Designing a financing mechanism for inter-municipal allocation of resources for social services in Kosovo

Background Consultations Paper №2

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Acronyms and Abbreviations

CSO	Civil Society Organisation
CSW	Centre for Social Welfare
DG	Directorate General
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organisation
GDI	Gender – Related Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Index
GII	Gender Inequality Index
GIS	Geographic Information System
GNI	Gross National Income
GPS	Global Positioning System
HBS	Household Budget Survey
HDI	Human Development Index
HDR	Human Development Report
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
HPI	Human Poverty Index
IHDI	Inequality – Adjusted Human Development Index
ILO	International Labour Organization
IMF	International Monetary Fund
KHDR	Kosovo Human Development Report
MLSW	Ministry of Labour and Social Welfare
MPI	Multidimensional Poverty Index
MTEF	Medium-Term Expenditure Framework
NGO	Non - Governmental Organization
OMC	Open Method of Coordination
PA	Poverty Assessment
R&V	Risk & Vulnerability
RAE	Roma, Ashkali and Egyptians
SCI	Social Capital Index
SOK	Statistical Office of Kosovo
SPC	Social Protection Committee
SRM	Social Risk Management
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization

Introduction

New ways for funding social services in Kosovo need to address two simultaneous challenges.

- On the one hand, the country's own system of social risk management is at the stage of institutional inception, often lacking clear rules and capacities at all levels, and – at the same time – facing a political imperative of significant decentralisation of most services to the level of municipalities. As discussed in the recent framework paper, running a decentralised system of social care is a much more challenging task for any country, as it creates many additional demands for coordination, strategic planning, information management and other institutional capacities.

- On the other hand, on top of domestic teething troubles, Kosovo will have to manage its social vulnerabilities in a world which is rapidly changing, becoming a much riskier place, and where both the social risks and the coping strategies are transforming. In particular, global integration, urbanisation and demographic shifts make every country more vulnerable to new shocks, and yet it opens new ways, connections and knowledge for people to address their problems. Respectively, approaches to organisation and assessment of social protection and social welfare systems are also changing around the globe.

The purpose of this paper is to assist the Government of Kosovo to design a system of decentralised funding for social services to vulnerable population groups which would be based on comprehensive understanding of the spatial dimensions of social vulnerability in the country, which would be fiscally and politically sustainable, and which would correspond to the strategic vision of social risk management and public service delivery in Kosovo set out in the Ahtisaari Plan and the European Partnership commitments (Ahtisaari, 2007) (Europan Commission, 2005).

The depth of statistical analysis and the scope of resulting conclusions of this report were strongly limited with the difficulties of accessing necessary social statistics in the municipal breakdown, including the data from Labour Force and Household Budget Surveys. Because of this complications, the findings of the report are preliminary and may be considered as a starting point for further discussions in order to agree upon the approach which could be elaborated once more data becomes available. Respectively, the report is focused on the analysis of current approaches to spatial mapping of vulnerability and existing regional trends in Kosovo, as well as initial analysis of how current resource allocation procedures correspond to these disparities. Further steps will include more rigorous statistical analysis to design more appropriate proxy variables for resource allocation and testing the impact of using these variables on individual local budgets.

The paper includes the following:

- An overview of approaches to assessment of spatial dimensions of social vulnerability and social risk management practiced throughout the globe, which help the governments to understand regional disparities in social resilience and in access to services which protect, prevent and promote coping strategies in the face of social risks;

- Overview of findings for Kosovo from major assessment by key observers and players;

- Actual mapping of social vulnerabilities based on available data; and

- Discussion of how the current allocation of resources corresponds to the regional distribution of social vulnerability factors and of the resulting disparities.

Spatial dimensions of social vulnerability and social risk management: why and how approaches are changing

General trends

In the last decade, global understanding of the reasons for why some groups of populations (and some communities) are more vulnerable than others, and of how governments can support their populations in the face of individual, local, regional and global shocks, has significantly changed. To a significant extent, the scale of change is explained by the revived interest of key international organisations and governments around the world to the ways in which social vulnerability and resilience influences economic growth, and intensified attempts to understand and capitalise on these linkages. Another global trend is the increased international effort to manage the impact of climate change and the increasing frequency of natural disasters, which stimulated significant new research into social factors which influence the degree of exposure and sensitivity of households to disaster-related risks. Coupled with the rapid technological developments in information management and exchange, including spatial information management such as GPS identification, Geographical Information Systems, and use of mobile communications, these processes led to an explosion of new ideas about how governments can use the geography of social vulnerability to develop affective policy responses.

The key vectors of the on-going change in the approaches to analysis of social vulnerabilities include (a) multi-disciplinarity, (b) focus on risk management, and (c) growing attention to spatial dimensions of social risks and to developing composite indexes of social vulnerability:

- **(a) Multi-disciplinarity.**

  While various disciplines may be focused on diverse social risks and types of shocks to population, they learn to use joint approaches to manage the impact. Looking for ways to deal with the growing probabilities and diversity of local and global shocks is bringing together multiple disciplines to understand complex root causes of what makes people sensitive to crises and to employ tools from various sectors to help vulnerable groups avoid or mitigate adverse impact of shocks. This includes stronger integration of social protection and disaster management sectors, as policies addressing the impact of natural hazards try to take into account how exposure and sensitivity to disaster risk depends on social institutions and cultural values. Moreover, traditional field of social protection becomes increasingly appreciative of linkages to other sectors such as healthcare, education, agriculture, finance and economics (World Bank, 2011).

  In particular, one core divide which is being gradually bridged in the last decade around shared vision of social vulnerability management is the dichotomy between a "developmentalist" and "rights-protection" perspective. The "rights-protection" approach tends to focus on immediate and specific risks to protection of certain rights, while "developmentalist" view is focused on accumulation of human capital and social skills which may help to address social risks in the longer-term perspective, in some way representing a "deficit approach" versus a "strength-based approach" (Joshua, 2010). In particular, social vulnerability research led by the World Bank (described further in this paper) is focused on "management" of the risks to economic wellbeing of households (with the resulting long-term social outcomes), while other stakeholders may be more concerned about risks to protection of specific basic rights (e.g. International Labour Organisation, ILO, would rather focus on protection against low living standards (Barrientos, 2005), and UNICEF may focus on protection of children's rights including protection from abuse and maltreatment which is only indirectly linked to poverty and economic wellbeing of families (Joshua, 2010). But despite this apparent divide, both perspectives increasingly appreciate multiple and covariate risks and seek multi-sector cooperation to prevent and mitigate their impact.

- **(b) Focus on risk management.**

  Policy discussions and research in the area of social protection have shifted in the last decade away from dealing with the outcomes of social shocks *ex post* towards trying to find ways to address the probability of adverse outcomes of shocks *ex ante* by shifting to a risk management and vulnerability philosophy (World Bank, 2003) (Barrientos, 2005). This shift required a much broader view on the origins of vulnerability, with a stronger appreciation of covariate risks and of social institutions and systems which increase vulberabilities.

- **(c) Importance of spatial analysis for decentralised and globalised policy responses.**

  The latest conceptual paper on social protection developed by the World Bank notes that the world is fast becoming much more integrated and interconnected, which means that economic volatilities are quickly transmitted across borders (as demonstrated by the recent global recession and on-going fiscal crises) . At the same time, coping strategies also become globalised (e.g. growing importance of remittances and international migration) (World Bank, 2011).

  Moreover, multi-layer systems of policy making and service delivery in individual countries and in supra-national agreements lead to a growing need to for better spatial mapping of social vulnerability. Various dimensions of social risks and their factors need to be sufficiently geographically disaggregated for policy makers to understand their origins and best ways to organise prevention and protection via decentralised authorities and service providers (Joshua, 2003). One aspect of this trend for better mapping of social vulnerability is the growing interest in development of composite social vulnerability indicators, which could be monitored across communities, help to address spatial regional vulnerability factors and avoid regional disparities in access to prevention and protection.

Conceptual framework for Social Risk Management (SRM)

Definitions of social risk and social vulnerability, as well as approaches to measuring its magnitude and regional disparities, vary across disciplines. Different sectors – e.g. economics, sociology, anthropology, disaster management, environmental science, healthcare – tend to focus on specific components of social risks and specific detrimental outcomes (Alwang, 2001). Respectively, these disciplines can use diverse models of social linkages and risk chains which explain vulnerabilities, and offer a myriad of measurement indexes.

However, despite the diversity of approaches across disciplines, the major conceptual framework which sets out a flexible model of linkages between various dimensions of social vulnerability (including social protection and poverty) is the Social Risk Management (SRM) framework. First outlined in the WB Social Protection Strategy document in 2003 (World Bank, 2003), this conceptual approach is being constantly developed by the international development partners, e.g. by making it more operational and tailoring it to the further demands created by the recent crises. In particular, the new Social Protection Strategy being currently designed by the World Bank for 2012-2022 recognises that conceptual framework set out in the SRM is still relevant, and builds on it to make it more relevant to most recent technological, demographic and economic developments (World Bank, 2011).

The SRM operationalises the concept of social vulnerability and helps to assess it by distinguishing idiosyncratic and covariate risks, and by highlighting the sector-specific sources of these risks. The SRM framework suggests to analyse the possibility of various shocks to households as a risk, rather than a presumed negative outcome – which means looking at vulnerable groups of population as agents who have an active potential to avoid, mitigate and cope with the adversities, rather than passively take up the consequences. This

represents a “risk management” approach, which includes analysis of types and probabilities of various risks, and the resulting social vulnerability. Among other things, the SRM attempts to decompose and classify the various kinds of risks faced by households, which makes it easier to assess vulnerabilities and design response policies (see Table 1). A major benefit of this approach is the analytical distinction between idiosyncratic and covariant risks, which illustrate that there is often a cross-sectoral covariance between adverse events suffered by individuals and families, and that these shocks should be addressed in an equally multi-disciplinary way (Holzman, 2000) (World Bank, 2003).

Table 1. Main sources of risk (Holzman, 2000)

	Micro	Meso	Macro
	Idiosyncratic	←----------→	Covariate
Natural		Rainfall Landslides Volcanic eruption	Earthquakes Floods Draught
Health	Illness Injury Disability	Epidemic	
Life-cycle	Birth Old age Death		
Social	Crime Domestic violence	Terrorism Gangs	Civil strife War Social upheaval
Economic	Unemployment Harvest failure Business failure	Resettlement	Output collapse Financial or currency crisis International trade shocks
Political	Ethnic discrismination	Riots	Political default on social problems Coup d’etat
Environmental		Pollution Deforestation Nuclear Disaster	

Latest proposals to develop this philosophy even further highlight the importance of multi-sectorality, the need for stronger data management and exchange, and the importance of local institutional context. The most recent ideas about how to take forward the social risk management philosophy are based on incorporation of lessons from the economic and financial turbulence of the 2008-2010[1]. These recent developments include a much more integrated global economy, which rapidly transmits economic volatility across countries, urbanisation, ageing, and increasing incidence of natural disasters. These same

[1] In particular, the recent developments to the SRM framework were proposed in 2011 as the World Bank started to develop a new Social Protection Strategy for 2012-2022, which expands the SRM philosophy to emphasise the lessons and concerns accumulated during the recent years, including the 2008-2009 economic crisis (World Bank, 2011).

processes explain growing vulnerability as well as growing new sources of resilience for individuals and families, who can rely on new networks, technologies, and opportunities such as migration, to withstand the shocks. At the same time, being excluded from these new coping opportunities – such as in case of isolated communities, poor or less educated families – becomes increasingly risky. This latest approach highlights the following four gaps which need to be covered in the next decade to strengthen global and individual preparedness to micro and macro shocks:

- **An integration gap:** resulting from the fact that social protection as a sector is highly fragmented across sectors, agencies and tiers of government, and highlighting the need for inter-disciplinary and cross-sector co-operation;
- **A coverage gap:** meaning that overwhelming numbers of people being excluded from social risk management opportunities, such as those working in the informal sector;
- **A promotion gap:** bringing to attention that most current programmes addressing social vulnerability focus narrowly on prevention and protection from specific social risks, rather than linking to parallel activities for promotion of new opportunities such as finding new jobs;
- **A knowledge gap:** admitting that the current state of knowledge about social vulnerability is extremely inadequate. This includes poor data, especially in fragile states, weak understanding of what are actual results of existing social risk management programmes, weak understanding of the context and individual institutional specifics of various countries, and lack of reliable ways to share this information and the resulting recommendations.

An important part of the SRM framework is the recognition that certain groups of population are even more exposed and vulnerable. This may include elderly, children, people with disabilities, communities affected by armed conflict. Moreover, the SRM recognises that such risks may be mutually reinforcing, e.g. probability of child labour is higher for very poor households, and child destitution is more wide-spread in cases of sudden unemployment of the adults in the households or in cases of sudden eruption of armed conflict (World Bank, 2003).

This approach makes social care services an integral part of the social risk management perspective. Incorporation of specific vulnerabilities as integral components within SRM challenges the earlier stereotypical divide between “social care” as the attempt to relieve households of specific risks and problems and other “development” policies which are more long-term and strategic. The SRM acknowledges that social services represent a long-term investment into human and social capital of the vulnerable groups, and ultimately creates positive externalities for families, communities and national development (McLeod, 2001). In support of this view, the SRM specifically addresses the problems of individual types of especially vulnerable groups, analysing them through a “risk lens” and with the aim to design broad instruments for monitoring these vulnerabilities and devising strategic, multi-sector policies for their management (via better social services as well as supporting policies in social protection, employment creation etc) (World Bank, 2003). Some of the specific risks within the SRM include:

- Child labour;
- Disabled people;
- Orphans and vulnerable children;
- Unemployed youth;
- Old age.

Approaches to mapping and measuring regional disparities in social vulnerability

Depending on the policy goals of any individual social protection programme, exposure and sensitivity to social risks across communities can be measured in diverse ways. Again, as described in the previous section, while some existing approaches may focus on individual elements of risk and on their idiosyncratic sources, the current trend in social risk management encourages wider multi-disciplinarity and trying to take into account and address covariate risk factors (although analysis at sector-level and development of sector-specific responses still remains an important integral element of any multi-disciplinary risk model).

This section describes four major frameworks for assessing social vulnerabilities, including their spatial analysis, which could be of relevance in developing a system for decentralised social risk management in Kosovo.

1. Tracking social vulnerability as a barrier to growth: World Bank Risk and Vulnerability (R&V) Analysis.

The World Bank's SRM framework is operationalised through a wide portfolio of studies aimed at analysis of Risk and Vulnerability (R&V)[2]. These studies differ in scope and focus, but comply with the general conceptual understanding of linkages between social risks outlined in the 2003 SRM strategy.

The World Bank R&V studies could be classified based on types of data they use and on the types of risks they cover.

In particular, the data sources used for WB R&V studies include:

- Consumer expenditure surveys (to measure vulnerability, identify poor and vulnerable households, and analyse impact of risk, including regional disparities);
- Specialised risk modules added to some surveys (to analyse incidence of shocks and risk management strategies by types of households, including geographical factors);
- Panel data (repeated observations of individuals, households and communities) (to analyse dynamic aspects of social vulnerabilities);
- Qualitative surveys (to add depth and dimensions to standard quantitative measurements).

The types of analytical methods used by the World Bank to measure and analyse social vulnerabilities include:

- Vulnerability-to-Poverty indicators based on econometric estimates of the probability of becoming poor, sometimes based on expected utilities (cross-section or panel data);
- Proportions of the Poverty Line, which can be used to identify individuals whose current consumption levels are close to poverty line and thus are at risk of falling into poverty (usually cross-section data);
- Lifecycle Risks which identify individual at risk due to age, gender, or other personal or household characteristics (usually cross-section data);

[22] This description is based on the overview of the Risk and Vulnerability Analysis in the World Bank Analytical Work covering 2000-2007 and prepared in the process of assessment of the WB Social Protection and Labour activities in May 2008 (Kozel, 2008).

- Heuristic approaches, drawing on empirical information about individuals and households that experienced shocks, those who are poor or badly off (cross-section augmented by risk modules and by administrative information);

- Qualitative assessments of poverty and vulnerability (qualitative field work and surveys).

Moreover, WB-led studies vary in their coverage in terms of whether they focus on specific idiosyncratic or covariate risks.

The studies on covariate risks include:

- Analysis of macro shocks, including long-term trade and financial crises. Such studies may look at the impact of macro shocks on various types of households (e.g. impact of "coffee crisis" in Latin America on rural communities).

- Analysis of climate shocks including various agricultural shocks;

- Analysis of shocks due to natural disasters;

- Analysis of risks related to war, civil conflict and violence. Kosovo was one of the countries where WB has conducted a specific study of the impact of war and conflict on livelihoods and social vulnerability;

The studies on idiosyncratic risks include:

- Health shocks, including HIV/AIDS, chronic and acute diseases and deaths. Whilst health shocks are generally considered idiosyncratic shocks, the widespread nature of HIV/AIDS and malaria in some parts of the world implies that these shocks can often be viewed as covariate shocks. Health risks may also be due to environmental degradation and outmoded industrial practices. For example, the Kosovo PA found that exposure to health risks is widespread, largely resulting from environmental pollution.

- Analysis of labour and demographic shocks: job loss, unemployment, death of a breadwinner.

- Analysis of other shocks i.e. corruption and violence, theft, fire, loss of property, also local and family disputes. For example some studies in Latin America showed that urban areas were actually more vulnerable to adverse impacts of corruption, crime and violence.

2. Tracking social vulnerability as a barrier to realisation of human rights: UNDP Human Development Indicators

The UN Development paradigm, centred around the concept of Human Development, offers another set of approaches to understanding social vulnerabilities and their geographic profiles. Human development encompasses a range of factors which "allow people to develop their potential and lead productive, creative lives in line with their needs and interests". In this way, the Human Development approach highlights a broader view on opportunities than income and material wealth.

The Human Development perspective shares a common vision with Human Rights approach, empathising the importance for people to be able to exercise their choices and to realise their rights, including the rights to influence their life and wellbeing.

The pivotal system for UN analysis of the trends and disparities in Human Development across the globe, including within individual countries in individual communities, is a system of Human Development indicators, which lies at the heart of the UN annual Human Development Reports. These indicators include a range of indices – including various composite indices – based on

data from a variety of public international sources which are considered to represent the best and most current statistics for those indicators at the time of preparation of respective annual reports[3]. The UN constantly works on expanding and updating the range of indicators it applies to understand disparities in exposure to violation of various human rights, aiming to "always push the frontiers of measurement".

The Human Development approach includes the core Human Development Index (HDI) and a set of additional composite indicators.

- The HDI. The Human Development Index is itself a composite indicator, which combines four measures of development, covering three areas: Health, Education and Living Standards. The Health risks are covered by the measure of life expectancy at birth; risks related to access to knowledge are measured by mean years of schooling and expected years of schooling, and vulnerabilities related to Living Standards are measured as GNI per capita.

- Other composite indicators. On top of the HDI, UN applies additional indicators to measure other dimensions of development, such as risks of extreme poverty and gender-related issues. These key additional composite development indicators include:

  - Inequality-adjusted HDI (IHDI); which adjusts the HDI for the inequalities in distribution of each of its component measures across the population for which it is measured;

  - Gender Inequality Index (GII); which measures the loss of human development due to gender inequalities related to reproductive health, empowerment and labour market;

  - Multidimensional Poverty Index (MPI); which complements traditional measure of poverty as material deprivation with measures of other types of deprivations in each of the HDI areas. As a result, the MPI is based on ten different types of indicators, which measure the exposure of each household to: poor nutrition, risks of child mortality, poor schooling and lack of access to enrolment for the children in household, as well as limited access to cooking fuel, toilet, water, electricity, solid floor and key assets (such as radio, TV, telephone or bike).

The UN Human Development Indicators lend themselves to multiple types of disaggregation, as far as is possible given the data availability constraints. For example, indicators such as MPI can be calculated for individual regions within any country where respective data is available, for various ethnicities, or other groupings. As a result, most regular reports which present annual estimates of Human Development Indicators globally and by individual countries contain disaggregated analysis at the level of individual sub-national layers. However, while cross-country comparisons are updated every year (for all countries where data is accessible), individual country-based reports are produced less frequently.

The latest disaggregated assessment of Human Development in Kosovo was undertaken in 2004 within the 2004 Human Development Report for Kosovo, which offered estimates of a number of basic development indicators at the municipal level (UNDP Kosovo, 2004). These disaggregated indexes calculated for each municipality at the time included: the HDI itself; the Human Poverty Index (HPI)[4], Income gap between males and females; the Gender-Related Development Index (GDI) and Gender Empowerment Index (GEM), percentages of people with access to basic amenities, and key measures of educational and health deprivation, gender equality in participation in labour force, a range of income poverty related indexes and income distribution indexes (such as Gini), demographic indexes (such as dependency ratio), and the Social Capital Index (SCI).

[3] http://hdr.undp.org/en/statistics/

[4] The Human Poverty Index was supplanted by the Multidimensional Poverty Index in 2010.

Later Human Development Reports for Kosovo continued evidence-based analysis of more recent trends in human development, social exclusion, inclusion and cohesion, but these assessments were not disaggregated on municipal level (see Table 2).

Table 2. UNDP Human Development Reports for Kosovo (2002-2010)

Year	Title	Theme	Note
2010	Social Inclusion	[Exclusion and Inclusion, Social Cohesion]	The Report examines traditional socio-economic indicators, from poverty and unemployment to health and education, from the perspective of social inclusion. It explores how discrimination; deliberate or otherwise; affects Kosovo' s socio-economic balance, its political process and its EU-orientated policy goals. It also identifies social groups feeling the bite of exclusion more deeply than others. These groups risk becoming Kosovo's invisible population unless they are moved quickly up the policy prioritization ladder and made the primary focus of Kosovo's development agenda: the long-term unemployed, disadvantaged children and youth, rural women, Kosovo-Roma, Askhali and Egyptian (RAE) communities, people with special needs. Finally, it offers some recommendations on how the move towards a more inclusive society might be managed, as a fundamental precursor to other economic and political progress.
2008	Civil Society and Development	[Civil Society]	After a close look at what we mean when we say "civil society"; and what we mean when we say "development"; the report goes on to explore the history of civil society in Kosovo, its legal context, and ways it can influence public policy. Next, it looks at civil society through the eyes of the government and the general public, before discussing ways that CSOs can effectively work together with the government, with each other, and with the media, and ways they can influence and benefit from the European integration process. The final two chapters suggest improvements that CSOs should strive for and explore the potential of Community Driven Human Development in Kosovo.
2007	Energy for Development	[Energy]	This report presents the first study undertaken on the impacts of energy on human development in Kosovo. The key objective of the report is to contribute inputs to future policy and management decision-making in the energy sector that will support economically, socially and environmentally sustainable energy development in Kosovo. To this end, the preparation for the report sought to gain a better understanding of the relationship between energy supply and the consumption of energy services in the household sector, which in Kosovo is the main consumer of electricity, firewood and district heating services.
2006	Kosovo Human Development Report 2006	[Youth]	This report provides an excellent opportunity to deepen our understanding of human development and how it applies to Kosovo. Whilst the first report established a base-line, the second report explored in greater detail the differences in development in Kosovan population. The KHDR 2006 report explores the human development concerns of one of the most critical segments of Kosovo society, the youth, which represent both the potential wealth of the Kosovo society for accelerated development and, at the same time, a major potential risk if it is not approached adequately. This report also assess whether there have been improvements in human development since 2002 and identify different development challenges that have emerged since first KHDR report.

2004	Human Development Report - Kosovo 2004 HDR	[Governance, Participation, Political Empowerment]	The HDR for Kosovo 2004 will provide an excellent opportunity to deepen our understanding of Human Development and how it applies to Kosovo. Whilst the first report established a base-line, this second report will explore in greater detail one particular aspect of Human Development and how this pertains to Kosovo. The proposed theme reflects a judgement that in 2004 key issues of public debate are likely to include: Assembly elections (in November 2004); an accelerated transfer of competencies to the PISG in 2003; decreasing international assistance and oversight; consolidation of the democratisation process; and an ongoing debate about decentralization. To be valuable, the HDR must be topical therefore this context is important. **In addition to the standard updating of the Human Development Index for Kosovo, it is proposed that a deeper, Municipality-based data set is developed to explore whether global figures are disguising significant variations.** The Report will therefore include analysis of a quantitative and qualitative inter municipality study to present the current situation regarding human development in Kosovo. The data generated from the study will be new and will allow for an analysis on whether the process of development in Kosovo is benefiting everyone equally. The analysis will also identify areas where Kosovo might be lagging behind, such as gender equality, infant mortality and so on, with Municipality-specific information on where to look closer.
2002	Human Development Report - Kosovo 2002	[General]	For the first time in 2002 human development indicators have been analyzed for Kosovo. This first Report takes stock of the human development status in the region and introduces the general concept of human-oriented development to Kosovans. By developing these baseline indicators, the Report is meant to help assess the success of long-term policies designed to improve living standards in Kosovo. Although Kosovo's long-term political status remains sensitive, the region is striving to reach levels of development comparable to other areas and countries in the region and elsewhere in Europe. The first HDR contributes to these efforts.

3. Tracking social vulnerability as a common policy issue requiring multi-layer coordination: EU social inclusion agenda

The problem of multi-layer policy making for social protection in the EU and implications for social vulnerability monitoring

Inclusive Growth **is one of the three core pillars of the EU current development strategy outlining key priorities for the next decade (together with *Smart Growth* and *Sustainable Growth*).** The idea of Inclusive Growth continues and expands the principle of joint commitment of EU countries to ensure social and territorial cohesion, so that people of any age, gender and background can enjoy benefits of economic growth, reliable welfare systems and labour markets (European Commission, 2010).

But although social inclusion has been high on the EU policy agenda in the last decades, it actually represents a policy issue which was traditionally surrounded by debates and contains a number of illustrative challenges for the EU multi-layer policy making system:

- **One of these key challenges is a controversy around the problem of subsidiarity.** Social commitments of the state has been one of the central themes in the debate about the essence of European political institutions and structures, the nature of European federalism, and the degree of policy autonomy at the national level. What decisions in the construction of the welfare systems should be left upon individual countries within the European Union and what commitments should be made at the EU level?

- **Another problem is related to the need for policy coordination between the two linked agendas of employment promotion and social protection.** As discussed in the previous sections, one major paradigmatic shift in the social inclusion thinking of the last decades has been realisation by most stakeholders of the importance to connect protection and prevention strategies for social welfare with strategies aimed at promotion of stronger participation of vulnerable individuals and households in the labour markets. The EU approach to social inclusion has also seen a gradual convergence of these two sectors, but at the same time – a continued challenge of coordinating these policies, especially given the subsidiarity constraints. In particular, throughout the decade of the Lisbon process (2000-2010), employment agenda was recognised as more centralising and pro-harmonisation compared to social protection agenda (Pochet, 2005).

To address these problems, the EU regulates social inclusion policies through a softer "Open Method of Coordination". Precisely because of these challenges for multi-layer policy making, the EU arrived at a special regulatory mechanism to deliver its commitments for Employment and Social Protection which is known as Open Method of Coordination, or OMC. The OMC is a soft intergovernmental policy tool, which establishes policy directives in the form of soft imperatives such as guidelines, benchmark indictors and sharing of best practice. It does not impose strict universal standards or sanctions for their violation. Only general joint commitments are agreed as policy objectives among member states, but concrete ways of delivering against these objectives are left upon the choice of national governments.

The OMC fundamentally depends on monitoring and benchmark indexes which help to compare performance and administer peer pressure. The soft regulatory nature of the open coordination means that the EU needs a robust system of indicators of social inclusion comparable across countries which could be agreed as benchmarks and monitored to co-ordinate progress. At the same time, this approach leaves ample space for the national governments to design additional domestic systems of monitoring social vulnerabilities, which suit their own chosen approaches to social protection and employment promotion. EU-wide databases of performance against the agreed sets of common indicators are maintained by the Eurostat and are publicly available on its website[5]. The evolution and current nature of these indicators are discussed in the next section.

Evolution of social vulnerability indicators in the EU: overview

The Lisbon Agenda (2000-2010). Throughout the previous decade, the EU OMC for Employment and Social Inclusion was guided by the Lisbon Agenda (2000-2010), which established a set of common Europan statistical indicators of poverty and social exclusion and became known as "Laeken Indicators" (after the place in Belgium where they were agreed in December 2001). Again, the idea of these indicators was to support the Lisbon Strategy with a tool to monitor progress at the country level against a set of common goals. This set of indicators included 19 key measures of poverty and social exclusion, each of which was in turn

5 http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_social_policy_equality/omc_social_inclusion_and_social_protection

disaggregated based on key demographic criteria (gender, age group, type of household) (Table 3). In June 2006, the Laeken Indicators were replaced by a new set of "overarching indicators", described further.

Table 3. Leuken Indicators of Poverty and Social Exclusion (2001-2006).

1. At-risk-of-poverty rate 2. At-risk-of-poverty threshold 3. S80/S20 income quintile share ratio 4. Persistent at-risk-of-poverty rate 5. Persistent at-risk-of-poverty rate (alternative threshold) 6. Relative median at-risk-of-poverty gap 7. Regional cohesion 8. Long-term unemployment rate 9. Persons living in jobless households 10. Early school leavers not in education or training	11. Life expectancy at birth 12. Self defined health status 13. Dispersion around the at-risk-of-poverty threshold 14. At-risk-of-poverty rate anchored at one moment in time 15. At-risk-of-poverty rate before cash social transfers 16. Gini coefficient 17. In-work at risk of poverty rate 18. Long term unemployment share 19. Very long term unemployment rate

Europe-2020 (2010-2020). The new ten-year strategy for the EU – Europe 2020 Strategy proposed in 2010, introduced a number of developments into the previous approach. These developments were based on the assumption of several new fundamental challenges which the new Strategy has set out, including the ambition for greater coordination between national and European policies, and better links between social inclusion and employment agenda which have been united under a joint pillar of "Inclusive Growth" (consisting of "An agenda for new skills and jobs" and "European platform against poverty"). The new approach to social inclusion is supported by two Main Targets and two Flagship Initiatives, which should be monitored, respectively, by two Headline Targets broken down into four indicators, as described in Table 4.

Table 4. Social Inclusion and Employment targets and initiatives in Europe 2020 Strategy

Policy agenda	Main targets in Europe 2020	Headline Targets (EUROSTAT)	Indicators (EUROSTAT)	Flagship initiatives in Europe 2020
Employment	To raise the employment rate of the population aged 20–64 from the current 69% to at least 75%.	75 % of the population aged 20-64 should be employed.	Employment rate by gender, age group 20-64	An agenda for new skills and jobs: to modernise labour markets by facilitating labour mobility and the development of skills throughout the lifecycle with a view to increasing labour participation and better matching labour supply and demand.
Social inclusion	To reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty.	Reduction of poverty by aiming to lift at least 20 million people out of the risk of poverty or exclusion.	People at-risk-of-poverty or social exclusion *(union of the three sub-indicators below):*	European platform against poverty: to ensure social and territorial cohesion such that the bene fits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society.
			People living in households with very low work intensity	
			People at-risk-of-poverty after social transfers	
			Severely materially deprived people	

The Social OMC relies on an additional set of Overarching Indicators which complements Headline Targets of the Europe 2020 Strategy. On top of the Headline Targets introduced by Europe 2020, the EU Social OMC continues to rely on an additional set of common indicators, which had replaced Laeken Indicators in 2006 (see Figure 1). As discussed earlier, these indicators help individual countries to agree specific common objectives in the area of social inclusion. The ways countries implement these goals are described in the national strategic reports, and in the joint reports on implementation of the OMC for the whole EU.

At the moment, the common objectives and indicators in the area of Social OMC is composed of three thematic strands: (1) Poverty and Social Exclusion, (2) Pensions, and (3) Health and Long-Term Care. For each of these strands, the countries have agreed on a set of policy challenges and respective indicators to track progress. These indicators, monitored by the Eurostat, are outlined in Table 5.

Figure 1. Key milestones in the evolution of social inclusion monitoring in the EU

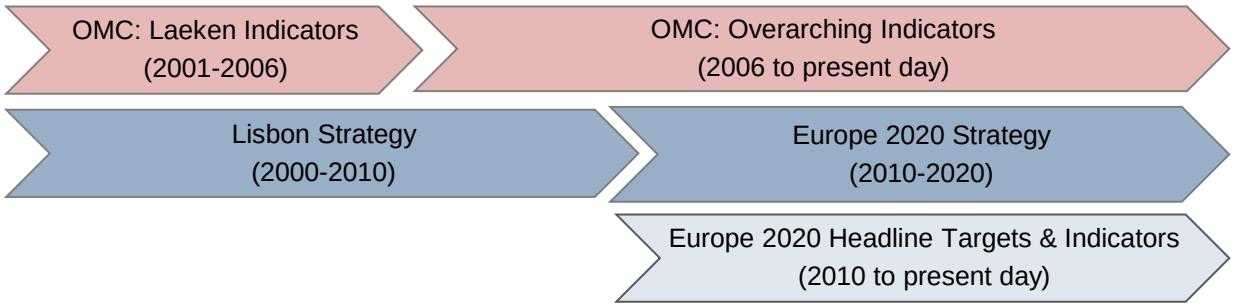


Table 5. Social OMC policy challenges and indicators

Strand	Agreed policy challenges	Primary Indicators	Secondary Indicators	Context Indicators
Poverty and social exclusion	▪ To eradicate child poverty by breaking the vicious circle of intergenerational inheritance ▪ To promote the active inclusion in the society and the labour market of the most vulnerable groups ▪ To ensure decent housing for everyone ▪ To overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants and other vulnerable groups ▪ To tackle financial exclusion and overindebtedness.	– At-risk-of-poverty rate by gender – At-risk-of-poverty threshold – Persistent at-risk-of-poverty rate – Relative median at-risk-of-poverty gap – Long term unemployment rate – People living in jobless households – Early leavers from education and training – Employment gap of immigrants – Material deprivation rate – Housing – Self-reported unmet need for medical care by income quintile – Utilisation of medical care services – Child well-being	– At-risk-of-poverty rate by gender and age groups – At-risk-of-poverty rate by household type – At-risk-of-poverty rate by work intensity of the household – At-risk-of-poverty rate by most frequent activity status – At-risk-of-poverty rate by tenure status – Dispersion around the at-risk-of-poverty threshold – Persons with low educational attainment – Low reading literacy performance of pupils – Depth of material deprivation – Housing cost overburden rate	– Inequality of income distribution - S80/S20 income quintile share ratio – Inequality of income distribution - Gini coefficient – Regional cohesion: dispersion in regional employment rates – Healthy life expectancy – Life expectancy at birth and at age 65 – At-risk-of-poverty rate anchored at a fixed moment in time (2005) – At-risk-of-poverty rate before social transfers except pensions – Jobless households by main household types – In-work at-risk-of-poverty rate – Making work pay indicators;

			– Overcrowding rate (total population)	– Net income of social assistance recipients as a % of the at-risk of poverty threshold for 3 jobless household types – Self reported limitations in daily activities by income quintiles (activity restriction for at least the past 6 months) – Housing deprivation by item (e.g. leaking roof; lack of indoor flushing toilet; dwelling too dark) – Median of the housing cost burden distribution
Pensions	▪ Adequate pensions	– At-risk-of-poverty rate of elderly people, (65+) – Median relative income ratio of elderly people, (65+) – Aggregate replacement ratio (excluding other social benefits) – Change in projected theoretical replacement ratio for base case 2004-2050 accompanied with information on type of pension scheme (DB, DC or NDC) and changes in projected public pension expenditure 2004-2050)	– At-risk-of-poverty rate of elderly people, (60+, 75+) – Median relative income ratio of elderly people, (60+) – Aggregate replacement ratio (incl. other social benefits) – Inequality of income distribution - S80/S20 income quintile share ratio, elderly people, (65+) – Relative median at-risk-of-poverty gap of elderly people, (65+, 75+) – At-risk-of-poverty rate for pensioners – At-risk-of-poverty rate of elderly people by tenure status, (60+, 65+,75+) – Dispersion around the at-risk-of-poverty threshold of elderly people, (60+,65+,75+)	– Composition of income by source and by income quintile for people (60+, 65+ and 75+)
	▪ Sustainable pensions	– Total Current Pension expenditure (% of GDP) – Employment rate of older workers – Effective labour market exit age (average exit age from the labour force) – Projections of pension	– Total expenditure on social protection (% of GDP) – Decomposition of the projected increase in public pension expenditure (% of GDP)	– Old-age dependency ratio, current and projected – Evolution of life expectancy at birth and at ages 60 and 65 by gender (current and projected) – Pension system dependency ratio (Number of

		expenditure, public and total, 2004-2050 (% of GDP)		pensioners relative to contributors, current and projected up to 2050. – Contribution to public and private pension schemes (Pension contributions to public pension schemes as a share of GDP, current and projected to 2050)
	▪ Modernised pensions	– Gender differences in the at-risk-of-poverty rate of elderly people, (65+) – Gender differences in the relative median income ratio of elderly people, (65+, 75+) – Gender differences in the aggregate replacement ratio	– Gender differences in the relative median income ratio, (65+)	
Health and LTC	▪ To ensure access to care and inequalities in outcomes,	– Self reported unmet need for medical care – Utilisation of medical care services – Self reported unmet need for dental care – Utilisation of dental care services – The proportion of the population covered by health insurance – Life expectancy at birth, at age 45 and at age 65 – Life expectancy by socio-economic status – Healthy life years – Healthy life years by socio-economic status	– Self-perceived limitations in daily activities (activity restriction for at least the past 6 months) – Self-perceived general health – Infant mortality – Infant mortality by socio-economic status	
	▪ To ensure quality of care	– Vaccination coverage in children – Cervical cancer screening – Cervical cancer survival rates – Colorectal cancer survival rates – Satisfaction with health care services	– Influenza vaccination for adults over 65+ – Breast cancer screening – Breast cancer survival rate – Perinatal mortality	

	▪ To ensure long-term sustainability of systems.	– Total health care expenditure per capita – Total health care expenditure as a percentage of GDP – Total long-term care health care expenditure as a percentage of GDP – Projections of public expenditure on health care as a percentage of GDP – Projections of public expenditure on long-term care as a percentage of GDP – Hospital inpatient discharges – Hospital daycases – Obesity	– Sales of generics – Acute care bed occupancy rates – Average length of stay in hospital – Regular smokers – Alcohol consumption	– Practising physicians per 100 000 inhabitants – Nurses and midwives per 100 000 inhabitants – Public and private expenditure as % of GDP – Total expenditure on main types of activities or functions of care

The growing importance of multi-sectorality

Systems and approaches for monitoring social vulnerabilities in Europe continue to evolve. In 2011, the EC Social Protection Committee has issued its assessment of the Social Dimension of the Europe 2020 Strategy, which concluded that monitoring systems and indicators of social inclusion and exclusion require increased attention and extensive further work (EC Directorate-General for Employment, Social Affairs and Inclusion, 2011).

Multi-disciplinarity and the need to address covariate risks is the key direction for change. The key recommendation for improvement of the current indicators from the 2011 SPC assessment was to continue working on indicators in order to "reflect the multidimensional nature of poverty and social exclusion". The assessment notes that the Europe 2020 approach is taking a new level in highlighting the "multiple facets of poverty and exclusion across Europe", because its key target in this area is defined on the basis of three inter-sectoral indicators (the at-risk-of poverty rate, severe material deprivation and people living in households with very low work intensity). This "extends the original concept of relative income poverty to cover the non monetary dimension of poverty and situations of exclusion from the labour market. It also reflects the diversity of situations and priorities across Member States".

Further improvements in the existing indexes proposed by the SPC place an even stronger focus on the complexity of the social exclusion risk chains and multi-sector approaches. In particular, the SPC proposes to incorporate mutli-dimensional nature of social exclusion by introducing the following additional measures:

- Complementing income-based measures of poverty with additional non-monetary dimensions, such as child deprivation and consistent poverty;
- Introducing measures which reflect the links between poverty and labour market exclusion at the individual level, "thereby shedding light on the complex set of incentives, disincentives and barriers that individuals face in accessing the labour market";
- Improving measures of the redistributive impact of the tax and benefit systems, including provision of in-kind benefits and measures of the redistributive impact of pensions;
- Improving measures of the situation of the most vulnerable groups: migrants and ethnic minorities, people with disabilities, homeless, etc.

Decentralised monitoring systems at the national level

Choice of national targets

As discussed earlier, the OMC is a soft regulatory system, which leaves it to the national governments of the EU to identify specific priorities and policies relevant for their domestic contexts. The 2011 SPC assessment paper is the latest analysis of the diversity of these priorities and the various types of risks and vulnerabilities identified and monitored by the individual countries (e.g. children, ethnic minorities, etc).

The SPC notes that many member states have chosen the same definition for their social inclusion goals as the EU headline target (with the three multi-sector indicators discussed earlier), "thereby acknowledging that broad strategies are needed to tackle poverty in all its dimensions". However, some of the states chose their individual targets on the basis of national indicators "in order to reflect their national circumstances" (EC Directorate-General for Employment, Social Affairs and Inclusion, 2011).

Regional disparities and multi-layer policy-making at the level of individual states

The 2011 notes that a number of EU states indicate regional disparities in the provision and quality of services in their own countries to be one of the core domestic challenges, especially in the areas of Health Care, Long Term Care, and Housing. For example, intergovernmental coordination is identified as one of the key issues of the Finnish National Programme to reduce long-term homelessness, which lacks "a mechanism between central and local government, as well as clear political will and identifiable and measurable objectives".

Respectively, at the level of individual states, monitoring systems and systems of indexes of social vulnerability are usually more elaborate, including in terms of their spatial dimensions. Most countries in Europe rely closely on the Geographical Information Systems (GIS) to analyse spatial dimensions of social indicators, which are normally linked to the specific administrative-territorial and decision-making architecture of each country (Joshua, 2003).

"Geographical Information Systems" (GIS) is a powerful analytical tool which allows to link the usual arrays of social statistics to the spatial data which indicates the geographical location of the social indicators. This locational or spatial reference helps the analysts to integrate geographical and social information in an entirely new way, and identify new linkages, influences, trends and processes.

Social services policy has been one of the slowest among public policy fields to capitalise on the possibilities opened by GIS (Hillier, 2007), but it has been quickly catching up in the recent years. Governments increasingly appreciate the opportunities it gives to understand the nature, origins and ways to address social vulnerabilities, to accurately map and compare social care needs across communities, and to design better response policies. An especially important area where GIS is helping governments is to identify and support previously isolated vulnerable groups, as it helps to successfully use and communicate small area data and link it to the social risk data which matter to the community (Hillier, 2007). Obviously, mulit-layer policy-making can by improved dramatically if differences in social statistics across communities can be analysed with precise and convenient spatial referencing and used for modelling various policies and their impact by individual geographical units.

For policy purposes in social care sector examples of innovative GIS-based analysis include ways to improve efficiency of social service commissioning through more precise mapping of service needs (Bennet, 2009), improvement of systems for information management and exchange (Towards evidence-based, GIS-driven national spatial health information infrastructure and surveillance services in the United Kingdom, 2004), improvement of provision of integrated services for children (Gatehouse, 2004), better mapping of vulnerable categories such as youth-at-risk (Heffernan, 2005), coordination of multi-dimensional services such as care

for elderly (Mayhew, 2008), and better understanding of spatial aspects of informal care provision (Kalogiro, 2007).

4. Tracking social vulnerability as a wider set of factors behind sensitivity to certain idiosyncratic risks: disaster management and other discrete policies

Social vulnerability as a multi-disciplinary and multi-dimensional issue may be of specific interest to many individual sectors, which could use the complex models of social risk to achieve their own sector-specific goals. The most typical example of this interest in complex modelling of social vulnerability is disaster management, which increasingly tries to build its approaches with account to social factors which influence exposure and sensitivity to risk. While these sector-specific models are driven by a multi-disciplinary approach, their primary objective often remains understandably sector-specific. At the same time, such sector-driven models can offer practical and innovative ways of incorporating social complexities into policies targeted at specific elements of risk.

Some examples of such models are listed below:

- **Development of synthetic vulnerability measures for management of natural hazard risks.** Elaborate models of social factors behind sensitivity to natural hazards are especially common in developed countries whose statistical systems offer researchers plenty of data to compose complex and geographically specific indicators. For example, Australian Government runs a system of synthetic indexes based on a set of demographic and hazard indicators selected through a specific Risk Perception Questionnaire which helps to understand how exactly various social factors contribute to vulnerability of each person in the household (Dwyer, 2004).

- **Composite measures of individual social vulnerabilities: Composite Indicator of Social Vulnerability of the Elderly for Jamaica.** With the specific aim to monitor social risks faced by the elderly, this approach helps to incorporate other additional factors which intensify vulnerability of the elderly, making some segments of this group more vulnerable than others (e.g. gender inequality). Based on an econometric analysis of correlations between diverse variable in the housing census, this approach proposed an example of a composite indicator of social vulnerability for older people (which takes into account the person's age, gender, and geographic location), which could be monitored across communities and at the aggregate level for national policy purposes (Donneth, 2009)

Spatial dimensions of social vulnerabilities in Kosovo: findings from previous studies

Overview of existing studies

Kosovo's commitment to building a socially inclusive society has been at the heart of the Status Process as well as the Stabilisation and Association Process outlining the opportunities of the European Partnership. The 2009 White Paper on Social Inclusion Challenges described how the country's challenging history makes the goal of social inclusion both challengingly "delicate" and yet critical for the peaceful and prosperous future of its people. Moreover, the White Paper explains that while definitions of social exclusion may differ across countries, in the case of Kosovo the difficult recent history makes the list of social risks against which Kosovo intends to protect its people "long and compassionate" and including a large number of specific vulnerable groups such as children and women traumatised during the war, households which were heavily damaged, or people who acquired disabilities during the conflict (The Assembly of Republic of Kosovo, 2009).

In the last decade, the state of social exclusion in Kosovo and the capacity of its institutions to deliver against the commitment of building an inclusive society have been in the spotlight of numerous studies.

- **European Union.** On the one hand, as a country which aspires to European standards of social protection and social welfare, Kosovo co-operated with the EU structures in establishing systems for monitoring social exclusion and entered a process of systemic reporting to the European partners on the progress in the area of social protection and social welfare. In particular, in 2007, the country went through an in-depth assessment of its system of social protection against the key pillars of the EU OMC (social inclusion, pensions, and health and long-term care), commissioned by the EC DG for Employment, Social Affairs and Equal Opportunities[6].

- **UNDP.** In parallel, Kosovo is closely co-operating with the UNDP to monitor and improve its capacities to deliver against the global MDG agenda and the human development objectives. The UNDP is regularly producing a wide range of reports with analysis of various dimensions in human development in Kosovo, including regular country-specific human development reports, mentioned earlier in this text.

- **Other international development actors.** Other major international development organsiations – including the World Bank, the IMF, the UNICEF, the USAID, - have also produced specific analysis of various aspects of social vulnerabilities in Kosovo, including three WB Poverty Assessments (2001, 2005, and 2007). As noted earlier, the WB PAs for Kosovo have been quoted by the WB as distinct examples of poverty analysis which incorporate specific focus on the social risks related to the impact of armed conflict (2001), and analysis of covariate environmental risks in the area of healthcare, which is typically regarded as idiosyncratic (2005).

- **NGO and Academia.** The multiplicity and extreme magnitude of the many shocks experienced by the people of Kosovo in the last decades – the armed conflict, the economic and social transition, reduction of national and individual income, rising unemployment, exclusion of entire communities – put the country into a spotlight of specific studies of social vulnerability by other observers and researchers (NGO, academic and public sector) (such as, e.g., the micro-level analysis of the impact of the war on livelihoods by MICROCON (Douarin, 2010)).

[6] The EC commissioned this study for Kosovo along with more detailed country analysis for Albania, Bosnia and Herzegovina, Montenegro, and Serbia (EC Directorate-General for Employment, Social Affairs and Inclusion, 2011).

The existing studies unanimously point at strong social vulnerabilities still present in the Kosovo's society, some of them intensifying, calling for difficult but urgent policy choices. The latest UNDP report says that it's "most marked and important finding" is "the sheer scale of social exclusion across the Kosovan society". It points that Kosovo is still at a crossroad between the legacy of its past, "mired in internal division", and the possibility of a European future, and that progress in European direction will strongly depend on whether the country will make some difficult choices to prove its commitment to the idea of social inclusion. "Either it moves towards the Lisbon ideals of openness, inclusion and equal opportunity for all, or remains locked by the very challenges it once fought to escape." (UNDP Kosovo, 2010)

In terms of spatial dimensions and regional disparities in social vulnerability, the following general themes stand out from all of the existing analysis:

- **Strength and importance of spatial factors and barriers to social inclusion in Kosovo.** All studies share the view that social vulnerability in Kosovo is determined to a very significant extent by the spatial factors and that social risks, as well as sensitivity to them, are distributed extremely unevenly across the communities.
- **Failure to account for the nuances of spatial dimensions of social vulnerability in the current inclusion policies.** The Kosovo HDR 2010 concludes that Kosovo's policies in the sectors relevant to social inclusion (social protection, education, health) "have not accounted for different regional and geographical barriers to inclusion" (UNDP Kosovo, 2010). Moreover, exclusion is only perpetuated by the fact that current approaches to decentralisation create only new regional inequalities. In particular, disparities are growing between urban and rural areas, inequality is growing within rural communities, significant disparities in access to factor markets and to public services remain between regions, and isolated social and economic conditions of enclaved communities perpetuate the phenomenon of self-exclusion.
- **Data problems, including difficulties in access to already existing data sources.** It is true that current social phenomenon place ever growing demands on data, which is never enough, and that Kosovo experienced multiple institutional disruptions which make it difficult to expect that a regular amount of data would be readily available for evidence-based research (e.g. the problem of outdated population data before the 2011 Census is widely recognised). However, most observers find that data access and exchange has been especially problematic in social inclusion analysis in Kosovo. For example, the 2005 Poverty Assessment by the World Bank notes:

  > ***Access to SOK data remains a problem.*** *The Statistics Office maintains a comprehensive and up-to-date website of the office's most recent publications and statistics generated from its survey system. Unfortunately, only published data is available for public use. The statistics office enforces a strict policy on data access. No data is ostensibly allowed to leave the premises of the office. As a result, much of the data is under-utilized and the monitoring and analysis of poverty is made more difficult. Data access policies vary across the region. In eastern Europe and central Asia, countries with an open access to survey data include Albania, Bosnia and Herzegovina, Estonia, Georgia, Hungary, the Kyrgyz Republic, and Moldova. Consistent with international standards, the sharing of household level data can improve poverty monitoring program capacity and lead to efficiency gains in poverty analysis. (World Bank, 2005)*

  Lack of access to primary data, in particular to data in regional and municipal breakdown, is especially problematic for in-depth analysis of spatial dimensions of social vulnerability, since most of the published analysis (e.g. studies by the World Bank or UNDP) provides only generalised observations about spatial disparities (e.g. between rural and urban communities) and any further explorations are possible only at meta level, which is not sufficiently comprehensive and accurate for policy purposes.

- **Strength and importance of covariate social risks.** All studies highlight that social risks in Kosovo are interconnected, mutually reinforcing, and tightly clustered around several major multi-sectoral "mechanisms and cycles that exclude individuals and groups from taking part in the critical process of socio-economic and political exchange" (UNDP Kosovo, 2010). This includes, e.g., interconnected problems of intergenerational rural poverty, low cultural prioritisation of education for girls and early childhood development, low productivity of undiversified farming, and failure of self-reliance among households dependant on social transfers. Equally, this includes social rejection of minorities, their self-excluding cultural attitudes, economic isolation and unequal access to basic services in education and health. Addressing current vulnerabilities will be possible only by understanding and removing broad societal barriers to inclusion of individuals, families and communities into this exchange.
- **Lack of coherent vision for a multi-sector and multi-layer response and lack of sufficiently high-level leadership to deliver it.** The 2010 Kosovo HDR notes that the 2009 White Paper was only the first step which announced the intention of the Government to work on social inclusion agenda, but that actual implementation of this agenda will not be possible without sufficient buy-in across the authorities of various sectors and tiers of government, as well as across non-state actors. It notes that to this date there has been no leadership on social inclusion issues at a sufficiently high level which would allow to orchestrate policies across sectors and across levels of government. In its turn, lack of coordination across sectors is not only failing to deliver on social inclusion agenda, but often actually undermines sector-specific policies (e.g. when policies to promote health-related information to vulnerable groups such as poor rural girls are not supported by extra-curricular school activities) (UNDP Kosovo, 2010).

Two headlight themes

Discussion of social inclusion profile and trends in Kosovo in the existing literature contains two themes of special relevance to regional disparities in vulnerability:

- **The debate on "failure of self-reliance".**

  Economic and social recovery in Kosovo was dominated by external factors. Economic growth relied to a significant extent on increased consumption financed by foreign aid and remittances, as well as international trade focused on imports (while local production failed to recover) (UNDP Kosovo, 2010). Respectively, import taxes and international transfers have also supported fiscal revenues; while remittances have been recognised as providing the bulk of the currently existing social safety net, covering a larger amount of households than the existing social welfare programmes (World Bank, 2007). In turn, the geographical allocation of the flows of remittances has shaped the regional poverty profile and the rising inequalities in the rural areas.

  Most observers have been concerned with the external nature of this development trajectory and its long-term sustainability, even though they agree that the importance of these factors is so big that they should not be eliminated until proper domestic policies are in place (e.g. without remittances the level of poverty would dramatically increase). Moreover, UNDP notes that wider human development trajectory also became unbalanced: the country's legislative and policy vision is also being driven by external partners, the evolution of civil society is driven by the need to spend aid budget (without the "natural selections" for only genuine NGOs to remain in the sector) (UNDP Kosovo, 2010).

  However, analysis of the role of external influences, including their spatial implications, remains far from straightforward. For example, some studies argue that the positive impact of remittances had a more complex nature than serving as a social safety net. Namely, access to remittances may have been less important in terms of income support as it was as an opportunity to spread and diversify economic risks, which helped some rural households to diversify away from agriculture to non-farm incomes, and to engage into riskier economic

and social choices. Analysis of the livelihood choices of Kosovan families after the war found that access to land (which is commonly recognised as a key factor which helped rural families to stay out of poverty[7]) actually helped predominantly those households which chose to engage in non-farm activities, which was much likelier in cases of access to remittances (in comparison to households who relied exclusively on farming) (Douarin, 2010). This implies that the positive impact of remittances on poverty reduction and social inclusion may have been transmitted through a more complex channel, which cannot be reproduced exclusively via income support welfare programmes.

- **The "shallowness of poverty" and spatial concentration of hardcore extreme vulnerabilities.** Analysis of poverty in Kosovo repetitively concluded that poverty in the Kosovan society remains "shallow": the majority of poor people are just above or just below the poverty line, while extreme poverty is concentrated as a rather stable hardcore category which has not improved but actually somewhat increased in the last decade. The World Bank estimates that with the overall poverty level at around 34% (measurd as a share of people living below absolute poverty line of Euro 1.55), the level of extreme poverty in Kosovo in 2009 was at 12% (with the extreme poverty line of Euro 1.02) (World Bank / Statistical Office of Kosovo, 2011). One implication of this fact is that small policy changes may have dramatic effects on poverty level, e.g. potentially lifting large numbers of people out of poverty. However, it also points at the "ossified" nature of the hardcore poverty, which is heavily linked to particular factors such as isolation from factor markets (especially in rural areas), inadequate education, harmful cultural attitudes such as gender discrimination and social rejection of people with disabilities, and disproportionate incidence among ethnic minorities. This ossified profile of social vulnerability often makes it regionally specific, increases risks of spatial disparities, and calls for specific policies linked to these geographical dimensions.

Findings on spatial barriers to inclusion in Kosovo

This section summarises the findings of previous studies about how social risks are distributed across territories and the resulting regional disparities. Although all studies of social vulnerabilities in Kosovo refer to regional disparities (such as differences between rural and urban territories, and differences between regions) and geographically specific social risks (such as living in polluted areas), these references are usually highly auxiliary to some other non-spatial institutional theme and do not represent the central interest of any study. In this paper, we compile a meta-analysis of these findings about the spatial aspects of social vulnerability in Kosovo. We aim to use this information about spatial dimensions of social exclusion to describe a full picture of:

- how the risks and vulnerabilities are distributed across territories,
- why some aspects of current social geography represent specific barriers to inclusion, and
- how these regional disparities should be incorporated in the process of political, administrative and regulatory decentralisation of social policy.

For the purposes of this overview of regional disparities, we use a broad definition of social inclusion as a combination of adequate living standards, education and health, which is in line with:

- the approach of the Kosovo White Paper on Social Inclusion, which is based on the European definition of securing those at risk of exclusion with access to "economic, social and cultural life, standards of living and wellbeing that is considered normal in the society in which they live, greater participation in decision making which affects their life, and access to their fundamental rights" (The Assembly of Republic of Kosovo, 2009);

[7] For example, the World Bank consistently shows in its analysis that poverty in the rural areas in Kosovo is strongly correlated with lack of land, livestock and agricultural equipment (World Bank 2007).

- the EU social inclusion agenda (which combines reduction of poverty, including child and intergenerational poverty, access to efficient education and labour markets, decent housing, integration of people with disabilities, ethnic minorities and other vulnerable groups, as well as access to decent care in old age and high quality health care services);

- the UNDP basic definition of human development (which combines adequate living standards, education and health);

- the multidimensional understanding of poverty by the World Bank (which combines monetary measures of consumption with appreciation of importance of access to public services, safe living conditions, labour and product markets, and political voice) (World Bank / Statistical Office of Kosovo, 2011).

The structure of the overview is presented in Figure 2. Spatial factors are discussed in terms of their impact on individual elements of social vulnerability (living standards, educational opportunities, access to healthcare) as well as on the overall level of social exclusion. Based on the broad definition of social inclusion discussed above, the overview divides geographical barriers to social inclusion into:

- **Primary geographical barriers.** These include relatively objective spatial factors which significantly affect the access of respective communities to decent wellbeing, efficient education and healthcare services. Most of these factors – e.g. industrial pollution or infrastructure damage after the conflict – are themselves of longer-term social origin, but it could be realistically assumed that they have emerged prior to the period of analysis and are beyond the scope of social policy measures which motivate this study.
- **Secondary geographical barriers**. These represent social risks which have specific geographic dimensions and an objective spatial profile, but which have emerged as a result of local mechanisms and cycles of exclusion and continue to perpetuate poverty, harmful cultural attitudes, gender discrimination and poor educational and health outcomes. An example of such barrier is self-exclusion of some groups and communities from economic and education systems and exchange.

Primary spatial barriers to social inclusion

Distance to border

Studies have shown that the choices of livelihood strategies for recovery made by Kosovan families after the war have varied across regions and depended, among other things, upon the location of the community. In particular, the distance of the community to the border played an important role in prompting households to open new small businesses to engage in entrepreneurial activity related to cross-border trade, which eventually helped them to improve living standards (Douarin, 2010).

Flows of remittances

As was already discussed, remittances play a major role in driving internal consumption, economic growth, and shielding population from poverty in Kosovo. The WB estimates that remittances were responsible for 13-15% of the country's GDP in 2009 and the largest source of external income (World Bank / Statistical Office of Kosovo, 2011) (World Bank, 2010). Remittances have slightly declined after the crisis, but still remain very significant, with about 14% of population receiving transfers from abroad.

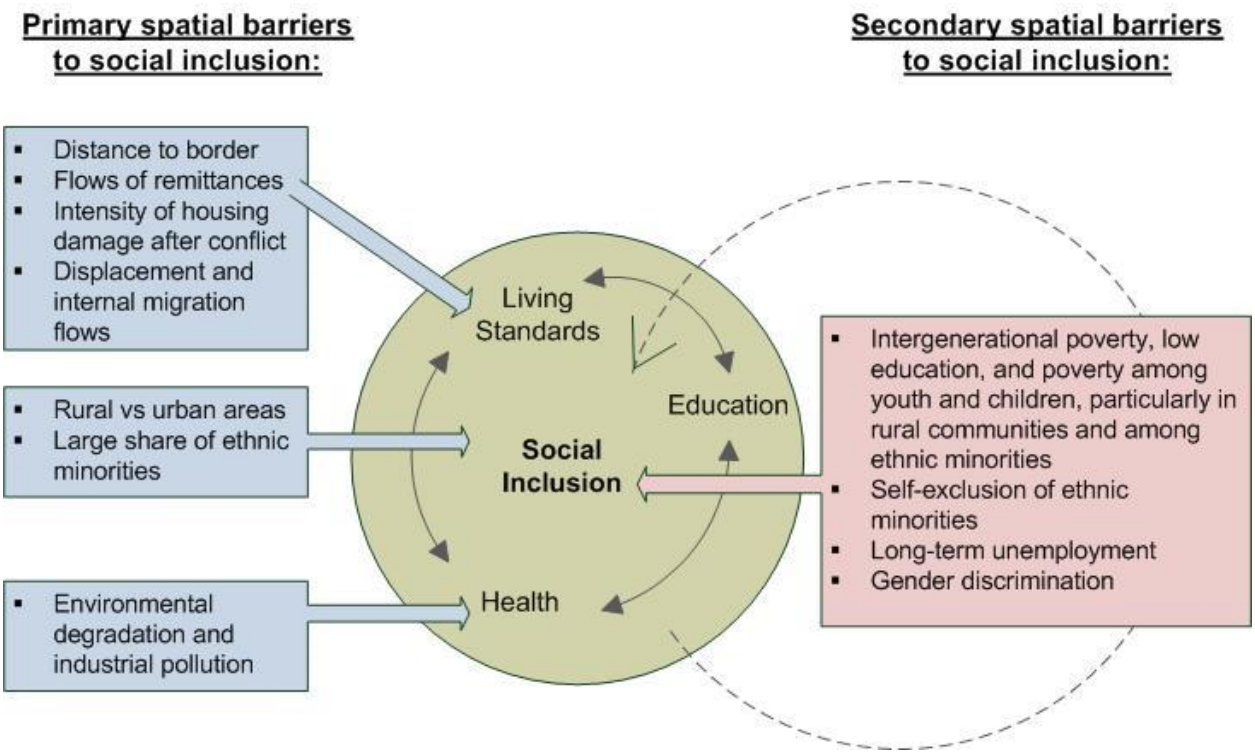
All poverty assessments and analysis of human development note that incidence of poverty and access to remittances in Kosovo are closely correlated. Among households which receive

remittances poverty rate is the lowest, and remittances were also recognised as a key factor behind growing income inequalities in rural areas (World Bank / Statistical Office of Kosovo, 2011), with families and communities which receive transfers growing richer and more included into markets for goods and services.

At the same time, as was also noted in previous section, the exact link between remittances and economic fortunes of households is not entirely straightforward. The World Bank notes that although households receiving remittances are less likely to be poor, the extent to which this can be attributed entirely to remittances is not clear; in fact, data shows that most of these families would not be poor even if they did not have remittances (World Bank / Statistical Office of Kosovo, 2011). Some studies discussed earlier argue that remittances influence household economic behaviour by providing an opportunity to spread economic risks and confidence to diversify into new activities, open small businesses, including in non-agricultural sector in rural areas (Douarin, 2010).

But while the exact transmission mechanism remains unclear, and despite some increase in inequality induced across communities when some families gain access to income from labour outmigration, the flows of remittances continue to be an important factor promoting social inclusion.

Figure 2. Classification of spatial factors of social vulnerability



Intensity of housing damage after conflict

Studies of the impact of war in Kosovo on livelihoods have developed an index of damage intensity in order to capture the regional differences in the degree of housing destruction as a result of conflict. This index is based on the data from the Housing Damage Assessment Survey undertaken in Kosovo by European Commission in 1999 (European Commission, 1999). The index is constructed based on the extend of the damage measured as a share of villages affected in each municipality, as well as intensity of damage, measured as the average share of destroyed dwelling per village (Douarin, 2010).

It is obvious that housing damage directly lowers the standards of living. However, research shows that it also affected wellbeing in other, less obvious ways – in particular, through the economic and employment choices of the households. The studies find that residents of locations which suffered the greatest housing damage were most likely to select livelihood strategy which assumed wage labour (rather than farming, entrepreneurship or reliance on social assistance), presumably because of dependency on availability of wage jobs in those areas or because of higher demand for services in badly damaged areas. The studies also found that at least immediately after the conflict average consumption of this group was below sample average (Douarin, 2010).

Displacement and internal migration flows

The recent history of internal migration in Kosovo is rooted in the social shock of the war, including the still reverberating massive movements of displaced population, and the subsequent intensification of internal migration between regions and towards urban areas. Displacement during the conflict had a strong impact on the livelihood choices and economic fortunes of the families; moreover – it has also shaped further flows of internal migration, with 30% of the displaced by the war moving within Kosovo, mainly towards urban areas (Vathi, 2007).

At the same time, evidence-based analysis of the impact of internal migration on poverty profiles and social inclusion remains difficult because of the weak statistical base. The HBS contains questions about the number of household members born outside municipality of residence, but it does not show when they have moved and from which municipality. As a result, the HBS can help to identify the direction of most recent flows of internal migration, but it provides only indirect evidence about its impact on the welfare of the migrating households and the recipient municipalities.

At the same time, there has been some indication that the experience of displacement and the subsequent internal migration do strongly affect social welfare of respective families and communities:

- **Level of poverty among the internal migrants.** The WB PA notes that based on 2005 data most of the internal migrant flows seemed to have gone into Mitrovica, Prizren, Peja and Pristina (with 3 of every 4 migrants going to these municipalities), but poor migrants ended up in Mitrovitsa (33%) and Ferizai (16%), while only 7% poor migrants settling in Pristina. The links between internal migration and social inclusion therefore remain unclear. The latest WB PA for 2009 data did not contain similar analysis of migration flows.

- **Brain-drain and overcrowding of urban public services, especially education facilities.** WB, ILO, UNDP note that intensified migration towards rural areas after the conflict has put extreme pressure on urban infrastructure, and in particular education system in urban areas (World Bank, 2007) (Vathi, 2007). Given that urban areas were recently shown to have a higher degree of extreme poverty compared to rural areas, and the specific human development issues faced by secondary towns, this impact of internal migration may be especially challenging.

- **Higher poverty among wage-dependent households who experienced displacement.** Some research notes that the cluster of households which rely on wage income, have poor endowment of land (but do have some livestock) tend to be those who have experienced displacement during the war, and tend to have incomes below sample average (Douarin, 2010).

- **Displacement among households receiving remittances is actually correlated with better economic fortunes.** It is notable, that a category of rural households which receive remittances and enjoy highly diversified farming income (and whose welfare is

above average) are also those which are most likely to have had the experience of displacement during the war. One explanation provided within such research is that displacement may have facilitated subsequent migration of some members of the household (creating the flow of remittances) or that families which had migrants before the war found it easier to move away from their house and jobs during the war (Douarin, 2010).

- **Perverse correlation between displacement and welfare in economically isolated Serb communities.** On the one hand, households of Serb ethnicity are less likely to have had the experience of displacement during the conflict, but these households also tend to have lower level of welfare and social inclusion resulting from the livelihood strategies linked to reliance on social transfers, economic isolation and related difficulties in finding alternative employment or starting viable businesses, as well as demographic profile of older age and lower fertility. At the same time, within this category of population, there is a visible correlation between the experience of displacement and damage, on the one hand, and improved welfare, on the other. According to the research, this may be attributed to selectivity of some social assistance programmes, including transfers from Belgrade targeted on Serbs in badly affected areas[8] (Douarin, 2010).

Rural versus urban territories

Although the rates of income poverty in Kosovo are almost the same for rural and urban areas, the nature of rural and urban poverty differs, and many features of social vulnerability have strong concentration in either rural or urban areas.

On the one hand, latest studies clearly show that poverty in Kosovo is "as much an urban phenomenon as it is rural" (World Bank / Statistical Office of Kosovo, 2011). Although some of the earlier studies saw higher rural-urban differentials, the latest analysis by the World Bank based on the 2009 HBS finds that the rate of absolute poverty as we as the depth of poverty is almost equal in rural and urban areas (earlier conclusions of the higher poverty rates in rural or urban areas have been attributed to less accurate data, which is not comparable across years). According to the World Bank, in 2009 the amount of people living below absolute poverty line of Euro 1.55 per adult equivalent per day was estimated at 34% or about one-third of the population.

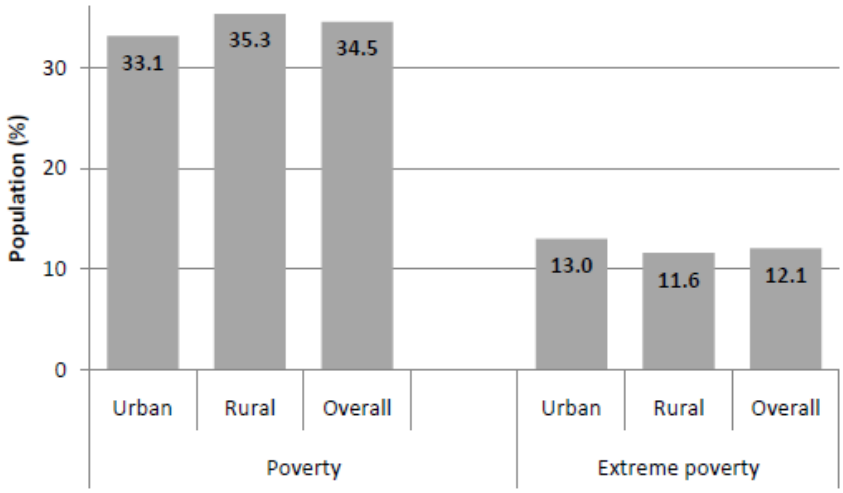
It is notable that because Kosovo is predominantly rural, the absolute amount of poor people living in rural areas is much larger than the amount of poor people living in towns (64% versus 36%), even though poverty rates for rural and urban areas are almost equal.

At the same time, there are important differences between rural and urban areas outlined below:

- **Higher rates of extreme poverty in urban areas.** Although absolute poverty rates are equal for rural and urban areas (with rural rate slightly higher), there is a more considerable differential in the rates of *extreme* poverty. The rate of extreme poverty measured as living below Euro 1.02 per adult equivalent per day is somewhat higher in urban areas (13.0%) than in rural areas (11.6%). (Figure 3).

[8] The complex phenomenon of parallel social security structures operating in Serb communities is not covered by this paper and will be discussed separately in the future in additional analysis. Parallel social, political and security structures are systems and institutions which continue to function in Kosovo municipalities supporting its Serb population and funded by Serbia, predominantly in North Kosovo. Belgrade-funded social transfers to North Kosovo are estimated as very considerable and are directed to support social, educational, healthcare and municipal services, although lack of coordination with Kosovo systems and some of the financial incentives which they create for political choices of the North Kosovo population are seen by national authorities and international observers as a risk to Kosovo's integrity (International Crisis Group Europe, 2011).

Figure 3. World Bank estimtaes of poverty and extreme poverty headcount, 2009 (based on 2009 HBS)



Source: (World Bank / Statistical Office of Kosovo 2011)

- **Concentration of extreme poverty and total exclusion from factor markets in secondary towns.** Human Development analysis by the UNDP shows a significant difference between the nature of urban and rural poverty. On the one hand, it shows that the most extreme form of social exclusion – exclusion from all factor markets (labour, land, capital, goods and services) – is an explicitly urban phenomenon in Kosovo, and is especially typical for secondary towns (all towns except for capital Pristina). Many residents of secondary towns are less fortunate then rural people who are likelier to have access to land and then people living in Pristina who have better access to labour market (UNDP Kosovo, 2010).

- **Household size impacting probability of poverty only in urban areas.** Moreover, econometric modelling of the probability of falling into poverty shows that, holding other things constant, the often discussed factor of living in a big household has a statistically significant effect only for residents of urban areas (where the probability of being poor peaks at 11-12 people) (World Bank / Statistical Office of Kosovo, 2011).

- **Exclusion from access to goods and services higher in rural areas.** On the other hand, UNDP also shows that while exclusion from factor markets (land, labour and capital) is more typical for urban areas, rural residents are much likelier to be excluded from access to basic goods and services, including essential housing, education and healthcare (UNDP Kosovo, 2010). One contribution to rural poverty is outdated agricultural practices and low productivity in this sector, but exclusion is also perpetuated by weak systems of public service provision in rural areas and low education. Obviously, lack of access to land, livestock and/or agricultural equipment in rural areas makes the economic fortune of the household even more desperate (World Bank, 2007).

- **Consumption inequality in rural areas lower, but rising because of remittances.** As is typical for most countries, urban areas in Kosovo also have significantly higher rates of consumption inequality (e.g. in 2009 Gini coefficient in urban areas was estimated at 33.9% compared to 27.2% for rural areas) (World Bank / Statistical Office of Kosovo, 2011). At the same time, analysis of earlier household budget data showed that between 2003 and 2005, urban inequality remained unchanged, while rural inequality has slightly increased (comparison between 2003, 2005 and 2009 indexes is not possible because of data compatibility problems). One proposed explanation for the rising inequality in rural areas was the inflow of remittances (World Bank, 2007).

Large shares of ethnic minorities

In all studies, ethnic origin of Kosovan residents strongly predicts the likelihood and degree of their current economic and social inclusion. At the moment, two significant dimensions of this problem are strongly visible in the distribution of poverty and social vulnerability across communities:

- **Debatable data on poverty and inclusion in areas with large Serb ethnic groups**.

  The World Bank analysis of the 2005 HBS data raises the possibility of higher poverty incidence among households with Serb head, and higher rates of poverty in communities with larger proportion of Serb ethnic groups. However, this WB study also discusses in detail very big concerns about the quality of data which implies such conclusions, related to the problems of data sampling in 2005 HBS. The probability of higher poverty in Serb communities may be explained by isolated economic conditions of the enclaves and better off families living the country. The most recent WB poverty analysis based on 2009 does not discuss the links between the size of ethnic groups and the poverty rates in respective communities.

  At the same time, UNDP analysis of economic inclusion into factor markets and markets for goods and services shows that Kosovo-Serbs have the lowest incidence of total exclusion from all markets (factor, goods and services) – at 3% compared to the national average of 8.1%. Moreover, only 1.4% of Kosovo-Serbs are excluded from basic goods and services, while the national average is estimated at 21.2% (UNDP Kosovo, 2010).

- **Disproportionate poverty in areas with large non-Serb minorities, and especially Kosovo Roma, Ashkali and Egyptian (RAE) minorities**. The RAE communities are unanimously recognised by all existing studies as “the poorest and most excluded of all European communities” and as a group whose degree of social inclusion in Kosovo remains woefully low. The UNDP highlights that RAE people in Kosovo have a “universally lower access to health, education and economic participation” and also are the likeliest to live in toxic environments poisoned by lead contamination. The 2011 Kosovo HDR describes RAE communities as one of the five most socially vulnerable groups in the country. It also shows that this group is likely to exhibit a drastic condition of total exclusion from all markets (factor, goods and services) – at the moment, 40.6% of RAE people are totally excluded in this way (compared to the Kosovo average of 8.1%) (UNDP Kosovo, 2010).

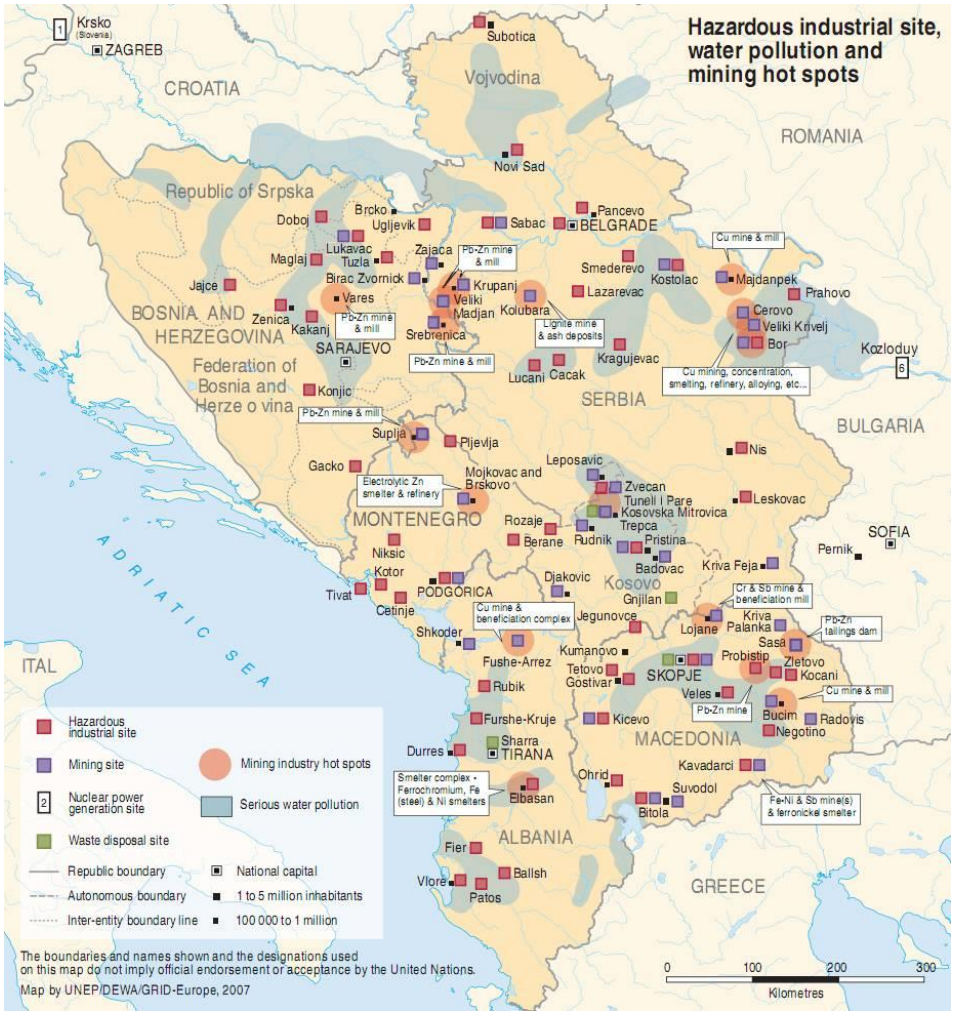
Environmental degradation

Kosovo is exposed to a number of highly hazardous and highly region-specific environmental risks resulting mostly from decades of outdated practices and infrastructure in the mining industry.

- **Land, water and air is heavily contaminated, including with hazardous heavy metals such as lead and zinc**. In particular, in the areas of mining and industrial facilities, the soil, food, water and outdoor air is contaminated, including by heavy metal and lead (majority of rivers are also polluted with human-generated waste, as illustrated in Figure 4). In the 2005 Poverty Asessment, the World Bank estimated that in some of the most contaminated spots the lead intake of people eating crops has been more than three times higher than the WHO and FAO recommended maximum of weekly intake and about 15 times higher than the EU standard. Five years on, the situation remains highly problematic. The UNDP states in the 2010 report that Kosovo has the highest incidence of lead contamination in the world.

- **Pollution is one of the strongest health risks in Kosovo.** Kosovo is an example when a typically idiosyncratic health-related risks are compounded with a strong covariate risk of socially induced environmental degradation, which has a strong impact on health, livelihoods and economic opportunities of Kosovan communities (via resulting diseases, damage to arable lands and long-term destruction of natural resources).

Figure 4. Hazardous industrial sites, water pollution and miniting hot spots in Western Balcans (2007)



- **Moreover, the strongest impact of environmental risks in Kosovo is on the most vulnerable population groups, especially children** One such group is children, who suffer wide-spread contamination, and whose exposure to lead is connected with particaulrly harmful health and developmental consequences. Although monitoring systems are only shaping, some early studies from 1990s indicate that blood lead concentration at birth in Mitrovica was two times higher than in internationally accepted level (World Bank, 2005). Later assessment by the WHO showed that in this region the share of children aged 2-3 with increased blood lead concentration was 25% (UNDP Kosovo, 2010).

- **Poor, isolated and less educated communities suffer most.** It is also logical to expect that poor and isolated families without resources to move away from contaminated areas are most likely to suffer the damage. This is perpetuated by weak information management systems, which do not help households to understand and avoid environmental risks and resort to more efficient practices of farming, construction and waste management.

- **Environmental risks in Kosovo are very region-specific**. The strongest factor is the allocation of industrial facilities, both those which are currently operational and those which have been suspended but whose impact on the environment is still tangible, such as lead production facilities in the Mitrovica area. More detail on the geographical allocation of industrial complexes is mapped on Figure 4.

- **RAE communities are exposed most strongly because many of their temporary camps are located in contaminated areas.** Notably, location of many RAE temporary camps is specifically vulnerable as these camps were established in some of the most contaminated areas, such as the camps of Cesmin Lug, Kablar and Zitkovac in Nothern Mitrovica. This extreme concentration of practically all social risks within the isolatd RAE camps is described by the UNDP observation that "a Kosovo-RAE female child living in a temporary camp in Mitrovicë/Mitrovica will be the least healthy, the least nourished and have the least access to health care of all Kosovo's children" (UNDP Kosovo, 2010).

Secondary spatial barriers to social inclusion

Intergenerational poverty, low education, and poverty among youth and children

The 2010 Kosovo HDR states that one of the five most vulnerable groups in Kosovo are disadvantaged children and youth, particularly poor rural girls from ethnic minorities. This vulnerable group embodies the cancerous problem of "intergenerational transfer of exclusion", when existing generations fail to provide better opportunities for the next generation, and as a result deprivation is maintained and perpetuated (UNDP Kosovo, 2010).

One local cycle of exclusion which contributes to intergenerational poverty is represented by complicated access to education, itself resulting from low income, low priority of education and certain social cultural prejudices such as gender discrimination. Some of these additional complications also have a clear spatial profile:

- There are very strong disparities in access to education between rich and poor in Kosovo, especially in access to secondary and tertiary education which is most likely to improve employment prospects (World Bank, 2007).
- There are strong disparities in Kosovo in education enrollment rates between urban and rural population (especially for primary and secondary education) (World Bank, 2007);
- There are also strong disparities in secondary education enrolment rates between genders in rural areas (with the enrolment rate for girls being 20%% lower), which is attributed to prevalent traditions which discourage female education in rural areas (World Bank, 2007).

Self-exclusion

A specific problem in Kosovo is the phenomenon of social self-exclusion. As discussed in the 2010 Kosovo HDR, the specific feature of social vulnerability in Kosovo is that it was highly influenced by tensions between societal groups after the war. These tensions were difficult to resolve given the weakness of the domestic systems for social risk management. Instead, tensions were perpetuated by ostracism, de-facto discrimination and mutual social rejection between the groups. This trend has pushed many communities into strategies of further self-exclusion, limiting participation in economic, social and educational exchange with the rest of the society, and instead building livelihood strategies around the primary objective of reinforcing internal bonds within isolated communities, such as bonds within ethnic communities, which are often seen as the only positive factor (UNDP Kosovo, 2010).

As could be predicted, self-exclusion is proliferating along the major dividing lines which relate to ethnic origin of the Kosovo people, perpetuating the enclaved condition of Serb communities and the isolated social status of communities with large share of non-Serb ethnic minorities.

The spiral of self-exclusion among the Serb communities is further perpetuated by the legacy of the parallel education system established by the Kosovo-Serb minority after the conflict and the tendency of these communities to avoid participation in the formal education system of Kosovo. This circumstance continues to represent a barrier to cultural and educational exchange, to strategic development of the national education system and even to collection of accurate statistics on enrolment and educational achievement among Kosovo-Serb students (UNDP Kosovo, 2010).

Long-term unemployment

Most studies see the trap of long-term unemployment as one of the key attributes of income deprivation and social exclusion in Kosovo. The 2010 Kosovo HDR defines the long-term unemployed as one of the five most vulnerable groups, noting that this category of population is most likely to have difficulties accessing even basic goods and services, to suffer from vicious cycles of passive attitude to life choices, and to transmit social exclusion to their children, if deprivation and social shocks will continue through their lifetime. Yet, as much as 82% of unemployed in Kosovo are long-term, that is those who have stayed out of work for more than 12 months (UNDP Kosovo, 2010).

Characteristically long duration of unemployment in Kosovo is also noted by the World Bank. It notes that unemployment is in principle a condition which strongly increases the likelihood of falling into poverty in Kosovo, with poverty headcount ratio for unemployed at 39% in 2009 HBS data. A related issue is the fact that finding a per diem work does is not always helping the person's household to step out of poverty: in fact, 55.2% of those on per diem work remain poor (with this category of employed people being among the poorest workers) (World Bank / Statistical Office of Kosovo, 2011).

Gender discrimination

As was already discussed at several instances, gender equity is a serious concern in Kosovo, with gender discrimination been especially concentrated in rural areas. The problem has several key dimensions:

- **Exclusion of rural women from labour market, education system and from protection from violence.** The 2011 HDR notes that less than a quarter of rural women participate in the labour market, a high proportion of them is illiterate, and many are victims of home violence. The HDR describes this group of Kosovan population as one of the five most vulnerable categories.

- **Lower educational outcomes for girls in the rural areas**. As was already discussed, there are also strong disparities in secondary education enrolment rates between genders in rural areas (with the enrolment rate for girls being 20%% lower), which is attributed to prevalent traditions which discourage female education in rural areas (World Bank, 2007).

- **Higher poverty of female-headed household is entirely socially induced.** On the one hand, the 2009 HBS data shows that households headed by females (in both rural and urban areas) tend to be poorer than those headed by males. However, there could be many covariate factors responsible for this observations: for example, women tend to have lower education than males, and so the observed difference in economic fortune of the female- and male- headed households could be because of the impact of low education, rather than related narrowly to the gender of the household head, or both.

Econometric analysis by the WB confirms that, indeed, the gender of the household head does not have a statistically significant impact on the probability of the household being poor, if other factors are held constant. In other words, such households do tend to be poorer, but poverty results from other social factors than gender-specific characteristic, and is therefore socially induced (World Bank / Statistical Office of Kosovo, 2011).

Mapping social vulnerability across municipalities (draft based on limited data)

Mapping approach in this report is based on limited data and is, therefore, preliminary. This section of the report is an initial draft description of a methodology to map social vulnerability at the level of individual municipalities in order to compare it to the allocation of resources and to use in the longer term for monitoring the effectiveness of social policy outcomes. The approach is described as very tentative proposal because it is based on an extremely limited amount of primary data which currently available to the team. We also describe additional data which would help to significantly develop this mapping exercise.

The mapping presents existing municipal data on social vulnerability in ways which are comparable to resource allocation flows, and helps to analyse and improve them. As we discussed in the earlier sections, previous analysis of social exclusion in Kosovo by other observers have outlined the key geographical barriers and geographically specific social phenomena which influence regional disparities and make some communities more vulnerable than others. A few selected indicators – such as the HDI – have also been calculated at the level of municipalities and published in earlier reports. The objective of this report is to compile existing municipal social vulnerability statistics in a way which helps to link the geographical distribution of social risks to the geographical distribution of social policy financing.

As a first step, the analysis identifies some of the risk factors which do not coincide with current resource allocation principles (population and infrastructure) and require a more complex financing approach. The two major current resource allocation approaches which need to be compared to the actual distribution of vulnerabilities are:

- Allocation broadly based on population (which sits at the basis of the general grant);
- Allocation broadly based on historical financing trends and existing service delivery infrastructure (which was the basis of allocation of the social grant in the previous years).

The first step in assessing the effectiveness of these alternative financing approaches is to use the limited available data to establish whether the current distribution of social risks is proportionate to population sizes across municipalities and to identify and measure any factors of social vulnerability which do not correlate with population and therefore require a more sophisticated approach for resource allocation.

Social risks included into the mapping are not comprehensive but dictated by available data. Given the limited amount of available data, the task at this stage is not so much to compile an exhaustive range of all risk factors as to assess the general situation and to understand whether there is a significant variation across municipalities which is not captured by the differences in their population sizes and available social services infrastructure. Based on the available data, the analysis is focused on municipal trends in: family breakdown, educational achievement, crime and violence.

Data limitations

- **Limited types of data available to this analysis (no access to HBS and LFS).** This analysis relies on social and demographic statistics which is available in the public domain at the website of the Statistical Office of Kosovo within its period publications. These reports include: Kosovo Education Statistics (2009-2010), Wedlock Statistics and Statistics of Divorces (2010), Statistics of Deaths and Births (2010), as well as the Preliminary Census Results revealed in 20101. Unfortunately, municipal level data from other surveys such as Labour Force Survey and Household Budget Survey, were not available to this analysis.

- Some of the municipalities are covered very poorly by the available statistics. Four municipalities (Leposavic, N.Mitrovica, Zvecan, and Zubin Potok) are not covered by the Preliminary Census Results (so there is no recent population data for these communities). In addition, data these and several other municipalities for some of the key demographic variables in the SOK reports is not available (this includes Gracanica, Kllokot, Partesh, and Raniluk). For the benefit of consistent comparisons across Kosovo, these municipalities had to be removed from statistical calculations because of these data limitations.

Municipal differences in family breakdown, educational achievement, crime and violence

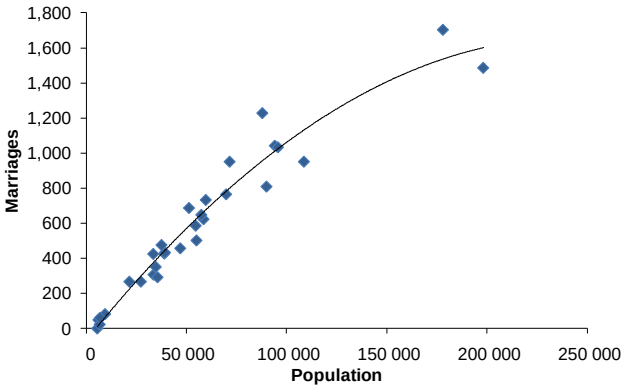
Social risks which are linked to trends in family breakdown, educational performance and criminal situation in the community follow a strong pattern which is clearly different from the population size and are therefore driven by some external factors which need to be addressed by the resource allocation method.

Family breakdown

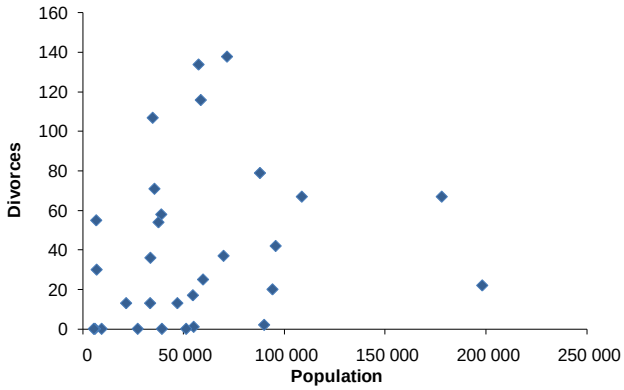
One indicator of social vulnerability which demonstrates strong variation across communities which is not captured by the differences in population size and is clearly linked to social risks described in earlier chapters is family breakdown. Figure 5 illustrates that amounts of marriages in 2010 in Kosovo communities have been broadly in proportion to the community population size. But amounts of divorces had no link at all to the population size, and were clearly a result of some additional vulnerabilities which are scattered unevenly across the country.

Figure 5. Marriages and divorces compared to population numbers across communities

While marriages clearly correlate with population numbers…



… amounts of divorces are driven by strong other factors



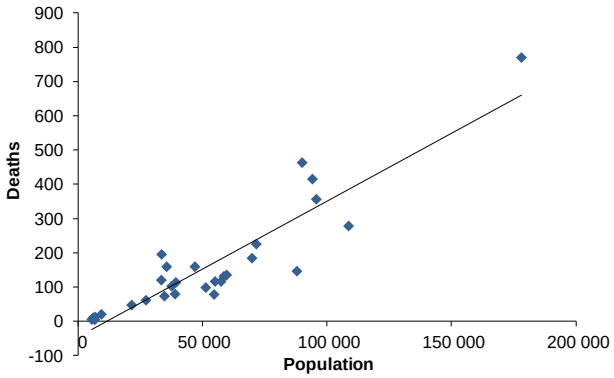
Source: Statistical Office of Kosovo: Statistics of Divorces 2010; Wedlock Statistics 2010 (number of cases); Population statatistics based on Preliminary Census Data (Rekos 2011).

Violent deaths

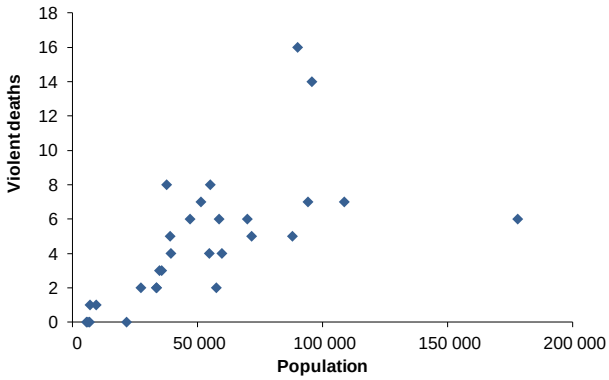
A dramatic dimension of social vulnerability within the community is the risk of violent death. Again, while overall death rate is broadly proportionate to the population size (Figure 6), patterns of violence leading to death are very different. The scatter diagram shows that there are clearly some additional factors explaining the differences in this indicator across communities, which would not be captured by simple population numbers.

Figure 6. Total deaths and violent deaths compared to population numbers across communities

While total death rate is proportionate to the population size of each community …



… amounts of violent deaths demonstrate a different and more complex pattern



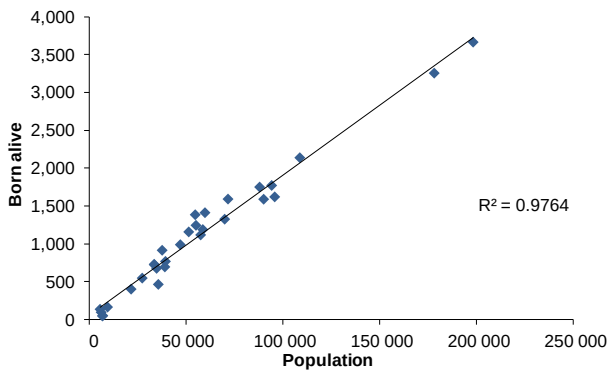
Source: Statistical Office of Kosovo: Statistics of Deaths 2010 (number of cases); Population statatistics based on Preliminary Census Data (Rekos 2011).

Children born to very young mothers

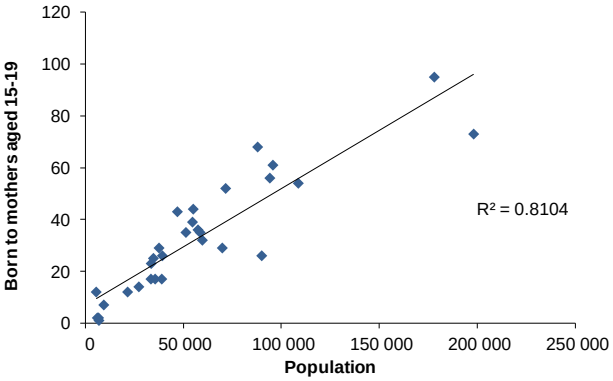
The difference between municipalities in terms of the incidence of births to mothers aged 15-19 is less pronounced, but still palpable. Figure 7 shows that while overall rate of birth is practically the same in all municipalities (the amount of children is in almost perfect linear dependence to population size), amounts of births for mothers aged 15-19 also depend on population but much less strongly, with other factors entering the picture.

Figure 7. Total amounts of children born alive and children born to mothers aged 15-19 compared to population numbers across communities

While total birth rate is strongly in proportion to population size of the community…



… birth rate among very young mothers is significantly higher in some communities compared to others.



Source: Statistical Office of Kosovo: Statistics of Births 2010 (number of children); Population statatistics based on Preliminary Census Data (Rekos 2011).

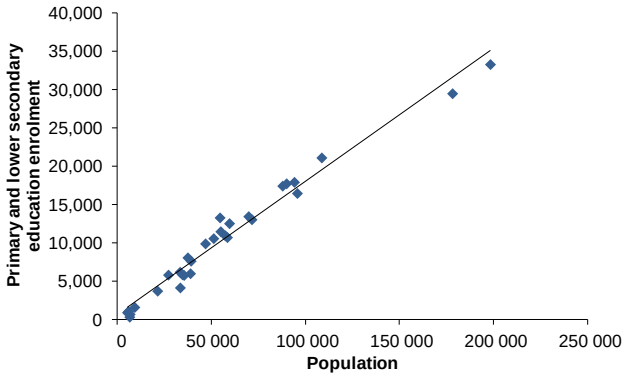
Education dropouts

Links between education and social exclusion have been described in detail in previous sections. Vulnerable population groups tend to have lower education, are likelier to fall into poverty, and to transmit the difficulty of accessing education to their children (especially girls). As was also discussed, access to education is very uneven across communities, which is explained by many social risks and barriers, and is perpetuated by local cycles of exclusion.

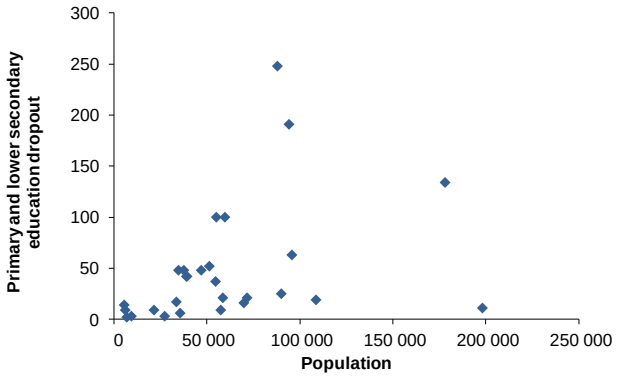
For the purposes of resource allocation, it is important to highlight that the geographical disparity in educational outcomes is not captured by the population size of the community and that other variables need to be incorporated in order to allocate funds in proportion to the social services needs. This is illustrated in Figure 8 and Figure 9. While the rate of enrolment into both primary and secondary education is practically the same in all communities, the probability of dropout is very different. Amounts of dropouts from primary, lower secondary and upper secondary education is not correlated with population size of the community and varies greatly across municipalities.

Figure 8. Annual enrolment and dropout into primary and lower secondary education compared to population numbers across communities

Even though communities enrol the same proportions of children into primary and lower secondary education …



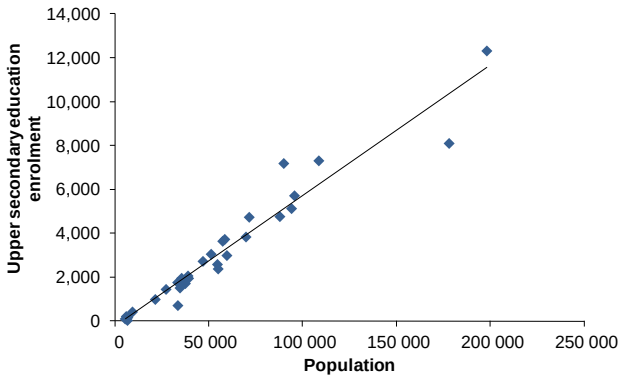
… the dropout rate varies widely across communities.



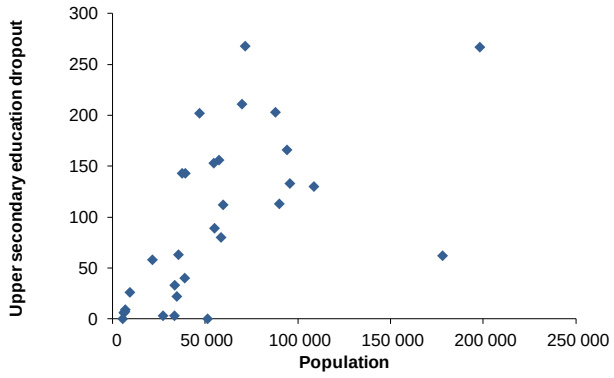
Source: Statistical Office of Kosovo: Education Statistics 2009-2010 (number of students); Population statatistics based on Preliminary Census Data (Rekos 2011).

Figure 9. Annual enrolment and dropout into upper secondary education compared to population numbers across communities

For upper education as well, enrolment is strongly proportionate to population sizes…



… put amounts of dropouts demonstrate an influence of additional social risks which differ across communities.



Source: Statistical Office of Kosovo: Education Statistics 2009-2010 (number of students); Population statatistics based on Preliminary Census Data (Rekos 2011).

Neutrality of variables to local policy decisions

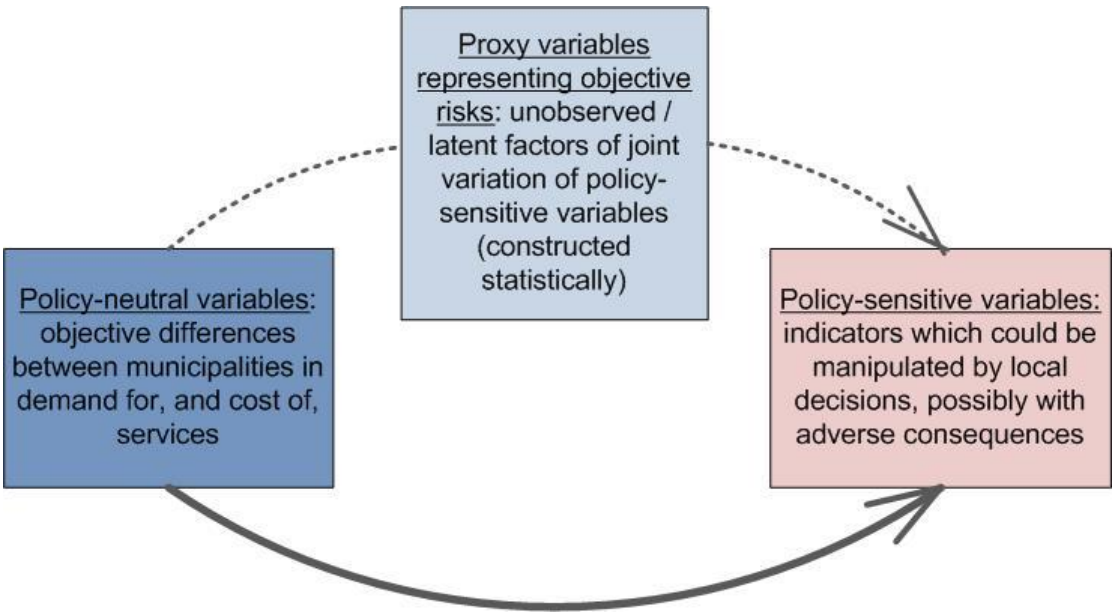
Ideally, allocation of resources across municipalities to fund decentralised services needs to rely on policy-neutral indicators. In defining criteria for dividing resources across sub-national budgets for delivery of decentralised programmes, it is critical to base allocation decisions on variables which are "local policy neutral", so that the resource allocation process does not create financial incentives for the local authorities to increase their allocated share by influencing respective variables (Schroeder, 2003). For example, if funds for long-term care for the elderly were divided based on the amounts of residents of elderly homes in each region, this would create an incentive for each region to increase the share of people receiving such residential services (which is not always efficient and not always brings best value to people) rather than try to redirect resources into alternative forms of long-term care (e.g. community based care). In this example, if funds were allocated based on population numbers, it would have been more difficult for regional authorities to influence the allocation. However, variables such as population – which are the easiest to use – are not always accurately capturing objective differences between the regions in the cost of providing services and in the objective barriers to inclusion and thus disparities in the demand for services.

Vulnerability indicators discussed in the previous sections are not neutral to local policy decisions. It is clear that individual indicators such as family breakdown and amounts of violent deaths are only the outcomes of social risks dispersed unevenly across communities, and that many other factors – some of which we have listed in earlier sections – are the primary barriers to inclusion which cause these unfortunate trends. From social policy perspective, the indicators discussed in the previous section might be viewed as "ex post" variables in that they represent the result of policy action and reflect its current ability to prevent and protect people from social risks. And clearly these indicators as such are not appropriate to use as direct criteria for resource allocation, even though they represent useful information to monitor the distribution of vulnerability and/or the impact of policy decisions.

Ultimately, the formula for resource distribution will need to find such policy-neutral variables, but lack of data at municipal level leaves this task for the future. Geographical barriers to inclusion and spatial factors of social service demand discussed earlier in this report – such as level of urbanisation, environmental pollution, infrastructure and housing damage after the war, etc. – are relatively neutral and represent a solid potential candidate variables. However, to consider such variable choices, we might first empirically test that they are indeed linked to social vulnerability outcomes at municipal level. Unfortunately, at the moment of this report, there was no data in municipal breakdown either on respective geographical characteristics or on the necessary scope of social vulnerabilities to undertake such simulations. It is expected that such calculations will become possible in the course of the project.

In the absence of full data sets, this report identifies latent objective factors of social risk as statistical composites with the help of factor analysis procedure. In the meantime, this report tries to describe in general terms the unobserved objective variables which dictate the behaviour of available indicators of social vulnerability, in order to illustrate their distribution across municipalities and assist the search for respective statistics (see Figure 10). This is achieved with the help of Principal Components Factor Analysis – a statistical methodology which helps to describe variability among a number of variables with a smaller number of unobserved factors. This procedure identifies joint variations in the known variables in response to some other latent factors and helps to present these latent factors as new variables available for further analysis. At this point of formula design and given the lack of data, factor analysis of social vulnerability may help us to produce a string of new indicators for each of the municipality which would implicitly measure the unobserved objective social risk and could be mapped geographically and against population. This analysis is described in the following section.

Figure 10. Types of variables in the formula design



Composite factors of social vulnerability based on available data

Opportunities for factor analysis with the amount of available variables in municipal breakdown are again limited, but an example of its potential use is described in this section. If a number of variables which include dropout rates for primary and secondary education, divorce rates, rates of births to mothers aged 15 to 19 years, and population density (which is a proxy for the level of urbanisation), application of a factor analysis based on principal components method points at the presence of three composite unobserved factors which explain joint variation of these individual indexes[9]:

- Factor 1: responsible for joint variation of divorce rates and rates of dropouts from upper secondary education;
- Factor 2: responsible for joint variation of births to very young mothers and dropout rates from primary and lower secondary education;
- Factor 3: responsible for joint variation of criminal indictment rate for adults and population density (as a proxy for the level of urbanisation).

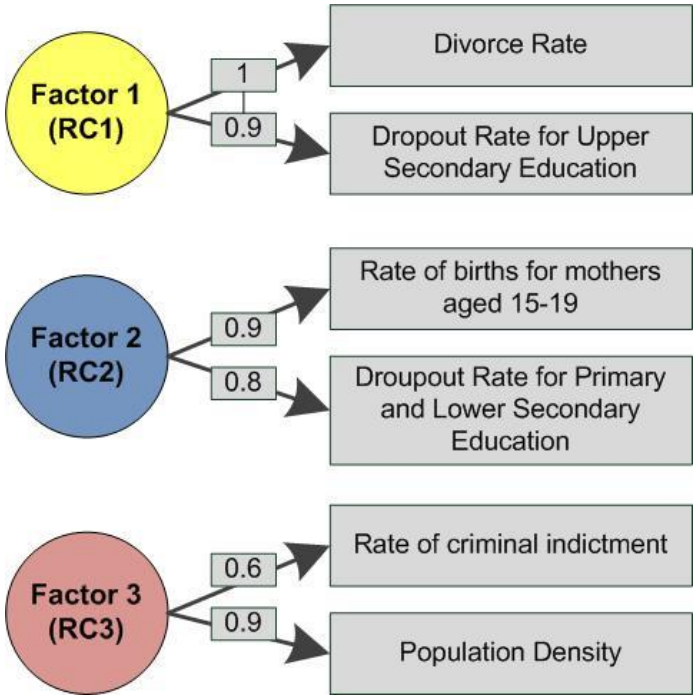
Table 6. Rotated Factor Loadings for the Principal Component Analysis of Social Vulnerability Variables across Kosovo Municipalities

Variables	Factor1	Factor2	Factor3
Divorce Rate (amount of divorces per amount of marriages, 2010)	0.951	-0.005	-0.152
Birth Rate for mothers aged 15-19 (births in this age group per number of children born alive)	0.194	0.896	-0.058
Dropout rate from primary and lower secondary education (per students enrolled)	-0.328	0.799	-0.13
Dropout rate from upper secondary education (per students enrolled)	0.915	-0.032	-0.273
Population density (population / territory)	-0.184	0.041	0.896
Criminal indictment rate (amount of adults indicted per capita)	-0.199	-0.366	0.648

[9] Analysis was conducted with the help of software offered by Wessa P., 2010, Factor Analysis (v1.0.0) in Free Statistics Software (v1.1.23-r7), Office for Research Development and Education, URL http://www.wessa.net/rwasp_factor_analysis.wasp/

Admittedly, with this very limited data it is difficult to construct proxy factors which would be visibly representative of some of the objective social risk factors registered in earlier more theoretical analysis. In this example, the three factors seem to include a visible concentration of criminal activity in urban areas (Factor 3), a pattern which relates early child births with their subsequent failure to remain in primary education (Factor 2) and a less explicit phenomenon represented by Factor 1, which very strongly links family breakdown to dropouts from upper secondary education, although it is also linked to dropouts from primary and lower secondary education, except less strongly, and is somewhat more relevant to rural rather than urban areas (which can therefore point at the possibility that divorces force elder children to drop school to seek employment to help maintain household income).

In this way, the highly subjective social vulnerability indicators are converted into somewhat more policy-neutral variables which are also potentially more geographically specific and could be used in the process of designing a financial formula.



One of the benefits of factor analysis is that the values of the newly constructed proxy variables, or factors, are represented by string of values which are ascribed to the latent factors, and may be used for further analysis. In our case, these values for the three factors are used in the next section to check whether allocations of General and Social Grants in 2011 corresponded to municipal disparities in these latent factors (they did not).

How does current allocation of resources match the regional distribution of social vulnerability factors?

Prior to considering alternative formula options, this section looks at how the two current approaches which were applied to social services funding in Kosovo match the current geographical allocation of social vulnerabilities. The two approaches which we consider are:

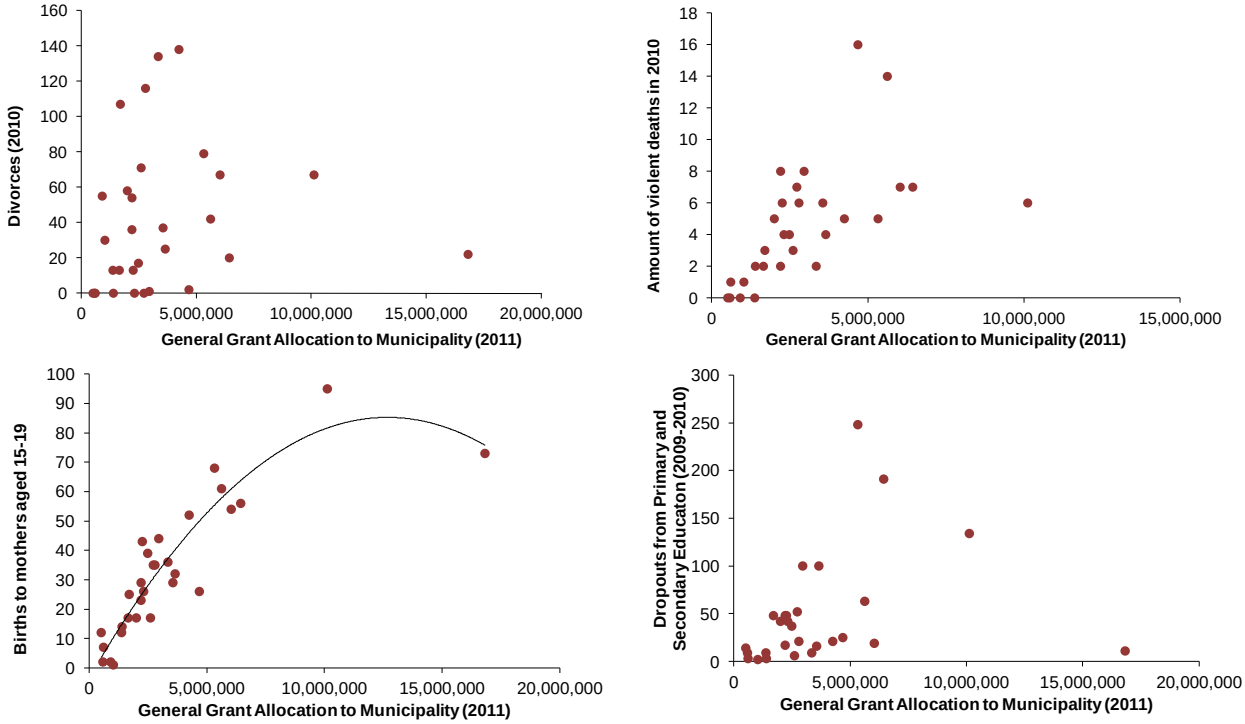
- Allocation approach of the General Grant, which is based mostly on population numbers but does include corrections for land area and the share of minority population;

- Allocation approach of the Specific Social Services Grant used in the previous years, which relied mostly on the historical spending patterns and was therefore closely linked to the existing service provision infrastructure across municipalities.

General Grant Approach (population, land area, minorities)

Although 5% of the General Grant is distributed based on the share of ethnic minority populations and another 6% - based on the land area of municipalities, the bulk of this transfer is still population-based. As we discussed, this principle has many benefits (e.g. of objectivity, simplicity, and transparency), and was praised by many observers (World Bank, 2010). However, as was also discussed earlier, social vulnerability in Kosovo is distributed across regions in patterns which are highly divergent from population sizes. It is therefore not surprising that the allocations of General Grant to individual municipalities bear little relevance to the indicators of social inclusion actually exhibited by this communities. Analysis of this report are based on General Grant statistics of the MTEF 2011-2013 (Ministry of Economy and Finance of the Republic of Kosovo, 2010). It shows that none of the available vulnerability data correlates with General Grant allocations at the municipal level, despite the correction for the share of minority and land area (see Figure 11). The only variable for which some correlation is implied relates to birth rate among very young mothers.

Figure 11. Allocations of General Grant (Euro) plotted against social vulnerability data by municipalities



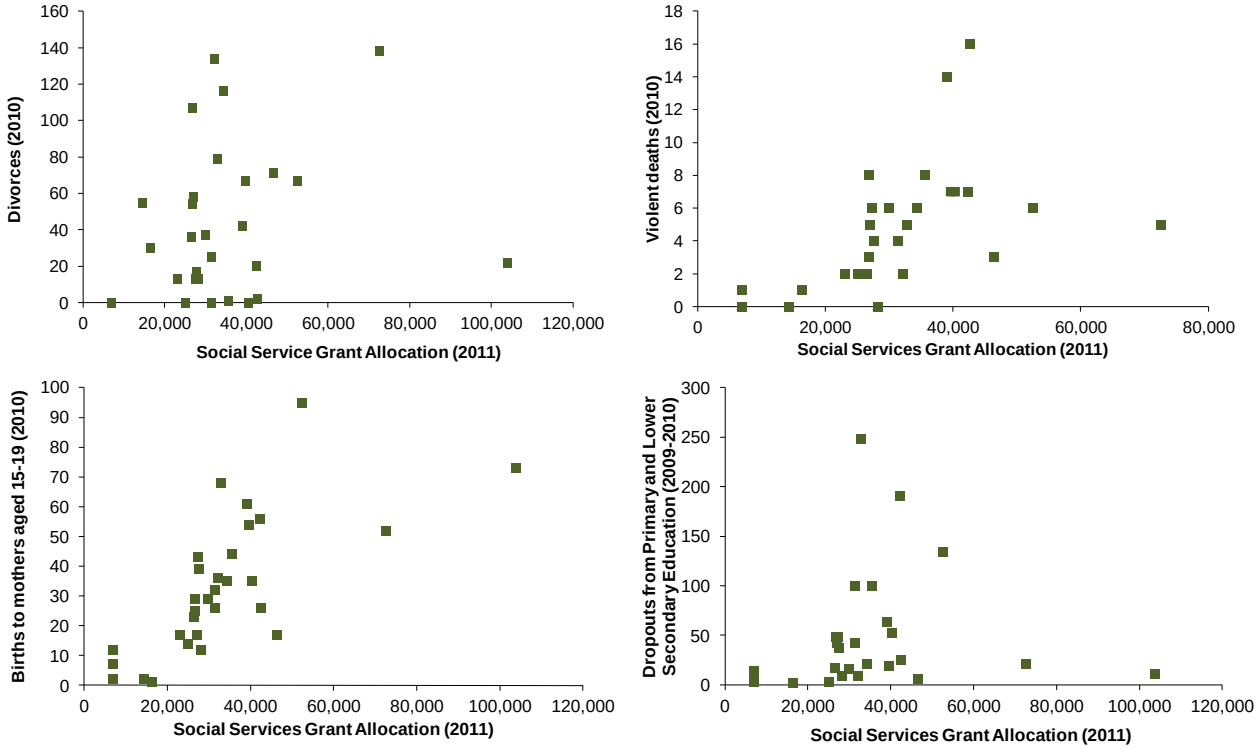
Source: Statistical Office of Kosovo; Population statatistics based on Preliminary Census Data (Rekos 2011).

Specific Social Grant approach (historical spending patterns based on existing infrastructure)

As already mentioned, during 2009-2011, the Government of Kosovo applied temporary practical rule for allocation of the Specific Social Services Grant, which divided its amounts based on the historical amounts of spending on this programme by the MLSW. This transitional approach essentially implied continuation of funding for CSW from the central budget based on the historical pattern of spending.

Comparing resulting municipal allocations to the available data on social vulnerability indicators for the same municipalities shows that historical spending patterns on social services are hardly in line with the regional disparities in terms of these selected social risks. As illustrated in Figure 12, allocations of Social Grant by municipalities have no correlation to the regional disparities in family breakdown, violence, and the likelihood of dropout from education. Again, there is a somewhat stronger relation to the disparities in likelihood of births by early mothers, but the relation is not explicit and powerful.

Figure 12. Allocations of Specific Social Grant (Euro) plotted against social vulnerability data by municipalities

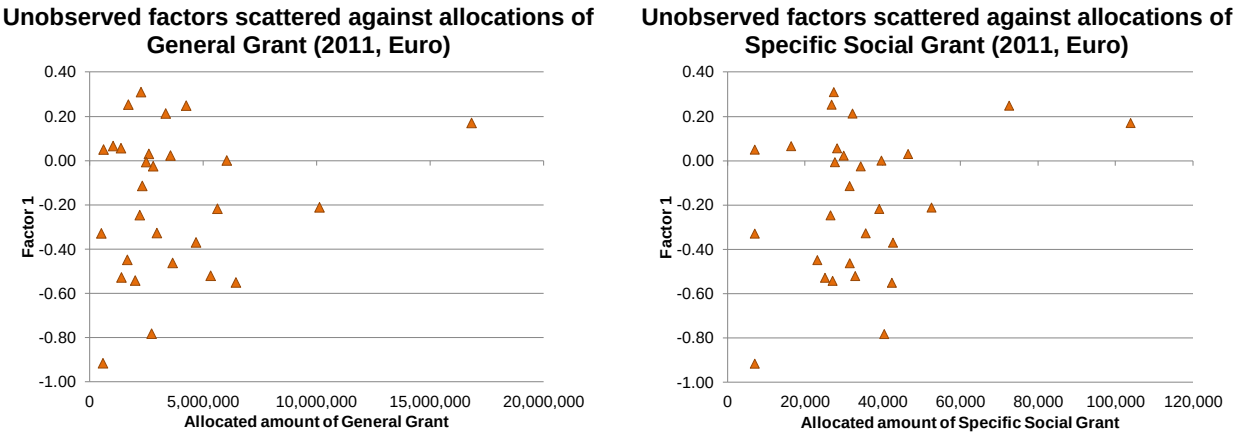


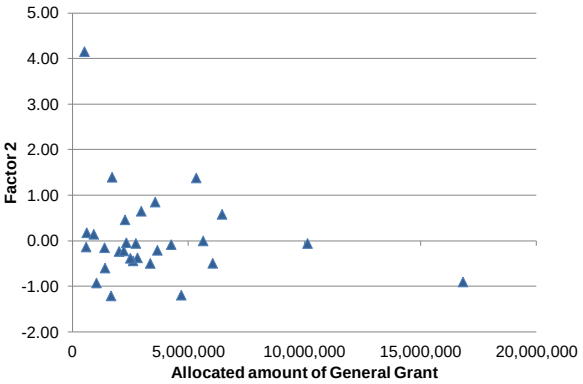
Source: Statistical Office of Kosovo; Population statatistics based on Preliminary Census Data (Rekos 2011).

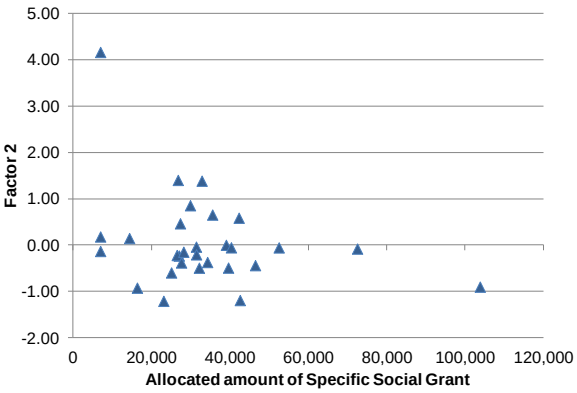
Comparing grant allocations to distribution of composite proxy factors

As explained earlier, this section plots allocations of both types of grants against proxy factor variables constructed through principal component factor analysis, rather than to actually observed social vulnerability variables. The results of this comparison is presented in Figure 13. It shows that neither of these resource allocation methods is capable of responding to the disparities in these latent composite factors. Both allocation methods seem especially oblivious to the differences between municipalities in the social risks of children seeking jobs after family breakdown (Factor 1). The pattern of grant allocation seems somewhat more responsive to the differences in the degree of urban criminality (Factor 3), however the strength of this response is close to being statistically insignificant.

Figure 13. Comparing allocations of General Grant and Specific Social Grant (2011) to distribution of latent social vulnerability factors across municipalities




5.00
4.00
3.00
2.00
1.00
0.00
-1.00
-2.00
Factor 2
0
5,000,000
10,000,000
15,000,000
20,000,000
Allocated amount of General Grant


5.00
4.00
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1.00
0.00
-1.00
-2.00
Factor 2
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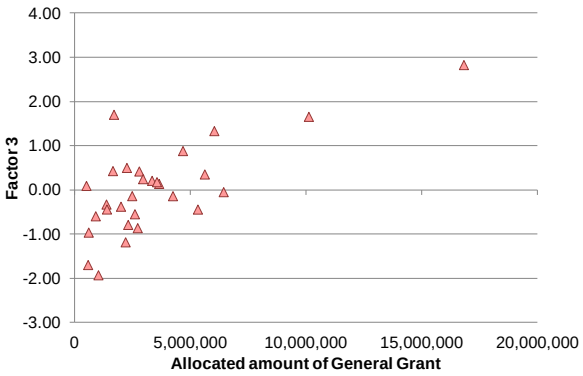
20,000
40,000
60,000
80,000
100,000
120,000
Allocated amount of Specific Social Grant


4.00
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Factor 3
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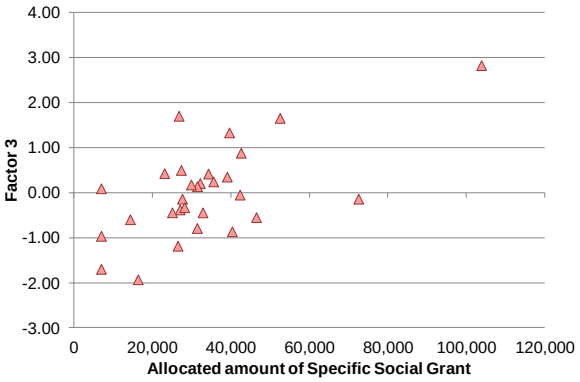
10,000,000
15,000,000
20,000,000
Allocated amount of General Grant


4.00
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0.00
-1.00
-2.00
-3.00
Factor 3
0
20,000
40,000
60,000
80,000
100,000
120,000
Allocated amount of Specific Social Grant

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