



Western Balkans Social Protection Situational Analyses

KOSOVO



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List of acronyms

ALB	Albania
ALMPs	Active labor market programs
BIH	Bosnia and Herzegovina
CSW	Center for Social Work
EARK	Employment Agency of the Republic of Kosovo
EU-SILC	European Union Survey on Individual Living Conditions
EUR	Euro
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HBS	Household Budget Survey
KAS	Kosovo Agency of Statistics
KPC	Kosovo Protective Corps
KPST	Kosovo Pensions Savings Trust
KSF	Kosovo Security Force
KSV	Kosovo
LRIS	Last resort income support
MFLT	Ministry of Finance, Labor and Transfers
MIS	Management information systems
MKD	North Macedonia
MLSW	Ministry of Labor and Social Welfare
MNE	Montenegro
NEET	Not in employment, education or training
NGO	Nongovernmental organizations
PAYG	Pay-as-you-go
PMT	Proxy means test
PPP	Purchasing power parity
RAE	Roma, Ashkali and Egyptian
SAS	Social Assistance Scheme
SRB	Serbia

Note: All dollar amounts are PPP US dollars unless otherwise indicated.

Introduction

An effective and equitable social protection system can help Kosovo to promote human capital, foster productivity, and reduce poverty. Since its independence in 2008, the country has made considerable socioeconomic progress, benefiting from the support of the international community and its own diaspora. Kosovo's economic growth has not been sufficient to reduce the high rates of unemployment or create formal jobs. It stands out as the Western Balkan country with the lowest labor market outcomes, especially for women, and is one of the poorest countries in Europe and the poorest in the Western Balkans, secondly to Albania. The recent COVID-19 pandemic has highlighted the vulnerability of the population to the negative effects of shocks, which are anticipated to become more frequent with climate change. And yet, in contrast with other Western Balkan countries, Kosovo's working-age population is on the rise and the country stands to benefit from the demographic dividend. Kosovo can respond to these challenges and harness opportunities by investing in human capital while promoting employment and protecting those vulnerable to shocks. A strong social protection system can play an important role in promoting these objectives.

Social protection is a fundamental pillar of social policies. It is essential to protect people from falling into poverty and destitution; to help people cope with adverse idiosyncratic or systemic shocks and smooth consumption over their lifetime; and to ensure access to jobs and promote human capital accumulation. Social protection comprises a variety of policy tools, including cash transfers to the poor and persons with disabilities, social services for vulnerable populations, employment and labor market programs and unemployment insurance, and old-age pensions.

Social protection systems contribute to overall economic and social resilience and foster long-term growth by securing continued investments in human capital, including by promoting adaptability in rapidly changing labor markets.¹

Conceptually, social protection systems rest on four main pillars: social assistance, social services, social insurance, and labor market programs.² *Social assistance* aims to protect people from falling into poverty and provide support at certain points in the life cycle or in response to particular vulnerabilities. It encompasses non-contributory (government-funded) programs, including non-contributory pensions (often called social pensions), and family and child cash benefits. *Social services* support individuals and their families to improve their living conditions across the life cycle. *Social insurance* aims to smooth income across the life cycle and protect people from shocks and typically comprises benefits based on the length and level of individual contributions (old-age, disability and survivors' pensions). Finally, *employment and labor market programs* aim to improve the functioning of the labor market (through employment services), enhance labor supply (through training) and increase labor demand (through subsidies or public works); the programs also seek to smooth income during unemployment (through unemployment insurance) or to protect employment due to childbirth (through parental benefits). This set of programs and policies helps families and individuals build resilience against events and shocks across the life cycle and build human capital.

Although the specific characteristics of each system vary with history and local conditions, a social protection system should ideally satisfy four basic principles. The first is *adequacy*. The level and generosity of support provided should be aligned with the level of need of poor and vulnerable households. The second is *effectiveness* and *balance*. Are the funds allocated to each program used effectively or are there ways to improve impacts for equal levels of spending? Also, could program design be improved to better promote objectives such as poverty reduction, employment and the acquisition of human capital? And is the balance of spending across programs appropriate given the population's vulnerabilities and needs, with sufficient coverage of population groups throughout their life cycle?

¹ World Bank. 2012. Resilience, equity and opportunity. The World Bank's Social Protection and Labor Strategy 2012-2022. World Bank: Washington, D.C.

² Health insurance is not considered here, although it forms part of social insurance mechanisms.

The third element is *equity*. Government spending on social protection systems should invest more on the poor and vulnerable than on the middle or upper classes. Especially when not considering spending on non-contributory pensions, this is not the case in Kosovo. The fourth and final element is *sustainability*. Is the level of spending sustainable across time and can the system honor promises made to future generations, in particular in terms of pension benefits?

This note presents a situational analysis of the social protection system of Kosovo. It assesses the extent to which the social protection system fulfils its purpose and proposes areas for reform in the short-, medium-, and long-term. To this end, this note seeks to assess each category of social protection, namely: social assistance, social services, social insurance (specifically pensions) and labor market programs, in terms of program coverage, equity, sustainability and effectiveness. Based on this analysis, it proposes policy priorities and future areas of focus. The note is based on analysis of administrative data, the most recent European Union Survey on Individual Living Conditions (EU-SILC) and Household Budget Survey (HBS), a review of relevant literature, and engagement with technical experts in the Ministry of Finance, Labor and Transfers (MFLT) and with select development partners.

The analysis finds that Kosovo spends a significant share of gross domestic product (GDP) on social

protection but that such spending is largely unbalanced and ineffective, with little impact on poverty or equity. Most government spending is allocated toward old-age pensions, and recent increases in spending on war-related pensions have crowded out spending targeted toward the poor. Spending on social services and labor market programs is disproportionately low. Benefits are not always adequate and, in some cases, may cause disincentives for work. The ability of programs to meet the needs of beneficiaries varies significantly, which creates inequities and gaps in the system. A lack of case management and referral systems, as well as low spending, make social services and labor market programs largely ineffective, as people are not able to access a range of services and benefits at the same time or in the needed sequence. There is also concern regarding the sustainability of spending, particularly with respect to new schemes that are not based on data. Lastly, the system does not have the capacity to respond to economic shocks and crises, as witnessed during the COVID-19 pandemic.

The Government of Kosovo has developed a social protection system from the ground up and has experienced forward movement, roadblocks, and setbacks. The challenges summarized in Table 1 are not new to the country,³ but nor are they intractable. Recent initiatives raise equity and sustainability concerns (for example, a universal child grant) but also demonstrate legislative commitment to bettering the lives of the Kosovar population (new laws on legislative and social services).

Table 1: Situational analysis of the social protection system in Kosovo

Area	Main challenges	Main recommendations
Cash transfers	<ul style="list-style-type: none"> • Social Assistance Scheme (SAS) is the only poverty-targeted program. SAS has low coverage and stringent categorical eligibility criteria that exclude most of the poor. • War veterans and other war-related pensions crowd out poverty-targeted government spending, are much more generous than those aimed toward the poor and may disincentivize work. • Disability benefits are inadequate, inequitable and bias-exposed. Eligibility requires declaration of 100 percent disability with regular reassessments. War-related or special pensions provide partial disability benefits that tend to be more generous and do not require reassessment. • Information on social benefits is housed in multiple management information systems. There is no social registry. 	<ul style="list-style-type: none"> • Reform the SAS targeting mechanism for more efficient poverty targeting; consider expansion of coverage for stronger poverty reduction. • Reduce spending on war-related pensions and reallocate spending toward the poverty-targeted SAS. • Assess the adequacy of the disability pension, expand coverage to persons with partial disabilities and drop regular reassessment. • Introduce an integrated beneficiary registry drawing on existing MIS data. • Introduce a social registry (information system) to better identify eligible households across programs. • Introduce case management to ensure effective support across the beneficiary life cycle.

Social services	<ul style="list-style-type: none"> • Social services coverage is low and quality varies. • Social services lack a case management system. • Social services delivery lacks a system to coordinate referrals for social benefits and case management. • Social workers do not receive adequate training and a lack of professional profiles undermines human resource management. 	<ul style="list-style-type: none"> • Strengthen social services financing. • Introduce a case management model. • Increase service delivery and human resources financing. • Integrate social services and benefits provision: incorporate regulations and procedures for referrals. • Expand the number of providers of child protection services and their capacity.
Pensions	<ul style="list-style-type: none"> • Non-contributory pensions (basic, ex-contributory, special, and war veteran and other war-related pensions) vary significantly in equity. • Contributory pensions exclude most of the working-age population (about one third participate in the second pillar). • Contributory pensions only provide temporary support until the account is depleted. • Categorical pension benefits have proliferated, significantly increasing the fiscal costs of pensions. 	<ul style="list-style-type: none"> • Redesign the basic pension to provide a minimum floor and to reduce for other pensions sources. • Redesign the basic pension to means test and exclude 20 percent of the highest income earners. • Phase out ex-contributory benefits. • Consolidate existing categorical benefits. • Introduce a mechanism to provide annuities or scheduled withdrawals for the second pillar.
Employment and active labor market programs (ALMPs)	<ul style="list-style-type: none"> • ALMPs are not well resourced and do not partner with nongovernmental organizations, civil society or the private sector. • The official employment agency (EARK) has low implementation capacity. • Programming decisions are not based on labor market and jobseeker data and information. • Codified monitoring and evaluation standards for data-driven reporting have largely not been implemented. • There are no unemployment benefits to support workers who lost their employment. 	<ul style="list-style-type: none"> • Increase public resources for ALMPs and allow partnerships with non-public providers. • Strengthen the capacity of the Employment Agency of the Republic of Kosovo (EARK) by hiring and training counsellors, including for employer outreach, proactive case management and specialized support for vulnerable groups. • Base programming decisions on labor market and jobseeker data and information. • Establish rigorous monitoring and evaluation. • Assess options for temporary financial support for those actively searching for jobs (unemployment benefits).
Disaster preparedness and response	<ul style="list-style-type: none"> • Lack of capacity to expand and contract the social protection system for economic events and shocks, as demonstrated during COVID-19. 	<ul style="list-style-type: none"> • Implement lessons learned from COVID-19 response. • Systematically assess the readiness of current social protection programs for crisis response, including: <ul style="list-style-type: none"> o Range/mix of programs; o Capabilities of rapid outreach, assessment, enrollment and payment; o Flexibility of program rules and procedures; and o Robust processes and systems. • Strengthen data collection and analysis. • Introduce a social registry (integrated beneficiary registry). • Build an information system with the capacity to assess eligibility in the midst of an economic event or shock. • Establish disaster risk protocols. • Identify financing mechanisms, including budget reallocations, reinsurance and reserve funds. • Map the responsibility of (internal/ external) actors for disaster response and establish coordination mechanisms.

Source: Authors' elaboration.

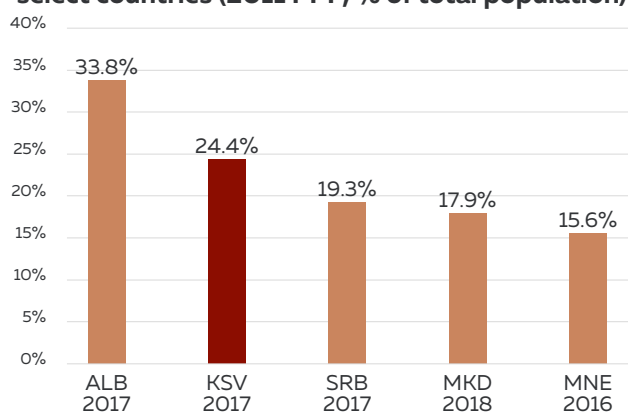
The situational analysis of the social protection system in Kosovo unfolds as follows. After this introduction, section 2 reviews the country's main poverty and labor market outcomes; Section 3 provides a brief overview of the social protection system; Section 4 looks at non-contributory cash transfers to support the poor, vulnerable and disabled; Section 5 examines social services; Section 6 analyzes pensions; Section 7 explores employment and active labor market programs; Section 8 reviews the social protection response to the COVID-19 pandemic; and Section 9 concludes by identifying the knowledge gaps and main areas for reform.

Poverty and labor market outcomes

Kosovo stands out among European countries for its poverty and its low rates of employment and high rates of unemployment and inactivity, with concerted worse outcomes among its youth, women and Roma, Ashkali and Egyptian populations. Yet Kosovo also stands out among Western Balkan countries for its demographic dividend and the potential return on investment in labor markets outcomes.

Kosovo is one of the poorest countries in Europe and the poorest in the Western Balkans after Albania. One in four Kosovars lived on less than USD 5.50⁴ per day in 2017 (Figure 1). Household Budget Survey (HBS) data show the poor are over-represented in households headed by women, in households in which the head has not completed secondary education, in larger households and those with more children (World Bank, 2019a), and among Kosovars belonging to the Roma, Ashkali and Egyptian (RAE) populations.⁵

Figure 1: Poverty headcount ratio at \$5.50 a day in select countries (2011 PPP, % of total population)



Source: World Development Indicators (2021).

Note: Albania (ALB), Kosovo (KSV), Serbia (SRB), North Macedonia (MKD) and Montenegro (MNE).

High population growth rates paired with strong emigration pressures create demographic challenges. The average age of Kosovo's 1.8 million inhabitants is 26 years (World Bank, 2017b), and about 24 percent of the population is under 20 years of age (Kosovo Agency of Statistics 2021 population projections based on 2011 census). Unlike in most Western Balkans countries, the working-age population (15–64 years) in Kosovo is on the rise (World Bank and wiiw, 2020). Between the second

quarters of 2018 and 2019, the overall Kosovar working-age population rose by 1.5 percent.

Kosovo stands to benefit from the demographic dividend, easing pressure on pension and health care costs. However, to reap the benefits of its relatively young population, Kosovo needs to improve labor market outcomes. This includes employment and activity rates among the working-age population, and especially among youth (World Bank, 2020a).

Kosovo's labor market outcomes are the weakest in the Western Balkans. As of the second quarter of 2019, only 29.9 percent of the working-age population was employed in Kosovo; in contrast, the average was 54.6 percent in the Western Balkans (Figure 2, panel a). Unemployment, at 25.3 percent, is the highest in the Western Balkans and is even higher among women (32.7 percent) and youth (49.1 percent) (Figure 2, panel b). Inactivity rates, especially those of women and youth, are also high. Less than half (40.1 percent) of working-age Kosovars were either employed or unemployed; among women, the corresponding figure was 20.5 percent and among youth, the corresponding figure was 24.2 percent. Among youth ages 15–24 years, almost one-third were neither in employment, education or training (NEET) in 2018 (Figure 2, panel d), the highest proportion in the Western Balkans. Lower schooling, early marriage and entrenched attitudes affect women's participation in the labor market (World Bank, 2017b).

Labor market outcomes are even worse for the marginalized RAE population. In 2017, only 13 percent of the RAE population was employed, and the unemployment rate was 48 percent (Robayo-Abril and Millan, 2019). Gender norms and disparities are particularly salient among the RAE popu-

⁴ 2011 purchasing power parity.

⁵ According to the latest census (2011), two percent of the population, or almost 36,000 individuals, identified as Roma, Ashkali or Egyptian. Because ethnicity is self-reported, the population could be even higher. The Council of Europe estimates the size of the RAE population in Kosovo could be as high as 50,000.

lation; low education outcomes and discrimination also play an important role in lower labor market outcomes for the male and female RAE population (Robayo-Abril and Millan, 2019).

Kosovo’s informal sector is among the highest in Europe. Depending on the definition used, informal workers made up between 35.6 percent and 42.4 percent of the workers ages 15–64 years in 2018.⁶ Informality is even higher among youth, males, the less-educated and rural residents (Robayo-Abril et al., 2020). A significant share of the Kosovar population also relies on remittances from the large diaspora (Feher et al., 2016).

Figure 2: Labor market indicators in the Western Balkans (2018 and 2019)



Source: SEE Jobs Gateway: <https://data.wiiw.ac.at/seejobsgateway.html>.

Note: Data for employment, unemployment and inactivity are the second quarter of 2019 and for the NEET rate are 2018.

⁶ Estimates vary depending on the definition of informality. When defining informal workers as those who are employees and employers in small firms (5 or fewer workers), self-employed with or without employees in non-professional occupations (that is, clerks, service and market sales workers, agricultural workers, craft workers, machine operators and workers in non-professional occupations) or unpaid family workers, informality amounts to 42.4 percent based on 2018 Labor Force Survey data. If defined as an employee with no written contract, self-employed in firms with fewer than 5 workers, self-employed in non-professional occupations or unpaid family workers the informality rate is 35.6 percent (Robayo-Abril et al., 2020).

Brief overview of the social protection system in Kosovo

Government spending on social protection is high; social insurance in Kosovo is limited, with the bulk of social protection spending being directed toward non-contributory social assistance programs; spending on social services and employment and labor market programs is limited. Moreover, most social assistance transfers are not targeted toward the poor. Kosovo's social protection system is therefore largely unbalanced and ineffective.

Table 2 segments the social protection system in Kosovo along the four pillars, laying out the benefits and programs in each segment.

In Kosovo, the term "pension" is applied to a number of programs with objectives that range from income security in old age, to assistance for people with disabilities (work related or otherwise), and income support to war veterans and other special categories arising from the war. These pensions are funded largely from the state budget, with contributory pensions being recently introduced. This given, the first section analyzes the funding of all non-contributory programs for systemic equity, balance and sustainability. The second section considers social services as defined in the table. The third section analyzes the nascent contributory pensions and then

evaluates the design features of non-contributory pensions. The fourth section looks at employment and labor market programs. At the time of writing, the government was in the process of introducing new social protection programs, such as a universal child grant and maternity benefits for unemployed women.⁷ Simulations show that a universal child benefit would not be the best policy choice for Kosovo. It would be very costly and have a small progressive beneficiary incidence, meaning that less than half of the child benefit recipients would belong to the poorest 40 percent of the welfare distribution and only a quarter would belong to the poorest 20 percent (World Bank, 2019c). These programs are not considered in the analysis below.

Table 2: Overview of the social protection system in Kosovo

Category	Benefits and programs
Cash transfers to support the poor, vulnerable and persons with disabilities	<ul style="list-style-type: none"> • Last resort social assistance – Social Assistance Scheme • Material support for foster families • Assistance for exceptional needs • Energy/electricity subsidy • Material support for families with children up to 18 years of age with permanent disabilities
Social services	<ul style="list-style-type: none"> • Social and family services
Pensions	<p>Contributory pensions (mandatory and voluntary)</p> <p>Non-contributory pensions, funded by the state budget</p> <ul style="list-style-type: none"> • Basic pensions • Ex-contributory pensions • Family pensions • Work disability pensions • Early retirement pension scheme for Trepça Company employees <p>Special laws, funded by the state budget</p> <ul style="list-style-type: none"> • Special pensions for Kosovo Protection Corps, Kosovo Security Force, former political prisoners and teachers of the 1990s <p>War-related pensions, funded by the state budget</p> <ul style="list-style-type: none"> • Pensions for war veterans • Pensions for war-related categories, including martyrs' families, disabled veterans and their families, civilian victims of war and their families, and sexual victims of war. <p>Disability pensions and compensations, funded by the state budget</p> <ul style="list-style-type: none"> • Pension for persons with a permanent disability (age 18-64 years) • Pension for blind persons • Pension for persons with tetraplegia and paraplegia

⁷ In Europe, the right to maternity and paternity leave applies mainly to persons who are employed; in certain cases unemployed women who receive statutory unemployment benefits and/or female students are eligible as well. Much less common are the cases of paid maternity/cash support for inactive and women without social insurance. Where this support exists, the schemes are means tested and part of the social assistance system (World Bank, 2019a).

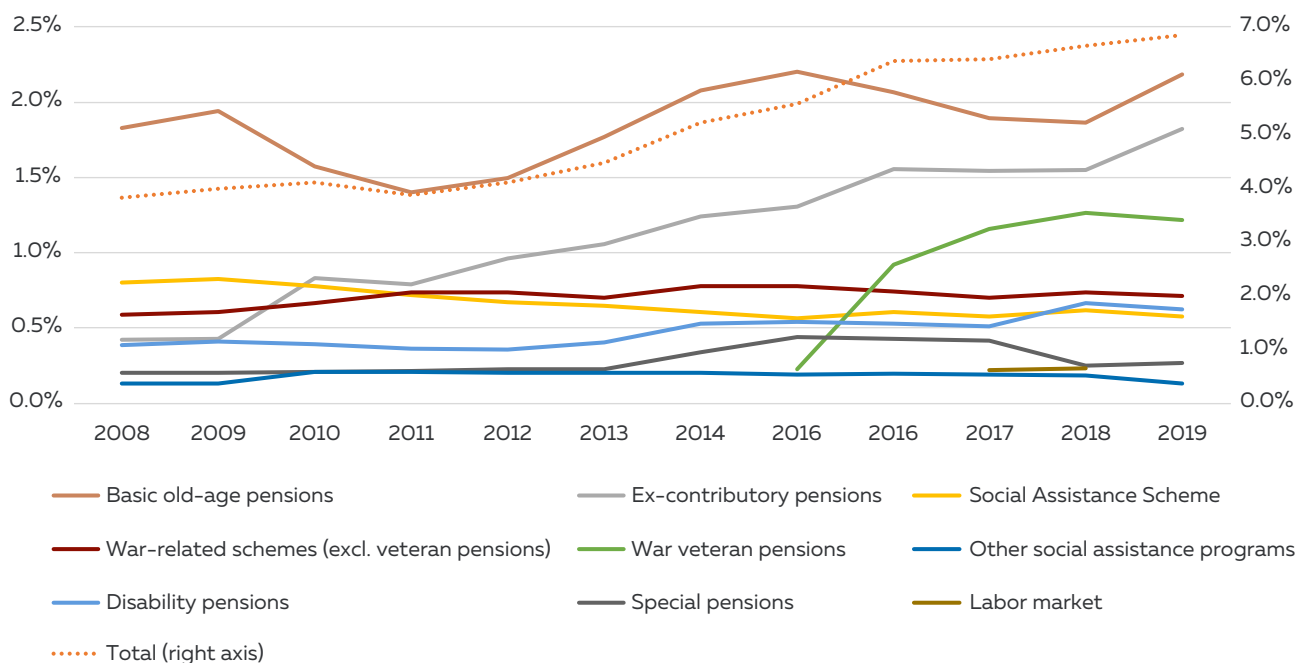
Employment and labor market programs	<ul style="list-style-type: none"> · Vocational training · Public works · Wage subsidies · On-the-job training and internships · Entrepreneurship support · Maternity benefit
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Source: Authors' elaboration (2021).

Government spending on social protection has risen significantly in recent years, though lags countries in Europe and Central Asia. Between 2008 and 2019, spending on social protection nearly doubled as a percentage of GDP but trailed the regional average by 2.5 percentage points (Figure 3).⁸ In Kosovo, government revenues primarily finance social protection (diverging from most countries). Social insurance is limited, and most working-age Kosovars do not contribute to the nascent fully funded contributory pension. In this context, government spending on social protection is high (Figure 4). There is little spending on social assistance targeted toward the poor (Social Assistance Scheme). There is significant spending on non-contributory pensions, with the basic and

ex-contributory pensions⁹ representing more than half of government expenditures followed by the war veterans' pension (Figure 5). With the bulk of spending allocated to pensions, Kosovo's social assistance is unbalanced and ineffective.

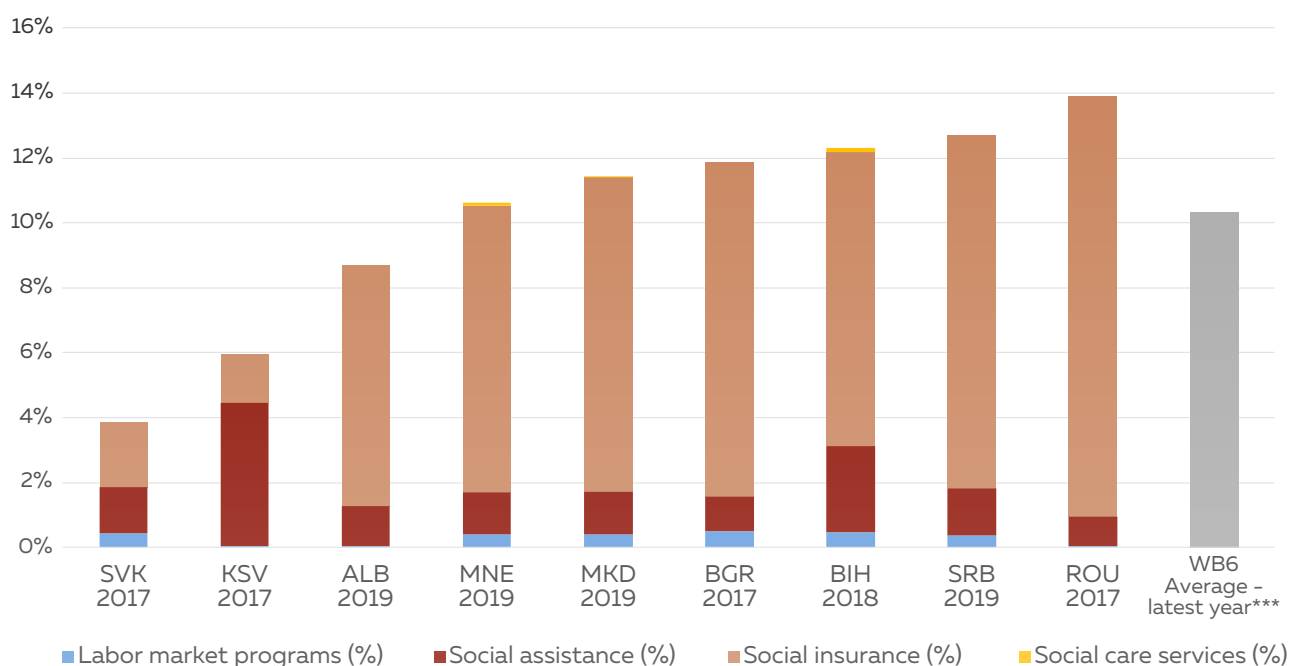
Figure 3: Government programmatic spending on social protection in Kosovo, 2008–2019 (% of GDP)



Source: Ministry of Labor and Social Welfare (2020) and Paun Jarallah et al. (2019).
Note: Data on labor market spending are only available for 2017 and 2018.

⁸ Figures include the Social Assistance Scheme, energy subsidies and assistance to families with children with disabilities, assistance to foster families and all government-funded pension schemes (basic and ex-contributory, special, war veterans and war-related, and disability pensions).
⁹ Ex-contributory pensions refer to government-funded benefits awarded to individuals 65 years of age and older who contributed at least 15 years to the former Yugoslav system.

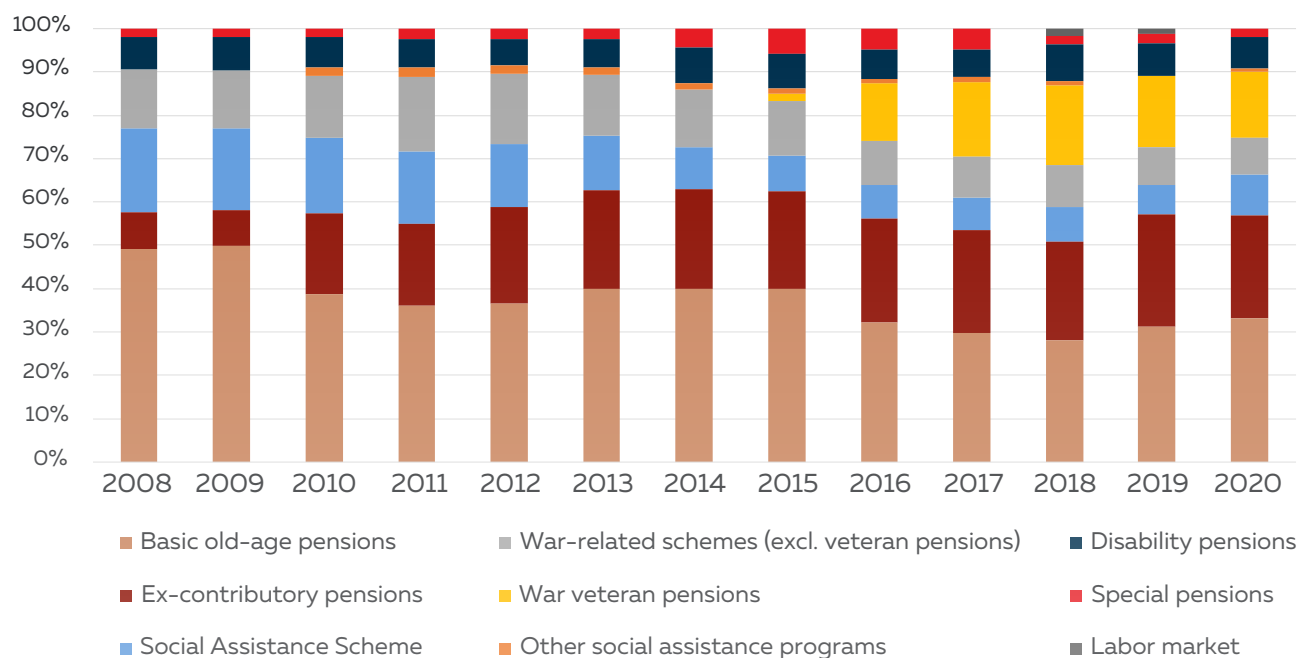
Figure 4: Expenditure on social protection programs in select countries, 2017-2019 (% of GDP)



Source: World Bank SPEED Database (2021).

Note: *** Simple arithmetic average of the total social protection spending (%) among the six Western Balkans countries on the chart: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. Information for Bosnia and Herzegovina does not include all social insurance expenditures. SVK, BGR and ROU refer to Slovakia, Bulgaria and Romania, respectively.

Figure 5: Composition of government spending on social protection program in Kosovo, 2008-2020



Source: Ministry of Labor and Social Welfare (2020) and Paun Jarallah et al. (2019).
Note: Data on labor market spending are only available for 2017 and 2018.

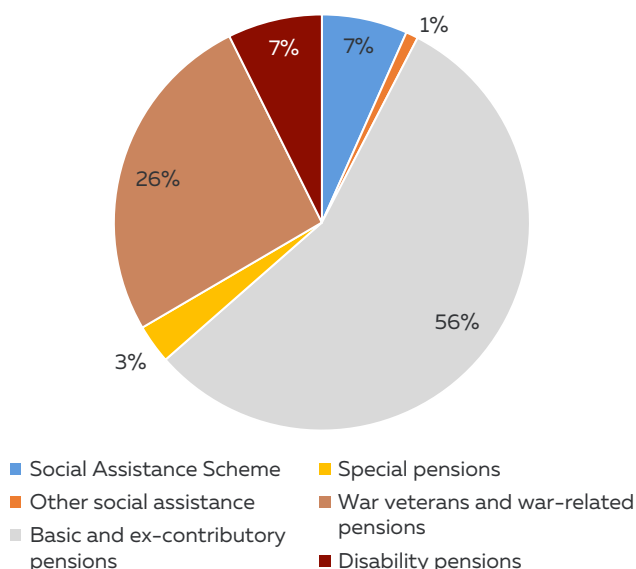
Cash transfers to support the poor, the vulnerable and persons with disabilities

Though government spending on cash transfers in Kosovo is high, there is ample room to improve the impact on poverty, equity, and human capital, as well as the sustainability of spending. Social assistance spending is skewed toward cash transfers that are unrelated to poverty, making the social protection system unbalanced. There is scope for improvement in reaching the poor, through the removal of its stringent categorical eligibility criteria that exclude families with children as well as the working poor and disincentivize work among beneficiaries. Removing these criteria would then allow the SAS to also expand its coverage. Coverage of disability benefits is inadequate and inequitable. Finally, a social registry is not in place and the current management information system warrants strengthening.

Cash transfers are not balanced, effective or equitable in Kosovo. Although spending is high compared to other Western Balkan countries, over 90 percent of spending on cash transfers is allocated toward old-age (non-contributory) basic pensions, war veterans and other war-related pensions, and disability pensions (Figure 6). In contrast, transfers targeted towards the poor (Social Assistance Scheme (SAS), made up only 0.45 percent of GDP, or about 7 percent of total cash transfers. As a result, cash transfers in Kosovo are not only unbalanced but also inequitable.

Old-age pensions make up the majority of cash transfers to the population. Basic and ex-contributory pensions made up 56 percent of government spending on cash transfers in 2019, with special pensions¹⁰ making up an additional 3 percent (Figure 6).¹¹ Unlike in most countries, the basic pension has universal coverage, covering both poor and non-poor elderly (above age 65) alike.¹² Details on coverage, adequacy and sustainability of basic and ex-contributory pensions are discussed in the pensions section below to present a full picture of support to older people. War veterans' and war-related pensions made up 26 percent of government spending on cash transfers in 2019 (Figure 6), are also not designed to cover the poor. The number of groups claiming compensation from the war continues to grow, raising concerns about the fiscal sustainability of pensions; most recently, a benefit was introduced for victims of sexual violence as well as a new pension for people who served as teachers in the 1990s. While some war-related pensions may be warranted given the consequences of the war, they tend to be more generous than the SAS even though their objective is not to alleviate poverty. For example, the scheme for War Veterans of the Kosovo Liberation Army (KLA) pays a monthly amount of EUR 170, equivalent to the minimum wage and more than double the average payment received by SAS families.¹³ Surviving spouses (and children up to age 26) of martyrs, civilian and former Kosovo KLA war invalids, KLA members and civilians who disappeared in the war and war veterans are also eligible for these benefits. The generosity of such payments also raises concerns about possible disincentives for labor force participation.

Figure 6: Composition of spending on cash transfers in Kosovo, 2019 (% of GDP)



Source: World Bank staff estimates based on national statistical data (2019).

Note: The Social Assistance Scheme corresponds to last resort income support.

¹⁰ Special pensions include early retirement benefits with different rules that apply to Trepca miners, Kosovo Protection Corps (KPC), and Kosovo Security Force (KSF), and pensions for people who served as teachers in the 1990s.

¹¹ More detail on the adequacy, coverage, and sustainability of pensions is discussed in the pensions section. The tables in Annex 2 provide a general overview of the separate pension schemes in Kosovo.

¹² As long as they are not receiving another pension.

¹³ See Annex 2 for a description of the different pension schemes in Kosovo, including eligibility conditions and benefit amounts.

Spending on disability pensions has increased but is limited to those declared 100 percent disabled.

A disability pension that is equal to the basic pension is available to residents ages 15–64, but in order to be eligible, an individual must be declared 100 percent disabled;¹⁴ the number of beneficiaries in 2020 was approximately 19,000.¹⁵ There are also separate more generous government-funded pensions for the blind (available since 2014, with almost 2,000 beneficiaries in 2020) and paraplegic/tetraplegic persons (available since 2018, with almost 3,000 beneficiaries in 2020).¹⁶ Separate work invalidity (for those declared 100 percent disabled as a result of work injury or illness) and survivors (family) pensions were introduced in 2018. Family pensions are only selectively granted to some categories of surviving beneficiaries such as families of war-related pensioners and contributors to the old (former Yugoslav) system. In 2020, almost 4,000 individuals received the family pension, and about 80 received the work invalidity pension. In total, disability pensions amounted to 7 percent of total spending on cash transfers in 2019 (Figure 6). Over the last decade, spending on disability pensions has increased from 0.28 percent of GDP in 2009 to 0.5 percent in 2019; the increase is due to the more generous pensions for the blind and for paraplegics and tetraplegics as well as an increase in beneficiaries (from about 18,500 in 2009 to almost 24,000 in 2020).

The current system is both inequitable and inadequate in its coverage of disability risk, leaving the partially disabled at risk of poverty.

Work-related disability pensions only are awarded for 100 percent medical disability and are set at the basic pension (EUR 90 per month), and above the non-work-related permanent disability (EUR 75 per month); at 52 percent of the minimum wage, the amount is inadequate to replace lost income. Partially disabled workers are not entitled to any pension prior to the age of 65 even if they also lose the ability to work. On the other hand, eligibility for war-related disability pensions starts with 20 percent disability levels and at higher benefit levels that range between 1.5 and 6 times the benefit available to fully disabled people outside these schemes, making the system inequitable. The disability assessment system for pensions, social assistance, and students follows the standard medical methodology, maintained by the health system; this methodology is outdated, as it does not include functionality elements, likely to leading inefficiencies in achieving the desired results of benefiting only those who are disabled.

The methodology for disability assessment of war invalids is unknown, and, unlike in the case of disability pensions, there is no requirement for reassessment, further making the system inequitable.

Limited transfers are provided to families with disabled children.

The Ministry of Finance, Labor and Transfers (MFLT) also provides monthly cash support (EUR 100) to permanently disabled children (aged 0–18 years who are completely incapacitated for carrying out daily activities) and their families in recognition of their additional needs. Overall, these benefit schemes are small in size, and with limited impact, making them inadequate and ineffective.¹⁷ The scheme for families with children with permanent disability is considered to be discriminatory for children with disabilities, as it recognizes the entitlement to material compensation only for a narrowly defined category of children who have permanent and severe disabilities and excludes children with milder disabilities whose conditions could potentially improve if supported with cash benefits and with medical and social services. The funding that is provided under different disability laws is modest. The payment of the scheme for families with children with disabilities 0–18 years old amounted to EUR 2,775,300 in 2019 (0.04 percent of GDP), which is not sufficient for the needs of children with permanent disabilities. For 2020, the payment amounted to EUR 3,108,560.

Poverty-targeted social assistance in Kosovo decreased as a share of social protection spending nearly threefold between 2009 and 2019.

Spending on the SAS fell by 8.4 percent in real terms and from 0.69 to 0.45 percent of GDP between 2009 and 2019; the number of SAS beneficiaries declined from over 40,000 to about 25,600 households between 2005 and 2020. Spending on war-related pensions rose from 0.48 to 1.67 percent of GDP between 2009 and 2019 (mainly due to the introduction of the war veterans' pension in 2016); the number of war-related beneficiaries (who tend not to be poor)¹⁸ increased from 12,000 to 52,000 individuals between 2009 and 2020.^{19,20} Over the last decade, increases in spending on more generous categorical programs have crowded out spending on the SAS.

¹⁴ The severity of the disability is determined by the Medical Commission of the MLSW, with reference to the notion of ability to work, with a recurrent re-assessment after 1, 3 or 5 years—with the exact periodicity for each individual case being decided by the Medical Commission.

¹⁵ Children under 18 are covered by a separate benefit. Disabled individuals over 65 years of age become eligible for the basic pension.

¹⁶ Based on Law No. 04/L-092 on visually impaired persons and Law no. 05 / L -067 on the status and rights of paraplegic and quadriplegic people. Individuals who receive these more generous pensions are not eligible for the disability pension.

¹⁷ In 2019, 3,013 children with permanent disability received financial support; in 2020, their number was 2,436.

¹⁸ Though the Household Budget Survey does not capture the totality of war-related pension beneficiaries, 2017 survey data do show most households that reported receiving these benefits were not poor.

¹⁹ A total of eleven schemes are included, as defined by Law No. 04/L-054 on the Status and the Rights of the Martyrs, Invalids, Veterans, Members of Kosovo Liberation Army, Sexual Violence Victims of the War, Civilian Victims and Their Families; Law No. 04/L-172 on Amending Law No. 04/L-054.

²⁰ Source: Ministry of Finance, Labor and Transfers.

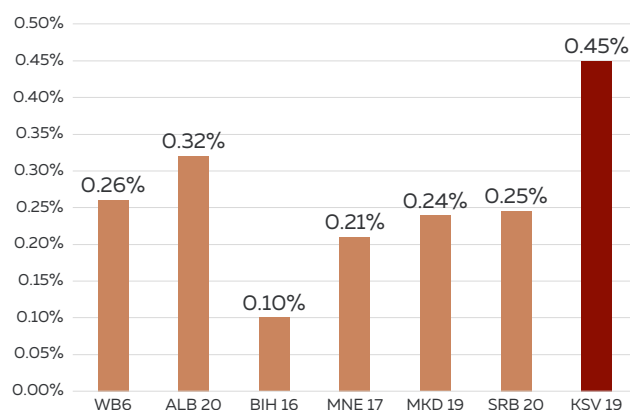
Most countries have several poverty-targeted programs. While spending on the SAS is high in comparison to other Western Balkan countries, Kosovo's LRIS is the only program aiming to reach the poor. LRIS spending in Kosovo fell from 19 percent of total social protection spending in 2009 to 6.7 percent in 2019.

The SAS's incidence does not correspond to the country's poverty profile. Only about 7 percent of the total population benefits from the SAS, whereas the official national poverty rate is closer to 20 percent. Only about one in four people in the bottom quintile receive the SAS (Figure 8, panel a). Recent diagnostics of SAS design and implementation reveal explicit disincentives and administrative restrictions to labor market participation, especially for women (World Bank, 2019b).

The SAS beneficiary eligibility, verification and recertification process are overly narrow, negating poverty reduction. Currently, households must fall into one of two eligibility categories: Category I, which requires that all adults be 'dependent' (not required to work), or Category II, in which one adult may be registered as unemployed and caring for a child under five years of age or an orphan under 15 years of age.²¹ Households falling into these categories then must pass a means test and a verification of assets and living conditions. The verification of assets and living conditions is conducted through home visits, potentially introducing the discretion of social workers. Approved households must recertify every 12 months for Category I and every 6 months for Category II.²² Such restrictive conditions exclude the working poor and may create incentives to work informally and/or to obtain disability status to maintain eligibility for the scheme.

SAS eligibility criteria are not data-driven. For example, the SAS Category II criterion that the youngest child be younger than five years results in the exclusion of poor families with school-age children. The use of this criterion for eligibility is unique to Kosovo and has not been supported by research. Its choice seems counterintuitive as there is no reason to believe that these households will escape poverty once their children turn five years of age. On the contrary, poverty incidence among households increases with number of children in the household, regardless of age. The benefit amount also applies very stringent economies of scale, meaning that larger families are not sufficiently compensated for their needs. Furthermore,

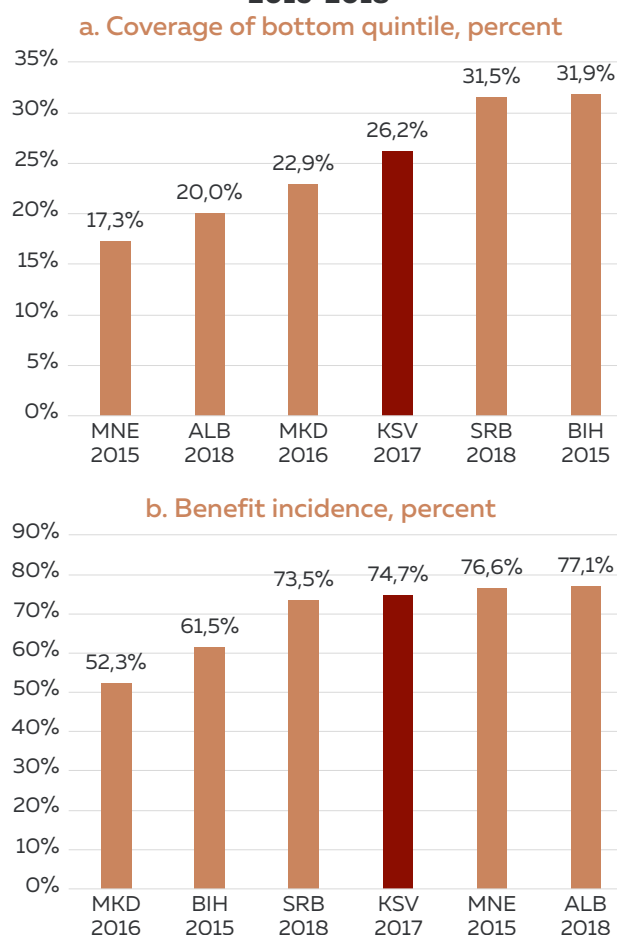
Figure 7: Spending on last resort income support in select countries, 2016–2019 (% of GDP)



Source: World Bank staff estimates based on national statistical data (2021).

Note: WB6 is a simple average of the six Western Balkan countries.

Figure 8: Coverage and benefit incidence of social assistance in select countries, bottom quintile, 2016–2018



Source: World Bank SPEED database (2016–2018).

Notes: Non-contributory basic pensions and war-related pensions not included. Figures for Kosovo represent the SAS program. Bottom quintile refers to the bottom quintile for consumption per capita. Benefit incidence refers to the percentage of total benefits accruing to the bottom quintile.

²¹ Category I – all family members are dependent and none are employed. Families apply because one or more family members is/are permanently and severely disabled, requiring dependents to have a Medical Commission review such members' health status. Family members are considered dependent if they are: (i) persons over 18 years of age with permanent and severe disabilities rendering them unable to work, (ii) persons 65 years of age and older, (iii) full-time caregivers of person(s) or of children under the age of five, (iv) persons up to 14 years of age, (v) persons between the age of 15 and 18 years (inclusive) who are in full-time education, and (vi) single parents with at least one child under the age of 15. Category II – families can have one family member who is able to work but must be registered as unemployed with the Employment Office. All other family members must be dependent. In addition, the family must be parenting at least one child under the age of five years or providing permanent care for an orphan under the age of 15 years. Applicants must also pass a poverty (means) test that assigns scores based on sources of income, household composition, ownership of certain type of assets and observable living/housing characteristics (Law No. 2003/15 on the Social Assistance Scheme and Law No. 04/L-096 on Amending and Supplementing the Law No. 2003/15 on the Social Assistance Scheme).

²² Additionally, the MLSW cross-checks the formal income reported by beneficiary households to the Tax Authority on a monthly basis and, if above the threshold for eligibility, households have exited from the program.

under Category I, once a child turns 19 years of age, the family loses eligibility even if he/she is still in education; in other countries, students ages 19–24 are often exempt from work requirements in order to receive social benefits.

The SAS's poverty headcount reduction impact has been modest. In 2017, three-quarters of SAS benefits reached the bottom quintile of the distribution for consumption, placing its targeting performance among the best in the Western Balkans (Figure 8, panel b) and in Europe and Central Asia. Yet, importantly, relatively accurate targeting is due to low coverage and restrictive categorical criteria rather than to adequate beneficiary identification.

SAS adequacy

The SAS benefit is a flat rate that increases with family size but slowly and, as a result, as noted above, covers a lower share of the consumption needs of larger families compared with smaller ones. The benefit amount currently ranges from EUR 60 for a one-member family to EUR 180 for a family/household of 15 members. Indexation of the benefit is *ad hoc* and discretionary despite existing legal rules. Although there has not been any formal inflation indexation of the SAS benefit, discretionary increases of the benefit amount have more than offset benefit erosion and led to an increase in the real value of SAS.

The adequacy of social assistance in Kosovo is above most countries in Europe and Central Asia. During 2017, the average beneficiary household received over EUR 1,000 or about EUR 83 per month (according to the HBS 2017), and on average, the benefit amount represented 39 percent of the total consumption of beneficiaries in the first quintile for consumption. Yet, the average SAS benefit amount is below that of the basic pension (EUR 90 per month) and less than 50 percent of the minimum wage (EUR 170 per month). Additionally, households enrolled under Category I must have their eligibility reassessed every 12 months, whereas Category II households must be reassessed every six months,²³ thereby undermining the security of this support to beneficiaries, while also increasing administrative burden on caseworkers. The SAS is also a gateway for other in-kind benefits and associated rights for its recipients, including energy subsidies.

Plans for reform of the SAS

The Ministry of Finance, Labor and Transfers (MLFT) is seeking to reform the SAS. It plans to do so by removing the categorical criteria for beneficiary identification, introducing a new poverty test (a comprehensive means test and a new proxy means test) and a new equivalence scale to determine a more appropriate benefit amount for larger families with children. Simulations based on 2017 HBS data show that if this reform is implemented and the total value of benefits distributed to SAS beneficiaries remains unchanged, poor beneficiaries would be identified with greater precision, and, more importantly, the number of poor families with children would increase by 25 percent (World Bank, 2019c). Such reform would be the most viable and economic option for tackling child poverty in Kosovo, as opposed to a stand-alone child benefit scheme or a child supplement to the SAS in its current form (*ibid*). Eliminating categorical targeting would also remove the poverty traps that many beneficiaries currently face.

There is no formal mechanism to refer SAS beneficiaries to social services or other much-needed health and education services. Though policy actions have been taken to coordinate social assistance programs in general, coordination between benefits and services is still weak. SAS recipients have yet to receive adequate social and employment services to overcome barriers to employment and to find jobs for poverty exit.

The government has made progress with its management information systems (MIS) but lacks an integrated beneficiary registry. There are automated exchanges of information between the SAS MIS, other social benefits, the tax authority and the public employment service labor database to cross-check the beneficiaries. The MLFT has in place MISs for all of its programs; however, this information has not been consolidated into an integrated beneficiary registry. Further, while transfers for the SAS are made through banks, payments are made in cash at the post office. This suggests scope for greater use of digital payment mechanisms to promote financial inclusion and to reduce error, fraud and corruption.

²³ Additionally, the MLSW cross-checks the formal income reported by beneficiary households to the Tax Authority on a monthly basis and, if above the threshold for eligibility, households have exited from the program.

Social services

Funding for social services is limited, and the delivery of social services could benefit from the establishment of a referral system or case management to better ensure the coordination with social benefits and other basic services (particularly health and education) and better training of social workers. This would shift social services from reacting to vulnerabilities to preventing them, and also improve the contribution of the social protection system to building human capital.

Social services in Kosovo are regulated by Law No. 02/L-17 on Social and Family Services and Law No. 04/L-081 on Amending and Supplementing Law No. 02/L-017. The legal provisions cover the types of social services that can be provided and their target groups. They also cover the roles and responsibilities of institutions, such as the MFLT, municipalities and Centers for Social Work (CSWs), in planning, managing, providing and financing services as well as guiding their relations with non-governmental service providers. The MFLT is responsible for policy and regulatory issues; it has overall responsibility for organizing the provision of social and family services. A concept document to compile a new Draft Law on Social and Family Services to address these issues is currently under revision.

Social services include direct social care, counseling and, in exceptional circumstances, material assistance to people in need. Direct social care includes the provision of help with domestic duties, personal care, mobility, communications or supervision and can be provided in a person's own home, in a specialist day center or in a residential home. Counseling refers to a systematic and programmed process of providing information, advice and guidance aimed at helping an individual or a family to improve their social or interpersonal circumstances. Material assistance means provision of money, temporary shelter, food, clothing, medical fees, or other material necessity for which there is an urgent need and for which there is no other available source. Approximately 12,139 individuals benefited from social services in 2019.

The theory and practice of decentralized social services are asymmetric. As of January 2009, social services were transferred to the municipalities. In theory, the services are managed by the municipal

Directorate for Health and Social Welfare and delivered by the municipality through a CSW. The CSWs provide direct services such as counselling or guardianship and also arrange for community-based services, daycare centers or residential care by partnering with other institutions. In practice, not all competencies within the legal framework for decentralization were transferred. The MFLT Department of Social and Family Policies retained the authority to determine where, how and by whom social services would be delivered as well as the direct administration and supervision of certain social services providers.²⁴ The decentralization process also did not address a number of fiscal and infrastructure aspects; for example, the municipal services infrastructure was not assessed for meeting the needs of decentralized service provision.

Financing

Expenditures on social services are disproportionately low. In 2019, Kosovo spent 0.05 percent of GDP on social services versus 0.45 percent spent on the SAS and 6.25 percent spent on other cash transfers. Social services are financed through a general grant/transfer from the MFLT to each municipality. On average, more than half of this transfer is directed to the SAS and the CSWs, which administer the scheme. In theory, the remaining resources should finance a minimum package of interventions for individuals and families at risk. In practice, the resources are not earmarked for this purpose, raising concerns regarding adequate and equitable service delivery across municipalities.²⁵ The MFLT has proposed social services transfer be earmarked similarly to the grants that finance municipal health and education services.²⁶

²⁴ Namely, the House of Elderly Persons in Pristina and the Special Institute of Shtime/Štimlje that care for the elderly.

²⁵ There are budget lines for staff-related expenditures, equipment, goods and services, but not for professional social services.

²⁶ The Concept Paper on Social and Family Services advocates for changing the financing model for social services. Financing through a specific grant is proposed in the new draft Law on Social and Family Services.

Provision and delivery of social services

The Division of Social Services in the CSWs are the main service providers in Kosovo. In addition, enterprises, voluntary organizations and associations, faith-based organizations, self-help groups and other local, national and international nongovernmental organizations (NGOs) or individuals can provide social and family services. They can provide the services on their own initiative or, under contract, on behalf of the municipal Directorate for Health and Social Welfare in the case of local services or the MFLT Department of Social and Family Policy in the case of national services. NGOs must register with the appropriate authority as service providers, be licensed by the Department of Social and Family Policy and adhere to the regulations, directives and procedures relating to their activities as laid down by the MFLT. The MFLT can take over the provision of social services if the respective CSW fails to do so.

Most social services tend to be responsive rather than proactive. Typically, municipal residents approach the CSW and apply for a specific service promoted through the media, community or other outreach methods. They also may turn to the CSW with a general inquiry about getting help with benefits and/or services and the CSW staff suggests what program or service they should apply for. It is possible to open a new case²⁷ at this stage, assign a case manager and plan for a home visit. Alternatively, access to services can be initiated and promoted by central or local institutions, communities or NGOs. The CSWs also conduct outreach activities to inform communities about available services and to identify persons and families in need of them. However, most services provided by the CSWs seem to respond to referrals from the police or judiciary.

Referrals and case management

Case management and referrals are limited. Most social services target a single family member and do not take a comprehensive approach toward addressing all key risks and vulnerabilities that are present in a family and reinforce one another. Case management is needed as a method of social service provision, to provide a platform for social service workers to cooperate with others (within the Social Services Division, with the Center for Social

Work SAS Division and beyond the social protection system to health and education services, for example) to assess the needs of the beneficiary and also the beneficiary's family and, where necessary, regulate, coordinate, monitor, assess and advocate for an inclusive service package to maximize options for social support and positive impact on beneficiary(es). Management information systems are also not equipped for case management, as they are organized by type of single benefit. Lastly, there are no linkages between social benefits. For example, social workers who conduct home visits to determine SAS eligibility are not expected to seek information or record observations (such as, evidence of mental disability, untreated health problems, or presence of children with learning disabilities) beyond the questions in the SAS form and to subsequently make a referral to services. Being largely informal, referrals are not mandatory and depend on the initiative, discretionary judgment, good will and professionalism of CSW staff.

²⁷ A social services case is an instance of risk and vulnerability at the individual, family or group level (as specified in the Law on Social and Family Services) that is brought to the attention of or identified by the CSW, for which an official record is made (file is opened) and a case manager is assigned.

Pensions

Kosovo has universal pension coverage. However, the pension system is highly fragmented, leading to large inequities across the non-contributory pensions (basic, ex-contributory, special, war veteran and other war-related pensions). Only about a third of the working-age population contributes to the second pillar, and contributory pensions only provide temporary support until the account is depleted. Disability and survivor pensions are, for the most part, inadequate. The proliferation of categorical pension benefits over the years raises concerns regarding sustainability.

Coverage

Kosovo's pension system has universal coverage.

Non-contributory, government-financed pensions include a universal, tax-financed basic pension (or old-age pension) payable to all permanent residents of Kosovo age of 65 years and older, with incremental basic pension levels for those who contributed at least 15 years to the former Yugoslav pension system prior to 1999. Separate early retirement benefits with different rules apply to Trepça Company, Kosovo Protection Corps, Kosovo Security Force and war veterans pensions.²⁸ Further, a multitude of war-related pensions cover civilians and soldiers who became disabled during the 1998–99 military conflict and protect the surviving relatives of fallen soldiers and civilians as well as the families of those missing.²⁹ There are also government-financed disability and survivors pensions (discussed in the cash transfers section above). Finally, a defined contri-

butory pension, which was established in 2002, is fully funded through mandatory contributions by employers and employees and is managed by an independent public entity (Kosovo Pensions Savings Trust, KPST).^{30,31}

Pension coverage does not align with the low share of society contributing into the pension system.

In December 2020, the basic pension reached 142,280 individuals and the incremental basic pension based on former Yugoslav service reached 49,451 individuals. This represents more than 100 percent of the population ages 65+.³² On the other hand, only 32 percent of the population aged 15–65 are actively contributing to the pension system, a reflection of low labor force participation and high informality rates.

Table 3: Pension parameters in Kosovo

Retirement age	65 years for men and women.
Pension calculation	<p>From Kosovo Pensions Savings Trust (KPST):</p> <ul style="list-style-type: none"> • If balance < EUR 3,000, a lump sum is paid. • If EUR 3,000 < balance < EUR 20,000, the pension is EUR 200 per month until account depletion. • If balance > EUR 20,000, the pension is 1% of balance until account depletion. • Additionally, if qualified, a basic pension of EUR 90 or ex-contributory benefit of EUR 182–265.
Indexation post-retirement	None.
Eligibility for disability pension	Age 18–65; Ministry of Finance, Labor and Transfers (MFLT) certifies disability. No minimum contribution.
Level of disability pension	<p>From KPST: Full account withdrawal.</p> <p>From MFLT: EUR 90 for permanent disability related to work; EUR 75 for a permanent disability unrelated to work.</p>
Eligibility for survivor pension	From KPST: Death before pension withdrawals, legal beneficiaries inherit the balance.
Level of survivor pension	Full balance paid in lump sum.
Contribution rates	10% of gross salary: 5% by the employer and 5% by the employee.

Source: Authors (2021).

²⁸ As defined by Law No. 04/L-261 on Kosovo Liberation Army War Veterans.

²⁹ A total of 11 schemes are included, as defined by Law No. 04/L-054 on the Status and the Rights of the Martyrs, Invalids, Veterans, Members of Kosovo Liberation Army, Sexual Violence Victims of the War, Civilian Victims and Their Families; Law No. 04/L-172 on Amending Law No. 04/L-054.

³⁰ Employers and employees must each contribute 5 percent of wages, for a total contribution of 10 percent; they can both also contribute up to a total combined 15 percent on a voluntary basis.

³¹ For an overview of the different pension schemes in Kosovo, see Annex 2.

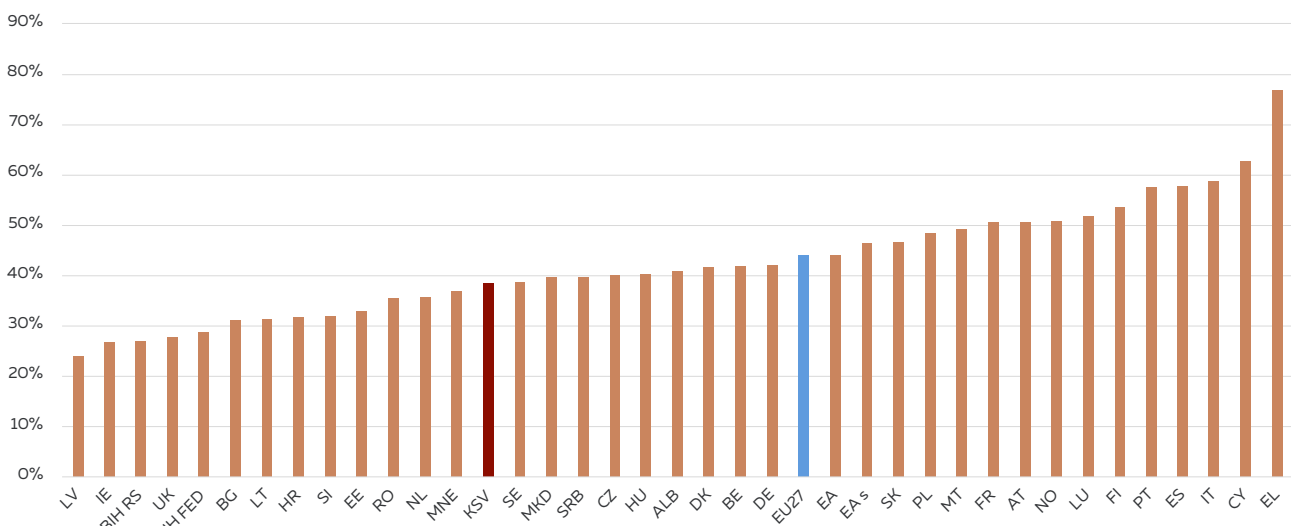
³² According to the Kosovo Statistical Agency, in 2020, there were approximately 160,000 individuals ages 65+ in Kosovo. This largely corresponds to the number of basic and ex-contributory pension recipients of ethnic Albanian background. The reason for the discrepancy is census-population estimates exclude the share of the Serbian population who receive Kosovo pension benefits.

Adequacy

Benefit adequacy for current retirees varies depends on the category. All permanent residents age 65 years and older are eligible to receive EUR 90 per month from the basic pension. If the residents contributed for at least 15 years to the former Yugoslav system, they will instead receive between EUR 182 and EUR 265, depending on their education level. If they contributed to the second pillar fully funded pension and have an account balance of between EUR 3,000 and EUR 20,000 at the time of retirement, they are also eligible for EUR 200 per month until the account is depleted. If their account balance is greater than EUR 20,000, their pension is calculated at 1 percent of their balance at

retirement until account depletion. The pension of EUR 200 per month provided by the contributory system in Kosovo aligns with what other systems in the Western Balkans provide in terms of average benefits with respect to average gross wages, albeit in the case of Kosovo this is not a lifetime benefit. This benefit is equivalent to 38.5 percent of average gross wages, higher than the benefit ratios observed in Bosnia and Montenegro but lower than the ones observed in Albania, North Macedonia or Serbia (Figure 9). If the universal basic pension of EUR 90 per month (which is a lifetime benefit) is included, benefit generosity in Kosovo improves in relative terms.

Figure 9: Ratio of average pension to average gross wages in select countries, 2016



Source: European Union (EU) Aging Report 2018, PAYG pension agencies in Western Balkans countries and KPST.
Note: BIH RS refers to the Republic of Srpska and BIH FED to the Federation of Bosnia and Herzegovina.

There are wide discrepancies in benefit adequacy, as consequence of a highly fragmented system. Unlike in other European countries, the basic pension is not a social pension for the poor and is paid to all residents ages 65 and over regardless of whether they are also receiving a contributory pension, including from a foreign country. For instance, a retiree who relies solely on the basic pension will receive a benefit that is equal to 52 percent of the minimum wage³³ and 16 percent of the average monthly wage; another retiree who receives the maximum ex-contributory benefit and has accumulated savings in the new system might receive a benefit that is 83 percent of the average monthly wage. Some households might receive even

more when including war-related pensions. There are also important gender disparities: women age 65 years and older predominantly receive only the basic pension, whereas a relatively high share of men receive the higher ex-contributory benefit (Feher et al., 2016). Women's lower labor force participation directly affects their ability to qualify for the ex-contributory pension.

The law on cost-of-living adjustment to benefits introduces uncertainty. In principle, all benefit amounts should be adjusted for cost of living. In actuality, such adjustments have occurred on an ad-hoc basis. The law allows for flexibility in accordance with fiscal space (Feher et al., 2016).

³³ In 2021, the minimum wage for workers 35–65 years of age was EUR 170 per month.

Expenditures and sustainability

Sustainability is a concern for the Kosovo pensions system. The fiscal cost of pensions (general budget-financed and war-related pensions) more than doubled between 2008 and 2019, from around 2.7 to 5.7 percent. This is due to the expanded generosity of existing pensions and the introduction of new pension benefits that are fully funded by the government. The ex-contributory pension has increased steadily, with a 2016 provision to increase benefits based on education level. The cost of this program reached 1.7 percent of GDP in 2019. In 2020, the financial burden compounded with the pandemic-induced drop in GDP.

The continuous introduction of new categorical benefits threatens the predictability and security of the pension system. The pensions, which are largely government financed, are not data driven, thus exposed to outside bias. There are initiatives to introduce special rules for early retirement and for benefit levels of police forces and artists. Similarly, there have been initiatives to expand the ex-contributory pension benefits to individuals with less than 15 years of service. This runs contrary to sound principles of pension system design and is not compatible with other segments of the pension system.

The fully funded contributory system has relatively complete legal foundations and governance appears to be functioning well. However, it pays fixed amounts until the account is depleted, thus fulfilling its income replacement function only temporarily.³⁴ The system would benefit from a mechanism to provide annuities or scheduled withdrawals, as people will soon begin retiring with almost 15 years of contributions in the savings system. The government has prepared a concept document for pension reform to establish a single legal framework for pensions. The key objectives of the reform are the establishment of a more equitable and sustainable pension system with convergence of privileged and special pensions toward the general public; improvement of the currently inadequate disability and survivors' pensions; and introduction of an additional old-age insurance level for contributory pensions.

In the future, Kosovo will be hard-pressed to finance meaningful pension benefits for its elderly population if it relies extensively on intergenerational transfers (for example, taxation and pay-as-

you-go (PAYG) contributions). At the end of 2018, there were 7.83 active contributors for each individual that had retired from the system. This number is close to the overall ratio of eight inhabitants ages 15–64 years for each inhabitant 65 years and older observed in the general population. Yet, there are two country-specific considerations: this system was established only in 2002, and a demographic transition will rapidly age the country. By 2026, six individuals of working age are estimated for every person 65 years and older, falling to four by 2038 and to three by 2047.

The contributory pension system is still in its accumulation phase. The system is less than 20 years old, which is a very short time frame for a pension system. It is expected that, as the system matures, accumulation in individual accounts and resulting benefits will increase. Currently, pension fund accumulation represents 26 percent of Kosovo's GDP, but this figure is projected to increase to levels of 66 percent of GDP by 2050. However, the 10 percent contribution rate may not be enough to finance sufficient lifetime benefits if individuals do not contribute for a substantial portion of their working lives and if the retirement age is not adjusted upward with increased life expectancy.

³⁴ Feher et al. (2016) note that given average account balances at retirement, the mandatory contributory pension scheme can provide an income stream for a period of only 2.5 to 3.5 years on average, depending on net returns realized during the payout phase.

Employment and labor market policies

Kosovo spends little on employment and labor market policies. The Employment Agency of the Republic of Kosovo, the main coordinator of labor market policies and public employment services, has limited capacity, and the services provided do not meet the needs of the population. Maternity benefits are particularly generous and may discourage the employment of women, whereas unemployment benefits do not exist.

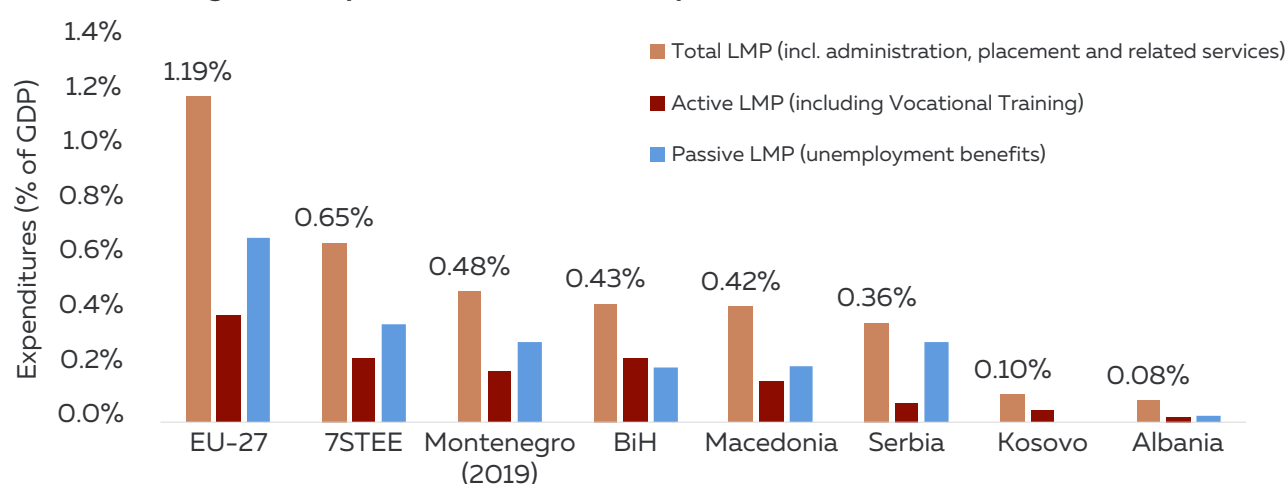
The Employment Agency of the Republic of Kosovo (EARK) is the main coordinator of active labor market policies and public employment services.

The provision of services largely depends on funding by international organizations, non-governmental organizations and bilateral donors. A significant share of the EARK's budget stems from donor funding, such as the European Union, United Nations Development Program and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit). While no public figures are available, an assessment funded by EuropeAid estimates around EUR 4.28 million in donor funds supported the EARK in 2019 (Paun Jarallah et al., 2019). Donors also implement activities independent of the EARK (for example, GIZ and Swiss Agency for Development and Cooperation) and numerous non-public providers deliver active labor market programs (ALMPs). Most non-public providers are small-scale, donor-de-

pendent nongovernmental organizations. Private companies (for which little information is available) constituted 24 percent of the employment service provision (Hempel et al., 2019).

The budget allocated to the EARK has increased in recent years, from 0.09 to 0.15 percent of GDP (or, from EUR 5.59 million to EUR 10.55 million) in 2017 and 2019, respectively. This is low in comparison to most Western Balkan countries and to the EU-27 average, though comparable to Albania (Figure 10). No increases in the EARK's expenditures have been noted for 2020, despite the increased number of unemployed as a result of the pandemic. Emergency measures such as additional wage subsidies were financed directly by the MFLT. The revised budget of 2020 indicated a EUR 2.8 million reduction in EARK expenditures, raising concerns regarding the adequacy and quality of service provisions.

Figure 10: Expenditure on labor market policies in Kosovo, 2018 (% of GDP)



Sources: EU-27/7STEE: Eurostat, accessed 2021; Macedonia: Administrative Data received in 2021; Kosovo: Paun Jarallah et al. 2019; Albania: Administrative Data NAES received in 2021.

Note: 7STEE refers to the seven small transition economies of Europe: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Slovak Republic and Slovenia.

The EARK has a weak centralized organizational structure, leading to ineffective implementation of ALMPs (Paun Jarallah et al., 2019). The agency is not only constrained by its low number of counsellors and their high caseload,³⁵ but also by its lack of specialized counseling for important or particularly vulnerable groups, such as youth, women and long-term unemployed. While the government has recognized the role of non-public providers in expanding and improving the delivery of employment support services, it has yet to operationalize these partnerships and must first determine the areas for which partnership could be of added value, by reflecting on its own institutional capacity. In Europe, it has become common practice for public employment agencies to engage in partnerships with non-public providers to improve coverage, quality and efficiency, as the complexity of the labor market is increasing. Both cooperating with and contracting out to non-public authorities and nongovernmental organizations could increase coverage and improve the quality of EARK's service provisions. Kosovo has a significant number of non-public providers; most are nongovernmental organizations delivering programs focused on entrepreneurship or skills training and they have experience serving disadvantaged groups, such as youth, women, ethnic populations and persons with disabilities (Hempel et al., 2019).

In 2019, the number of jobseekers registered with the EARK represented only about 57 percent of the unemployed in Kosovo.³⁶ A steep increase in the number of registered unemployed with the EARK occurred in 2020, from 70,790 in 2019 to 201,000 in 2020. Much of this change is likely as a result of mandatory registration with employment offices as an eligibility criterion for receiving social assistance as part of the government's emergency response to the COVID-19 pandemic. In 2018, employment offices registered 14,847 job vacancies and 6,764 jobs were filled through mediation. The EARK's high unemployed-to-counsellor ratio undermines the quality of services provided. Counsellors at 38 local employment offices are responsible for registering jobseekers, mediating employment as well as providing guidance on career support and access to ALMPs. However, in a survey of unemployed who had taken part in ALMPs of the EARK, only 48 percent of the participants responded that they had received individual counseling prior to taking part in the program (GIZ, 2019a).

Training provided to the unemployed is often inadequate and funding is limited. Around 16 percent

of registered unemployed were beneficiaries of ALMPs provided by the EARK in 2019, most of which attended vocational training. More than half of all ALMP beneficiaries enrolled in vocational training, which is conducted in eight vocational training centers. An enrollee can be trained in one of 30 different professions for three to six months (GIZ, 2019b). But despite an increase in the number of beneficiaries from 4,055 in 2015 to 6,603 in 2019, the budget for vocational training has remained relatively constant.

Process evaluations conducted by donors indicate that vocational trainings do not match the labor market's demand for skills. Additionally, many beneficiaries were employed shortly before starting their ALMP and the geographic distribution of service provision is disproportional to the number of registered unemployed (INDEP, 2019). Trainings offered at vocational training centers are limited to basic levels, mostly provided by long-time civil servants and, hence, often do not provide training according to the labor market demands for youth (Paun Jarallah et al., 2019).

An internship scheme targets young, well-educated jobseekers, with support recently increasing. In 2019, there were 2,705 beneficiaries of the program. Overall, 36 percent of interns were retained by the employer following the internship (GIZ, 2019a). Lastly, 420 jobseekers benefitted from *on-the-job training* in 2019 for which the retention rate is significantly lower at 26 percent, though 77 percent of beneficiaries reported to have learned the skill which they were tasked to acquire (GIZ, 2019a).

Unemployed jobseekers who have a high risk of becoming long-term unemployed are eligible for wage subsidies as well as public works. In 2019, there were 445 beneficiaries of wage subsidies and 2018, the most recent year where data is available, 680 people were employed as part of the public works program.

Two ALMPs support self-employment and promote entrepreneurship. The registered unemployed are eligible to submit a business plan in a given template, partake in a 40-hour entrepreneurship training at a vocational training center, with selected applicants receiving a startup grant of up to EUR 6,000 and extended counselling. Entrepreneurs who co-finance at least 20 percent of their startup costs are more likely to be selected and the maximum grant level is increased to EUR 10,000. In 2019, there were 214 beneficiaries of these

³⁵With only 92 counsellors employed by the agency, the ratio in 2019 was 1,042 unemployed per counsellor, with that number having increased to 2,184:1 in 2020 due to a drastic increase in registered unemployed. European Public Employment Services average between 101 and 140 jobseekers per staff, differing along the responsibilities of the counsellor (European Commission, 2015).

³⁶According to data from the 2019 Labor Force Survey, 125,300 people of working age were estimated to have been unemployed.

programs. The survival rates of businesses indicate positive returns on investment. A majority of the businesses remain active, create jobs and report profits in follow-up years, while most of those who did not receive financing do not set up the business to begin with (Kavanagh, 2017).

None of the EARK's programs exclusively target youth, and the lack of youth-sensitive programming and counseling continues to pose significant barriers. Youth are one of the groups most affected by unemployment and in need of public employment services. The EARK has set out a specific action plan to target youth unemployment. Currently, three ALMPs target youth, namely: on-the-job training, wage subsidies and an internship scheme. Yet, the EARK continues to play a marginal role in youth job search (MLSW, 2018). Possible remedies include in-depth program diagnostics, co-operation with non-public providers and the recruitment and training of specialized staff (Hempel and Brodmann, 2020; World Bank, 2020a).

Women face constraints to participating in the labor market and the EARK has the capacity to address these constraints. Policies within the scope of the EARK include introducing cross-cutting features in all of its activities; these have been shown to improve program effectiveness, such as flexible time schedules, gender-sensitive outreach or adding safe spaces for women, but also program-specific aspects, such as emphasizing on-the-job training to expand social networks or offering suitable work options for women in public works programs (Brodmann and Hempel, 2018).

Lack of access to childcare is a significant barrier to women's employment. Over 50 percent of inactive women cite personal or family obligations as their reason for not working outside the home, and more than 40 percent of employers contend that women have competing time demands because of family responsibilities (World Bank, 2017a). The relatively low utilization of formal childcare services is driven by the limited availability of affordable services, particularly outside of the capital Pristina and in rural areas, rather than by low demand (World Bank, 2017a).

Deficiencies in monitoring and evaluation and the use of evidence base in the design and adaptation of ALMPs also undermine their effectiveness. Despite operation manuals mandating systematic monitoring and evaluation, such as tracing partic-

ipants six months after completing the measure to verify their labor market status, no system has been put in place or relevant statistics disseminated (Hiebl et al., 2019). Some advances have been made toward the provision of reliable and accessible labor market information to stakeholders for evidence-based policy. An online job vacancy analysis was carried out by the World Bank (Brancaelli et al., 2020), presenting raw labor market data on the Kosovo Labor Market Barometer and guiding students in their education choices using such information through an award-winning online platform.³⁷

The long duration of maternity leave and partial employer liability for maternity pay could disincentivize hiring of women and reinforce the already low participation rate of women in employment. Since 2017, maternity benefits have been provided to 400-500 mothers per year. In 2019, government expenditures reached EUR 1.8 million and the average monthly benefit amount was around EUR 280 or 165 percent of the minimum wage. The 12-month maternity leave is well above the minimum standard of the International Labor Organization and the EU acquis (14 weeks/98 days).³⁸ It is also one of the longest durations in Europe, where the average duration among EU Member States is 22.5 weeks (World Bank, 2019a). Further, other European countries do not hold employers liable for part of the costs. More than 40 percent of surveyed employers in Kosovo view women as costlier to hire than men (World Bank, 2017a).

³⁷ See <https://sitp.rks-gov.net/> for Kosovo Labor Market Barometer and ETF, "live & learn" Issue 44 p. 23 – June 2019 for an introduction to the online platform [Busalla.com](https://busalla.com)

³⁸ An employed woman is entitled to nine months of paid and three months of unpaid maternity leave, where the employer pays six months at 70 percent of the base salary and the state pays three months at 50 percent of the average wage in Kosovo.

Disaster preparedness and response: learning from the COVID-19 response

The Government of Kosovo responded quickly to support households affected by the economic consequences of the COVID-19 pandemic. However, despite the existence of a range of social protection programs, the government was not able to expand their coverage; instead, the response tended to be vertical in nature, (that is, by increasing benefit amounts) and an emergency program, Measure 15, had to be designed and implemented. A number of the proposed reforms of the SAS would support the use of this program to respond to crises in the future, allowing for the response to be faster and more effective in covering the poor.

The government responded quickly to the COVID-19 pandemic, declaring a State of Emergency in mid-March 2020 and launching an Operational Plan on Emergency Fiscal Package. The package included a range of measures to enable the population to comply with public health containment measures.³⁹ While these measures were put in place quickly, implementation often was undermined by the need to establish new programs to deliver the support to firms and households. The subsequent Economic Recovery Plan in June 2020 faced similar implementation issues, with some measures only fully implemented with the passages of the 2021 national budget. The government's social protection response to COVID-19 is summarized below.

Cash transfers

At the onset of the COVID-19 pandemic in 2020, the government ensured income security to some of the poorest households through cash transfers.

In April, May and June 2021, the government doubled the SAS amount for current beneficiaries and suspended the age criterion (youngest child being under five years of age) for current Category I families. Beneficiaries who were due to reapply to the SAS were exempted in order to comply with containment measures. The SAS amount was again doubled in early 2021, subsequently increased by 30 percent and doubled for November and December 2021.

The rigidity of the cash transfer system inhibited timely scale-up during the COVID-19 pandemic. As people lost income and jobs due to the economic consequences of COVID-19, the government could

not harness the SAS to provide much-needed social assistance support to poor households and those working in the informal sector. This was largely due to the strict categorical requirements (Category I and II), which are largely based on household composition and do not change when a shock hits.

The government was forced to launch a new program in the midst of the COVID-19 pandemic.

This new program, Measure 15, provided time-bound support to households with no formal income or other form of social assistance.⁴⁰ This support was for a period of three months and ended in August 2020. No further support was provided to poor households not covered by the SAS. More importantly, because the time-bound benefit was directed only at households with no formal income, the working poor as well as households who may have fallen into poverty during the pandemic but still received some formal income, were left unprotected. Conversely, according to Household Budget Survey estimates, 19.7 percent of households had no formal income in 2017; however, among such households, 30 percent had consumption levels that placed them above the poverty line. Though some of these households may have lost their livelihoods as a result of the pandemic and been left unprotected, not accounting for their informal income implies that some better-off households may have received this emergency benefit.

A dedicated application system was launched to rapidly implement Measure 15.

It allowed people to apply online, through email or in person at the CSWs. The application data were fully verified through cross-checks with other government registries. This system offers lessons on streamlining the applica-

³⁹ The Emergency Fiscal Package was adopted through a Decision of the Government on March 30, 2020. The Operational Plan was issued on April 3, 2020.

⁴⁰ Such households also had to provide proof of registration as unemployed in the employment agency.

tion process for the SAS and other cash transfer programs. The payment of cash benefits for the SAS and Measure 15 through banks and the post office also suggests scope to reduce the payment of cash in hand.

Prior to the pandemic, the government had begun reformulating the SAS to measure household poverty status. The government planned to reform the SAS eligibility criteria, to implement a hybrid targeting mechanism (means test and proxy means test) and to set a threshold score as the determinant of assistance. The scoring system facilitates transparent equity and homogeneity in beneficiary identification while reducing the administrative costs of using several beneficiary identification methods in parallel.

The lessons learned in developing and rolling out Measure 15 can inform an adaptive social safety net. By eliminating the tight exclusion criteria, moving to a poverty-centered measure and integrating a hybrid targeting approach, this cash transfer program gains the capacity to expand and contract in response to crises and economic shocks. The timely payments through banks and post offices exemplifies new ways of transferring the benefit and the system can be replicated for other social assistance programs, with thresholds varying according to available budgets or vulnerability level of the target population.

Pensions

The government introduced a menu of pension measures to support households during the COVID-19 pandemic. In March, April and May 2020, the government introduced a temporary pension increase by EUR 30 for pensions under EUR 101. In December 2020, it allowed for a 10 percent non-means-tested withdrawal for individuals contributing to mandatory pensions (KPST), up to EUR 1,000, to help households cope with economic hardship due to the COVID-19 pandemic. Account holders who have a balance below EUR 10,000 are eligible for reimbursement of withdrawals over the next 10 years, from 2023 onwards. Around 91 percent of savers would meet the threshold for reimbursement. The ability to make withdrawals favors employees in public administration and public enterprises as well as higher-earning private-sector employees (KPST, 2020). By December 16, within five days of the announcement, 53 percent

of account holders (or 344,000 contributors) had already applied for a withdrawal.

Across the world, allowing for withdrawal from mandatory pension schemes was not a common measure taken by governments in response to the COVID-19 pandemic. Allowing for withdrawals from mandatory pension schemes during a crisis is not only regressive (since workers who contribute to pension schemes tend to be better off) but could also carry high fiscal costs and negatively impact future pensions. Kosovo is the only European country that allowed for such withdrawals; other countries allowing withdrawals include Australia, Chile, Malaysia, Peru and several smaller countries in the East Asia and Pacific Region. However, in Australia, withdrawals were means tested: only those who suffered a reduction in working hours or a reduction in income from self-employment greater than 20 percent were eligible to make a withdrawal. Withdrawals were also subject to taxes.

Employment and ALMPs

The government supported alternative labor market programs to protect workers' jobs and support those who had lost employment. As of May 2020, over 170,000 workers had applied for salary compensation, newly introduced unemployment assistance and other social welfare measures included in the government's response to the COVID-19 pandemic (OECD, 2020). The economic recovery program allocated EUR 67 million toward increasing employment, which included subsidizing salaries for new formal employees as well as wage subsidies of up to the minimum wage (EUR 170) in March and April 2020 for employees working in businesses affected by the pandemic. Firms registered a higher number of workers as newly unemployed than as formal workers, suggesting the support contributed to a formalization of employees (World Bank, 2020c). Additionally, to address the lack of unemployment insurance, all individuals who lost their jobs were guaranteed monthly payments of EUR 130 from April to June 2020 and EUR 5 million was provided to the Ministry of Culture, Youth and Sports to, among others, support youth employment.⁴¹

Reform priorities and knowledge gaps

Government spending on social protection in Kosovo is high, yet the impact on poverty, equity and human capital as well as on sustainability could be improved. Social protection spending, which is largely government funded, is skewed toward cash transfers that are unrelated to poverty, making the social protection system unbalanced. War veterans and war-related pensions crowd out poverty-targeted programs and, given their high generosity, introduce inequities in the system; they also may disincentivize work by recipients and their family members. Further, the number of benefits has not only been increasing in recent years, they also cover surviving spouses, children and parents. In this way, they are expanding in terms of their timeframe and the public expenditures require to finance them, raising questions about their sustainability. The government decision to allow the withdrawal of savings from mandatory pensions accounts as part of the COVID-19 response underscores the need for a transparent, data-driven social protection system in Kosovo, supporting sustainability and equity.

The social protection system does not universally target or effectively reach the poor, not only in terms of expansion of coverage of the SAS but also the removal of its stringent categorical eligibility criteria that exclude families with children as well as the working poor and disincentivize work among beneficiaries. Implementing a new poverty-targeted instrument that considers observable income through a means test and informal/unobservable income through a proxy means test could improve poverty targeting, better reflect the high rates of informality in the Kosovo labor market, and serve as a tool for responding to future crises in a timely manner. It also would serve as a foundation for targeting other benefits and services toward the poor, such as health insurance and energy subsidies. Such a reform would improve the coverage of the poor by cash transfers and improve the effectiveness of the social protection system in reducing poverty.

Coverage of disability benefits is inadequate and

inequitable. Disability pensions are only available for those who are declared 100 percent disabled, leaving partially disabled individuals uncovered. The process to assess and reassess disability is not systematic across programs and is outdated. In contrast, war-related or special pensions offer partial disability benefits, which also tend to be more generous and do not require periodic reassessment.

The government has invested in a management information system (MIS) for social benefits. The information is not consolidated but rather housed in the multiple MISs in the Ministry of Finance, Labor and Transfers. The current MIS warrants strengthening and consolidation. A social registry is still not in place.

Funding for social services is limited. The delivery of social services could benefit from a referral or case management system to better ensure coordination of social benefits and other basic services (particularly health and education) and to better train social workers. This would induce a cultural shift (and cost savings), from reacting to vulnerabilities to preventing them. It also would improve the contributions of the social protection system to building human capital.

The pension system is fragmented, with large inequities in the non-contributory pensions. About a third of the working-age population contributes to the nascent second pillar, but contributory pensions provide support only until the account is depleted. Disability and survivor pensions are, for the most part, inadequate. Lastly, the proliferation of categorical pension benefits fully funded by government over the years is increasing fiscal costs.

Labor market programs and trainings are not sufficiently resourced or well matched to the marketplace. To support employment and employability, resources going into ALMPs need to be increased, both for the Public Employment Agency but also to allow for partnerships with non-public providers.

Programming decisions need to be based on information on labor markets and jobseeker characteristics, and rigorous monitoring and evaluation needs to be established and used for decision-making. Options for temporary financial support for those actively searching for jobs should be assessed.

Kosovo lacks an adaptable social safety net.

Despite the existence of a range of social protection programs, the government could not quickly expand its coverage to people who were impacted by the COVID-19 pandemic. The reforms to the SAS proposed before the pandemic as well as the lessons learned in the pandemic would support the creation of an adaptable social safety net. One that can respond to economic events and crises. To be effective, however, this objective would need to be set out in legislation and supported by investments in the SAS delivery systems.

Kosovo: Reform priorities

Short term	Medium term	Long term
Cash transfers to support disabled, poor and vulnerable groups		
<ul style="list-style-type: none"> Reform targeting mechanism for the Social Assistance Scheme (SAS) scheme for more efficient poverty targeting that can respond to crises and modify the equivalence scale to compensate larger families. Modernize delivery systems, including the application and payment systems, and strengthen outreach and communications. Introduce case management to ensure effective support throughout life cycle. Introduce integrated beneficiary registry drawing on existing management information system (MIS) data. Introduce incentives for work by disregarding some income from employment in order to become eligible for benefits. 	<ul style="list-style-type: none"> Introduce a social registry. Invest in efficient government delivery systems: human resources for social workers and case management systems. Assess disability pension adequacy and expand coverage beyond 100 percent disability. 	<ul style="list-style-type: none"> Reduce spending on war-related pensions and reallocate spending to the poverty-targeted SAS scheme.
Social services		
<ul style="list-style-type: none"> Integrate the provision of social services and integrate social benefits and social services: incorporate regulations and procedures for referrals. Introduce a case management model and improve coordination and referrals. Increase financing for service delivery and human resources, including earmarked funds at the municipal level. Increase community outreach. Introduce mechanisms to plan, monitor, inspect and ensure service quality. 	<ul style="list-style-type: none"> Introduce accompanying services such as community housing facilities for the elderly and persons with disabilities. Expand the number of providers of child protection services and their capacity. 	<ul style="list-style-type: none"> Develop a whole-of-government approach to monitor and support vulnerable children and adults along the life cycle across social sectors.
Pensions		
<ul style="list-style-type: none"> Redesign the basic pension to provide a minimum floor and adjust downward for other sources of pension income. Establish an affluence test to exclude the highest income quintile from receiving the basic pension. Phase out ex-contributory benefits by linking their value to the value of a self-financed pension in an inversely proportional way such that ex-contributory benefits decrease as accumulations in the individual account increase. 	<ul style="list-style-type: none"> Assess disability pension adequacy and expand coverage to individuals with less than 100 percent disability. Consolidate existing categorical benefits as much as possible, especially disability benefits and war-related categories. Introduce a mechanism for providing annuities or scheduled withdrawals for the second pillar. 	<ul style="list-style-type: none"> Introduce a new insurance pillar to finance benefits at an advanced age (after the individual account pension is exhausted), financed by an additional contribution rate and managed by an independent entity (preferably the existing Kosovo Pension Savings Trust (KPST), to avoid an additional institutional burden). Provide a predictable, sustainable lifetime income stream financed within the system instead of on general budget financing.

Short term	Medium term	Long term
Employment and ALMPs		
<ul style="list-style-type: none"> · Strengthen the capacity of the Employment Agency of the Republic of Kosovo (EARK) by hiring and training counsellors, including for employer outreach, proactive case management and specialized support for vulnerable groups. · Generate monitoring information and disseminate the available data collected on ALMP beneficiaries' outcomes and program-specific budgets. · Apply performance indicators at EARK which can support internal decision-making and budget distributions. 	<ul style="list-style-type: none"> · Reform the organizational structure of EARK. · Systematically base active labor market program (ALMP) decisions on labor market data and jobseeker characteristics. · Prepare to outsource services and programs to non-public providers with a view to increase coverage and quality. · Build a range of youth-friendly ALMPs (e.g., work preparation training; demand-driven vocational training; wage subsidies, volunteering and public works). · Establish targeted approaches and services for disadvantaged groups (e.g., women, long-term unemployed and Roma, Ashkali, Egyptian). 	<ul style="list-style-type: none"> · Prepare and introduce temporary financial support for the unemployed. · In line with the reform of the Social Assistance Scheme (SAS), implement activation strategy for social assistance beneficiaries.
Disaster preparedness and response		
<ul style="list-style-type: none"> · Systematically assess the readiness of current social protection programs for crisis response, learning from COVID-19 response and including a range/mix of flexible program rules and procedures; rapid outreach, assessment, enrollment and payment; and robust processes and systems, among others. · Strengthen data and analysis (for example, conduct household poverty and vulnerability analysis for risk profiling). · Set out the objectives of responding to crises through the SAS. 	<ul style="list-style-type: none"> · Build an information system for eligibility assessment and integrated beneficiary registry (social registry). · Strengthen program information systems for enrollment and payment. · Establish disaster risk protocols. · Identify financing mechanisms (including reserve fund, budget reallocation). · Map (internal/external) actors and their responsibility for disaster response and establish coordination mechanisms. 	

Kosovo: Areas for further research/knowledge gaps

Category	Benefits and programs
Cash transfers	<p>A new targeting system (combining a means test with a proxy means test):</p> <ul style="list-style-type: none"> · Consolidate household data: HBS household composition differs substantially from applicant “households” raising questions as to the “losers” and “winners” and an appropriate threshold for the both the means test and the proxy means test. · Analyze EU-SILC survey data: Kosovo will begin using EU-SILC to calculate poverty. · System assessments: <ul style="list-style-type: none"> · Review outreach, intake and enrollment and identify gaps and inequalities to ensure hard-to-reach populations receive support. · Assess payment systems for SAS to promote innovation and financial inclusion. <p>Disability benefits:</p> <ul style="list-style-type: none"> · Harmonize and synchronize the disability assessment process, moving toward a functional assessment. · Ensure benefit adequacy according to level of disability. · Different programs for different types of disability?
Social services	<ul style="list-style-type: none"> · Assess options to introduce a case management system. · Review human resources management systems for social workers.
Pensions	<ul style="list-style-type: none"> · Assess data availability for restoring or phasing out the ex-contributory pension system. · Explore options for introducing/strengthening the contributory system. · Analyze the long-term impacts and sustainability of proposed reforms and options for consolidation.
Employment and active labor market programs (ALMPs)	<ul style="list-style-type: none"> · Rigorously assess the effectiveness of ALMPs to promote employment, especially for vulnerable groups, and assess options to strengthen the design and delivery of ALMPs. · Assess options to introduce unemployment benefits, noting high levels of informality. · Elaborate policy options to support firm and employment growth, in particular those related to the business environment and firm management practices. · Prepare strategies for partnering with the private sector to boost skills development and increase efforts to promote work-based learning and career guidance for students in schools and universities.
Disaster preparedness and response	<ul style="list-style-type: none"> · Assess current status of disaster risk management system in Kosovo and the extent to which it can support a response to shocks through social protection programs. · Carry out a systematic assessment of social protection programs for crisis response, focusing on the operational aspects of outreach, targeting, enrollment, and payment, among others. · Identify options for contingency financing to support the scale-up of such programs to respond to shocks.

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Annex 1.

Key gaps in management and delivery of social services

In its Concept Paper on Social and Family Services, the Ministry of Labor and Social Welfare (MLSW) has identified key gaps in the management and delivery of social services, among them:

- Lack of sustainability in the provision of social and family services due to poorly defined competencies of the central and local governments for service planning, delivery, monitoring, inspecting and reporting.
- Reactive approach of the Centers for Social Work (CSWs) when cases become acute or urgent, leaving aside the focus on preventive and follow-up services.
- Lack of informing Kosovars about the places where they can receive services and what social and family services are provided.
- Limited access to and scope of services offered by CSW Social and Family Services (although CSWs are present in all municipalities, access to them is not always easy) combined with asymmetrical expansion of services provided by NGOs which are concentrated in urban areas, and specifically in larger cities.
- Lack of capacity of the Monitoring and Inspection Unit (at MLSW Department of Social and Family Policies level) on the quality of social and family services.
- Separation and definition of the monitoring and inspection responsibilities of municipalities and the central government.
- Need to redefine the role and responsibilities of existing mechanisms in the MLSW, such as the General Council for Social and Family Services and the Panel for placement of children in family foster care and adoption.
- Insufficient funding allocated by the government and municipalities to guarantee adequate quality of social and family services.
- Absence of alternative care options. The far-reaching reform of closing down residential institutions (orphanages) requires quick implementation of alternative forms of care, such as family foster care for children and for the elderly and community-based care for vulnerable groups.
- Lack of adequate procedures, guidelines and instruments for contracting social and family services which leads to poorly structured cooperation between governmental and non-governmental social service providers and to a lack of sustainability in providing social services.

Annex 2.

Existing pension schemes in Kosovo

The table provides a description of existing pension programs in Kosovo. It is based on the Concept Document for Regulating and Managing the Field of Pensions and Benefits from Social Security, which the Ministry of Labor and Social Welfare (MLSW) published for consultation in October 2018.

Table A1: Summary of pension schemes in Kosovo

Scheme	Criteria	Monthly Amount
Pensions regulated by Law No. 04/L-131 on State Pension Funds		
Basic Pension Scheme	Age 65 years and older. Permanent residence in Kosovo. Citizenship of Kosovo. Presentation to MLSW every 6 months.	EUR 90
Ex-Contributor Pension⁴²	Age 65 years and older. Permanent residence in Kosovo. Presentation to MLSW every 6 months. At least 15 years of contributions to the pension system in the former Yugoslavia before 1999, Recognition of work experience in 1989-1999. Categorize users according to the qualification structure: - Low-level pensioners. - Secondary school retirees. - High school graduates. - Pensioners with superior education.	EUR 158 EUR 172 EUR 186 EUR 230
Basic Pension Scheme	Age 18-65 years of age. D is for permanent disability (100%). Permanent residence in Kosovo. After 1, 3, or 5 years (depending on the assessment), the beneficiary submits to the Medical Commission for medical reassessment.	EUR 90 work-related EUR 75 non-work-related
Early Pension Scheme of Trepça Company	Permanent residence in Kosovo. Age 50-65 years of age. A proven contribution of at least 10 years in the mining sector (includes the period of dismissal during the 1990s). Limited work ability up to 50%. No income from employment or self-employment.	EUR 105 ⁴³
Pension Scheme for Members of Kosovo Protection Corps (KPC) <i>Law No. 03/L-100 on Pensions of Members of the Kosovo Protection Corps</i>	Minimum age: 45 years. Service in KPC for at least 5 years. Pensions paid after the age 65 years, together with the basic pension and the contributing pension.	45 years of age: 50% of the last salary of the KPC 50 years old: 70% of the last salary from the KPC Survivors (family) can benefit: spouse 60% and children 20% (regardless of number, up to 18 years of age, 26 years if the latter goes to school) of the pension paid to the KPC pensioner.

⁴² Increased by 15 percent in 2019.

⁴³ Increased by 20 percent in 2019.

Scheme	Criteria	Monthly Amount
Pension Scheme for Members of the Kosovo Security Force (KSF) <i>Law No. 04/L-084 on Pensions of Members of the Kosovo Security Force</i>	Minimum age: 50 years or 55 years (in the case of officers). Minimum 20 years contribution. Former KPC members continuing KSF service may retire after 3 years of service in KSF.	60% of the last salary, 40% of the final salary up to the age of 50, and then 60% (in the case of KPC service). Survivors (family) can benefit: spouse 60% and children 10% (up to 40%, regardless of number, up to 18 years of age, 26 years if the latter continues education) of the pension that was paid to the KSF pensioner.
Pension Scheme for Blind Persons <i>Law No. 04/L-092 on Blind Persons</i>	Beneficiaries: blind persons regardless of age.	Not less than EUR 170 (plus EUR 170 for a personal assistant if the Commission deems it necessary). Amount to be set based on minimum wages.
Other pension schemes – since 2018		
Work Invalidity Pension <i>Law No. 04/L-131 on State Pension Funds</i>	Beneficiaries: Persons under the age of 65 years who received the same pension prior to 1999. Persons suffering from a work-related injury resulting in permanent disability (100%) (<i>criterion for benefit for work injuries after 1999</i>).	EUR 90
Family Pensions <i>Law No. 04/L-131 on State Pension Funds</i>	Beneficiaries: Persons who received family pensions before 1999. Families who survive the insured family member who contributed to the system before 1999 for at least 15 years. Families of persons who die from accidents at work or occupational diseases, irrespective of their contributions to the system before 1999. Retirement for employment or self-employment is forbidden.	EUR 90 + 20% for each child under 18 years or even 26 years in case of study.
Pension Scheme for Tetraplegic Persons and Paraplegics <i>Law no. 05/L-067 on the Status and Rights of Paraplegic and Tetraplegic Persons</i>	Beneficiaries: Persons with paraplegia and tetraplegia.	EUR 170 (+EUR 170 reimbursement for the guardian, + 50% of additional compensation depending on the condition of the disability).
Scheme for the Former Political Complainant and Persecution <i>The scheme has not yet been implemented</i>	Beneficiaries' categories: Former political prisoners. Former political persecuted.	Adjusted by a Special Act.
The second and third pillar of the pension system		
Mandatory Pension Savings for Workers (second tier) <i>Regulation No. 2001/35 on Pensions in Kosovo</i>	Workers and other people active in the labor market. Contributions: 5% employee, 5% employer. 65 years of age (early withdrawals only if the contributor incurs 100% disability).	Not less than EUR 150.
Voluntary supplementary pensions <i>Regulation No. 2001/35 on Pensions in Kosovo</i>	Supplementary Employer Pension Funds: - Established as non-profit legal entities. - Subject to licensing and regulation. Supplementary Individual Pensions: - Provided by financial institutions, banks and insurance companies. - Subject to licensing and regulation.	Not less than EUR 150.

Source: Legislative Legislation for each Scheme and Social Statistics 2015, KAS, 2016.

Table A2. Kosovo: Categories of war-related pensions

Scheme	Criteria	Monthly Amount
Pensions regulated by Law No. 04/L-131 on State Pension Funds		
For War Veterans of the Kosovo Liberation Army (KLA). <i>Law No. 04/L-261 for War Veterans of the Kosovo Liberation Army</i>	Veteran KLA fighter—a Kosovo citizen and a foreign citizen who is listed in the KLA and is registered as an armed and uniformed soldier from KLA commands, staff and operational areas and who was active until the end of the war. Under age 65 years. Veterans employed in the public and private sector do not have the right to retire. In the case of KPC service, it may select a pension between the KPC or a veteran warrior. Unemployed spouse, minor children, and parents if they do not receive social insurance benefits.	EUR 170 (the minimum wage value); after reaching the statutory retirement age, is entitled to an additional allowance for the retired veteran's pension. Veteran's family, after the death of the veteran: 70% of the spouse's or child's pension (up to 18 years or 26 years, depending on the continuation of education): EUR 119.
Status and Rights of Martyrs, Invalids, Veterans, KLA Members, Victims Sexual Violence, Civil Victims and their Families (Law No. 04/L-172 on Amendments and Supplementation of the Law No. 04/L-054 on the Status and Rights of Martyrs, Invalids, Veterans, Liberation Army Members Kosovo Victims of Sexual Violence of War, Civilian Victims and their Families)		
Pensioners for the families of martyrs	A close family member. Children of martyrs' families without parental care are beneficiaries of the family pension and enjoy the right to 18 years of age, or 26 years of age if they are attending regular education.	The family who has a martyr: EUR 448.13 The family who has two martyrs: EUR 537.76 The family who has three martyrs: EUR 582.57 The family who has four martyrs: EUR 627.39 The family who has more than four martyrs: EUR 672.19
Pensions of the KLA Families of the KLA	A close family member. Children of missing KLA without parental care are beneficiaries of the family pension and enjoy the right to 18 years of age, or 26 years of age if they are attending regular education.	Family with one KLA missing: EUR 448.13 Family with two KLAs missing: EUR 537.76 Family with three KLAs missing: EUR 582.57 Family with four KLAs missing: EUR 627.39 Family with more than four KLAs missing: EUR 672.19
Pensions of Families of Victims and Missing Civilians	The order is husband or wife, children, illegitimate children, adopted children, parents, stepson, stepdaughter. The spouse who enters into a new marriage shall lose the rights set forth in this law. Children of the victim or civilian missing without parental care are beneficiaries of the family pension and enjoy the right to 18 years of age, or 26 if they are attending regular education.	Family with one victim or missing person: EUR 168.75 Family with two casualties or missing civilians: EUR 202.50 Family with three casualties or missing civilians: EUR 219.38 Family with four casualties or missing civilians: EUR 236.25 Family with four or more casualties or missing civilians: EUR 253.13

Scheme	Criteria	Monthly Amount
Invalidity Pension of the KLA	Invalids with 20–100% of bodily harm are entitled to retirement.	Invalid with over 80% body injury: EUR 448.13 Invalid with 71–80% bodily injury: EUR 412.5 Invalid with 61–70% body injuries: EUR 393.75 Invalid with 51–60% bodily harm: EUR 375 Invalid with 41–50% bodily harm: EUR 356.25 Invalid with 31–40% bodily harm: EUR 318.75 Invalid with 21–30% bodily harm: EUR 225
Civil Invalids Pensions of War	Invalids from civil war with 40–60% degree of disability.	Invalid with over 80% bodily harm: EUR 152.5 Invalid with 61–80% bodily harm: EUR 136.25 Invalid with 40–60% bodily harm: EUR 120 Plus caretaker for over 80% bodily injury: EUR 50.13
Invalidity pensions of the KLA after the death of the Invalid	<p>The spouse who enters into a new marriage after the death of the invalid loses the right to pension and benefits.</p> <p>KLA children without parental care are beneficiaries of the family pension and are entitled to enjoy up to the age of 18 years, or 26 years if they are attending regular education.</p> <p>Families of war-wounded KLA invalids who die as a result of these injuries (within 3 years after the war) have the right to a family pension at 100% disability.</p>	Invalid with over 80% bodily harm: EUR 385.50 Invalid with 71–80% bodily harm: EUR 330 Invalid with 61–70% bodily harm: EUR 315 Invalid with 51–60% bodily harm: EUR 300 Invalid with 41–50% bodily harm: EUR 285 Invalid with 31–40% bodily harm: EUR 255 Invalid with 21–30% bodily harm: EUR 180
Nursing Pensions of KLA Invalids	For invalids with 81–100% degree of disability.	EUR 225
Children of Civil Invalids of War after Death of Invalids		Invalid with over 80% physical impairment: EUR 123.25 Invalid with 61–80% physical injury: EUR 110.25 Invalid with 40–60% bodily injury: EUR 97.25

Source: Legislative Legislation for each Scheme and Social Statistics (2015), KAS (2016).



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