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The Kosovar basic old age pension as universalist exception amidst clientelist fragmentation*

Abstract

Kosovo's universal non-means-tested basic old age pension provides an income floor for all resident citizens aged 65 and over who do not qualify for other budget-financed schemes. It is regarded as administratively simple and cost-efficient. However, being a universal scheme, it is ill-equipped to provide for the clientelist needs of Kosovo's politicians. To liberate budgetary resources, the Labour Ministry planned in 2016 to cut the zero pillar to finance the special schemes for war veterans and their families that have mushroomed in recent years, although no further progress has been made with implementation. This article argues that dismantling the basic pension is potentially harmful to the poorest strata of the elderly population and is, at the same time, also out of touch with Kosovo's labour market realities. In its place, and to improve the design efficiency of the basic old age pension, it proposes a system of reform that, in line with the current orientation both of the IMF and the World Bank, addresses the linked problem areas of the system's eligibility, taxation, benefits structure and administration.

Keywords: *pensions, labour market, demographic change, clientelism, reform, consultation*

Introduction

Kosovo falls within the family of Mediterranean welfare states whose GDP per capita levels are lower than in most advanced political economies, while social protection is under-developed. A large proportion of the population is at risk of poverty and economic inequality is high.

This cluster of states also shares in common several socio-economic and historical traits such as late industrialisation, labour market segmentation and large shadow economies as well as a recent memory of colonial rule or non-democratic regimes. Weak central states with ineffective public bureaucracies go hand-in-hand with patron-client relations (Gal, 2010). Furthermore, religion and the traditional family play a prominent role.

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There is, however, a major difference between Kosovo and the rest. Following the conflict with Serbia in 1998-99, under the aegis of the United Nations Interim Administration Mission in Kosovo (UNMIK), acting as an international civilian administration, several Kosovar social security institutions have been externally imposed.

In particular, consultants funded by the United States Agency for International Development (USAID), with the involvement of representatives from UNMIK, the European Union (EU), the International Monetary Fund (IMF), the World Bank, the UK's DFID (Department for International Development) and the International Labour Organisation (ILO), designed its multi-pillar pensions system.

The zero pillar is a universal non-means-tested basic pension for the entire resident population aged 65 and above, created to supplant the country's adverse labour market conditions. It is administratively simple, and its universal character is rather unique within the Mediterranean cluster. Here, pension schemes are fragmented across occupational and other lines, the result of clientelist party competition according to which benefits are attributed to specific groups in exchange for political gain (Ferrera, 1996).

After Kosovo declared independence in 2008, benefits clientelism, i.e. the exchange of monetary rewards for political support (Taborda, 2017), started affecting all sectors that were publicly-financed. Following in the steps of several other ex-Yugoslav republics, special pension schemes mushroomed and benefits to narrow constituencies, such as the veterans of the independence war, ballooned (Bartlett, 2013; Guardiancich, 2013).

The IMF (2015; 2016) voiced harsh criticism and demanded cuts in compliance with the Stand-By Arrangement (SBA) agreed in 2015. Despite the admonishments, the Ministry for Labour and Social Welfare proposed partly to dismantle the universal basic pension in order to free resources with which to finance these additional schemes. The draft legislation included the introduction of means-testing, which would emasculate the universalism under which the pensions system operates.

Welfare state retrenchment can be politically risky (Weaver, 1986; Pierson, 1994), and this article explains that Kosovar basic pensions have been targeted due to their low political salience. Universal schemes can be used for benefits clientelism only at a high cost (rewards have to be disbursed to everyone) and with uncertain results (targeting cannot be narrow). Hence, they represent a path of least resistance to the liberation of readily-available resources (Bonoli, 2012).

Dismantling the basic pension is potentially harmful to the poorest strata of the elderly population and is also out of touch with the state of Kosovo's workforce. In response, this article recommends a number of different reform strategies.

The Kosovar pensions system

There are several reasons why Kosovo introduced a universal non-means-tested zero pillar. Historical legacies had a huge toll on Kosovar social protection (Gubbels *et al*, 2007). The Serbian offensive against Kosovar Albanians was particularly detrimental: not only were 145 000 people fired from civil administration posts, public services and economic enterprises, but the authorities also stopped paying benefits to ethnic Albanians (while the Yugoslav pensions system covered fewer than one-half of the c. 110 000 persons over the age of 65). A NATO cruise missile partly destroyed the contributory records of working age Kosovars. Finally, Kosovar leaders were not eager to re-implement the Yugoslav pensions system as it was associated with the Milošević period.

Unfavourable labour market indicators have also affected the design of the pensions system. The main problem is that few citizens regularly contribute to social security, so many suffer from contributory gaps while there is also a lack of proper labour and fiscal records. In the late 2000s, social security schemes covered perhaps no more than one-third of workers.

The main reasons are low employment – only 50 per cent of active men and less than 15 per cent of active women were employed in 2016, according to Eurostat – while unemployment rates are close to 30 per cent. There is also a high share of own-account and family workers. Furthermore, demography plays an important role. Kosovo has a very young population: according to the 2011 census, almost one-half of the population was younger than 25 (KAS, 2013). The almost 35 000 new job seekers each year cannot be absorbed by the labour market (Bertelsmann Stiftung, 2016).

Combined with low salaries in the formal economy, this generates large-scale outflows of working-age people and a huge informal economy, amounting to some 27-35 per cent of GDP in the mid-2000s (Schneider *et al*, 2010). Widespread informality is a problem in itself: it provides the population with means for self-subsistence but limits their access to formal types of social insurance and reduces government revenues (Krasniqi and Topxhiu, 2012).

The international community designed a set of original social policies to cope with the adverse conditions. During implementation, the UN administration had very little trust in the newly-established Kosovar institutions (Héthy, 2005). The IMF feared that the reforms would be debated, delayed and altered had Kosovo not been under international governance (Gubbels *et al*, 2007). Hence, legislation was passed before a Kosovar government was in place, thereby ensuring independence of local political influence (Cocozzelli, 2009). Indeed, basic pensions were the first act of the Provisional Institutions of Self-Government (PISG) in the newly-created Kosovo Assembly.

If the hasty speed of adoption generated tensions between social welfare reforms that remain unresolved to this day, the international community's concerns were not unfounded. Only those parts of the administration which were insulated from political influence did not suffer from low levels of competence or did not otherwise develop extensive patronage networks (Skendaj, 2014). As soon as the authority was definitively transferred to the PISG, the pensions system become a preferred vehicle for benefits clientelism.

The 'evolution' of the design of the system

On its introduction, the multi-pillar design of the Kosovar pensions system was a textbook version of that advocated by the World Bank (1994) in the 1990s. It consisted of a universal basic old age pension; a disability pension narrowly focused on disability being both total and permanent; a mandatory fully-funded defined contribution contributory pillar, managed by the Kosovo Pension Savings Trust (KPST); and voluntary private schemes.

The current pensions system is instead much more fragmented (see Table 1), thereby fulfilling the expectations of the literature dealing with clientelist political competition in Mediterranean welfare regimes (Ferrera, 1996; Gough, 1996). The 2017 budget covered twelve different state-financed pension schemes. Only the work disability pension and the family pension were not yet active for budgetary reasons.

Table 1 – Selected Kosovar old-age and disability pension schemes

Scheme	Target group	Age	Earnings tested	Pension tested	Benefit type and amount
Basic old age pension	All	65+	No	Yes	Flat rate (€75/ month)
Contributory pension	Beneficiaries based on law from before 1999	65+	No	Yes	Education-linked (€158-€230/ month)
Disability pension	100% disability	<65	Yes (categorical)	Yes	Flat rate (€75/ month)
Work disability pension	Work accident or occupational disease	<65	Yes (categorical)	Yes	Flat rate (€75/ month)
Family pension	Beneficiaries based on law from before 1999 or family of work disabled	Spouse <65	Yes (categorical)	Yes	Flat rate (€50/ month + 20% per eligible child)

Source: Feher *et al*. (2016)

Two old age pension schemes constitute the Kosovar zero pillar. The basic old age pension is (still) a tax-financed universal flat benefit, covering all citizens aged 65 and over, who do not qualify for other budget-financed schemes and who are residents of Kosovo.

Individuals have to report to an office designated by the Ministry of Labour and Social Welfare, which administers the plan, at least every six months to qualify for continuing receipt of benefit. The scheme has become more generous and encompassing between 2002 and 2017: benefits have increased from €28 to €75 per month while the number of beneficiaries has climbed from 93 000 to 123 000.

The Ministry of Finance used to determine the pension benefit annually, based on the minimum consumption food basket, while indexation was not systematic (it was linked neither to prices, wages or GDP) but conditional on the budget. Law No. 04/l-131 (see also below) has not substantially altered that. The cost of the programme in 2015 was a little less than 2.1 per cent of Kosovar GDP; that is, circa 11 per cent of total government expenditure and circa 40 per cent of all expenditure on social protection (Table 2).

Table 2 – Social protection spending

	2010	2011	2012	2013	2014	2015
- as % of GDP	3.9	3.7	3.9	4.3	5.1	5.3
- as % of govt expenditure	14.1	12.9	13.7	15.3	18.7	19.0

Source: KAS (2016)

The contributory pension was introduced in 2007 (Decision of the Government No. 13/277), also to compensate for a basic pension that does not take into account previous contributions (Loxha, 2012). It is budget-financed and targeted at citizens aged 65 and over with at least fifteen years of contributions prior to 1999 in the social security scheme of Yugoslavia (a part of the contribution records did survive). It deploys similar residence and administrative procedures as the basic old age pension.

In 2014, the contributory pension changed significantly (Law No. 04/l-131 on pension schemes financed by the state). Various non-contributory periods now count towards eligibility, such as any years of work in the parallel health, education and other structures implemented in Kosovo during the 1989-99 period. From 2016, beneficiaries have been granted an extra 25 years of notional earnings history and are rewarded with a 0.5 per cent increase in the pension per service year. There is a differentiation of benefit according to educational attainment, used as a proxy for an earnings-related scheme.

Similar to basic old age pensions, the scheme's generosity and coverage have increased. In 2017, over 43 000 eligible individuals were entitled to a benefit ranging from €158 for people with no education to €230 for people with a university degree. In 2015, the total budgetary cost amounted to almost 1.2 per cent of GDP.

Expert assessment

The Kosovar reforms are part of a wider trend in which non-contributory schemes, such as the basic old age pension, are being introduced to increase coverage in countries with large informal labour markets (ILO, 2017). Universal non-means-tested pensions are perceived to have many advantages over targeted ones. They are:

> Probably the best way to provide poverty relief to the elderly. Considering the difficulty of identifying who among the elderly is poor, the principal merit of the program is that its universality avoids the targeting issue. (Holzmann and Hinz, 2005: 95)

Yet, unconditional schemes are rare (see Willmore, 2007). Kosovo is not only the sole post-socialist country in transition that has implemented one, but it has also adopted current residency as the single requirement beyond the qualifying age. Elsewhere, the prospective beneficiary has to demonstrate that they have either resided for a number of years or are a citizen, or both.

The Kosovar basic old age pension pays benefits to a relatively high share of the population (circa 7.4 per cent in 2015). At times, it has been criticised for the 'generosity' of the benefits paid out, i.e. when they exceed the recommended and non-distortionary 15-20 per cent of per capita GDP (Palacios and Sluchynsky, 2006). However, measurement issues, widespread complaints that benefits are insufficient to make a living and wide fluctuations in their value (due to *ad hoc* adjustments), indicate that the basic pension does not deviate significantly from this recommended amount.

With regard to its administration, the Kosovar plan is one of the world's simplest and cheapest zero pillars:

a) it pays a flat rate benefit to an easily discernible group
b) civil register identification is the sole and sufficient proof of identity, age and residence
c) the disbursement of all payments happens in an automated, centralised process through a combination of easy-to-read bank coverage maps, joint account options and complementary mobile bank services (Sluchynsky, 2009).

Welfare fragmentation

The Kosovar political experience is replete with instances of clientelist party competition in all its declinations (benefits, patronage and corruption). With regard to benefits clientelism, the government of Prime Minister Hashim Thaçi (2008-14), from the Democratic Party of Kosovo (PDK), increased public sector wages and all non-contributory pensions by some 25 per cent prior to the 2014 elections, at the expense of public investment projects. The hike in old age retirement benefits alone cost the budget more than €40m in 2015, while the annual bill was projected to increase to €66m by 2017. This was a one-off move due to excessive costs and a highly heterogeneous target population.

Thaçi, now Kosovo's President, was a member of the inner circle of the Kosovo Liberation Army (KLA). The PDK was constituted from its political wing and so the subsidisation of veterans was seen as a priority. This was fulfilled through Law No. 03/L-100 on pensions for Kosovo Protection Corps members, passed in 2008; Law No. 04-L-84 on pensions for members of the Kosovo Security Force, in 2012 (KPC, later KSF, was the civilian successor to the KLA); and Law No. 04-L-261 on Kosovo Liberation Army veterans, in 2014.

The KPC and KSF pensions are non-contributory, earnings-related final salary schemes, whose eligibility is relaxed and benefits generous (members can retire as early as 45/50 under KPC/KSF and benefits are not lower than 50-60 per cent of final salary). Pensions for war veterans (plus additional benefits paid to KLA war invalids, martyrs' families and the families of civilian victims of the war) was set to become the most expensive special benefit programme in Kosovo, due to its generosity, ease of access and extension, thereby exacerbating the safety net's inequities (Feher *et al*, 2014: 18-23). No wonder that the IMF (2015) has been extremely critical on the basis of ill-conceived design and unsound targeting.

The government led by Prime Minister Isa Mustafa of the Democratic League of Kosovo (LDK), in coalition with the PDK, vowed to cap veterans' benefits at €50m in the 2017 budget, but these have soared almost to twice that figure. The main reason, again in line with theoretical expectations, is that over 46 000 people have become eligible, which is more than double the IMF's initial estimate of 18 000. The number has swelled partly because the paramilitary organisation Armed Forces of the Republic of Kosovo (FARK) was LDK's military wing, which elicited even more benefits clientelism, in fierce competition with the KLA. Senior members of the War Veterans Association have often complained that the list includes people who never saw frontline action, i.e. that it facilitates the associates of both ruling and opposition parties to make welfare claims (Quirezi, 2016).

The path of least resistance

Kosovar special pension schemes require additional resources which could be carved out from schemes ill-suited for benefits clientelism, such as basic old age pensions.

Cutting welfare is politically costly (see the disastrous attempts to reform pensions by the Berlusconi or Juppé governments in the mid-1990s), although a rich literature has sprung up explaining that reforms nonetheless succeed when politicians successfully deploy blame-avoidance strategies. These include obfuscation (through the low visibility of cutbacks); division (creating a wedge between otherwise homogeneous groups); compensation (ranging from direct financial pay-outs to exclusion from reforms); and justification tactics (convincing the public of the necessity of the reforms) (Weaver, 1986; Pierson, 1994; Green-Pedersen, 2003).

When losers are veto players, however, a government may look for other viable options. By choosing the safer path of least resistance, costs are imposed on marginal interest groups (examples are widows, younger pensioners, temporary workers and so on). These groups are less likely to mobilise effectively, especially when complementary reforms are pursued through long phasing-in periods and liberalisation at the margin.

Given the basic old age pension's universal objectives and particular demographic characteristics, the scheme offered a path of least resistance to retrenchment. Indeed, during the spring of 2016, the Kosovar Ministry of Labour and Social Welfare started a process that would have turned the universal pension into an income-targeted scheme.

It was an ill-conceived reform, whose few gains would be offset by the appearance of horizontal leakages and increased administrative costs. The policy-making process was equally flawed. Consultation with civil society and the social partners barely took place and the reform's aim was simply to redirect liberated funds towards politically more profitable schemes (KSI, 2016).

The reform plan

A 2016 conceptual paper from the Labour Ministry envisaged three scenarios for the future of tax-financed pensions in Kosovo (Government of the Republic of Kosovo, 2016).

The no-reform scenario was deemed to be unfair. The Ministry decried the outcome of the lack of a means test leading to the basic old age pension continuing to be paid out both to Kosovar citizens permanently living abroad (amounting to some 10-15 000 people), as a result of excessively lax residence requirements, and to pensioners having additional sources of income.

An alternative scenario was to draft a new law regulating all pensions and disability schemes financed by the state under a single bill. This would:

a) introduce nuanced disability scales on which to calculate invalidity benefits
b) create a separate administration for all non-contributory Kosovar schemes (including special ones for veterans, for the blind, etc.).

Furthermore, the new administration would also set up a one-stop-shop in each Kosovar municipality.

A new law on these lines was the preferred solution but shortages in trained staff, time constraints, the dire labour market situation and the many citizens with disabilities who are not currently covered by the law (only one in ten receives benefits) would put such a solution in excess of budgetary capabilities.

The favoured option, therefore, became amending Law No. 04/l-131. The basic old age pension would be replaced by a social old age pension that is means-tested and implicitly taxed at a rate of 100 per cent (so if one's income is less than the social pension, one receives just the relevant amount of top-up). Eligibility criteria would be applied both to Kosovar and to foreign citizens on the basis of residence in Kosovo for the past ten years (and the last five as permanent residents). The benefit would become non-exportable abroad in the absence of a bilateral agreement. The law would also regulate the main administrative procedures to monitor the residence and income requirements. Finally, the criteria for applications for a disability pension would also be clarified.

Design shortcomings

Two of the reform's objectives were particularly problematic. The creation of an independent administrative body supplementing the Department for Pension Administration within the Labour Ministry would duplicate capacity. The general trend is, instead, to centralise and automate social security procedures and communications. For example, most Latin American countries manage non-contributory pensions through the institutions responsible for the contributory pensions system or for social assistance. Only Paraguay has established an independent directorate (Rofman *et al*, 2015). Given the lack of trained staff and the unenviable record of patronage in Kosovo, the new administration would be both inefficient and the target for abuse as regards the appointment of cronies (Skendaj, 2014).

Income tests would emasculate the scheme's core function of universal poverty alleviation. In the Labour Ministry's reasoning, this would render the basic old age pension comparable to the social assistance scheme. Currently, they both fulfil the same function but apply eligibility criteria that are, according to the Ministry, soft and prone to abuse in the context of pensions; but hard and rigid when it comes to social assistance (Government of the Republic of Kosovo, 2016).

The pros of a targeted system are: potentially lower fiscal costs; horizontal equity (people who do not need a benefit do not get it); and higher political support than for a universal approach (Grosh and Leite, 2009; Korpi and Palme, 1998). Yet, the cons can be substantial: targeting is complex and expensive; and, depending on the type – income, pension, use of proxy measures, etc. – has its own administrative, efficiency and equity problems.

Experience tells us that these problems would be acute in Kosovo.

Social assistance in Kosovo is considered to be relatively efficient, despite being based on a hybrid form of targeting, including targeting by category, but this implies asset and/or income tests. Even so, there are substantial coverage gaps, e.g. poor children are excluded (Roelen and Gassmann, 2011). Consequently, the exclusion of a number of elderly citizens from a new targeted basic old age pension scheme is foreseeable. Depriving these citizens of an income floor can have severe consequences for individual well-being and even increase the overall probability of premature death (see Jensen and Richter, 2004).

Strengthening the residence test and thus the coherence of the pensions system is likely to improve financial sustainability. However, the result of the informal economy and the large inflows from remittances is that the required administrative capacity would be substantial while the operating costs are likely to offset at least partly the potential savings.

Finally, if testing against other pensions income is sensible, general income and other means testing creates inactivity and poverty traps. The likely consequences would be fewer persons engaged in gainful employment or self-employment during retirement, as well as disincentives for younger, lower-income workers to save or formalise their employment status.

Procedural flaws

Amending Law No. 04/l-131 affects every Kosovar citizen and a meaningful consultation process with civil society actors should have aimed at reaching consensus. Instead, the procedure involved mainly Labour Ministry staff and external consultants. Public consultations lasted one week only, in January 2016 (Government of the Republic of Kosovo, 2016).

In addition to the possible legal shortcomings – amendments should not rewrite more than a certain amount of an existing act; and, failing that, a new law should be drafted (KSI, 2016) – the motives behind the proposed reform were to harmonise the basic old age pension with social assistance and to generate fiscal savings.

These stated objectives do little justice to the *raison d'être* of the Kosovar zero pillar, which is to protect people against poverty. According to the Finance Ministry's recommendations, the funds liberated in this way would go to finance the family and work disability schemes that were legislated for in 2014 but which have yet to be implemented. The group that would benefit most from this move, i.e. war veterans, was never explicitly mentioned.

Several reasons made the Kosovar basic old age pension a path of least resistance concerning where to apply cuts (Bonoli, 2012).

With Kosovo being a traditional society, gender imbalance is a fundamental trait of basic old age pensions. In 2017, two-thirds of recipients were women (66.2 per cent), due to short or non-existent contributory histories, compared to just 13.7 per cent of those entitled to a contributory pension (KAS, 2018). A reform of the basic pillar would, therefore, affect mainly female former family workers.

Next, politics and civil society were uninterested in the defence of such a constituency. On the one hand, of the 6 000 registered NGOs in Kosovo, the few that are active deal with municipal policy, corruption and environmental issues (Bertelsmann Stiftung, 2016). Only rare exceptions, such as the Kosovar Stability Initiative, lobby for social policy solutions. On the other hand, among the social partners, neither employers nor trade unions were particularly affected. Labour leaders are often themselves pensioners, and holders of a belief that people with no contributions record should not be entitled to public pensions. Last but not least, the recipients of the basic old age pension do not represent a major source of benefits clientelism for politicians, in stark contrast to the potential offered by special schemes.

An alternative reform strategy

The Kosovar pensions system is far from perfect. Yet, as the IMF notes, most of the complications are concentrated in special benefit schemes, and family and disability pensions, whereas the zero pillar is comparatively less problematic.

A mixed strategy that tackles the problem on multiple fronts may improve the design efficiency of the basic old age pension (Robalino and Holzmann, 2009). Willmore (2007) shows that there are several ways of reducing costs while preserving universality: taxing pensions as ordinary income; increasing the pensionable age; reducing the benefit ratio; and strengthening administrative capacity. Not all are appropriate for the case at hand, but they do provide a good starting point for reflection.

Taxation

One way of ensuring both vertical equity and fiscal sustainability is to apply a progressive Personal Income Tax (PIT) on pensions, as is customary in Nordic countries. Retirees ought to contribute to the costs, with wealthier pensioners paying proportionally more. All sources of income should be similarly treated, thereby sharing the burden of social security between the generations, improving vertical and horizontal equity and creating fewer distortions on the labour market.

In Kosovo, all social transfers are exempted from PIT. Feher *et al*. (2016) suggest that, except for the neediest, beneficiaries should pay income tax and health contributions. Moreover, dependent employment or self-employment should not be discouraged during retirement. At the same time, pensioners should be subject to a partial clawback of pension benefits as income rises.

Eligibility

An effective way of containing costs and simultaneously increasing the adequacy of benefits is to raise the statutory retirement age (Barr, 2012). Age targeting has the advantages of easy identification and administrative simplicity, both of which are important in countries with low implementation capacity. The disadvantages are vertical leakages (benefits flow to people who are not poor), the crowding-out of funding to other groups at risk of poverty (e.g. children) and regressiveness, since the poor die younger than the rich.

Despite Kosovo's population being the youngest in Europe, rapid ageing and sustained migration of the population of working age pose a challenge in both the medium- and longer-term. Comparing UN (2015) with KAS (2016) demographic predictions, if Kosovo is now comparable to other low-income countries, it will converge with higher-income countries in just three decades: the population aged 65 and over as a percentage of the total will climb between 2015 and 2050 from 8.0 per cent (comparable to the 6.4 per cent in less developed countries in the same year) to 22.8 per cent (closer to the 26.5 per cent of more developed countries predicted for 2050).

One solution, favoured by an increasing number of European countries (European Commission, 2018), is to link the statutory retirement age to life expectancy, provided that labour markets are ready to employ an ageing labour force.

Benefits

The benefits of the Kosovar basic old age pension are only slightly higher than the recommended 15-20 per cent of per capita GDP; consequently, it is the other special pension schemes, as well as the inefficient disability assessment procedures, that should rather be addressed first. Systematic indexation should substitute *ad hoc* increases for all budget-financed benefits.

In the future, the adequacy of basic pensions should be addressed since recipients' general perception is that benefits are modest compared to the cost of living. Where compatible with budgetary capacity, the pensions system should play a prominent role in poverty alleviation (circa 29.7 per cent of the population lived below the national poverty threshold in 2011, according to World Bank data), once its major problems are resolved.

Administration

Improving the efficiency of the Kosovar pensions system may require stricter residency requirements (partly introduced in the amendment to Law No. 04/l-131), on top of a consolidated social security database (instead of duplicating capacity).

The IMF estimates that one-fifth of people aged 65 or above are unlawfully receiving the basic pension. There are four possible causes: individuals claiming both basic and contributory benefits; unreliable population estimates based on the 2011 census; non-declaration of deaths; and flaws in the concept of residency, both for benefit eligibility and for the census (Feher *et al*, 2016).

Thus, residency requirements should be better enforced. One solution is that recipients turn up at designated government agencies more often, lest they trigger a suspension of benefit disbursement, and that the retroactive collection of benefits should be limited. Additionally, religious communities should report all burials, thereby enabling the immediate de-registration of the deceased from lists of recipients (KSI, 2016).

Next, the gradual integration of all social security payments, plus checks and tests with the tax administration, would reduce the administrative costs of the pensions system. There is no lack of examples of where to find inspiration, as demonstrated by the trend towards consolidation in developing countries.

Once again, the Nordic countries provide excellent solutions. A consolidated database of budget-financed cash transfers for individuals and households, as well as of recipients, through the introduction of a Danish-inspired Personal Identification Number (*CPR-nummer*), for example, could be complemented by an automated data exchange between the benefit database, the tax authority and those financial service providers licensed to execute money transfers benefiting citizens (Feher *et al*, 2016). This would serve the double purpose of reducing overall administrative costs and limiting the growth of mutually-incompatible benefits.

Conclusions

Kosovo is a textbook example of the sorts of clientelist party competition found in Mediterranean welfare regimes. Its budget-financed pensions system has undergone steady fragmentation since the international community relinquished authority to local politicians. The original design espoused universalism as its defining feature, but a host of special schemes, especially favouring war veterans, has sprung up since 2008.

These inequitable plans are costly, so the Labour Ministry planned to liberate fiscal resources partly by overhauling the basic old age pension. Due to its universal character, which reduces the potential for benefits clientelism, as well as low political and societal salience, the scheme represented a path of least resistance for retrenchment.

At the end of 2018, however, the worst seems to have been avoided as the Ministry's proposals have not been followed-up. A number of domestic and international factors has probably helped. The governing coalition between PDK and LDK became increasingly antagonistic, as a result of which it has been incapable of solving the distribution of rewards between FARK and KLA veterans. The IMF stepped up the pressure by imposing a cap on special schemes under the threat of discontinuing the Stand-By Arrangement. A visible campaign by some NGOs brought the basic old age pension affair to the attention of the public.

Yet, the reform of the Kosovar pensions system has been only temporarily postponed. The consequences of limiting coverage might unnecessarily harm the poorest strata of the elderly population, so this article proposes in its place a mixed reform strategy in line with the IMF's proposals and the World Bank's current orientation. This consists of simultaneously tackling the issues of eligibility (gradually linking the statutory retirement age with life expectancy); taxation (treating pensions in the same way as all other income and allowing recipients to continue working); benefits structure (keeping benefit levels and introducing systematic indexation); and administration (enforcing residency tests and consolidating social security databases).

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