



REGIONAL REVIEW SERIES

GOVERNANCE AND FUNDING ARRANGEMENTS FOR SOCIAL SERVICES IN SOUTH EASTERN EUROPE - THE CASE STUDY OF SERBIA

Kosovo Decentralisation of Social Services Project

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The DFID project supports the development of inclusive and fiscally sustainable delivery of decentralised social care services in Kosovo. The **goal** of the project is the effective transfer of competencies to municipalities in Kosovo. The **purpose** of the project is to strengthen management systems for the financial and administrative decentralisation of social care services and improve the capabilities of municipalities and CSWs to deliver social care services to people in need.

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Foreword

This series describes recent efforts to reform, strengthen and expand social services in the countries of South Eastern Europe (Croatia, Serbia, Slovenia and Macedonia /FYROM) and offers an overview of fiscal and administrative reforms that have been instituted to give these efforts greater reach and impact. Each of the country in the series of case studies draws from the common social policy and institutional legacy of former Yugoslavia which is made manifest by presence of municipal Centres for Social Welfare (CSWs) which are responsible for the delivery of both social services and social assistance.

The case studies examine the financial and administrative reforms that have been instituted to restructure social service schemes as part of wider governance and financial reforms linked to decentralisation. The emphasis of these reforms has, to a significant extent, been on improving their efficacy in reducing risk and vulnerability, improving social cohesion and reaching those with special needs. The country case studies examine both social policy formation and the consequent experience with implementation of legislative reforms, new financial arrangements for funding social services, and the distribution of responsibilities across of centralised and decentralised (devolution, delegation, and deconcentration) systems for particular categories of social services

Local governments in the countries of South Eastern Europe are increasingly involved in the delivery of social services, and for making critical decisions including setting priorities through the allocation of resources, defining the types of services offered in a locality, and determining eligibility or access to different types of social services (e.g., residential, family based, community-based etc). The trend towards increasing the involvement of local governments in social service delivery is closely related to the overall process of decentralisation which has been unfolding – to various degrees – in the majority of South Eastern European countries.

Recent developments, including the adoption of legislation on intergovernmental fiscal relations and property taxes have accelerated decentralisation processes across different domains of social policy. Many emerging European countries have experienced considerable difficulties in clearly choosing an optimal type of decentralisation for social policy functions and social services in particular. Choosing the type and degree decentralisation of public services usually entails difficult political decisions regarding what constitutes responsibilities and powers in service provision. While dividing responsibilities for administering expenditures can be relatively easy, deciding which agency of structure of government should be responsible for policy-making (including regulation, standard setting and quality control) is typically more challenging and time consuming.

The broad objective of the series is to provide central and local government policy makers in Kosovo, who are in the midst of considering options for reforming the finance and governance of social services, with information on the recent experience and policy results of near neighbours facing similar issues. These case studies, in association with technical support provided by the DFID KSSD project at the central and municipal tiers of government, will empower the Government of Kosovo and their social service partners in their roles as active participants in the social policy process. Existing evidence on decentralisation indicates that the success of decentralising social service provision depends on an important set of factors including:

- The quality of intergovernmental institutions, including clearly defined roles and responsibilities, incentives, accountability, public participation and transparency;
- A stable fiscal framework, including well aligned expenditure and revenue raising responsibilities, feedback mechanisms between central and local governments, and local government capacity; and
- Civil; society and social structure

A central question facing counties covered in these case studies is how far decentralisation of social services can and should proceed. Although there are many arguments for and against decentralisation, stemming from political and economic theory, there are no easy answers and analysis of the impact of decentralisation of social services is inconclusive and country specific. Ultimately, decisions regarding the degree to which specific types of social services are decentralised are political. Experience from other counties, as well as those countries covered in this series, to date indicate the importance of having an overall strategic vision for the decentralisation of social services. Scarcity of resources is a major restriction on the efforts of neighbouring countries to decentralise social services, and in many instances key services and elements of the institutional architecture of service provision, have remained centralised. Efforts have also been further impeded by several additional factors: shortage of trained personnel; the immaturity of contemporary social work, only now re-emerging as a professional field; ineffective coordination between national and local levels that makes reaching target groups difficult; and weak utilisation of partnerships with non-governmental organisations providing social services.

Public services – such as social services – increasingly account for a major segment of local government expenditures, and there is growing importance attached to the outcomes they secure. As result, in the countries presented in this series – citizens and their representatives are beginning to show a heightened concern for ensuring that the methods and approaches through which social services are delivered, and the methods they use to pay for social services are not wasted. In particular attention has turned to ensuring that funds allocated to social services and monies paid to public service providers (including state and non-government organisations) are in line with policy intentions, and encourage cost effective provision.

In the wake of these developments, there has been a desire to move away from traditional methods of paying for social services, such as historical precedent, political patronage, or by the desire to protect vested professional interests. Instead, governments and other payers of social services are seeking to place greater emphasis on making approaches towards allocating public funds for the provision of social services more transparently and systematically, in the form of mathematical funding formulae.

A cynic might argue that this trend reflects the desperation of governments trying to devolve to the technical domain increasingly fraught political debates over finding decisions. There is an element of truth in this view. But equally governments clearly do wish to place their funding methods on more solid foundations. At the very least in order to retain support for the taxation necessary to sustain social services, governments wish to demonstrate to the public that tax revenues are being deployed systematically, in accordance with voters' preferences.

The trend towards formulaic funding mechanisms – as demonstrated in this series – has been given added impetus by improvements in the scope and timeliness of data sources (such as the Social and Living Conditions Survey, the Household Budget Survey, and numerous administrative data sources) that can be used to prioritise policies and goals in social services, and for measuring unit costs, inputs, activities and outcomes. These informational developments in the countries of South Eastern Europe have opened up opportunities to apply scientific approaches to the funding of social services. Moreover, many new statistical and econometric techniques are emerging that enable models to be placed on a more scientifically secure foundation.

Yet, notwithstanding the increased demand for scientific funding mechanisms for social services, and the rapid improvements in analytical potential, the state of current methodologies for the design of funding formulae for social services is – with a few exceptions – very rudimentary and frequently analytically unsatisfactory. This series provides readers with an opportunity to gain insights into approaches that are being used to design funding formulae in countries of South Eastern Europe.

Ultimately it is the aim of the DFID KSSD Project to help those looking to shape a new era of social services in Kosovo to surmount some of these obstacles, and to begin the process of addressing policy and technical concerns linked to the decentralisation of social services. The analysis contained in these case studies:

- provides national profiles of the direction, magnitude, and scope of progress in strengthening social services in each neighbouring country, the interface between social services and other aspects of social protection, acknowledging the problems encountered while highlighting successful practices that have been recognised and put in place;
- traces trends in national social service delivery, the formation of partnerships between central governments, local governments, and nongovernmental organisations;
- draws attention to the interface – financial and administrative – between social services and other aspects of social policy; and
- delineates the definition of social services and related governance arrangements, the responsibilities of different institutions that provide social services, the financing arrangements of social services –including budget formulas, and an assessment of the strengths, weaknesses, opportunities and threats that have emerged, or are emerging, within each country.

Section 1: Definition and Governance of Social Services

In 2011 there were 7,120,666 inhabitants¹ living within 5 Nomenclature of Territorial Units for Statistics (NUTS) 2 level regions² of Serbia. There are **30 administrative counties, 24 cities, 150 municipalities, 6158 settlements**³. Provinces (Pokrajine) and local self governments are legal entities (Article 176 of the Constitution). However, while the international status of Kosovo remains contested by the Republic of Serbia⁴, the autonomy of Vojvodina is characterised by two issues: (a) the local government does not have full autonomy on the implementation of most of the allocated competencies, since these are shared with other tiers of government, and (b) the transfer of competencies is not accompanied by adequate financial resources⁵.

A **municipality** is a basic territorial and administrative unit of self-government, covering territory with at least 10000 inhabitants. The **City** is a territorial unit of at least 100,000 inhabitants. **De-concentration** of ministerial and inter-ministerial structures was carried out by the **Regulation of Administrative Districts**, which has established the 30 administrative counties.

The **economic and public finance section** of the Constitution states, in Article 91, that **Republic, Pokrajine and local self government** will finance themselves with **taxes and other revenues** in accordance with a Law. Article 92 prescribes that the Republic, Pokrajines and local self governments will their have **own budget** where all revenues and expenditures to finance their competency will be counted for (Republic, Pokrajine and local self government **can borrow** – Article 93). In accordance with Article 94 Republic is responsible for balanced regional development. In the section about **executive power organization** in Article 137 from the Constitution it is regulated that for more efficiency of exercising right of citizens there could be a transfer of power from Republic to Pokrajine and local self governments in accordance with a law.

In accordance with the Constitution⁶ state authority is organised in the Pokrajine and local self government (Article 12 in the principles of the constitution). In the **Civil and minority right** section of the Constitution (Article 23) it is guaranteed the free development of the personality of citizens, the physical and psychical integrity is guaranteed (Article 25), slavery and forced work is forbidden (Article 26),

In the section about the territorial organization in the **Constitution** it is prescribed in the Article 183 that **Pokrajine** are responsible about spatial planning and development, agriculture, environment protection, forestry, hunting, fishing, road, river and railway transportation, education, sport, culture, health and **social protection** and public information. In Article 184 of the Constitution it is regulated that the budget of the Vojvodina Pokrajina is at least 7% of the Republic's budget and that at least 3/7 of that budget is on capital expenditures.

¹ In accordance with the preliminary 2011 census data:

<http://webrzs.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=834>.

² In accordance with the Law on regional development

³ Statistical yearbook 2011: http://www.media.srbija.gov.rs/medsrp/dokumenti/SGS2011_cyr.pdf.

⁴ As of 30 December 2011, the Republic of Kosovo has received **88** diplomatic recognitions as an independent state. Notably, 86 out of 193 (44.6%) United Nations member states, 22 out of 27 (81%) European Union member states, 24 out of 28 (86%) NATO member states, and 27 out of 57 (47%) member states of the Organisation of Islamic Cooperation (OIC) had recognised Kosovo

⁵ See more at: <http://www.cespi.it/SEENET/report-2/8-decentramento-Vojvodina.pdf>.

⁶ http://www.srbija.gov.rs/cinjenice_o_srbiji/ustav.php.

In Article 188 it is prescribed that **units of local self government** are cities, towns and the city of Belgrade. In accordance with the Article 190 of the Constitution towns and cities have the following competencies: communal, construction land, construction, reconstruction, maintenance of local roads, provide local transportation, education, culture, **health and social protection, child protection**, sport, tourism, handicraft, restaurants and trade, environment, protection against natural disaster, protection and development of fertile land. Towns are also responsible for protection and development of civil and minority rights.

In accordance with the **Law on social protection and provision of social safety for citizens**, social protection is organised social activity with a goal to help citizens and their families in times of social needs and undertaking measures to prevent and solve the consequences of **that status**. The status is defined where **a citizen and/or family are in need of necessary help** with a goal to satisfy basic needs to live founded on principles of humanism and respecting human dignity (Article 2 of the Law). Article 3 regulates that **social security** is provided to citizens that are not capable to work, have no means to support themselves and to citizens that cannot provide enough means to satisfy basic needs to live. In Article 5 it is regulated that employment and professional upgrading of **persons with disabilities** can be conducted by organizations and institutions in accordance with the law. Interesting in Article 8 it is stated explicitly that costs to exercise rights in accordance with this law is not on citizens.

Policies and the Regulatory System

The responsible **authority** on social policies is the **Ministry of Labour and Social Policy** which operates under following **regulation** as part of the family care and social protection⁷:

- Family law
- Law on financial support of families with children
- Law on conditions to conduct psychological activities
- Law on social protection and providing social security
- Regulation of closer conditions for start up and working of institutions for accommodation of adult persons with mental ill and persons with disability
- Regulation of closer conditions for start up and working of institutions for accommodation of young people without parents and youth and children with disorderly behaviour
- Regulation of closer conditions for start up and working of institutions for accommodation of handicapped children and young persons
- Regulation of closer conditions for start up and working of institutions for accommodation and protection of pensioners and other elderly
- Regulation about foster care
- Regulation of organization, norms and standards for operation of centres for social work
- Regulation about criteria to found centres for social work
- Regulation about conditions, procedure and ways of taking care of children
- Regulation about supervising work of social protection institutions
- Regulation about archiving beneficiaries and other documents in the social protection institutions
- Regulation about criteria to establish a price for social protection services paid by Republic

⁷ Proper laws and other regulations related to social protection in Serbia one can find at: <http://www.minrzs.gov.rs/cms/sr/propisi/briga-o-porodici-i-socijalna-zastita>.

- Regulation about conditions related to space, equipment and needs for expert and other workers to establish a Bureau for social protection
- Regulation about additional educational, health and social support for children and students
- Decision about network of social protection institutions
- Financial support of families with children
- Minimum standards for social protection services
- Special protocol for protection of children in social protection institutions against abuse and miss care

Service agreements for the provision of social services take the form of a **license** (permission by the state to perform certain service) and a **contract** (legal agreement by the State as Commissioners to provide a specific service to a specified group of service users based on locality or specialist need). **Monitoring** identifies actual **performance** in relation to the establishment and maintenance of the requirements of the service as expressed in the service specification, using the **standards** as criteria for this monitoring. **Inspection** is the confirmation of monitoring information aimed at **identifying shortfalls of performance** in relation to the Service Specification and Standards, with a view to **identifying remedies** and **issuance of targets for corrective action**⁸.

Article 66 states that legal and physical entities can establish residential institutions⁹. Centres for Social Work (CSWs) and institutions for children and youth can only be established by state actors. The network of social service institutions and their characteristics are illustrated in Table 1 below.

Table 1: Social Service Institutions in Serbia

Institutions	Characteristics
Centres for Social Work (CSWs)	Established by local self government and cities. More LSGs can establish one centre but in each LSG there must be one branch of the centre
Institutions for accommodation of beneficiaries	Norms and standards established by the ministry except for the daily accommodation and temporary accommodation institutions that are established by cities/towns and for which the cities/towns establish norms and standards <ul style="list-style-type: none"> • Homes for youth and children • Centre for protection of babies (until one year old), children and youth • Family centres • Institutions for children and youth with mental disability • Institutions for physical disabled children and youth • Bureau for upbringing children and youth • Shelters for temporary accommodation (homeless youth and children)

⁸ Supporting Implementation of the Social Welfare System Reform Strategy—Serbia Oxford Policy Management (OPM), on behalf of UK Government Department for International Development (DFID) December 2009.

⁹ With regard to **homes for the elderly** information can be accessed at the Ministry of Labour and Social Policy web page: <http://www.minrzs.gov.rs/cms/sr/smestaj-starih-lica-u-dom> where information on nutrition, accommodation, standards, health protection, list of homes, list of private homes etc is available. There are 12 private homes for the elderly in Vojvodina Pokraina and a total of 78 private homes in Serbia with capacity for around 2100 residents. There are also 38 publicly funded homes for the elderly. The Ministry also publishes a list of homes for the elderly that have been banned from operating. Procedures for accommodating the elderly in residential homes in Vojvodina Pokraina and in other parts of the Republic's are organised and managed through the CSWs. The Territorial distribution of residential homes for the elderly shows that the Autonomous Province of Vojvodina and City of Belgrade are well covered while other parts of the country are not well served.

	<ul style="list-style-type: none"> • Shelters for youth and children with disordered behaviour • Pensioners and elderly homes • Gerontology centre • Homes for adult disabled persons • Bureau for mentally ill persons
Institutions for daily accommodation and help in house	<p>Established by LSG</p> <ul style="list-style-type: none"> • Centre for daily accommodation of children and youth with disabled development • Centre for daily accommodation • Institution for daily care of adult and elderly • Daily centre for mentally ill adults and elderly • Daily centre for production engaged physically disabled persons • Centres for help at home • Clubs for adults and elderly • Daily centres for adult and elderly
Bureau for social protection	<p>Established by Government or proper body within Pokraina. To improve social protection, research, develop, analyse the area of social protection. Supervise institutions for social protection. Prepares norms and standards.</p>

The number of social workers is regulated with the Regulation of organisation, norms and standards of operation of centres for social work (Article 42). This regulation specifies that there should be 3 social workers for 15,000 inhabitants. Each additional 5,500 inhabitants will require additional social worker. For CSWs operating within area of 30,000 inhabitants there should be one lawyer and an additional lawyer for each additional 30,000 inhabitants. For CSWs operating within area of 150,000 inhabitants there should be one expert for planning and development and additional one for each additional 250000 inhabitants.

Section 2: Social Services and Responsible Institutions

In accordance with the Law on social protection and provision of social safety for citizens, **the list of social care services are defined** in Article 9 alongside the **competency of the relevant tier of government**. The list and competency level of specific tiers of government is illustrated in Table 2 below.

Table 2: Competency of Governmental Tiers for Social Services and Social Assistance

Government level	Competency
Republic	<ul style="list-style-type: none"> • Material support • Support for taking care and support of second person • Assistance for vocational training • Accommodation in institutions and within other families • Services related to social activities • One time support if cases of extraordinary treat to living standards of large number of citizens
Cities or towns	<ul style="list-style-type: none"> • Help in home, daily accommodation, temporary accommodation in proper institutions • Equipment for beneficiaries when accommodated in proper institutions or when accommodated within other family • One time support • Services related to social activities

Cities or towns can provide a **wider scope of social services if they have available resources**. The minimum level of social assistance (upon which the material support is calculated) is levelled in accordance with the average salary

indexed by inflation each month. In the areas of both social services and social assistance social in Serbia all three forms of decentralisation are present: **delegation, de-concentration and devolution.**

Delegation¹⁰, which implies the transfer of certain executive functions from the central to local level government (municipality), is applied in the area of collecting necessary documentation for approving entitlements for child allowances and entitlements for disabled war veterans.

De-concentration, which implies a dispersion of central level responsibility and the transfer to local sectoral departments, is applied in the area of administrating social assistance and attendance allowance entitlements. In both cases the entitlement criteria and necessary documentation are defined at central level, while gathering of documentation and issuing decisions on entitlements are performed by the municipal Centres for Social Work (CSW) and, payments are effected centrally from the republic budget.

Devolution is the highest level of decentralisation, and applies predominantly to social services, where the decision-making authority is transferred to the municipal level. In the area of social welfare the Law on social welfare and securing social security of the citizens proscribes that the municipality determines and finances the entitlements to:

- One-off cash payments,
- Homecare,
- Day care centre services,
- Clothing and incidentals for beneficiaries placed in residential institutions or other family, and
- Temporary placements shelters or safe houses.

In accordance with the **Government decision from 2008 the network of residential institutions was adopted.** The institutions, capacity and employees, based on official figures, are illustrated in Table 3 below.

Table 3: Institutions, Capacity and Employees Residential Care System in Serbia

Institutions ¹¹	Capacity	Beneficiaries	Employees through price of social service
Youth and children homes	240	160	40
Homes for adult and pensioners	795	790	219
Homes for persons with disabilities	4842	4996	1232
Total	5877	5946	1491

According to some observers¹² however the total capacity of **residential services for children** is 1871. Only 67% of the residential homes are full to capacity. Half of

¹⁰ Annex 3 based on the publication «Decentralization of Social Welfare in Serbia», Matkovic, 2006 and G. Matkovic: *Decentralization of Social Welfare in Serbia*, OPM, Belgrade, 2007.

¹¹ There are also the following institutions but are not disaggregated by capacity, employees and number of beneficiaries: centers for babies, children and youth, Bureau for upbringing children and youth, Homes for adult persons with disability and hearing disability, Bureau for adult mentally ill persons, Home for adult mentally ill persons, Homes of elderly, and Gerontology centres.

the 1238 children served come from the same municipality (15%) or from the same Regions/Okrug (36%) where the institution is located. **In foster care** the 2731 foster family network provides care to 3844 children and young people. The services cover 17 regions/Okruzs, but there is a reported shortage of foster care services in Belgrade. There are 16 institutions for disabled persons with a capacity of 4941 and other social institutions also serve people with disabilities. Five out of these institutions are rather large, with capacity for more than 500 beneficiaries (in Kragujevac capacity is 945). The number of people living in these registered institutions is 4996, served by 1232 members of staff.

There are 153 municipal Centres for Social Work (CSWs), 99 CSWs are located in central Serbia (6 of them operate as inter-municipal centres), 45 in Vojvodina (2 inter-municipal), and 16 departments function within the City CSW in Belgrade. Functions of CSWs are mixed: they operate as municipal institutions and manage delegated tasks of ministries, as institutions of public administration and provide services under the family-law and social protection. Social protection funded by the **national budget** is **mostly cash benefit payments** for families, while at **local government level one-off payments**, day care, temporary placement, home assistance are provided.

CSWs provide services to 18,617 residents in residential care, home assistance is provided to 3798 users, day care is used by 2451 persons, and 576 persons were temporarily placed in shelters. There are **non-governmental service providers** beyond these institutions, but their capacities are not reported. **One-off assistance** for meeting basic subsistence needs was provided to 65,229 persons.

With regard to institutions that accommodate children, adults and elderly with special needs there is evidence¹³ prepared about the conditions in these institutions. The evidence bases emphasises the need to change the norms for the employees and the need for constant training as well as the need for better financing these categories of vulnerable citizens. There is also a call for more frequent inspections and that conditions are in breach of standards related to the accommodation (too many beds for example at some institutions), toilets, food, rehabilitation equipment.

With regard to children as beneficiaries of social services there is also evidence that goals are not met from the strategies and that too many children are still in the institutions, CSW social workers do not visit children to work with them, there is a lack of individual monitoring of progress with children, and custodianship is not operational. The umbrella strategies (such as the Poverty Strategy and Social Protection Development Strategy) are deemed to be too ambitious as goals are often not achieved. From the service management point of view the main problems related to children without parental care are the high numbers of children in institutionalised care, lack of staff capacity for provision of fostering services, and lack of adequate systems of inspection and supervision. An EU project: *“Children belong to their families”*, executed by UNICEF in partnership with the Serbian Ministry of Labour and Social Policy in the period 2008-10, and with participation of the Serbian Ministry of Health sought to address some of these and other¹⁴ systemic weaknesses; and in 2009 the Comprehensive plan for transformation of residential social care institutions for children for the period 2009-2013 was developed. The general aim of the project has been the accomplishment of the overall competence and efficiency of the system in dealing with the most vulnerable groups of children and their protection in Serbia.

¹² Giosan and Peteri (2008) *Concept paper on Decentralisation Models of Social Service Provision in Serbia from 2008*

¹³ <http://www.minrzs.gov.rs/cms/sr/propisi/briga-o-porodici-i-socijalna-zastita>.

¹⁴ Which included the lack of systematised and reliable data for decision-making, weak involvement of the NGO sector in service delivery,

Section 3: Financing Social Services

In accordance with the **Law on the budget system of Serbia**¹⁵ the budgets of the Republic, Pokrajine and local self governments is regulated as well as the financial plans of the organisations responsible for **mandatory social insurance**¹⁶ among others (Article 1). Within the framework of this law, public assets are assets in control of Republic and local self government also in control of organisations for mandatory social insurance. In Article 6 it is regulated responsibility of the organisations responsible for mandatory social insurance to prepare the financial plans with consent from the National Parliament. The organisations responsible for mandatory social insurance can invest own revenues with a consent from the Minister and must inform the Treasury. All social protection expenditures (including pensions, social assistance and social services by level of government - illustrated in the Table 4 below - amounted to between 3.3% and 3.8% of GDP in period 2001-2005 i.e., slightly more than 40% from total public expenditures).

Table 4: Composition of Social Expenditures Provided by Republic and by LSG in Serbia (cash benefits are in parenthesis)

Level of government	Structure
Republic	75.04% (98.06%)
LSG	24.96% (1.94%)

The **structure of LSG budgets** for 2006 is illustrated in the table 5 below. It should be noted that that **Belgrade** (capital city comprising 17 LSGs) spends 41% of the total LSG expenditures in Serbia and 56% of the total social welfare expenditures in Serbia.

Table 5: Structure of LSG Budgets in Serbia

Expenditures	Structure
Current expenditures	99.5%
Of which:	
Expenditures on employees	4.5%
Expenditures on goods and services	3.7%
Expenditures on donations and transfers	19.9%
Expenditures on social protection from the Republic's budget	63.0%
Other expenditures	8.2%
Expenditures in non-financial assets	0.5%

The **main types** (based on number of beneficiaries and financial resources allocated) of services provided by the **central government** are: **residential care** (53.8%) and **CSWs** (13.31%). The main **cash benefits** in terms of funding are: **maternity allowance** (36%) and **child allowance** (34.55%)¹⁷.

In accordance with the **Law on budget system** the revenue assignment by level of government in Serbia is organised in accordance with the tiers of government specified in Table 6 below.

¹⁵ <http://www.mfin.gov.rs/pages/article.php?id=6922>.

¹⁶ Mandatory social insurance in accordance with the Law on budget system Article 18 is pension and disability insurance, health insurance and unemployment insurance.

¹⁷ Annex 2 from the Assessment of the actual allocation of functions and financial resources among central and local level in the domain of social welfare services

Table 6: Revenues for Financing Competencies by Tier of Government

Level of government	Public revenue's source
Republic of Serbia	<ul style="list-style-type: none"> • VAT • Excises • PIT • Profit tax • Trade tax • Administrative fees • Court fees • Registration fees • Concession fees
Pokrajina	<ul style="list-style-type: none"> • Share of the profit tax • Share of the PIT • Administrative fees • Concession fees
Local self government	<ul style="list-style-type: none"> • PIT • Property tax • Inheritance and gift tax • Administrative fees • Communal fees • Tourism fees • Concession fees

The **Law on financing local self government**¹⁸ regulates the sources of financing for cities, towns and the City of Belgrade. There are basically three sources of revenues for local self governments: own revenues, transferred revenues, and intergovernmental transfers. The **intergovernmental transfers** in accordance with the Law are illustrated in Table 7 below.

Table 7: Intergovernmental Transfers in Serbia

Transfers	Explanation
Equalisation	<p>Part of the total not earmarked for transfers.</p> <p>Targeting LSGs whose revenues per capita are below 90% of the average estimated revenues (average calculated by not taking cities into account. Only towns)</p>
General	<p>Part of the total not earmarked transfers.</p> <p>All LSGs are eligible.</p> <p>65% of the transfer is distributed in accordance with the number of inhabitants.</p> <p>19.3% in accordance with the area</p> <p>4.56% in accordance with the number of classes in the elementary education</p> <p>1.14% in accordance with the number of buildings in elementary education</p> <p>2.0% in accordance with the number of classes in the secondary education</p> <p>0.5% in accordance with the number of building in the secondary education</p> <p>6.0% in accordance with the number of children in the system of protection of children</p> <p>1.5% in accordance with the number of building in the in the system of protection of children</p>

¹⁸ <http://www.mfin.gov.rs/pages/article.php?id=5109>.

Compensational	Part of the total not earmarked transfers. To fill the gap once there are changes in the Republic's regulations related to the transferred. Indexed with inflation in accordance with the memorandum of the budget.
Transitional	For the transitional period of adopting this Law to help LSGs with limited Own Source Revenues (OSR). Envisaged for only 3 years after there are changes of methodology upon which revenues are downsized to LSGs. Indexed with inflation.
Earmarked – functional	For some functions Depending on the historical costs related to the function
Earmarked in narrow sense	For categorically defined specific purpose For delegated operations from ministries or organizations

The **total annual not earmarked transfer is 1.7% from the total actual GDP** (Article 37 from the Law). The amount of the different types of the not earmarked transfers and the distribution by LSG it is done in accordance with the parameters from the budget's memorandum and the economic and financial policy. If the amount of transferred revenues in the LSG is **higher by 50% than the average per capita for all LSG then that LSG will receive less transfers.**

The **equalization fund distribution by LSG** is calculated (Article 38) by multiplying inhabitants of LSG with the 90% of the average transferred revenues for all towns (cities not taken into account). From this total amount then is subtracted the transferred revenues from each LSG. Finally, each LSG receives compensation of 90% for this subtracting difference.

The distribution by LSG is illustrated in the equation below:

$$LSGi = 0.9 * [0.9 * AVERAGE * INHi - USREVi]$$

Where:

AVERAGE – the average of transferred revenues or all towns (cities not taken into account)

INHi – inhabitants of LSG-i

USREVi - the transferred revenues of LSG-i

Transferred revenues are comprised of:

1. PIT revenues from:
 - Agriculture and forestry
 - Sole-proprietorship
 - Real estate
 - Pledge of movables
 - Insurance of physical persons
 - 40% from PIT from wages where employee lives
2. Inheritance and gift tax
3. From the transfer of rights

The allocation of financial responsibilities for different types of social protection agencies and institutions by tier of government is illustrated in Table 8 below

Table 8: Financing of Social Protection (Cash and Services) by Level of Government

Level of government	Financing
Republic	Centres for Social Work (CSWs) Construction, equipping and modernising residential institutions for accommodation of beneficiaries Programme for improving the social protection in the Republic
Pokraina	Programme for improving the social protection in Pokraina
Cities and towns	Construction, equipping and modernising institutions for which cities/towns are founders Programme for improving the social protection (cash and social services) in cities/towns

Price of the services is established by the Ministry of Labour and Social Policy and reflects all the economic costs. Social protection institutions related to pensioners and elderly establish their prices after consent from the Ministry of Labour and Social Policy ministry. There are regulations, criteria and measures for establishing services and prices for social protection financed by the Republic. The regulations provide the base for establishing prices, and standards and focus on specific criteria about space, equipment and proper need of experts and other workers for establishing and operating of the social protection institution. Unit cost prices are calculated per beneficiary in **monthly amounts** depending on the type and quality of service.

The system of social service regulation is highly centralised but with increasing levels of transparency. For example, CSW's are subjected to annual inspections and the results are posted on the Institute for Social Policy (ISP) website¹⁹. Moreover, there, there is a joint project²⁰ of Government Ministry of health, Ministry of Labour and Social Policy and the Ministry of Education which focuses on the goal of enhancing capacities in accessibility, effectiveness, equalization and quality of services at local level related to health, education and social protection within decentralisation from 2011. There are four components of this project:

1. Implementation of fiscal decentralisation with a new formula: "resources follows the beneficiary" and a framework to finance LSG through "compensation weights" in order to downsize inequalities and to provide transparent, rational and predictable way of providing services,
2. Improving accessibility of services through development and expansion of innovation where beside the new system of financing there is a need for public campaigns and the need to establish institutions to protect rights of citizens,
3. Support to regulatory and supervisory role of the ministries in order to assure quality of services'
4. Enhancing capacity of LSGs as service providers.

¹⁹ <http://www.zavodsz.gov.rs/english/>

²⁰ http://www.minrzs.gov.rs/cir/index.php?option=com_content&view=article&id=835%3Agpn-dils&catid=164%3Akat-aktuelni-projekti&Itemid=252&lang=src.

Section 4: SWOT Analysis of the Social Services Delivery System

	Strengths	Weaknesses	Opportunities	Treats
Overall policies stance and policy effectiveness	Detailed standards per social protection service	Too centralised social protection system Standards are not monetised and not achievable	EU Fund for social innovations (http://www.sif.minrzs.gov.rs/) Program Progress adopted by the European Parliament and Council of Ministers (http://www.minrzs.gov.rs/cms/sr/program-progres)	Slow EU roadmap Economic crisis The lack of empowerment of vulnerable groups in Serbia (due to stigma certain needs are kept hidden, especially those concerning persons with disability)
Constitutional and legal framework	Social care is a constitutional category mentioned as competency of Republic and LSG.	Lack of political will for reforms Strategies are on place but are not implemented	EU commitment	
Central government institutional and regulatory framework	Proper legislation is in place. Proper institutions are operational. Minimum standards are set. There is a methodology to monitor and assess the outcomes of the social activity	Too ambitious strategies and standards not achievable Representatives of child health care and child social welfare system are under the impression that the representatives of the other system are insufficiently informed of the range of work they do and the problems and obstacles they encounter There are no written regulations, procedures, guidebooks nor instructions on how to act in situations after the birth of a child at risk.	Ministry of Labour and Social Policy with the assistance of international donor programs has developed an overall strategy for improving social welfare services.	There are no mechanisms for controlling which beneficiaries and under what circumstances are entitled to one-off payments and standards in service provision are insufficiently developed and thus, cannot be efficiently monitored
Local/Pokrajine institutional and regulatory framework	Proper legislation is in place	Not clear responsibilities defined in the regulatory framework	Joint project of Government Ministry of health, Ministry of labour and social policy and Ministry of	In case of more decentralisation weak capacity of cities/towns (administrative, financial,

		The relatively underdevelopment of community-based social services and the very small funding effort realised by local governments in the social welfare domain	<p>education (http://www.minrzs.gov.rs/cir/index.php?option=com_content&view=article&id=835%3Aagpn-dils&catid=164%3Akat-aktuelni-projekti&Itemid=252&lang=src)</p> <p>Inter-municipal cooperation, with centres serving larger territories ("regions").</p>	<p>managerial) might slowdown the reforms</p> <p>Differences in municipality sizes and level of development</p>
Participation by NGO sector		Scope is limited, providing support and advisory services to parents related to child care	Social welfare services are provided not only by state/government institutions but also by non-governmental organizations.	Control mechanisms are insufficiently developed at the central level and thus cannot adequately monitor a high level of decentralization, regardless of whether it is about transferring mandates to the local level or about including the private and non-government sector in service provision.
Participation by private sector		The private sector has not yet been included in providing child care services in Serbia (apart from homes of elderly).		Control mechanisms are insufficiently developed at the central level and thus cannot adequately monitor a high level of decentralization, regardless of whether it is about transferring mandates to the local level or about including the private and non-government sector in service provision.