

Kosovo* moves towards a strengthening of the Social Assistance Scheme

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AMIR HAXHIKADRIJA – EUROPEAN SOCIAL POLICY NETWORK

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The reform of the Social Assistance Scheme in Kosovo foresees an updating of eligibility criteria, introduction of a new poverty test, use of a more generous equivalence scale and binding labour activation measures. These will strengthen the scheme's universality, benefit levels and effectiveness in reducing poverty, as well as reinforcing its workfare dimension.

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Description

In July 2020, after a year of political instability that halted all social reforms in the country, the Ministry of Labour and Social Welfare (MLSW) updated the so-called "Concept Document" (initially drafted in September 2019) that aims to reorganise the Social Assistance Scheme (SAS) in Kosovo.

The SAS is the only cash transfer programme in Kosovo aiming to provide protection against poverty. However, its potential to protect the poor has constantly declined due to: i) inadequate and outdated eligibility criteria (such as categorical requirements for a single unemployed parent with a child under 5 years, full inability to work, and absence of formal income); ii) low and declining benefit levels (the equivalence scale used penalises larger households while the lack of automatic price indexation has eroded the value over time); iii) limited coverage (the scheme covers only 35% of households in the poorest quintile of the population); and iv) lack of coordination between the SAS, social services and employment services (IMF, 2016; WB, 2019; MLSW, 2020a).

The proposed reform would revise the current legal framework and remove the category-based filters. Beneficiaries would be selected through a new poverty test. As a first step, the minimum income means test would count all household members, including those receiving pensions and other formal income, to check if the household falls under a poverty threshold – how this threshold would be calculated is yet

to be defined. In a second step, required because of the extensive informal economy in the country, households below the poverty threshold would be further ranked on the basis of a Proxy Means Test (PMT), based on asset ownership, housing conditions and certain demographic characteristics.

The reform would introduce a more generous equivalence scale for calculating the monthly benefit and would increase the child allowance (from €5 to €10/month) for every child under the age of 18. Finally, in order to activate SAS beneficiaries and push them to gradually exit the scheme, the new law would allow people engaged in public employment programmes, vocational training, internships, salary subsidies, or other government employment programmes to continue to receive the SAS benefits for a certain period of time, depending on the level of salary and the programme in question. Every working-age beneficiary able to work would have to be registered as unemployed with the Employment Agency.

The MLSW Concept Document largely follows the recommendations of the assessment carried out by the World Bank in 2019. The assessment, requested by the MLSW, suggested revision of the existing categorical requirements to avoid a priori exclusion of some households; application of an equivalence scale giving more weight to larger households; and improvement of targeting measures through a more comprehensive means test that does not only consider one single source of income in the eligibility criteria (WB, 2019).

The reform was initiated in 2019 by the previous coalition government led by the Democratic Party of Kosovo (PDK; centre-right), the Alliance for the Future of Kosovo (AAK; centre-right), NISMA (centre-left) and the New Kosovo Alliance (AKR; centre-left). It re-emerged under the current government led by the Democratic League of Kosovo (LDK; centre-right), AAK and NISMA. The reform therefore seems to have broad support from the main political parties, including a party that is currently in opposition (PDK).

Outlook and commentary

The proposed reorganisation of the SAS aims to expand the coverage of the benefit and increase its value. If the reform is adopted, it will transform the SAS from a category-based institution to a more universal benefit scheme: according to the MLSW and World Bank simulations based on 2016 Household Budget Survey Data, if the new scheme had been applied in 2015 (the reference year for the data) it would have increased the number of beneficiaries from 106,416 to 167,766 and would have improved the targeting accuracy from 64% to 68%. The benefit level would have been improved as well - the monthly amount would cover 63% of beneficiaries' basic consumption needs (compared to the current 39%). The proposed changes would have reduced absolute poverty (national definition based on consumption) from 16.3% to 11.5% and the absolute poverty gap from 4.3% to 2.5% (MLSW, 2020a).

The document does not specify how the poverty threshold will be calculated. That will be decided through secondary legislation. To

date, poverty has been estimated based on the price of an equivalised minimal basket of food (2,100 calories of food per day). This method of calculation and the lack of automatic price indexation resulted in low SAS payments compared to rising market wages; and therefore declining effectiveness in reducing poverty. Hence, if the only improvement of the reform is a more generous equivalence scale, SAS benefit levels and poverty reduction effectiveness will not improve considerably.

The revised SAS will also have a stronger "workfare" dimension. Mandatory registration during the application phase is expected to increase the number of registered unemployed SAS beneficiaries. Since SAS benefits will be maintained together with various activation measures, this should improve the activation of women in particular. However, the reform document does not specify which "top-up" measures will be taken to further boost efforts to get poorer people into employment. Setting minimum consumption-based SAS payments will not fit well with the efforts to boost employment.

Encouragingly, the reform will also target refugees and asylum seekers. Their eligibility for SAS will be determined through secondary legislation. Finally, SAS beneficiaries will also be entitled to a number of in-kind benefits and exemptions.

The Concept Document is expected to be formally approved by the Government of Kosovo (GoK) in September 2020. Subsequently, the MLSW will begin to draft the new SAS law and the secondary legislation. The revised scheme, if adopted, will cost the GoK budget €50M - an €18M increase compared to the current €32M expenditure (MLSW 2020a).

Further reading

IMF (2016) "Kosovo Technical Assistance Report - Enhancing Social Protection Cash Benefits", March 2016, Washington DC: International Monetary Fund.

MLSW (2020a) "Draft Concept Document on Social Assistance Scheme", July 2020, Pristina: Ministry of Labour and Social Welfare.

MLSW (2020b) "Raport nga procesi i diskutimit publik per draftin fillestar të konceptit dokumentit për reformimin e skemës së ndihmës sociale" [Consultation Document for the Initial Draft of the Concept Document for the Social Assistance Scheme], July 2020, Pristina: Ministry of Labour and Social Welfare.

WB (2019) "Kosovo Social Assistance Scheme Study - Assessment and Reform Options" March 2019, Pristina: World Bank Group - Social Protection and Jobs Global Practice Europe and Central Asia Region.

Author

[Amir Haxhikadrija](#) (Independent social policy expert)

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