SOCIAL INSTITUTIONS SUPPORT PROGRAMM

REPORT On the PRESENT STATE and FUTURE of SOCIAL SECURITY in Kosovo

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ANNEX 1

INTRODUCTION

The Kosovo Social Protection System is in a very early stage of development. The turmoil in the late 80s and the 90s has economically devastated this territorial and political entity (the political status of Kosovo is not determined yet). For the time being, Kosovo is being administered by a UN Administration whose chief objective is to establish local self-governing institutions for Kosovars. With the establishment of new institutions, a gradual transfer of competencies in the respected fields has occurred. Social protection has been already transferred to the Provisional Institutions of Self Government (PISG). At this point in time, legal infrastructure regarding social security is being created by these institutions in order to create a more comprehensive social protection system. Several laws have been promulgated by the Kosovo Assembly (and approved by the UN administrator)¹ and several other laws are in different stages of the adaptation process. It is important however, that all legislation adopted in Kosovo is very modern, democratic and conform to main international documents and treaties. The basic document setting the provisions of law adaptation (The Constitutional Framework for Self-Government in Kosovo) within its text includes that all legal and political activities of the PISG will be conducted:

Taking into account the Charter of the United Nations; the Universal Declaration on Human Rights; the International Covenant on Civil and Political Rights and the Protocols thereto; the Convention on the Elimination of All Forms of Racial Discrimination; the Convention on the Elimination of All Forms of Discrimination Against Women; the Convention on the Rights of the Child; the European Convention for the Protection of Human Rights and Fundamental Freedoms and the Protocols thereto; the European Charter for Regional or Minority Languages; the Council of Europe's Framework Convention for the Protection of National Minorities; and other relevant principles reflected in internationally recognized legal instruments;²

This is an important basis and assurance that all legislation passed in the future will be drafted in accordance with the international standards and shall take into consideration these arrangements, otherwise, they will be unconstitutional. This method was partly chosen because it is the only mechanism that can assure Kosovo will keep pace with international trends (Since Kosovo is not an independent country yet, it cannot sign treaties and agreements). It remains to wait and see how fast will the legislation be promulgated and adopted and that will also largely depend on

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¹ The current institutional setting in Kosovo requires that every piece of legislation approved by the Assembly of Kosovo needs to be ratified by the UN administrator in order for it to come into force.

² Excerpt from the Constitutional Framework for Provisional Self-Government







other socio-political and economic developments that are expected to take place in the near future.

1. CONCEPT AND SOURCES OF SOCIAL SECURITY LAW

KOSOVO

I. INTRODUCTION: CONCEPT AND SOURCES OF SOCIAL SECURITY LAW

Social protection (mbrojtja sociale) in Kosovo is still being developed and is presently composed of the basic pension scheme (pensioni bazë), social assistance (asistanca sociale) and the personal savings scheme (skema e kursimeve pensionale). The healthcare insurance is in the process of being established. Presently, the healthcare system is maintained by contributions from the Kosovo Consolidated Budget and participation of the patients, but that will be changed with the law that is currently awaiting the approval of the Kosovo Assembly.

Social welfare encompasses both social services and benefits, including social assistance in cash. Social services can be provided by public institutions to children, families and adults who need counseling and institutional care. Cash benefits are designed for risked to the social point of view. The Social Assistance Scheme of Kosovo provides support to families that include members who are: a) aged sixty-five (65) years or older; b) disabled persons; and c) other categories of persons unable to work or are not presently working. There is a separate benefit systems for war invalids of Kosovo and for the next of kin of those who died as a result of the armed conflict in Kosovo. In order to benefit from the social assistance scheme, a person must be a habitual resident of Kosovo.

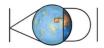
The pension system is made up of three pillars:

- -First pillar: Old age and incapacity to work
- -Second pillar: Compulsory individual pension savings
- -Third pillar: Regulates the legal framework for supplementary voluntary pensions.

Due to its undetermined political status, Kosovo is equipped with a Constitutional Framework instead of a real constitution. This framework does not explicitly state any the rights of individuals regarding social security, other than in the context of rights of communities where it pertains that communities have the right to, "Receive and provide public health and social services, on a nondiscriminatory basis, in accordance with applicable standards." However, the Constitutional Framework, the basic document produced by the United Nations Interim Administrative Mission in Kosovo (UNMIK) in 2001 authorizes the Ministry of Labor and Social Welfare (MLSW) to regulate the field of social protection.

Currently, the legal provisions in the field of social security are set forth by: Laws passed by the Assembly of Kosovo and ratified by the Special Representative of Secretary General of United Nations (SRSG) which become UNMIK Regulations, Administrative Bylaws and Administrative Directives. Laws of the Assembly of Kosovo, promulgated as UNMIK regulations as well as governmental directives determine the personal scope, the conditions for eligibility, the level of benefit and the duration of payment.







Competent ministries and autonomous institutions in charge of administering the social security schemes can issue binding regulations concerning the matters for which they are authorized by law, for the administration of the funds and procedural provisions.

II. ADMINISTRATIVE ORGANISATION

The Ministry of Labor and Social Welfare is responsible for adequate administration and supervision of the social protection in Kosovo. The Ministry of Health administers and supervises the healthcare insurance. The MLSW nominates the Department of the Pension Administration of Kosovo (DPAK) that administrates the Basic Pension Scheme and the Pension Scheme for Persons with Disabilities. DPAK organizes its activity through its central office in Prishtina and six regional centers.

The organization of the social protection system is conducted on the basis of the tripartite system. Within the MLSW there exists the tripartite committee, composed of the Government, Labor Union and the Chamber of Commerce that jointly decide upon regulations concerning social protection system.

The administration of individual pension accounts is entrusted to the Kosovo Pension Saving Trust. The Trust is governed by a seven member board (4 professionals, 1 representative of the employers (Chamber of Commerce), 1 representative of the Employees (Union of Trade Unions and 1 from UNMIK. The collection of the contributions is done by the Tax Administration through the Banking Payment of Kosovo.

At present, there is no system of healthcare insurance in place; all habitual residents of Kosovo are entitled the healthcare system is organized in three levels (primary healthcare, secondary hospitals (6 regional centers) and the University Clinic Center in Prishtina, which functions as a hospital in Prishtina. The Ministry of Health manages the healthcare system that is of decentralized nature.

The Department of Labor and Employment (DLE) within the MLSW, is responsible for designing and planning active labor market policies. The DLE is responsible for registering the unemployment persons and to reintegrate them to employment. Presently, a proposal is being developed for consideration by the Government and Assembly that would establish system that defines employment subsidies, inter-mediation, vocation and training, micro-credits and unemployment benefits to those who have paid their contributions.

The compulsory pension scheme is managed by the Kosovo Pension Savings Trust (KPST) that functions as an independent legal entity under the supervision of the Banking and Payments Authority of Kosovo (BPK) which is an independent Body under chapter 11 of the Constitutional Framework for Provisional Self-Government in Kosovo.

The Kosovo Pension Administration is an administrative unit within the MLSW and manages the basic pension. The KPST is an independent legal entity for the sole and exclusive purpose of administering and managing Individual Accounts for Savings Pensions, assuring the prudent investment and custody of Pension Assets, and paying the proceeds of Individual Accounts to purchase Annuities for Savings Pensions, as management trustee acting on behalf of Participants and Beneficiaries. The Trust is a not-for-profit legal entity, capable of suing and being sued in its







own name. A Governing Board of seven persons manages the Trust. Persons who are appointed to serve in the Governing Board must be persons of recognized integrity and must have professional expertise and experience in pension, financial, investment or insurance matters. At least four members of the Governing Board must have a minimum of ten (10) years of professional pension expertise (set forth by the law).

III. PERSONAL SCOPE OF APPLICATION

MLSW ensures all persons with permanent resident status in Kosovo that fulfill statutory set criteria for the Basic Pension and the Disability Pension. The social assistance scheme offers financial support to selected families based on the statutory selection criteria.

Presently, only the pension savings scheme is financed through compulsory contributions. These contributions are made by of both employees and the employers.

IV. RISKS AND BENEFITS

IV.1. Old age

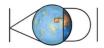
Compulsory old-age insurance is regulated by the UNMIK Regulation 2001/35. This Regulation has substituted the previous pay-as-you-go scheme with the current three pillar pension scheme. Presently, mandatory pensions consist of two forms of pensions: basic pensions and individual savings pensions. Employers may also provide supplementary employer pensions to their employees. Individuals may purchase supplementary individual pensions through pension providers (third pillar). However, at present there are no licensed Kosovar supplementary pensions providers. Also, it is worth noting that up to this point, none of the pension forms are transferable abroad. There are some problems relating to the constraints of reciprocal arrangements between the Kosovo private-based pension system and other types of public funded foreign pensions.

The three forms of pensions are defined as follows:

- "Basic pension" means a pension paid by the pension administration to all persons habitually residing in Kosovo and who have reached pension age;
- "Individual savings pension" is a pension paid by the Kosovo Pension Savings Trust to persons of pension age meeting the statutory requirements with respect to pension contributions;
- "Supplementary Employer Pension" is a pension provided to employees by their employer in accordance with statutory requirements;
- "Supplementary Individual Pension" is a pension purchased by natural persons from licensed pensions providers in accordance with statutory requirements.

The basic pension is a fixed income that all permanent Kosovo residents over the age 65 years, are entitled to. This scheme is maintained financially through the Consolidated Budget of Kosovo and encompasses all residents regardless of their work history. The dates for the commencement of the right to receive the basic pension for various age groups above pension age since 2002 are set by the Assembly of Kosovo, such that the overall expected expenditure level remains within the limits of overall funds allocated to the Provisional Institutions of Self-Government for the basic old-age pensions from the Kosovo Consolidated Budget.







The participants of the individual savings pension schemes after reaching the age of 65 (regardless of gender) are free to select one of the following types of annuity:

- (a) a single life annuity payable until the death of the Participant;
- (b) a single life annuity guaranteed for a period of at least five (5) years whereby if the Participant dies during the guarantee period, the outstanding payments which would have been paid to the participant for that period shall be paid to Beneficiaries designated by the participant;
- (c) a survivor's annuity payable for the life of the participant and then to his or her spouse for the remainder of his or her life;
- (d) a survivor's annuity payable for the life of the participant and then to his or her spouse for the reminder of his or her life with a guarantee period of at least five (5) years whereby if the participant and his or her spouse both die within a five (5) year period (or such longer guarantee period) the outstanding payments which would have been paid to the spouse from the date of his or her death until the end of the guarantee period shall be paid to beneficiaries designated by the participant;

Employers are obliged to make contributions for savings pension for all persons habitually residing in Kosovo who were born in the year 1946 or later. Both employers and employees may choose to make contributions to a savings pension individual account regardless of the birth year of the employee. Employees shall be entitled to a savings pension if either the employer or the employee will make contributions on their behalf.

The provisions requiring employers to contribute on behalf of their employees in order to fund savings Pensions, is effective since the following effective dates:

- (a) employers that are agencies of the state, or state or socially owned enterprises, or large employers with five hundred (500) or more Employees, 1 March, 2002;
- (b) all other Employers 1 March 2003;
- (c) self-employed persons, who shall be required to contribute as Employers and as Employees, 1 March 2003;
- (d) employers of agricultural workers and self-employed agricultural workers, 1 March 2003; and
- (e) voluntary contributions may begin prior to the effective dates indicated herein.

IV.2. Death

Presently the only scheme that provides for survivor's pension for the family in cases of death of the beneficiary/pensioner is the pension saving scheme. The Basic Pension and Invalidity Pension are not inherited by family members. Instead, they are terminated with the death of the pensioner. The only category of persons that receives funding for funeral expenses and related issues is the families of victims who died or went missing during the war in Kosovo. This compensation has been awarded on the basis of a government decision and an administrative bylaw and it is administered by the Government Commission for Missing Persons.







IV.3. Incapacity to work

Disability to work is regulated with Law No. 2003/23 of the Kosovo Assembly on Disability Pensions in Kosovo. This scheme is administered by the Kosovo Pension Administration or any other body that the Ministry of Labor and Social Welfare may decide to make responsible for it. Disability to work is categorized by the aforementioned regulation as short term disability to work or long term incapacity to work. The Disability Pension only applies to persons with severe and permanent disability. Every person with permanent habitual status in Kosovo between 18-65 years of age is entitled to apply for disability pension. However, there is a set of criteria that the applicant needs to fulfill and procedures that need to be followed in order to receive incapacity benefits. The first condition/rule is that the injury, disease or disability must have taken place no less than on year prior complete application. The applicant also needs to provide the diagnosis from a certified medical doctor of the character of the disability as well as other supporting documents (analysis results, X-Ray and alike). This application is evaluated by a Doctors' Commission. The Doctors Commission physically examines all applicants and if necessary verify those diagnoses by repeating the tests or conducting further tests. These extensive medical examination procedures are in place to minimize the error of inclusion within this scheme, as disability schemes are internationally renowned for problems with errors of inclusion. This Commission is in charge of evaluating the level of incapacity. If a person is categorized as fully and permanently disabled to work, then he/she is eligible to receive disability pension. During the period while the person continues to receive invalidity pension, he/she may be invited to appear in front of the physicians' committee for reevaluation.

Disability Pension is a fixed benefit (at present is equal in value as the Basic Pension) that is provided for permanent residents of Kosovo that are between 18-65 years of age and are categorized as fully and permanently incapacitated to work. It is not transferable and in case of death of pensioner, it is terminated and not inherited. These persons are also exempt from the copayment in health care and receive discounts for services provided from public institutions (urban transportation, theaters, etc). The whole Section 13 of the Disability Law was introduced at the last minute within the Assembly and no financial or administrative plans have ever been undertaken with respect to wider implementation of non-cash benefits for the disabled. Therefore this whole section has never been implemented and it remains unclear if sufficient funds or administrative mechanisms are available to implement such provisions.

IV.4. Work-related Injuries and Occupational Diseases

This risk is regulated by the UNMIK Regulation 2003/19 on Occupational Safety, Health and the Working Environment. This document relates a right based approach whereby the employee has the right to safe environment to work. According to the same legislation, the employer is obliged to provide a safe and healthy environment for work. Furthermore, the employer is liable for paying all the expenses related to the treatment all damage caused to the employee in the workplace. The entire scheme is supervised by the National Council for Occupational Safety and health³ Labor Inspectors who are in charge of implementing this legislation. The same law also prevents people under 18 years of age, pregnant women and disabled persons to be assigned

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³ The Council is comprised of representatives of the state, employers employees and experts in field of occupational safety, health and working environment)







particularly hard manual work, working beyond working hours and perform night shifts. If these provisions are violated by the employers, fines varying from € 100-€ 35,000 may apply.

IV.5. Unemployment

Presently the legislation of Kosovo does not foresee any benefits for the unemployed. The government is now planning to create an employment fund that will be established out of 1% of the employees' and the same of the employers' income. The scheme is intended to assist in creating new jobs and does not foresee any financial compensation for the unemployed.

IV.6. Health care and long-term care

At present, Kosovo does not have a law on Health Care. The Ministry of Health has drafted the Law on Health Care which was approved by the Assembly as Law No. 2004/4. Since it was not ratified by the UN Administrator, it has not come to power. At present, it is being amended because it was thought to be financially unachievable. Until this law is approved, the health system in Kosovo is regulated through the Administrative Directive (Health 05/2003). According to this document, all habitual residents of Kosovo are entitled to medical services by general practitioner, specialist and dentist as well as for basic medicaments. The list of basic medicaments is revised annually by the Ministry of Health. The medicaments that are in the aforementioned list are labeled with a special banderol. These services can be obtained only in public health facilities (Puncta, Family Health Centers, Main Family Health Centers, Hospitals, Kosovo University Clinical Center, Mental Health Centers, Protected Apartments, Kosovo Institute of Public Health, Occupational health Institute in Gjakova, Kosovo Blood Transfusion Center, Center for Rehabilitation and physical therapy, and pharmacies) or in private health institutions that have an agreement with the Ministry of Health.

The users of health services are required to respect the referral chain:

- Visits to hospitals for outpatient and in-patient services should be on the basis of a referral from a puncta/family health center or from a private health institution.
- Visits to the Kosovo University Center should be based on a referral by a specialist doctor in a secondary health care institution, or by a doctor from a primary health care institution in a Municipality within Prishtina District.
- In emergencies (accidents and sudden, serious imminent life-threatening circumstances), a patient can be taken to the nearest health care institution or to the institution that is considered most appropriate given the nature of the emergency.

All of the aforementioned health services in public hospitals, are covered by the Ministry of Health, but there is prescribed co-payment for all of them. However, some services are also exempt from co-payment procedures. The following categories of users of health services and types of health services are exempt from co-payment:

- 1. Immunization mandated by law, PAPA smear, Tuberculin test;
- 2. Visit to Family Health Center of Main Health Family Center after referral from a Puncta within 24 hours.
- 3. Laboratory test in emergencies (i.e. glycaemia, WBC, urine);
- 4. Pregnant women and services related to family planning (except forced abortion without socio-medical reason;







- 5. Children up to 10 years of age;
- 6. People over 65 years of age;
- 7. Service (when determined by medical doctor as emergency services) provided in the Emergency Centers of secondary and tertiary care institutions;
- 8. Beneficiaries of the war invalids and the next of kin and social assistance scheme;
- 9. Patients with severe chronic diseases: diabetes mellitus type 1 (insulin dependent patients); patients in dialysis; chronic psychosis like schizophrenia (ICD-10; F-20) or bipolar disorder (ICD-10; F-31); severe mental retardation (ICD-10: IQ below 70); tuberculosis; malign diseases; AIDS; paraplegic, triplegic and quadriplegic patients; blind, def and mute people, all disabled people and other diseases determined by Ministry of Health.
- 10. Repeated consultations related to the same pathological condition for reviewing the results of laboratory tests and/or additional examinations, requested by a doctor of the same health institution (within two weeks).
- 11. Health certificates required for enrollment at all levels of the regular school system.

Although this legal setting is in place, there are no official data on the level of implementation of these measures by the health cares system.

IV.7. Family

Family benefits in Kosovo are divided into material and non-material. Some of the aspects of this risk are covered by the recently promulgated Law on Social and Family Services. This law sets forth the following definition of key terms:

Social and Family Services includes the provision of direct social care, counseling, or, in exceptional circumstances, material assistance, for the benefit of people in need.

Direct social care means the provision of help with domestic duties, personal care, mobility, communication or supervision. It can be provided in a person's own home, in a specialist day centre or in a residential home.

Counseling is a systematic and programmed process of providing information, advice and guidance aimed at helping an individual or a family to improve their social or interpersonal circumstances.

Material assistance means the provision of money, temporary shelter, food, medical fees, clothing or any other material necessity for which there is an urgent need and for which there is no other source available.

Person in Need shall mean any person found on the territory of Kosovo, regardless of status or place of origin, who is in need of social services because of:

- 1. children without parental care
- 2. children with antisocial behavior
- 3. juvenile delinquency
- 4. disordered family relationships
- 5. advanced age
- 6. physical illness or disability
- 7. mental disability
- 8. mental illness







- 9. vulnerability to exploitation or abuse
- 10. domestic violence
- 11. human trafficking
- 12. addiction to alcohol or drugs
- 13. natural or contrived disaster or emergency
- 14. or other cause that renders them in need

A Family in Need is one where a parent or parents or other caregiver require help in caring for a child because of their own circumstance or those of the child or in circumstances where there is a child who is suffering serious harm as a result of the neglect or abuse of their parent or parents or other caregiver or their parent or parents' or other caregivers' inability to care for them adequately, or is exposed to the possibility of experiencing such.

According to this law, the chief responsibility of administering and implementing this law fall with the Ministry of Labor and Social Welfare who also holds the right to introduce the long and short term strategies in this field. It is worth noting that a great portion of administering these regulations falls with the municipal government who needs to harmonize its actions with the MLSW.

For purposes of regulating social benefits and all other related issues, Kosovo Institutions use the term Family Union which is determined as a group of individuals living together under the same shelter and who share the living expenses together. According to this law, a union may include persons who are not family related. There are some provisions for family benefits in Kosovo within the social assistance scheme, if the necessary criteria are fulfilled. These criteria are specified in the "needs" portion of this report.

As far as benefits (alimony) for the children in case of divorce are concerned, that is regulated through the Law on Marriage and Marital Relations. This law gives the Court the discretion of deciding upon the guardian of the under age children as well as children over 18 over which the parental right has been continued. The agreement for alimony between the two parents will be accepted by the court only if it complies with the dispositions set forth by this law regarding the issue of alimony.

IV.8. Need

The risk of need is covered with the Social Assistance Scheme. The scheme is regulated with the Law 2003/15 on the Social Assistance Scheme in Kosovo which came into force on December 18 2003. The scheme is administered by 31 Centers for Social Work situated in all municipalities of Kosovo. Social assistance is a central government function, whereas social services are handled by local government. Since the approval of the new Family and Social Services Law a plan needs to be developed to divide the Centre for Social Work at municipal level, which till now have delivered both services, but with handover of social services to local level imminent, rapid changes need to take place. While dealing with the risk of need during the first years after the war in Kosovo, the PISG and UNMIK were largely aided by the international humanitarian organizations, but with the emergency phase over, this support has decreased significantly.

Need is divided into to categories. The criteria for eligibility of benefits from this scheme are defined as follows:







First Category Criteria

In order for a family to be eligible for the First Category, all members of the family should be qualified as dependent:

- 1. Persons over 65 years of age;
- 2. Adults with permanent disability to work;
- 3. Guardian of the person with permanent disability to work or of a person above 65 years of age who need full care;
- 4. Dependent children under 15 years of age;
- 5. Dependent children of ages 15-18 years that continue to be full-time students;
- 6. Single parent with children under 15 years of age and without other adults in the family;
- 7. The family should not own more than half (0.5 ha) hectares of land.

Second Category Criteria

In order for a family to be eligible for the Second Category, the family should fulfill the following conditions:

- 1. All members of the family should be unemployed;
- 2. Every member of the family that is capable of work should register in the Employment Bureau and get certification from this institution that he/she is capable for work and is searching for work;
- 3. The family should have no income
- 4. The family should not own more than half (0.5 ha) hectares of land.
- 5. The family should have at least one child under the age of 5 or should have full custody over an orphan less than 15 years of age.

As far as the duration of the Decision for Social Assistance Families is concerned, both categories are treated equally before the law and are entitled to six months of aid. So, regardless of the category, after six months the family needs to reapply for assistance. In case of improvement of situation the family is discontinued the aid.

At present, the scale of monthly payments of Social Assistance is determined based on the number of members in the family and is as follows:

1.	One member family	35.00€
2.	Two member family	50.00€
	Three member family	
	Four member family	
	Five member family	
	Six member family	
	Seven or above members of family	

These sums are calculated on a food basket for an adult, which is based on 2100 calories diet that amounts to \in 0.925 per day or \in 27.75 per month.







Based on the existing legal setting, the Ministry of Economy and Finance, in cooperation with the MLSW, have the authority to change the existing standard scale for social assistance.

IV.9. Maternity

The existing legislation, foresees very few maternity benefits. A maternity leave for (public service jobs) and exemption from health care participation. However, there is a document known as the collective contract, which is signed by the government of Kosovo and the Union of Trade Unions that contains several provisions regarding maternity. Up until now, this agreement has not been implemented due to the lack of funds (that is the official explanation). Another very positive law on breastfeeding is being adopted at this point in time and it will most likely come to force soon.

V. Financing

All the schemes are financed by the consolidated budget of Kosovo with the exception of the second and third pillar of the old-age pension scheme. The basic pension and the invalidity pension are financed by the Consolidated Budget of Kosovo. The savings pension scheme and the supplementary pension scheme are covered by equal contributions of employers and employees. Healthcare is also fully financed by the Consolidated Budget of Kosovo, but users of health services need to pay participation fees.

VI. Judicial Review

For all benefits from social security system person must submit a claim (request). An applicant for basic pension or disability pension who thinks that a decision taken by the Department of the Pension Administration (DPAK) is incorrect, he/she is entitled to make a written appeal to the Appeal Committee of the DPAK. These appeals should be made no later than 14 days after the applicant has been informed about the decision taken. The applicants that remain unsatisfied with the decision of the Appeal Committee can request that their appeal become subject to a hearing in the competent court.