

# INTEGRATED SAFEGUARDS DATA SHEET

## IDENTIFICATION / CONCEPT STAGE

**Report No.:** ISDSC16050

**Date ISDS Prepared/Updated:** 01-Apr-2016

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Kosovo	<b>Project ID:</b>	P158347
<b>Project Name:</b>	Statistics for Decision Making in Kosovo		
<b>Team Leader(s):</b>	Alexandru Cojocaru		
<b>Estimated Date of Approval:</b>	29-Apr-2016		
<b>Managing Unit:</b>	GPV03	<b>Lending Instrument:</b>	Lending Instrument
<b>Sector(s):</b>	Public administration- Other social services (100%)		
<b>Theme(s):</b>	Economic statistics, modeling and forecasting (34%), Poverty strategy, analysis and monitoring (33%), Health system performance (33%)		
<b>Financing (in USD Million)</b>			
<b>Total Project Cost:</b>	0.281269	<b>Total Bank Financing:</b>	0
<b>Financing Gap:</b>	0		
<b>Financing Source</b>			<b>Amount</b>
Trust Fund for Statistical Capacity Building			0.281269
<b>Environment Category:</b>	C - Not Required		

#### B. Project Development Objective(s)

The overall development objective is to promote evidence-based policymaking in Kosovo. In particular, the grant seeks to enhance the relevance and timeliness of statistical data produced by the Kosovo Agency of Statistics (KAS) in a number of key areas including informality, poverty and social inclusion, health, and social protection, and contribute to enhancing the interaction between statistics producers and statistics users in these areas.

#### C. Project Description

The project has two pillars, financed by two TFSCB grants:

Pillar I aims at enhancing the quality of data, and our understanding of 4 key issues (i) informality; (ii) health; (iii) social protection; and (iv) poverty dynamics.

Pillar II supports the implementation of the first full scale EU-SILC survey in Kosovo.

The knowledge gaps in these three areas, as well as the institutional dimensions related to these, are discussed, sequentially, below.

## Pillar 1 (\$180,000 USD)

Of the total grant amount of US\$ 180,000, half of the funds (US\$90,000) will be to support the implementation of the informality survey, undertaken by the Department of Economic Statistics; the other half of the funds (US\$90,000) will be allocated to the Department of Social Statistics, for the purposes of collecting data on health indicators, timely poverty indicators, as well as improving the ability of the HBS survey to capture social protection transfers.

### 1.1. Informality

The economy is characterized by a high degree of informality, particularly in agriculture. While the definition of informality can vary, 15 percent of wage workers in Kosovo are employed without a contract, and more broadly, 35 percent of workers are in low productivity employment (self-employed non-professional, unpaid family workers, employees in small firms, and employers of small firms). Informality is a significant problem in Kosovo. Preliminary analysis of firm-level data reveals that the percentage of firms that are severely affected by the competition of informal firms is one of highest in the world. Informality and underemployment is especially widespread in the agriculture sector. Many small and family run business are not fully captured by official labor statistics.

A better understanding of informality has been identified as a key knowledge gap by the Systematic Country Diagnostic (SCD). In particular, the SCD notes that “[m]ore information is needed about many aspects of Kosovo’s informal economy, especially better estimates of its size, the extent to which informal activities are not captured by standard surveys, and motivations for enterprises and individual workers to remain informal. Information is also needed about the scale and scope of corruption and illegal economic activity.” (World Bank, 2016). The ongoing Kosovo Jobs Diagnostic (P156926) aims at addressing some of the existing gaps on informality, but it relies primarily on Labor Force Survey (LFS) data, which allow, primarily, a view onto informal contract arrangements, and less so on the nature of informal firms that existing in the economy.

The estimations of the economic activity in Kosovo should take into consideration the significant scale of non-observed (both hidden and illegal) activity in the country. In order to gain a better understanding of what is generally assumed to be a large but undocumented portion of the Kosovo economy, the grant proposes to finance a survey of unregistered (informal) enterprises and formal enterprises that tend to have large informal components (e.g., restaurants, hotels) in Kosovo. This is expected to improve national income accounting, and help to refine the analyses that come directly from the HBS and LFS. From a policy standpoint it is especially important as the government aims to broaden its tax base.

### 1.2. Health

Health outcomes in Kosovo have improved overtime, but remain poor across multiple dimensions, and in particular for certain population subgroups. Life expectancy at birth in Kosovo has, for instance, increased over time from 69 years in 2007 to 70.5 years in 2012, but remains the lowest in South Eastern Europe and is 10 years lower than the EU average (80.5 years). Circulatory diseases are the primary cause of death in Kosovo, followed by cancers, perinatal conditions and respiratory diseases. Maternal and child mortality rates are an important concern. The infant mortality rate at 17.1 per 1,000 as well as the maternal mortality ratio at 7.2 per 100,000 live births (both in 2011) are still high compared to the EU averages of 4.1 per 1,000 and 5.8 per 100,000 in 2011 (World Bank, 2016).

The share of out-of-pocket payments in total health spending is almost twice as high as the recommended upper limit of 15-20 percent and are impoverishing a number of households. Private health expenditure, almost entirely in the form of out-of-pocket (OOP) payments at the point of service, contributes an estimated 40 percent of total spending in the sector (16 percent in EU countries), with drugs accounting for 85 percent of all health OOP spending. Adjusting the poverty threshold to account for health expenditures, and additional 2 percent of the population would fall below the poverty threshold in 2011 -- a 7 percent increase in the poverty rate.

Primary health care (PHC) facility utilization rates remain low. Primary health care (PHC) facility utilization rates are low. There were on average 2.4 visits per capita and 18.2 visits per physician per day in 2012. In comparison, among SEE countries, only Albania reports lower visit rates (2.2 visits per capita in 2011). The EU average is 7 visits per capita and Turkey's is 8.2 visits per capita. Utilization of inpatient services is also low, which is not, however, a reflection of a well-functioning primary care system, as utilization rates for primary care services are similarly low.

Ongoing health financing reforms and the planned introduction of mandatory health insurance aims to fix many of the outstanding sector issues. Estimates suggest that mandatory health insurance revenues could raise public health expenditures in Kosovo from 2.4 percent to 4 percent of GDP, bringing it closer to the South East Europe and EU average of 5 percent. The Health Insurance Law exempts the poor from insurance premiums and any cost-sharing to reduce financial barriers to access. The additional expected revenues create opportunities for the future Health Insurance Fund (HIF) to strategically purchase improvements in quality and coverage for hospital and primary care services. The planned mandatory insurance scheme intends to introduce an outpatient drug benefit to reduce household spending on outpatient drugs as one of its flagship benefits. This is believed to be administratively achievable in a short time period as well as highly visible and pro-poor.

In order to assess the poverty impact of ongoing reforms, better information on health expenditures is required. Administrative records from MoH will provide some of the required information for performance indicators, but they will not be sufficient. Additional survey-based information is also required, especially on service utilization and to track the incidence of health spending by income level. Generally, the Household Budget Survey (HBS) has only three fairly broad questions about health, all about health expenditures.

In the 2014 round of the HBS survey the Kosovo Agency for Statistics (KAS) added an expanded set of health indicators to the HBS questionnaire, in collaboration with the World Bank. In particular, for 4 randomly chosen household members aged 18+, information of health status, as well as utilization of health services (both out- and in-patient), as well as satisfaction with the services that were provided. The current grant would seek to include again in the 2017 HBS survey round these questions on health status and utilization, to allow for comparable indicators across time.

### 1.3. Timely indicators of poverty

Policy making in Kosovo is often constrained by lack of sufficiently timely data on poverty and well-being. The economic crisis demonstrated that the main poverty indicators currently in use (based on household consumption) are available with too long a time lag. The grant would support the addition of new indicators to the LFS that are relatively easy to verify and summarize, to provide for timelier (quarterly) monitoring of welfare aspects relevant to poverty and shared prosperity, particularly relevant for times of economic shocks to serve as early warning of deteriorating financial situation of households.

While the exact set of questions remains to be finalized, they would include questions capturing various aspect of financial distress. This would include standard indicators of financial distress used in the European Union (e.g. Which of these statements best describes the current financial situation of your household? (a) we are saving a lot; (b) we are saving little; (c) we are just managing to make ends meet on our income; (d) we are having to draw on our savings; (e) we are running into debt), as well as other questions such as Likert-scale questions about satisfaction with the financial well-being of the household, satisfaction with life overall, as well as questions regarding whether households had to adjust essential expenditures (food, healthcare) in order to pay for other household needs.

#### 1.4. Social protection

Kosovo has various means-tested and categorical social benefits, but neither the current HBS nor the existing administrative data shed light on the incidence of these benefits across different income groups or other population sub-groups. This has hampered government efforts to reform (with WBG support) social programs because not enough is known about the targeting effectiveness or coverage of individual programs. The proposed grant would support greater disaggregation of information in the part of the income section of the HBS that captures pensions and social benefits. This would help inform efforts to improve the effectiveness of social transfers, as the current data does not distinguish between different types of pensions or social benefits.

#### Pillar 2 (\$101,269 USD)

Kosovo, as well as other countries in the Western Balkans region, are in the middle of the process of alignment of their statistical systems with those of the European Union. The adoption of the EU-SILC survey instrument for purposes of measurement of poverty and social inclusion indicators is a key element of this process of harmonization. Among the six Western Balkans countries the implementation of EU-SILC started in 2010 in FYR Macedonia, followed by Montenegro and Serbia in 2013, and planned for 2017 in Albania and Bosnia and Herzegovina.

A pilot EU-SILC was conducted in Kosovo in 2014, under the IPA 2012 pilot project and partly funded by Eurostat, in accordance with the European Framework Regulation (EC) No 1177/2003, which establishes standards and guidelines enabling the production of Statistics on Income and Living Conditions (ILC) across the EU. The pilot was fielded to a sample of 655 households, stratified by region and locality (urban/rural).

As part of the EU-SILC pilot, the following activities were undertaken by KAS:

- Review of the methodological manual (Document 065) and EU-SILC regulations;
- Review of possible administrative sources which could be used for the purpose of this survey;
- Design and testing of the EU-SILC questionnaire, satisfying all the requirements of Eurostat regulations;
- Training of interviewers and supervisors
- Development of data entry software for pilot EU-SILC based on CSPRO.
- Verification of data and statistical processing.

Until now, the implementation of the full-scale survey is stalled due to lack of funding. This grant aims to provide financing for the first year of the full EU-SILC survey in the country, building on the experience of the pilot survey, and the systems that have been put in place during the pilot phase. In particular, the grant would support (i) finalizing the work on SILC methodology preparation and testing, building on earlier work, and (ii) full implementation of the full cycle of the first year of the EU-SILC survey, including field work, data processing and dissemination. The TFSCB grant would

thus ensure that Kosovo can “catch up” to the rest of the countries in the Western Balkans, as well foster cross-country dialogue on EU-SILC related issues. Furthermore, while data collection during the pilot was undertaken using PAPI, KAS plans to rely on CAPI for the full EU-SILC survey. Thus, supporting the implementation of the full-scale EU-SILC would also allow the World Bank to support the streamlining of CAPI technology in the country.

**D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

**E. Borrower’s Institutional Capacity for Safeguard Policies**

**F. Environmental and Social Safeguards Specialists on the Team**

**II. SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

**III. SAFEGUARD PREPARATION PLAN**

Appraisal stage ISDS required?: No

**IV. APPROVALS**

Team Leader(s):	Name: Alexandru Cojocar	
<b>Approved By:</b>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 14-Apr-2016
Practice Manager/ Manager:	Name: Carolina Sanchez (PMGR)	Date: 14-Apr-2016

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.