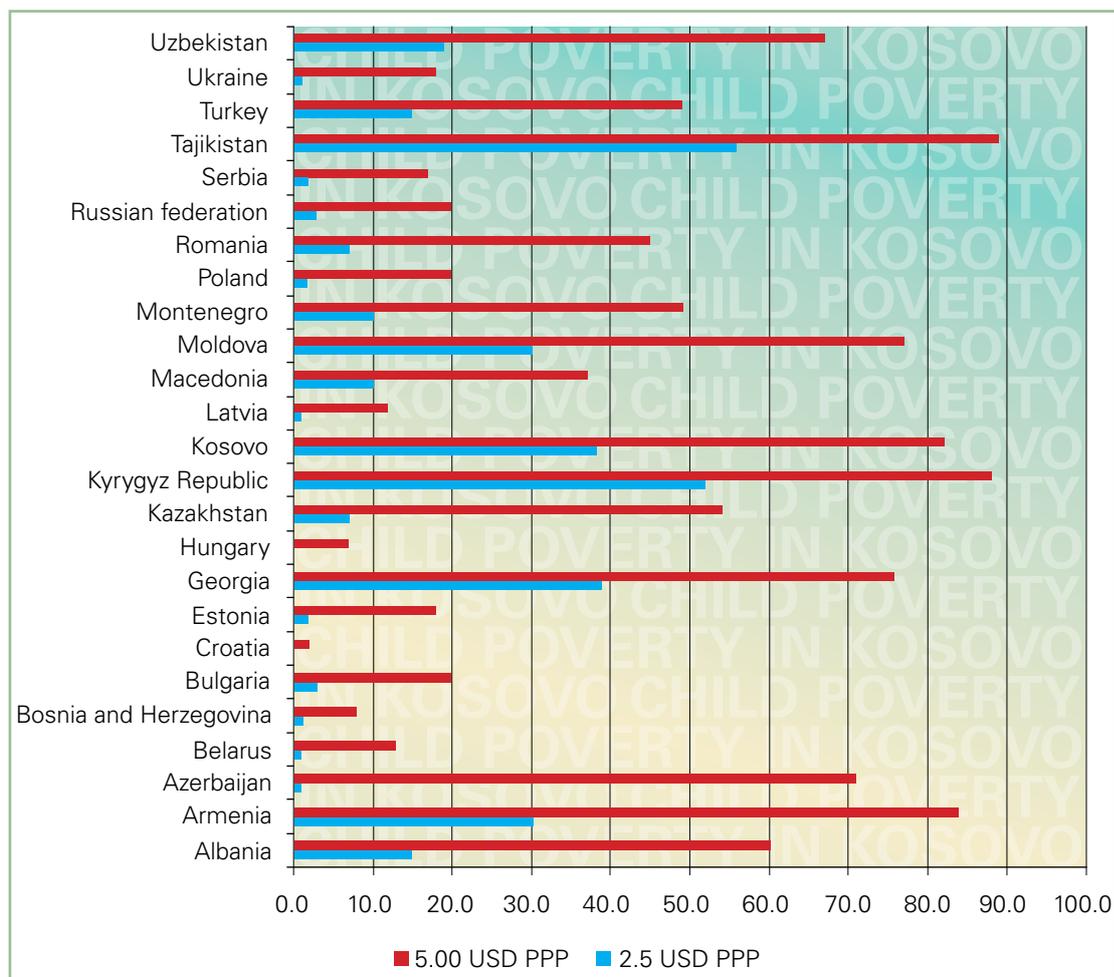
Table 2: Comparisons of child poverty rates

	2 x food poverty line	4 x food poverty line
Armenia	12.1%	68.6%
Bosnia and Herzegovina	0.6%	7.7%
Georgia	21.2%	60.2%
Kosovo	10.9%	50.5%
Serbia	1.5%	13.3%

Source: Bradshaw and Chzhen (2010) Table 1

A recent World Bank study draws regional comparisons using 2.50 USD and 5.00 USD PPP poverty rates. As Figure 2 below shows, Kosovo has high rates of poverty even in a wider regional comparative context, ranked 22nd out of 25 countries on both levels of poverty.

Figure 2: Baseline Poverty Headcount CEE-CIS



Source: World Bank (2010) Using latest year for which data are available

In terms of the characteristics associated with the highest risk of child poverty, here defined as the €1.417 per day line, the following are the most significant from Chzhen's study (see full results in table 4):

- *Households with three children have a child poverty rate of 53.0%, and those with four or more children have a child poverty rate of 52.6%, both significantly higher than households with one child (34.0%) or two children (39.9%). Overall, 77.7% of all poor children live in households with three or more children, compared to 71.5% of children in the general population.*
- *The highest poverty risks are faced by children aged 0-5 (49.7%) and 6-14 (48.7%), with a lower risk for those aged 15-18 (41.7%). Overall 93.6% of poor children are aged 0-14, with 92.4% of all children in Kosovo in this age group.*
- *The highest risk of child poverty is for those children where the household's main source of income is social assistance (94.8%), making up 16.5% of poor children and 8.5% of all children in Kosovo. Significantly higher risks of poverty are faced by those children where the household head is in receipt of a pension (67.2%) or where they are paid on a daily basis (66.5%). Whilst, overall, having lower than average child poverty rates, children in wage-earning households make up 36% of all children in poverty in Kosovo. However, living in a household with one (42.7%) or two or more (40.9%) older people over 65 reduces the risk of poverty (51.7% of children in households with no-one over 65 are at risk).*
- *In terms of the main activity of the head of the household, child poverty is high where the head of the household is unemployed (65.2%), or paid on a daily basis (66.2%).*
- *Whilst constituting only 3.4% of Kosovo's children, children of neither Albanian nor Serb ethnicity, primarily Roma, Ashkali and Egyptian, have a high at risk of poverty rate (60.5%).*
- *Households with no finished education have high risks of child poverty (58.7%), and 20.8% of poor children and 17.3% of all children live in such households.*

Table 4: Poverty rates, gaps and composition by type of household (2006/07)

	Child poverty rate (food) (1)	Child poverty rate (total) (2)	Average (total) poverty gap (3)	Poverty composition (4)	C' position of all children (5)
Number of children under 19					
One	11.5*	34.0**	28.0	5.5	7.9
Two	14.1*	39.9**	29.5	16.9	20.5
Three	21.8*	53.0**	31.5	28.3	25.9
Four or more	20.7*	52.6**	30.4	49.4	45.6
Age of the youngest child					
0-5	18.4	49.7	29.7	51.8	50.7
6-14	20.8	48.7	32.2	41.8	41.7
15-18	11.3	41.7	24.9	6.5	7.6
Number of adults (aged 19 and over)					
One/two	22.9	52.8	33.5	31.0	28.6
Three	20.8	45.0	34.3	16.2	17.5
Four	14.4	45.6	27.1	18.1	19.3
Five or more	17.1	48.7	27.7	34.7	34.6
Number of elderly (aged 65 and over)					
None	19.2	51.7*	30.6	72.4	68.2
One	19.2	42.7*	31.2	20.5	23.4
Two or more	15.8	40.9*	26.9	7.1	8.5
Household's main source of income					
Wages from public employment	13.5***	37.0***	29.3	18.8	24.8
Wages from private employment	10.2***	43.4***	24.0	17.2	19.2
Farming	16.0***	48.6***	28.7	9.2	9.2
Per diem	19.7***	66.5***	27.5	16.1	11.8
Other household business	8.3***	26.1***	25.7	5.4	10.0
Pensions	33.2***	67.2***	30.5	7.3	5.3
Remittances from abroad	10.1***	38.3***	23.2	7.8	9.9
Other remittances	[-]	[-]	[-]	1.5	1.0
Social assistance	69.3***	94.8***	46.7	16.5	8.5
Other	[-]	[-]	[-]	0.3	0.4
Main activity of head of household					
Waged employment	10.6***	35.2***	26.7	20.8	28.8
Farming	15.4***	48.5***	26.9	10.5	10.6
Per diem work	21.7***	66.2***	30.2	13.6	10.0
Self-employment	6.6***	21.9***	29.1	3.3	7.4
Retired/disabled	18.9***	52.8***	26.4	27.0	24.9
Unemployed/other	37.2***	65.2***	39.8	24.8	18.5
Gender of household head					
Male	18.6	48.9	30.1	96.3	95.8
Female	24.9	43.1	39.6	3.7	4.2
Ethnicity of household head					
Albanian	18.5	48.5	30.0	93.1	93.4
Serb	18.0	40.5	35.3	2.6	3.2
Other	30.5	60.5	38.2	4.2	3.4
Highest level of education of household head					
None	22.3*	58.7***	29.8	20.8	17.3
Primary	21.0*	53.8***	31.3	31.4	28.4
Secondary	18.7*	46.5***	30.8	41.5	43.5
Vocational/higher	8.8*	28.0***	26.1	6.3	10.9
Region					
Gjakova/Đakovica	19.5***	52.4***	29.2	14.6	13.5
Gjilani/Gnjilane	3.8***	15.8***	24.6	3.7	11.3
Mitrovica	30.5***	60.7***	34.5	21.4	17.2
Peja/Peć	21.5***	44.4***	33.8	9.7	10.6
Prizren	9.3***	42.4***	23.0	14.3	16.4
Pristina/Priština	14.9***	49.9***	27.2	21.4	20.8
Ferizaj/Uroševac	36.1***	71.7***	36.7	15.1	10.2
Ethnic area					
Albanian	18.9	48.8	30.3	97.1	96.7
Serbian	19.4	42.6	35.3	2.9	3.3
Area					
Urban	18.8	45.0	32.9	29.0	31.3
Rural	18.9	50.3	29.4	71.0	68.7
All (Unweighted N= 1,730)	18.9	48.6	30.4	100	100

Source: Chzhen (2008); Authors' estimates from HBS 2006-2007 data.

Estimates are fully weighted to account for the complex survey design. Statistical significance: * = $p < 0.05$, ** = $p < 0.01$, *** = $p < 0.001$ (separate cross-tabulations with chi-square tests).

[-] weighted proportions are based on fewer than 20 unweighted cases

There are significant regional differences in child poverty rates from 72% in Ferizaj/Uroševac to 16% in Gjilan/Gnjilane, and even greater in term of municipalities, ranging from 4% in Kamenicë/Kamenica to 92% in Kaçanik/Kaçanik, but there are no significant differences between rates in urban and rural areas. When household characteristics are controlled for then most of the general points noted above hold true. However, in addition, children in female-headed households are significantly less likely to be poor than those in male-headed households. Such households are few in number in Kosovo, with only 4% of Kosovan children living in such households, which, perhaps unsurprisingly, have a high level of reliance on remittances from abroad. In addition, children in Serb-majority areas are significantly more likely to be poor than children in Albanian areas, when household characteristics are controlled for. These broad patterns hold true in the other studies utilising different poverty lines, although the Gassmann and Roelen (2009) study actually found lower rates of child poverty in children of Serbian ethnic origin and the Bradshaw and Chzhen study (2010) found higher rates of child poverty in female headed households.

2.2. Children and Material and Housing Deprivation

As can be seen from the tables below, poor children and extremely poor children are more likely to live in households lacking housing amenities and durable goods than their non-poor counterparts (Tables 5 and 6). The differences are even clearer when prevalence deprivation indices are constructed. Whilst somewhat technical in nature, prevalence deprivation indices give more weight in the deprivation measure to items that most people in the population already have, thereby making the level of deprivation of those who are lacking such items more acute. This concept of weighting is that the extent of relative deprivation for an individual increases, the larger the share of the population who actually 'have' the item the individual is lacking. Tables 7 and 8 set weighted deprivation indices for all children, and show that poor and extremely poor children face higher levels of both material deprivation and housing deprivation. Poor children are also more likely to live in overcrowded conditions, with the average number of rooms per person being 0.55 for all children, 0.49 for poor children and 0.46 for extremely poor children. It is notable from the Chzhen and Bradshaw (2010) study that children in Kosovo live in more overcrowded conditions in terms of average numbers of rooms per person than their counterparts in 5 other countries (Table 9). When consumption poverty, housing deprivation, and overcrowding are considered together, 76.4% of children are poor or deprived on at least one dimension; 42.8% on two dimensions; and 12.8% on all three (Chzhen, 2008; 15).

Table 5: Durable goods lacked (2006)

	% All children	% Poor children	% Extremely poor children
A television	4.2	5.8	8.4
A fridge	15.1	21.7	29.8
An iron	18.1	24.9	38.1
A vacuum cleaner	23.8	33.8	45.3
A cell phone	24.4	35.9	48.1
A washing machine	25.6	39.3	50.3
A car	40.5	56.7	73.0
A generator	86.2	94.5	95.3
A PC	89.7	97.4	97.5

Source: Chzhen (2008); Table 5, estimates from HBS 2006 data.

Table 6: Housing amenities lacked (2006/07)

Dwelling lacks	% All children	% Poor children	% Extremely poor children
Electricity	1.2	1.9	1.9
Walls of block, bricks or cement	3.8	3.4	5.5
Absence of major damages	7.4	9.1	12.1
Indoor water taps	13.5	20.4	27.4
Flush toilets	15.9	23.0	33.3
Kitchen	19.7	27.9	38.1
Bathroom	23.2	30.0	36.1
Telephone connection	68.8	75.8	81.3
Central heating	94.8	97.2	98.4

Source: Chzhen (2008) Table 8 estimates from HBS 2006-2007 data.

Table 7: Average prevalence weighted deprivation score and deprivation rates

	All children	Poor children	Extremely poor children
Mean (SD)	14.71 (0.59)	20.35 (0.82)	26.57 (1.36)
Deprivation rate (%)	52.9	69.9	75.8

Source: Chzhen (2008), Authors' estimates from HBS 2006 data.

Table 8: Average prevalence weighted housing deprivation score and housing deprivation rates

	All children	Poor children	Extremely poor children
Mean (SD)	10.77 (0.55)	13.84 (0.83)	17.64 (1.28)
Deprivation rate (%)	38.5	46.8	58.0

Source: Chzhen (2008) Authors' estimates from HBS 2006-2007 data

Table 9 : Average number of rooms per person

	All	Poor children (4x food line)	Poor children (2x food line)
Armenia	0.60	0.56	0.58
Bosnia and Herzegovina	0.81	0.64	0.50
Georgia	0.68	0.65	0.62
Kosovo	0.55	0.51	0.47
Kyrgyzstan	0.69	0.68	0.60
Serbia	0.70	0.31	0.49

Source: Bradshaw and Chzhen (2010) Table 13 p 13.



3

THE ROLE OF SOCIAL TRANSFERS AND FISCAL SPACE

III. THE ROLE OF SOCIAL TRANSFERS AND FISCAL SPACE

3.1. Cash Transfers

Kosovo has no unemployment benefits scheme, no maternity allowance, and no child benefit scheme. It does have a social pension scheme, a scheme for war disabled and the families of those killed in the war, and a disability pension scheme. In addition, Kosovo has introduced a new scheme in 2009, targeting families which take care of children with a severe and permanent disability. Currently, there are 2,158 beneficiaries of this scheme, receiving €100 per month. It is, perhaps, questionable how effective such a passive cash transfer is in the context of a situation where Kosovo spends very little on community-based services. In addition, the scheme for war disabled covers four different groups of beneficiaries: those disabled as a result of military activity; civilian victims of war and the families of killed combatants (termed 'war martyrs' in the Law); families of missing persons; and custodians of those disabled in war. The scheme is a costly political priority which can be said to distort social protection spending figures and result in fewer resources available for other vulnerable groups, including children.

3.2. The Impact of Social Transfers on Child Poverty

The 2006/7 HBS records 32% of children having at least one family member in receipt of 'social welfare benefits', representing on average a nominal monthly income of €53.23 a month. If benefits are deducted from total household expenditure (which is then deflated to June 2002 prices and equivalised using the adult equivalent scale), the extreme poverty rate is 3.7 and the total poverty rate is 4.3 percentage points higher (Table 10). This suggests that social welfare benefit income may be important for lifting children above the poverty thresholds, assuming that it is contributing to the general household living standards. If welfare benefits were deducted from their total household consumption, 5% of children who are currently not poor based on the extremely poverty line would have been classed as extremely poor. At the same time, 9% of children who are currently not poor based on the total poverty line would have been classed as poor if benefit income were deducted from their household consumption. In contrast, pension income (which may be under-reported in the HBS) makes little difference to average consumption-based child poverty rates. If pensions are deducted from total household expenditure, the extreme poverty rate is only 0.7 and the total poverty rate is 0.1 percentage points higher. Less than 1% of children who are currently not poor based on the total poverty line would have been classed as poor if pension income were deducted from their household consumption.

Table 10: Child poverty rates with and without social welfare benefits (2006/2007)

Threshold	Child poverty rate (%)	
	With benefits	Without benefits
Extreme poverty line	18.9	22.6
Total poverty line	48.6	52.9

Source: Chzhen (2008); Table 16; 17. Authors' estimates from HBS 2006-2007 data.

Using poverty lines of 2x and 4x the food poverty line, the impacts of social welfare benefits are also important in the Bradshaw and Chzhen (2010) study: without these benefits 16.7% as compared to 10.9% of children would be in poverty at the lower line, and 53.9% as compared to 50.5% at the higher line. These benefits make a considerable difference with 56% of children lifted out of poverty using the lower line and 37% the higher line. In some contrast with the Chzhen (2008) study, pensions also make a difference, lifting 12.7% and 21.3% of children out of poverty respectively.

3.3. The Social Assistance Scheme

Kosovo's social assistance scheme is the main mechanism for providing cash transfers to poor households. The scheme is, to all intents and purposes, a revised version of the one introduced in 2000, as amended by a Law on Social Assistance in 2003 (Law 2003/13). Currently, there are two kinds of social assistance:

Category One: is provided to households where all members are dependents. This includes adults with severe or permanent disabilities; those over 65; those caring for an older or disabled person or a child under 5; children up to 14; children 15-18 in full time education; and single parents with at least one child under 15.

Category Two: is provided to households where there is a family member capable of work but unemployed and at least one child under the age of 5 or an orphan under the age of 15 in full-time care. In a sense, Category Two social assistance functions, then, as a kind of minimal proxy combination of unemployment benefit and child benefit neither of which exist as cash benefit schemes in Kosovo.

The schemes are based on a mixed asset and income-test with certain possessions automatically disqualifying a household. Whilst a national scheme, social assistance is administered by Centres of Social Work, with benefit levels calculated by deducting a household's reckonable income from the gross standard rate. After remaining constant for 6 years, the gross standard rate, representing the maximum social assistance benefit for a family with no reckonable income, was raised by €5 with effect from 1 January 2009 and now stands at €40 for a 1 member household; €55 for a 2 member household; €60 for a three member household rising by a further €5 for each household member to a maximum

of €75 for households with six members or more³. The number of beneficiaries, average benefit and cost of the scheme is shown in table 11 below. Table 12 shows the proportion of recipients of category 1 and category 2 assistance in December 2008, showing marked regional differences in the proportions and also the fact that whilst more households claim category 1 assistance, there are significantly more beneficiaries covered by category 2 assistance.

Table 11 : Kosovo's Social Assistance Scheme: Beneficiaries, Benefits and Cost (month of December)

	XII/2005	XII/2006	XII/2007	XII/2008	XII/2009
No of families	42,052	40,563	37,170	34,307	35,654
No of individuals	178,121	174,131	161,049	149,227	152,508
Monthly Avge per family €	60.99	60.73	61.06	61.26	65.91
Monthly Avge per person €	14.40	14.15	14.09	14.08	15.40
Monthly Cost € m.	2.565	2.464	2.270	2.102	2.350

Source: Gassmann and Roelen (2009); 25 and MSLW administrative data.

Table 12: Number of SA beneficiaries and amount of SA per category in December 2008

region	Category	Families	Family members	Proportion of SA beneficiaries	Amount (Euro)
Prishtinë / Priština	1	4120	15.725	37,4	243.756,00 €
	2	5046	26.276	62,6	333.752,00 €
		9166	42.001		
Gjilan / Gnjilane	1	2350	8.188	35,0	133.962,00 €
	2	3018	15.184	65,0	196.015,00 €
		5368	23372		
Peje / Peć	1	3024	11.508	42,6	175.771,00 €
	2	2964	15.517	57,4	195.058,00 €
		5988	27025		
Prizren / Prizren	1	2018	7.193	38,7	113.773,00 €
	2	2088	11.379	61,3	138.664,00 €
		4106	18572		
Mitrovicë / Mitrovica	1	5876	19.715	51,5	326.567,00 €
	2	3803	18.542	48,5	244.466,00 €
		9679	38257		
Total by category	1	17.388	62.329	41,8	993.829,00 €
	2	16.919	86.898	58,2	1.107.955,00 €
Total		34.307	149.227		2.101.784,00 €

Source: Gassman and Roelen (2009) Administrative data provided by MSLW

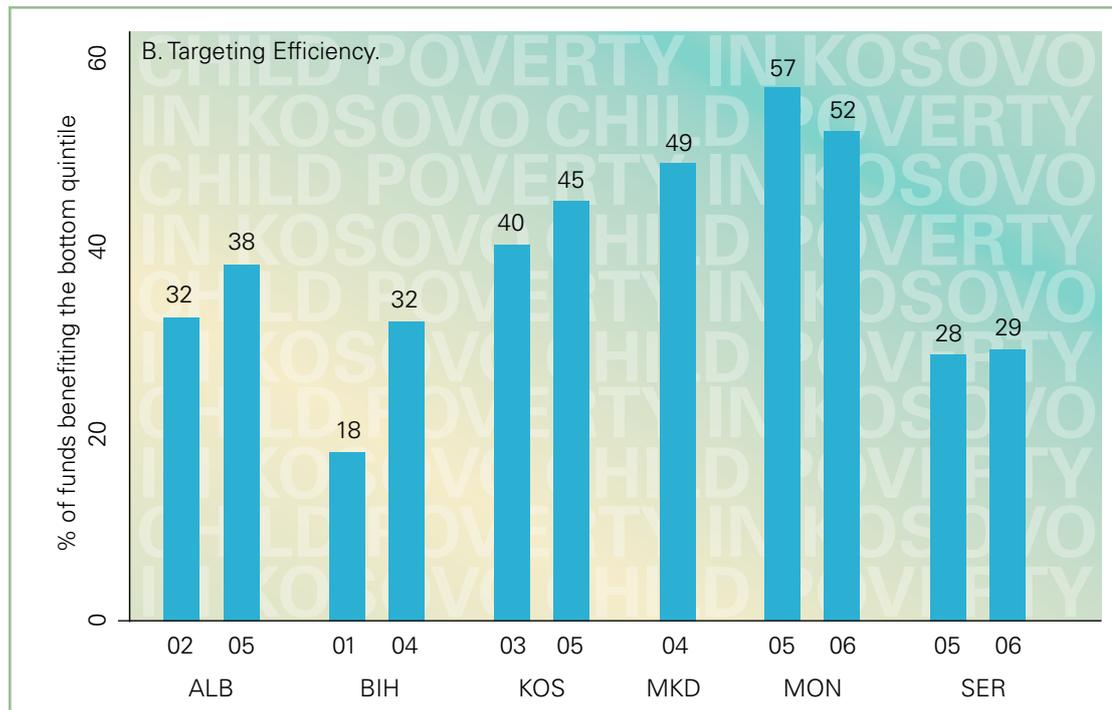
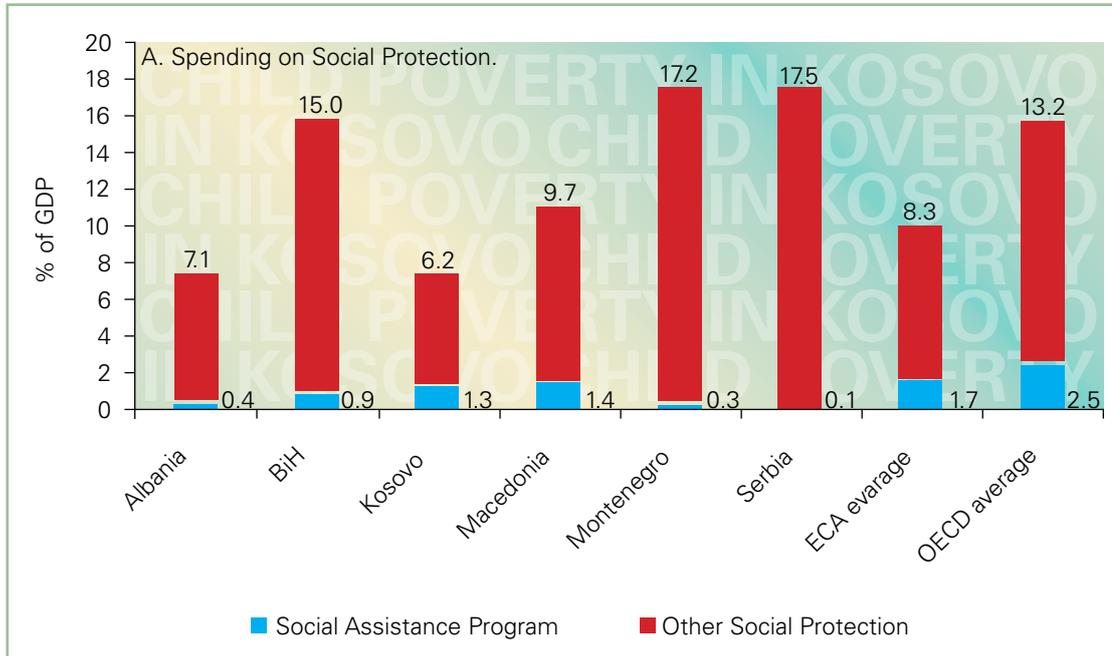
3 Until 1 January 2009, 6 person households received a maximum of €70 and 7 or more €75.

Some of the strengths and weaknesses of the social assistance scheme, noted in a number of different studies are as follows:

- *The scheme is extremely well targeted, with Gueorguieva (2007) noting that 78.1% of funds go to the poor, including 49.2% to the poorest quintile. This is one of the best results in terms of targeted social assistance in South East Europe.*
- *At the same time, the coverage of the scheme is quite limited, reaching only 23% of the poor. Basically this means that around 695,000 poor people in Kosovo do not receive social assistance benefit.*
- *As noted above, the scheme is quite limited in terms of adequacy, even with the recent increase in the basic rates. Whilst the single person rate of €40 is close to the poverty line of €45 per month, adding €5 for each additional member is very low and bears no relationship to consumption costs incurred by additional members of households living in poverty, generally considered in middle/low income countries to be between 30% and 75% of the base rate.*

In terms of the costs of the scheme, Gueorguieva estimated that the scheme represents 1.3% of GDP, similar to the scheme in Macedonia but higher than many South East European neighbours which are generally recognised to spend too little on social assistance. These figures need to be treated with caution as what is included in each country differ and no standard methodology for comparative purposes is yet in use in the region. Gassmann and Roelen calculate that social assistance annual spending at just over €26m. represented only 18.3% of all social welfare benefit spending in 2008, being about €1m. less than budgeted for and falling from 24% in 2007 and from a high of 35% in 2004 (table 13a). In contrast basic old age pensions constituted 46% of expenditures in 2008, and pensions as a whole over 56% of all expenditures (Figure 13b).

Figure 2. Regional Comparisons

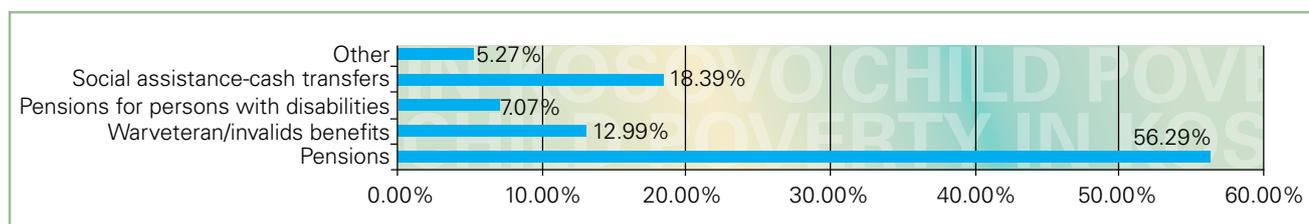


Source: Gueorguieva, A. (2008)

Table 13a Annual budget and actual expenditures for different types of social welfare benefits in Euro 2004 – 2008
Source: Gassmann and Roelen (2009) table 11 p 26 Administrative data provided by MEF

Type of social welfare	2004		2005		2006		2007		2008	
	Budget	Actual expenditures								
Basic pensions - old-age	51.998.165	50.605.099	62.512.000	60.395.021	64.287.926	64.279.287	63.282.000	63.196.695	65.746.920	65.630.259
Basic pensions - work-related					139.150	121.097	100.000	99.600	100.000	99.874
Trepca Pensions	1.589.280	1.260.000	2.820.000	2.500.179	2.955.390	2.953.720	2.865.760	2.818.480	2.803.760	2.775.750
War veteran/invalids benefits	4.560.000	4.377.434	7.200.000	4.468.181	4.971.564	4.845.752	8.828.480	8.770.832	19.792.480	18.417.154
Electricity benefit			12.700.000	12.700.000			4.500.000	4.500.000	4.500.000	4.500.000
Fees school books					200.000	199.996	350.000	349.995	2.391.198	1.225.781
Foster care benefit							198.000	77.684	2.375.181	892.193
Social assistance-cash transfers	35.150.000	32.337.878	28.888.000	31.248.337	30.232.235	30.195.678	29.990.000	28.017.565	27.028.000	26.065.990
Pensions for persons with disabilities	9.952.000	4.763.970	13.900.000	14.619.447	14.907.230	14.795.369	13.192.000	10.092.562	10.250.080	10.016.528
Social Services							850.000	689.807	160.000	825.915
Soc Service Institute							30.000	28.160	30.000	28.200
Pensions for elderly who worked (75 Euro)									12.285.609	11.289.103
total	103.249.445	93.344.381	128.020.000	125.931.165	117.693.495	117.390.899	124.186.240	118.641.379	147.463.228	141.766.746
% Share of social assistance	34	35	23	25	26	26	24	24	18	18

Figure 13b. Actual expenditure as a % of total, 2008.



NB: Other includes social services, foster care benefit, school books, electricity benefits; Pensions includes old age and work-related pensions, Trepca pensions and pensions for elderly with proven work/contribution records.

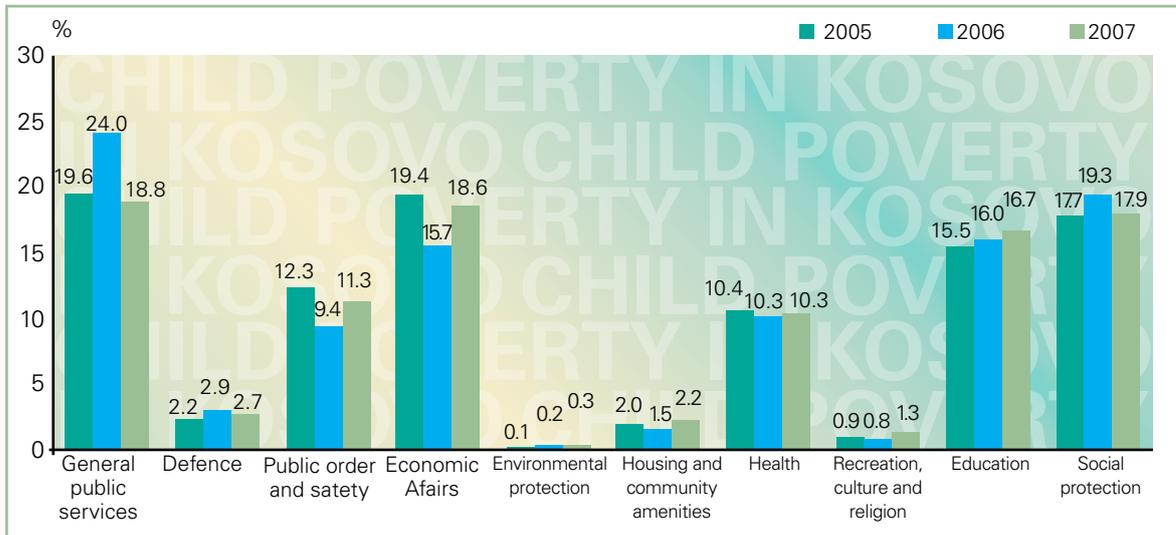
3.4. Fiscal Space and Strategic Direction

The MTEF for 2010-2012 shows the limited fiscal space available in Kosovo. In 2009, expenditures (at €1,094 m.) exceeded revenues (at €956 m.) by €137.9 m. Through limiting expenditures and increasing revenues, the MTEF has an ambitious target of revenues and expenditures being equalised at €1,133 m. by 2012, based on rather ambitious growth forecasts in the context of the global economic and fiscal crisis. The MTEF notes that in 2009, subsidies and transfers rose by some €10m. to €219.8m. but they are meant to decline by €12m. in 2010 and by a further €10.4m. in 2011, with only a small increase of €4.2m. allowed for in 2012. This suggests, therefore, that the fiscal space for new social expenditures is limited, at least in the short- to medium-term. Nevertheless, one of the main objectives within the MTEF is “Welfare improvement and support for families through the provision of social assistance and social services for vulnerable categories” (Government of Kosovo, 2009; 103). Within this, the idea of indexation of benefits from the Social Assistance Scheme is one of the main activities envisaged (see below).

The MTEF also makes reference to a draft Social Policy White Paper which was drawn up by a Working Group including representatives from the MLSW and the MEF, but which has not yet been finalised nor has it received Parliamentary approval. Nevertheless, it represents a general statement of the broad strategic direction of the Government regarding social welfare. In terms of Social Assistance, it argues for an indexation increase to cover inflation between 2005 and 2008 of 27.35%. This would increase the overall cost of the scheme from €27.5 m., when the existing €5 increase in January 2009 is accounted for, to €32.3m, or an increase of effectively 17.4%. A second proposal involves two changes: firstly, an additional €5 for all children aged 6-18 in regular full-time education, and a €5 per person increase for the seventh and each additional household member, increasing the scheme’s annual cost to about €35.6m. These proposals were all included in a draft revised Law on Social Assistance which was approved by the Government but was returned by Parliament, primarily on the grounds of the cost implications.

As an earlier MTEF (for 2008-2011) shows, social protection expenditure fell in 2007 compared to 2006 but was still a substantial part of public spending, much higher than defence, for example. This suggests that budgeting for children spread across the health, education and social protection budgets, may be best afforded by changing the structure of expenditures and/ or improving the efficiency of spending rather than by diverting resources from other sectors. The relative claims on the budget by children compared to, say, war veterans and pensioners, may also need to be addressed.

Figure 14: The Composition of Expenditures by Function of Government 2005-7



Source: MTEF 2008-11.

3.5. Development Partner Initiatives

There are a large number of current or proposed initiatives from Kosovo’s development partners which will impact on social policy, social assistance and poverty alleviation in the short- and medium-term. Perhaps the most important is the World Bank-led Sustainable Employment development project which is awaiting the release of the first tranche of funds. It seeks to tie social assistance much more closely to active labour market programmes, including engagement in public works and/or in meaningful training to facilitate the transition from welfare to work. It explicitly rules out unemployment benefits in the medium-term. The programme document notes that benefit levels for social assistance are low.

Of perhaps equal importance is the 2 year €1.8m programme of EU Support to the MLSW programme which is due to start soon. Amongst other tasks, the successful contractor will support the Ministry in updating legislation particularly in relation to the transition from welfare to work, in terms of minimum standards, and in terms of decentralisation. This programme will be complemented by a DFID-funded initiative which will also support decentralisation of social welfare, through a focus on the fiscal dimensions and the calculation of budgetary transfers.



4

POLICY OPTIONS AND POVERTY REDUCTION

IV: POLICY OPTIONS AND POVERTY REDUCTION

There are two broad sets of policies relating to cash transfers which could be used, separately or together, to reduce child poverty in Kosovo. Here we note the impact on poverty reduction which each would have.

4.1. Amend the social assistance scheme

4.1.1. Abolish the cut-off point in Category II assistance for families with children when children reach age 5.

Currently, a family where one household member is capable of work no longer qualifies for category 2 assistance when a child reaches 5. In focus group discussions, this was considered illogical as many costs associated with children actually increase when children begin to attend school. The impacts on poverty alleviation and the costs of this change have not been assessed⁴. The most logical would be to include children up to age 15 and, perhaps, beyond, to age 18, if still in full-time education. The MLSW estimates that, in 2009, 2,951 poor households lost their entire benefit because their youngest child turned 6 years of age.

4.1.2. Add an extra amount to the benefit for each child aged between 6 and 18.

This is an amendment proposed by MLSW to reflect the increased costs of school-aged children. This change would only impact on those households who qualify for assistance because they have a child under 5. Gassman and Roelen (2009) undertook a policy simulation based on this and found that the change would significantly impact on poverty in general and on child poverty both at the absolute and the extreme poverty line. In addition, the poverty gap would be reduced (see table 14)⁵. They also costed the change based on an estimate of

⁴ Costs and impacts would range from a situation where, simply, those households whose youngest children reached age 5 continued to receive assistance, to a situation where a significant number of poor households with children began to apply for and receive the benefit.

⁵ A more radical version of this idea would increase benefits for each child based on an equivalence scale of between 0.3 and 0.75 which are the limit points of widely used equivalence scales in the region, to reflect the additional consumption associated with children. Again, this change was neither simulated nor costed.

70,854 children aged 6-18 living in families receiving social assistance (i.e they did not consider a situation where more families might claim social assistance under these conditions). The cost was estimated at €2,225,270 per month: in other words an increase of €354.270 or 16.9%, over current monthly costs of approximately €2.1m.

4.1.3. Abolish the maximum amount of benefit for large households.

Again, this amendment was proposed by the MLSW, and relates to the fact that, under the existing scheme, families with seven or more members receive the same as those with six members. Adding €5 for each additional household member does not make a significant difference to poverty rates, in large part because such large member households are not a big part of the population (Table 14). Based on an estimate of 25,054 additional family members living in families receiving social assistance and with more than 7 family members, the additional cost is €125,270 a month or about 6%. Putting the two ideas (1.2 and 1.3) together would raise costs to a total of €2,579,540 per month (or 22.9% above current costs), and would have some impact on extreme poverty over and above that which would result only from the introduction of 1.2 above (Table 14).

Table 15 Change in poverty headcount and gap with introduction of adjustments to social assistance scheme

	Total population				Children			
	Absolute poverty		Extreme poverty		Absolute poverty		Extreme poverty	
	Poverty headcount	Poverty gap						
Current situation	45,3	13,2	16,8	4,0	48,1	14,4	18,3	4,5
No SA benefits	46,5	15,5	19,4	16,7	49,3	17,4	21,6	8,2
Increase in SA benefit by 5 Euro for children 6-18	42,8	11,1	13,2	2,7	44,9	11,6	13,5	2,8
Increase in SA benefit by 5 Euro for every additional hh member above 7 members	44,6	12,8	16,2	3,6	47,4	13,9	17,4	4,0
Combination of both SA adjustments	42,7	11,0	12,7	2,7	44,9	11,5	12,7	2,7

Source: Gassmann and Roelen (2009) Table 24 p 46. Authors' own calculations on basis of HBS 06/07

4.1.4. Increase the amount of social assistance benefit overall.

An increase in the level of benefits by 25% or 50% would have a significant impact on overall poverty and an even more significant decrease in child poverty and a significant decrease in the poverty gap would occur. Significantly, however, the impact is greatest for the first 25% increase rather than the second 25% which suggests that the second 50% is less cost effective (Table 15). Assuming no new beneficiaries are attracted into the scheme as a result of higher benefits, presumably costs of the scheme would increase by 25% or 50% respectively. In fact, the proposed revised law proposes an indexation increase of 27.35% so that the 25% increase scenario can be taken as a good proxy for the impact of this change.

Table 16 Change in poverty headcount with change in SA benefit levels

	Total population				Children			
	Absolute poverty		Extreme poverty		Absolute poverty		Extreme poverty	
	Poverty headcount	Poverty gap						
Current situation	45,3	13,2	16,8	4,0	48,1	14,4	18,3	4,5
Increase in SA benefit levels by 25 percent	42,5	11,1	13,2	2,8	44,6	11,6	13,4	2,8
Increase in SA benefit levels by 50 percent	41,7	10,8	12,7	2,7	43,5	11,2	12,7	2,7

Source: Gassmann and Roelen (2009) Table 22 page Authors' own calculations on basis of HBS 06/07

4.2. Introduce a Child benefit scheme

4.2.1. Introduce a universal child benefits scheme in addition to or instead of the current social assistance scheme.

Child benefits are a direct cash transfer to families and children and can be both an effective anti-poverty measure and help to mitigate the additional costs associated with having children. Together with a basic social pension, minimum income/social assistance, and basic social services, they are one element of a proposed 'global social protection floor' being seen as a feasible and effective response to poverty (Cerami and Stubbs, 2010; Hujo, 2009). Universal child benefits, whilst not targeted on poor families, are seen as an effective anti-poverty measure because they are easy to claim and to administer, and have none of the stigma associated with means-tested schemes. Whilst in terms of effectiveness, they may be particularly suited to societies such as Kosovo with high rates of children in poverty and of children living just above the poverty line, there is a trade off in terms of effectiveness and cost.

The recent study by Bradshaw and Chzhen (2010) looks at the impact of different rates of universal child benefit as a proportion of the average household consumption (AHC), and in relation to the 4 x food poverty line. Basically, every 5% AHC increase in child benefits rate would have between a 5 and 7 basis percentage point impact on child poverty rates, with universal child benefits at 20% of AHC or €24.50 almost halving child poverty (Table 16). Gassmann and Roelen (2009) using the absolute poverty line, also calculate that a universal child benefit of €25 per child per month would reduce the head-count poverty rate from 45.3% to 27.3% overall, and 48.1% to 24.9% for children. It would have an even more dramatic effect on extreme poverty, reducing it from 18.3% to 6.6% for children. They model only a situation where child benefit replaces, rather than is supplementary to, social assistance. They also model other levels of benefit and age restrictions including €10 for all children; €10 for children under 5; and €10 for children 5-15 (Table 17).

Table 17: child poverty rates (4 x food poverty line) at different levels of universal child benefit

	CB=0	CB=5%AHC	CB=10%AHC	CB=15%AHC	CB=20%AHC
Kosovo	50.5	44.9	38.8	33.5	26.7
AHC = €122.50		€6.125	€12.50	€18.375	€24.50

Source: Bradshaw and Chzhen (2010) Table 22 p 19

Table 18 Change in poverty headcount and gap with introduction of universal child benefits replacing social assistance

	Total population				Children			
	Absolute poverty		Extreme poverty		Absolute poverty		Extreme poverty	
	Poverty headcount	Poverty gap						
Current situation	45,3	13,2	16,8	4,0	48,1	14,4	18,3	4,5
No SA benefits	46,5	15,5	19,4	16,7	49,3	17,4	21,6	8,2
Universal child benefits (10 Euro)	38,5	11,2	14,2	3,9	39,6	11,9	15,4	4,5
Universal child benefits (10 Euro) for children under 5	44,0	13,4	17,2	4,6	46,4	14,9	19,0	5,5
Universal child benefits (10 Euro) for children 5-15	41,5	12,4	15,6	4,5	43,1	13,4	17,2	5,4
Universal child benefits (25 Euro)	27,3	6,9	7,8	1,8	24,9	6,2	6,6	1,6

Source: Gasmann and Roelen (2009) Table 23 page 45 Authors' own calculations on basis of HBS 06/07

The costs of a universal child benefit of €25 per month for each child under 19 are estimated by Gassman and Roelen at €18.1 m. per month or €217.2 m. per year. This is almost nine times the cost of the current social assistance scheme and would represent around 5% of GDP (using IMF estimates for 2011 GDP), which is high compared to an EU average of around 2% of GDP on child and family benefits. If used instead of the social assistance scheme the cost would be around €16 m. a month. A universal scheme of €10 would cost €7.27m a month, which is almost exactly 2% of forecast GDP for 2011 whereas introducing the scheme for those aged under 5 would be less than the cost of the current social assistance scheme at €1.35m a month or for those 5-15 would cost €4.5m a month.

4.2.2. Introduce a means-tested child benefit scheme

Whilst universal child benefit schemes are prevalent in many EU member states, the most common scheme in CEE-CIS and, certainly, in SEE is some kind of means tested scheme (cf UNICEF Innocenti social monitor 2009; 80-84). These schemes tend to be regulated legislatively, administered and means-tested separately from the social assistance scheme and frequently may have fewer non-income disqualificatory conditions. Schemes also vary as to whether they include receipt of social assistance as an income. Some of the countries in the region pay child benefits to school age children only if there is proof of school attendance. Some countries pay child benefits to children with disabilities to a higher age limit. No costings or poverty alleviation effects of means-tested child benefits in Kosovo have, thus far, been modelled although, of course, the costings and poverty reduction effects would depend upon the level of benefit and the income means-test level used.

In addition, of course, moving towards a more Europeanised approach to the poverty and social exclusion of children will require a multi-dimensional and co-ordinated strategic approach. In this context, a number of issues are important, notably:

- i. Including a clear commitment to reducing child poverty and exclusion within national development and social inclusion strategies, utilising a clear framework in terms of goals, actions, indicators and outcomes.
- ii. Ensuring a more co-ordinated approach at local level between cash transfers and access to social services for vulnerable children and families through clear assessments and modern case management approaches.
- iii. Prioritising early childhood development particularly in more deprived areas and in communities at greatest risk of exclusion such as Roma, Ashkali and Egyptian communities.



5

CONCLUSIONS AND NEXT STEPS

V: CONCLUSIONS AND NEXT STEPS

Short-term priorities (during 2010)

1. As soon as possible, a revised Law on Social Assistance should be prepared and forwarded to the Parliament, based on the three main amendments which were included in the Law returned by the Parliament and in the draft White Paper, namely:
 - *Back-dated indexation of benefit levels to cover increased costs of the household basket. The increase has been calculated at 27.35%. Calculations suggest that such an increase would reduce overall poverty by about 2.8 basis percentage points (bps) and child poverty by 3.5bps, with significant reductions, also, in levels of extreme poverty, especially amongst children, and in the poverty gap.*
 - *Increase the benefit paid to children of school age (i.e. 6-18) by €5 who are in full-time education. This would have a similar, and complementary, impact on poverty rates and poverty gaps.*
 - *Abolish the upper limits of household benefits so that families with 8 or more members would receive an additional €5 for each member. This would not apply to a large number of households and so would not have a very significant impact on overall poverty rates but, at relatively low cost, would significantly reduce poverty in larger households. Taken together, the three measures could reduce child poverty rates in Kosovo by as much as 8 bps, lowering the headline rate to around 40%.*
2. The next Kosovo Statistical Office/World Bank Poverty Assessment, using the latest HBS data should have a special focus on child poverty including calculating headline rates, at risk rates for children of different ages, in different types of households, in rural and urban areas, etc. The study should also, if possible, outline different policy scenarios for cash transfers and calculate their impacts on child poverty.
3. As part of Kosovo's preparation for EU accession and participation in the Open Method of Co-ordination on Social Protection and Social Inclusion, a conference should be held with a special focus on Child Poverty and Exclusion. The conference could be a partnership between the Kosovo authorities, the European Commission, UNICEF and others. In addition to raising the profile of questions of child poverty and exclusion, the conference could discuss policy options and learn from best practice in member states, candidate and prospective candidate countries. One desirable outcome of the conference may be that the issue of child poverty and exclusion

becomes a noted focus of concern in the annual Progress Report issued by the European Commission on Kosovo under the EU's Enlargement Strategy.

4. A number of programmes and projects are in the process of being designed or are about to be implemented, all of which have components which could relate to issues of child poverty and exclusion. UNICEF's efforts for close liaison with cooperation partners will ensure a maximization of opportunities to provide coherent approaches to reducing child poverty and exclusion. These include:
 - *The multi-donor/World Bank Sustainable Employment Development Policy Project*
 - *EU (IPA)-funded Support to the Ministry of Labour and Social Welfare (MLSW)*
 - *DFID-funded proposed programme on the Decentralisation of Social Care Services. There is a need, above all, to ensure maximum effectiveness of the linkage between cash and care services in the context of decentralization, to ensure the best mix for vulnerable and excluded children.*

Medium-term Priorities (2011-13)

5. There may be a need to provide hands-on technical assistance to the Government (especially MLSW and MEF) in order to build capacity for policy modeling and scenarios in terms of clear options for reducing child poverty in Kosovo through cash transfers. One of the first priorities should be to explore the possibility of extending Category II Social Assistance to those households who fall outside the eligibility criteria only because they no longer have a child under 6 but who do have school-age children.
6. In the medium- or long-term, Kosovo may consider, as most of its neighbours in the region, the introduction of a child benefit scheme. Whilst a universal child benefit scheme of €25 per child per month is estimated to halve child poverty rates in Kosovo, finding the fiscal space for this would be difficult, unless significant savings were made elsewhere. Universal or means-tested benefits at a level of around €10 per month, for all children, for children under 5, or for children 5-15, could all make a significant impact on child poverty rates. Universal child benefits tend to have lower administrative costs, reach those poor children in wage-earning households, and although more expensive than means-tested schemes, can be combined with tax systems to recoup some of the spending on non-poor households. There may, also, be a possibility of tying direct budgetary support to a benchmark in terms of the reduction of child poverty and exclusion and ensuring that central and local budgeting is both gender- and child-responsive. A phased approach to some kind of more comprehensive child benefits scheme is probably the best scenario, requiring strong political will and a reprioritization of public expenditures.
7. In terms of political will, raising awareness of child poverty and exclusion amongst all political parties and, in particular, amongst Parliamentarians, can be an effective means of ensuring greater child sensitivity in general policy making. This could build on work already undertaken with Parliamentarians on social inclusion issues. In the medium-term, Kosovo will need to prepare a Social Inclusion Strategy in line with that required in terms of the Joint Inclusion Memorandum for candidate countries so that, within this, a focus on a co-ordinated and effective approach to reducing child poverty and exclusion will also be needed. The fight against child poverty and exclusion should also be prioritized within the national development strategy, along with greater attention at local level to the interaction between cash transfers and social services; prioritising early childhood education; and ensuring focused strategies for the inclusion of marginalized groups and regions.

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