



# Expansion of Social Protection Programmes to Address Child Poverty in Montenegro, North Macedonia, and Serbia\*

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## Introduction

Child poverty is a persistent challenge with lasting consequences. Research shows that poverty not only impacts children's present well-being but also affects their future health, education, and economic opportunities (Treanor, 2012). Parental employment and income security play a critical role in safeguarding children from poverty, particularly during economic downturns (HM Government, 2014). Governments have a responsibility to intervene during crises, ensuring basic needs are met and children are protected from deeper poverty. This policy brief examines child poverty trends and the expansion of social protection programs in Montenegro, North Macedonia, and Serbia in response to the COVID-19 pandemic. It concludes with recommendations for strengthening these interventions to effectively address child poverty, especially in times of crisis.

## Impact of the COVID-19 pandemic on Child Poverty in Montenegro, North Macedonia, and Serbia

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### Child Poverty Pre-Pandemic

Montenegro, North Macedonia, and Serbia all face a significant challenge in child poverty, a problem exacerbated by the COVID-19 pandemic. In Montenegro, one-third (33.7%) of children lived in poverty, as captured by the at-risk-of-poverty rate, in 2019, the year before the pandemic (Eurostat, 2019a)<sup>1</sup>.

<sup>1</sup> The at-risk-of-poverty rate is a relative measure of poverty. It shows the share of persons, in this case the share of children living in households, with an income below 60% of the national median income. The brief uses this measure when referring to the child poverty rate.

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Despite 16% of GDP dedicated to social protection (Eurostat, 2019b), most of this spending went towards pensions, leaving children's needs largely unmet. Over two-thirds of children under 2 years of age faced simultaneous deficiencies in nutrition, housing, and early childhood development. Among those under 5 years, 53% lacked basic utilities, housing, and early development opportunities all at once (UNICEF, 2020). While relatively small in size, with 1.3% of the population, the Roma community faced the harshest reality, experiencing overwhelming deprivation across various aspects of life (RCC, 2020).

**Nearly 10% in North Macedonia faced triple threat: poverty, deprivation, and jobless households, prior to the pandemic**

In North Macedonia, over a quarter (27.8%) of children, roughly 113,000 individuals, experienced poverty in 2019 (Eurostat, 2019a), despite social protection spending reaching 15% of GDP (Eurostat, 2019b, latest data for 2017). Similar to Montenegro, most of this spending focused on pensions. Even more concerning, over a third of children lacked basic necessities and nearly 10% experienced the triple threat of poverty, material deprivation, and living in jobless households (UNICEF, 2021b).

Serbia's story has been one of stagnant child poverty, with around 30% facing poverty despite economic growth between 2014 and 2019. This translated to a modest decrease from 30.5% in 2017 to 28.9% in 2019 (Eurostat, 2019a). The impact was not evenly distributed either. Single-parent and large families faced even greater risks, and inadequate social protection left young children particularly vulnerable (UNICEF, 2019; Eurochild, 2021). Only 16.3% of children under 6 years of age received the support they needed (Eurochild, 2021). As in the other countries, social spending (19.5% of GDP in 2019, Eurostat 2019b) failed to effectively address child poverty due to higher priorities attached to other areas.

### **Impact of the COVID-19 pandemic**

The COVID-19 pandemic's adverse effects significantly disadvantaged numerous children, pushing families into poverty and disrupting their well-being. According to the UN Rapid Social Impact Assessment, nearly half of citizens in Montenegro faced income reductions, a third experiencing drops of 30% or more. The same assessment also shows that this financial strain hit families hard, with affordability of children's clothing and footwear dropping from over 90% to 60%. Moreover, one in six school-age children lacked internet access, effectively barring them from remote learning. Even among those with access, engagement was low, with only half following video lessons by mid-2020. Teens reported a feeling they learned less compared to regular classes, and 16% of families with children aged 6 to 18 years lacked needed equipment for online lessons (UNICEF, 2021a).



**Children facing pre-existing disadvantages (undernourishment, limited opportunities) suffered more under financial strain caused by the Covid-19 pandemic**

The 2020 analysis by UNICEF and Finance Think Economic Research and Policy Institute estimated that an additional 16,000 children were pushed below the poverty line in North Macedonia, resulting in a 4 percentage point increase in the overall relative child poverty rate from 2020 to 2021. This situation was even more dire for children already facing disadvantages like undernourishment, low preschool attendance, limited learning opportunities, and lack of proper sanitation facilities pre-pandemic. 37% of secondary and 45% of primary school pupils shared computers with siblings, further hindering their learning (UNICEF, 2021b). Pupils with disabilities faced additional barriers due to the lack of assistive technology at home.

Families with children in Serbia were also severely impacted by the COVID-19 pandemic. Nearly half saw their income decline, with one in four incurring unplanned expenses mainly on necessities like hygiene and food (USAID, 2021). Almost 40% faced unplanned expenses exceeding a quarter of their monthly income, forcing 24% to cut back on food expenses (USAID, 2021). 66% of parents felt distance learning negatively impacted their child's motivation, with 60% fearing lasting negative effects on their children's future learning (UNICEF, 2021c; 2021d). The poorest households faced the steepest economic decline, while Eastern and Southern Serbia experienced particularly acute difficulties.

## **Expansion of Social Protection Programmes**

The pandemic exposed weaknesses in Montenegro, North Macedonia, and Serbia's social safety nets. All three recognized the need for support, but approaches differed. Montenegro launched new programs. North Macedonia streamlined their existing scheme, increasing access. Serbia took a bolder approach with a universal payment and pension supplements. These responses highlight the ongoing challenge of balancing effectiveness across these factors: reaching all those who need it most (coverage), providing sufficient support (adequacy), efficiently identifying beneficiaries, avoiding inclusion errors to the extent possible (targeting), and implementing programs with minimal burden (administrative ease) during unpredictable crises (RCC, 2021).

### **Coverage**

Montenegro's social safety net is composed of four key programs: Personal Disability and Care, and Support Allowances are non-means-tested programs that provide financial aid to individuals with disabilities, their families, and those requiring care, regardless of income. Material Support is means-tested and provides a last-resort income support to families with children meeting specific



income and asset criteria. Lastly, the Child Allowance is a quasi-universal program that distributes monthly payments to all children under 6 (World Bank, 2022a).

North Macedonia uses primarily a single, means-tested "guaranteed minimum assistance" (GMA) scheme that replaced all previous income-based programs, aiming for better efficiency and targeting (World Bank, 2022b). During the pandemic coverage was expanded by relaxing eligibility for GMA and extending unemployment benefits. These measures helped mitigate economic hardships and prevent vulnerable children from falling into poverty. However, some gaps remain, as informal sector workers, who might not qualify for employment benefits, were not covered by the GMA.

**Strict rules, budget constraints, and weak identification leave over a half of poor children in Serbia without support**

Serbia's social assistance system relies heavily on income-based programs like Financial Social Assistance (FSA) and Child Allowance (CA). These programs target families with children who meet specific poverty thresholds, but often fail to reach those who need it most. According to the World Bank, over half of children in extreme poverty receive no benefits due to overly strict eligibility criteria, limited budget allocations, and insufficient systems for identifying and monitoring beneficiaries (World Bank, 2022c).

### **Adequacy**

Montenegro was able to react quickly with five social protection packages during COVID-19, because the existing social assistance system could be used to support already identified poor children through one-time payments. The monthly allowance for children in families receiving material support or unemployment benefits increased from €24 to €49 (World Bank, 2022a). Children with disabilities received a €66 monthly allowance. However, expanding existing programs to include newly struggling families proved difficult. Instead, the government provided one-off support to all registered unemployed people with children, offering €50 initially and later over €100. A significant step came in May 2021 with the expansion of the child allowance to all children under 6, covering an additional 27,800 households. This 'quasi-universal' benefit of €30 per month is estimated to have reduced relative poverty by 1.3 percentage points (World Bank, 2022a).

**North Macedonia's GMA expansion benefited households with children, but missed some in poverty**

North Macedonia quickly expanded its GMA programme. Relaxed eligibility in April 2020 brought 1,366 new households (566 with children) into the program that month (UNICEF, 2020). By December 2020, GMA beneficiaries jumped to nearly 33,000 households, a 13% increase. Notably, households with children saw a bigger rise, reaching 13,000 (2,000 more than pre-pandemic). In 2020, 39.5% of GMA beneficiaries were households with children, most having one (45%) or two

children (42%). Nearly 600 families with more than four children received lower per capita assistance due to the programme's five-member limit. Though GMA reached almost 22,000 children in 2020, it did not cover all in relative poverty (UNICEF, 2020).

Serbia reacted swiftly to COVID-19, with two universal cash transfers, costing €673 million (World Bank, 2022c). Instead of expanding existing targeted programmes, the government provided one-off payments of €100 to all adults and €34 to pensioners during the crisis. These benefits were not paid to children, most susceptible to poverty and residing in large households, diluting the benefit's impact on child poverty. This approach proved expensive yet modestly effective, with the combined cost exceeding 73% of total social assistance spending and tripling that of means-tested programmes (World Bank, 2022c).

### **Administrative ease**

#### **Montenegro's existing SWIS facilitated efficient identification and distribution but lacked flexibility for adjustments**

Montenegro's existing social welfare information system (SWIS) efficiently identified beneficiaries and distributed emergency aid during the recent crisis by establishing a one-stop shop for information and services and expediting the processing of payments within three days. However, several limitations limited its wider effectiveness. In particular, the strict eligibility criteria, requiring parliamentary approval for adjustments, prevented expanding aid to newly vulnerable populations. This rigidity exposed weaknesses in the current social protection system, highlighting the need for reforms (World Bank, 2022a).

Despite extending the social assistance programme's reach, the North Macedonian government faced delays in implementing the GMA expansion. While 24,294 households met the revised criteria, processing applications was slowed by staffing shortages in Social Work Centres due to illness (World Bank, 2022b). Although responses often came within the legal 60-day limit, faster action was deemed necessary during the crisis. Recognizing this need, the Ministry of Labor and Social Policy (MLSP) accelerated applications in late 2020 (World Bank, 2022b).

Serbia's social protection system aimed to maintain existing services during the COVID-19 pandemic, focusing on continuity and safety rather than expansion. Automatic entitlement renewals and online applications were implemented, but paper-based systems and restrictive eligibility criteria hindered broader reach. Tools like the integrated social protection information system (SPIS) and the social card registry (SCR) were under development, holding promise for faster response in future crises (World Bank, 2022c).

## Comparing adequacy, coverage, targeting and administration

Table 1 provides a brief assessment of the responses to the pandemic in the three countries with regards to their ability and effort to

- provide adequate support,
- expand coverage to those groups that slipped into poverty due to the pandemic,
- focus resources on those most in need, and
- implement the new measures with administrative ease.

**Table 1: Comparing the different responses to COVID-19**

	Montenegro	North Macedonia	Serbia
<b>Adequacy of support</b>	✓	✓	✓
<b>Expanded coverage</b>	X	✓	✓
<b>Targeting people in poverty</b>	✓	✓	X
<b>Administrative ease</b>	X	X	✓

Source: authors' own assessment based on World Bank, 2022a,b,c

In terms of adequacy, Montenegro increased social assistance through existing programmes and one-off payments. North Macedonia responded by topping up the transfer amount of the GMA scheme, making the increase permanent. Serbia, similar to many EU countries, provided a one-off payment to all citizens.

As for coverage, Montenegro's social safety net helped existing recipients during COVID, but strict rules and an election year prevented expanding aid to the newly vulnerable. North Macedonia responded by relaxing the eligibility criteria and simplifying the procedures allowing more households to apply for the GMA scheme. Serbia employed a universal payment that was expensive and extensive in nature as it was distributed to all the citizens.

On targeting the people facing poverty, Montenegro used both its means-tested programmes and implemented broader one-off payments. North Macedonia relied on the GMA scheme that missed some in extreme poverty due to eligibility and budget limitations but using the means-tested programme allowed focusing



on the poor and keeping costs in check. As Serbia's transfers were universal in nature, they did not particularly target people in poverty, especially children. In fact, large families were relatively disadvantaged because the assistance was unrelated to family size.

On administrative ease of implementation, in Montenegro the process was riddled with legal and administrative constraints as parliamentary approval was required for criteria adjustment. North Macedonia experienced delays in processing GMA applications due to staffing shortages and illness. Undoubtedly, Serbia's intervention was the least demanding from an administrative perspective.

## Key Challenges in Expanding Social Protection Programmes

**Insufficient resources plague all three countries, with other priorities often diverting funds from crucial child-focused programmes**

Despite efforts to expand social safety nets, Montenegro, North Macedonia, and Serbia grapple with similar challenges in protecting children from poverty. Insufficient resources plague all three countries, with other priorities often diverting funds from crucial child-focused programmes. For instance, Montenegro's proposed expansion risks ballooning costs without effectively reaching those in need (World Bank, 2022a). Furthermore, limited-service coverage leaves many children without essential support. As of 2023, North Macedonia's decentralization process, while showing moderate progress, still lacks the necessary human resources to function effectively. Similarly, Montenegro and Serbia continue to face staffing shortages, with Montenegro estimating a need for an additional 700-1,000 personnel and Serbia struggling with understaffed social work centres facing an expanding workload due to new entitlements (European Commission, 2023a).

Incomplete legal frameworks create uncertainty, while unclear responsibility lines and weak information systems hinder effective interventions. North Macedonia awaits the adoption of its 2023-2030 disability rights strategy and 2023-2025 action plan, while both Montenegro and Serbia grapple with pending social protection strategies and laws (European Commission, 2023a,b,c). Additionally, Montenegro's unclear division of responsibility for financing services between central and local government leads to inequities in service provision, disproportionately impacting children in certain regions. Serbia's lack of robust information systems, highlighted by their hampered COVID-19 response, underscores the need for better data infrastructure to effectively target and deliver child-focused assistance (World Bank, 2022a,c).



Beyond these shared challenges, each country faces unique hurdles. Montenegro lacks a minimum service package, creating an uneven playing field for children's access to crucial services. North Macedonia's cash transfer reforms, while promising, require refinement and careful monitoring to ensure benefits for all eligible children. Finally, Serbia's shift towards pro-natal programmes diverts resources from essential child poverty reduction measures, further complicated by overly strict eligibility criteria that exclude many children from needed support.

## Recommendations

Safeguarding children's well-being is paramount for any society. Strong social protection systems play a crucial role in fostering healthy development and mitigating vulnerability, especially during crises. While Montenegro, North Macedonia, and Serbia responded swiftly, valuable lessons can be gleaned to bolster preparedness for future shocks.

Montenegro has a pivotal opportunity to create a social protection system that prioritizes children's well-being and equips them to thrive, while also ensuring preparedness for future challenges. This multifaceted approach demands several key investments. Firstly, a shift in resources is crucial. Prioritizing children's health, education, and essential services through expanded material support and guaranteed minimum services across municipalities is paramount. Effective targeting requires reaching the most vulnerable through proactive outreach and reevaluated eligibility criteria. Secondly, empowering human resources is essential. Equipping case managers and social service providers with the necessary skills ensures quality service delivery and successful reform implementation. Finally, crisis preparedness is crucial. Expanding the Social Welfare Information System and enabling programme expansion during emergencies are vital steps. Understanding vulnerabilities and potential risk analysis informs pre-emptive measures, guiding the establishment of eligibility criteria, support types, and delivery methods for future crises.

North Macedonia's 2019 social protection reforms show progress, evident in expanded coverage of the Guaranteed Minimum Assistance and child protection programmes. However, achieving enhanced inclusivity requires improving support for the most vulnerable children. Targeted outreach and simplified enrolment, particularly for the bottom quintile, are crucial. Empowering local governments through capacity building is essential for successful decentralization. Streamlining service delivery requires improved coordination, a goal aided by a robust central IT system. Learning from the COVID-19 pandemic, North Macedonia can bolster





**Safeguarding children's well-being requires strong social protection systems to foster healthy development and mitigate vulnerability, especially during crises**

crisis preparedness by systematically evaluating its response. A social registry, which supports the identification and registration of beneficiaries for social programmes, and flexible financing mechanisms will further improve readiness.

Serbia's social protection system may need an overhaul to better serve its children, who face disproportionate poverty and regional disparities. Increased investment is crucial, prioritizing children, particularly the most vulnerable, through expanded targeted programs. Modernization demands a shift from categorical programs to a data-driven, means-tested system with clear eligibility and streamlined application processes, especially in rural areas. A robust Social Protection Information System and centralized 'one-stop-shops' with trained staff to facilitate the access of beneficiaries to multiple social protection services are essential. Building resilience involves preparing for crises and establishing emergency funds. Efficient implementation of the Social Card Registry can prevent fraud and target assistance better, potentially integrating with other services for reduced burdens. However, the collection and use of extensive personal data by social registries may raise ethical concerns around data privacy and security. Finally, addressing the staffing shortage in social work and fostering stronger partnerships across sectors are crucial. A long-term vision needs a comprehensive strategy for poverty reduction, specifically targeting children.

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