



**REGIONAL REVIEW SERIES:**

**GOVERNANCE AND FUNDING ARRANGEMENTS FOR SOCIAL SERVICES IN  
SOUTH EASTERN EUROPE: AN OVERVIEW**

**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 summary note is part of series that 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 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 country 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 in-depth country case studies (which are presented separate to this summary note) 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.

It is noteworthy that formula based funding has become the norm for social services in the four countries reviewed in this series. The main driving force behind formula funding is the desire of payers, such as central and local government, to limit the magnitude of aggregate expenditure, to share the limited expenditure in an optimal fashion, to transmit objectives to devolved agencies and to give them appropriate incentives. The most important reasons advanced in favour of a formulaic approach towards sharing out limited resources are as follows:

- Formula funding offers the payer a widely accepted mechanism for setting budget for devolved organisations. Most other methods of budget-setting offer greater scope for game playing and perverse incentives;
- Formula funding permits resources to be directed where they will secure most benefit;
- A well-designed formula allows finance to flow to providers in proportion to the services provided. If providers of social services are recompensed for the relative needs of their users, they might be tempted to 'cream-skin' only the less needy or demanding clients, making it difficult for more disadvantaged citizens to secure the public services they need;
- Formula funding facilitates the separation of purchaser and provide, allowing the creation of competitive provider markets or quasi-markets. This can increase the supply of social services by opening up the provision of services to NGOs and private for-profit providers;
- Formula funding is an essential tool for addressing equity issues, such as offering equal access to services, or securing equal outcomes, which are often invoked as important policy objectives for social services;
- A formula appears to treat all in the same way, and it can be shown to have been derived in a reasonable (or fair) fashion the recipients of funds are

more likely to accept the outcome. This refers to the fact that the *procedure* for deriving an allocation of funds often has a vital importance over and above any consideration of the *outcomes* of the allocation.

These arguments reflect considerations of efficiency, equity and politics. Equity concerns have played a particularly strong role in formula funding in social services. However, of equal priority for the dominance of formula funding has been the fact that it offers a solution to the political difficulties associated with the allocation of public finances for social services. The agendas covered in this summary note and in the separate country case studies are therefore of critical importance in a world that is rapidly changing, and becoming a much riskier place, and where both social risks and the coping strategies are transforming. In particular, global integration, urbanisation and demographic shifts make every country more vulnerable to new shocks, and yet it opens new ways, connections and knowledge for people to address their problems. Respectively, approaches to organisation and assessment of social protection and social welfare systems are also changing around the globe<sup>1</sup>. Globalisation leads to new reality that<sup>2</sup>:

- power of national governments, while it remains very real and very important, has declined noticeably, especially in governments' ability to regulate market activity and protect social welfare
- in an increasingly borderless world, local communities everywhere are less protected by national governments from the consequences of international economic competition and less likely to benefit from government assistance than was the case in the 1970s and earlier
- local communities—meaning municipalities of all sizes as well as metropolitan areas—have been thrown more than ever before upon their own resources. It has become the normal way of doing business for every municipality and/or metropolitan region to write its own socio-economic development strategy and create an agency or agencies to implement it.

That is why it is important before designing a new system of social services to learn experiences and socioeconomic context from countries that are confronting similar challenges. The purpose of this series of country reports is to describe recent efforts to reform, strengthen and expand social services in the countries of South Eastern Europe (Croatia, Serbia, Slovenia and Macedonia) and to offer an overview of fiscal and administrative reforms that have been instituted to give these efforts greater reach and impact. Some of the key characteristics of the countries included in this analytical series are illustrated in Table 1 below.

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<sup>1</sup> Annex 3 of the report to the Join Project Steering Committee (J-PSC).

<sup>2</sup> <http://blog.uwinnipeg.ca/ChristopherLeo/archives/2007/07/>.

**Table 1: Main Characteristics the Countries Covered by the Series**

	Macedonia	Serbia	Croatia	Slovenia
Population (mln)	2.0	7.3	4.4	2.0
Area (km <sup>2</sup> )	25,713	77,474	56,542	20,273
GDP in mln Euros	6,631	29,543	45,377	35,798
GDP per capita (PPS, EU 27=100)	35.0	35.0	63.0	88.0
Central government expenditures (% of GDP)	35.3	45.0	33.7	31.2
Local government expenditures (% of GDP)	8.1	6.9	4.0	10.2
Total social protection (% of GDP)	12.2	14.0	17.5	21.5

Source: Ministry of finance bulletins/annuals of the countries and WB PER of the countries.

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.

However, the differences are obvious in political and socio-economic terms. Slovenia is an EU member since 2004, Croatia joined EU this year, Macedonia and Serbia have candidate status and Kosovo has EU orientations. Economically, the poorest country among this cluster of countries is Kosovo (GDP/population). Macedonia, Serbia and Kosovo (most likely) do not have even the half of the EU27 GDP per capita in PPS<sup>3</sup>. Related to the public finances and size of government, Kosovo has lowest size of government (20.5% government expenditures of GDP) and Serbia has the highest percentage of government expenditures at over 45% of GDP. The level of decentralisation is highest in Slovenia – when measured as a percentage of local government expenditures in GDP. But care must be taken with this decentralisation indicator as the local government share of GDP is an imperfect measure of fiscal decentralisation simply because the need to standardise the fiscal variables in Government Financial Systems inevitably eliminates details about the design of fiscal systems (devolution versus deconcentration for example). Finally, the share of GDP that goes to social protection is highest in Slovenia<sup>4</sup>. For comparison, the total social protection in the EU 15 for example for the period 1992-2001 was averaging around 28% of GDP<sup>5</sup> and some 27% of GDP for EU 25 for the period 2000-2004<sup>6</sup>.

<sup>3</sup> GDP per capita in PPS (PPS-purchasing power standards) is the volume index expressed in relation to the European Union (EU-27) average set to equal 100. Basic Figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries.

<sup>4</sup> Total social protection defined as per ASISP (except Kosovo):

[http://www.socialprotection.eu/cgi-bin/render.cgi?\\_cms\\_page=en\\_asisp\\_laender&country=si&\\_cms\\_object=4](http://www.socialprotection.eu/cgi-bin/render.cgi?_cms_page=en_asisp_laender&country=si&_cms_object=4).

<sup>5</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-DC-04-001/EN/KS-DC-04-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DC-04-001/EN/KS-DC-04-001-EN.PDF).

<sup>6</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-DC-07-001/EN/KS-DC-07-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DC-07-001/EN/KS-DC-07-001-EN.PDF).

## General findings

What are the main findings from this comparative analysis of social services in these four countries? The answer to this question is not easy because of many political, social and economic variables. However, insights to this question can be made in the context of the on-going change in the approaches to analysis of social vulnerabilities – for example the “developmentalist” and “rights-protection” perspective of social vulnerability management as a context to structure general findings of the social management in Macedonia, Serbia, Slovenia and Croatia<sup>7</sup>. The “rights-protection” approach tends to focus on immediate and specific risks to protection of certain rights, while the “developmentalist” view is focused on the accumulation of human capital and social skills which may help address social risks in the longer-term perspective. The difference in perspectives can be characterised as representing a “deficit approach” versus a “strength-based approach”. The “rights-protection” approach tends to focus on immediate and specific risks to protection of certain rights, while the “developmentalist” view is focused on the accumulation of human capital and social skills which may help address social risks in the medium and longer-term perspective.

In this sense overall assessment is that Macedonia, Serbia and Croatia are focusing more on dealing with the outcomes in social sphere i.e., *ex post* approach while Slovenian discourse touches on long-term care i.e. the *ex-ante* social risk management philosophy. This is not surprising given the overall socio-economic and political development in Slovenia versus the other three countries. The literature on Slovenia depicts various shocks to households as viewed through the prism of a risk, rather than as a presumed negative outcome – which means particular groups in the population have an active potential to avoid, mitigate and cope with adversities, rather than passively responding to the consequences which is the dominant approach Macedonia, Serbia and Croatia). Also, in the Slovenia level of development goes beyond the divide between “social services” as the attempt to relieve households of specific risks and problems and other “development” policies which are more long-term and strategic. On contrary, the social services in Slovenia are part of an overall multidisciplinary social risk management approach.

## Definition and governance of social services

The definition of social services as per the Constitution of the proper country, the local government role in it and the organic law on social service’s definition of social care is depicted in Table 2 below.

**Table 2: National Definitions of Social Services**

Country	Definition of social services in Constitution, local government and social services and organic law on social services
Croatia	<b>CONSTITUTION</b>  State shall ensure the right to assistance for weak, helpless and other persons unable to meet their basic needs owing to unemployment or incapacity to work. The State is obliged to devote special care to the protection of disabled persons and their integration into social life, and receiving humanitarian aid from abroad may not be forbidden. The family shall enjoy special protection of the State. The State shall protect the condition of maternity, children and young people, and shall create social, cultural, educational, material and other conditions

<sup>7</sup> DFID KSSD Project Annex 3 of the report to the Joint Project Steering Committee (J-PSC).

	<p>promoting the right to a decent life. Physically and mentally disabled and socially neglected children shall have the right to special care, education and welfare and the State shall take special care of parentless minors or parentally neglected children.</p> <p><b>LOCAL GOVERNMENT</b></p> <p>Municipalities perform the tasks of local importance which directly addresses the needs of the citizens: child-care, social welfare, primary health protection, education and primary-school education (among others).</p> <p><b>LAW ON SOCIAL SERVICES</b> defines social care as activity of public interest of the Republic of Croatia to insure measures and programmes related to socially vulnerable persons as well as persons in unfavourable personal or family environments.</p>
Serbia	<p><b>CONSTITUTION</b></p> <p>It is guaranteed the free development of the personality of citizens, the physical and psychical integrity is guaranteed, slavery and forced work is forbidden</p> <p><b>LOCAL GOVERNMENT</b></p> <p>Municipalities are responsible of health and social protection, child protection</p> <p><b>LAW ON SOCIAL PROTECTION AND PROVISION OF SOCIAL SAFETY FOR CITIZENS</b>, 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 (a status whereas the citizen and its family are in need of unnecessary society help with a goal to satisfy basic needs to live founded on principles of humanism and respecting human dignity).</p>
Slovenia	<p><b>CONSTITUTION</b></p> <p>Slovenia is a social state. Citizens have the right to social security, including the right to a pension. State regulate compulsory health, pension, disability and other social insurance, and ensure its proper functioning. Special protection is guaranteed to war veterans and victims of war. Disabled persons are guaranteed protection and work-training in accordance with the law. Physically or mentally handicapped children and other severely disabled persons have the right to education and training for an active life in society.</p>

	<p><b>LOCAL GOVERNMENT</b></p> <p>Municipality shall perform primarily the following duties and functions: create the conditions for the construction of housing (promotion of housing development) and provide for an increase in the rent/social welfare housing fund, promote the services of social welfare for pre-school institutions, for the basic welfare of children and the family, and for socially threatened, disabled and elderly people.</p> <p><b>THE SOCIAL SECURITY ACT</b> defines activities of social assistance which includes protective measures provided through social services.</p>
Macedonia	<p><b>CONSTITUTION</b></p> <p>The state provides social protection and social security of citizens in accordance with the principle of social justice.</p> <p><b>LOCAL GOVERNMENT</b></p> <p>Municipalities has the following competencies in social protection: Social welfare and child protection – kindergartens and homes for the elderly (ownership, financing, investments and maintenance); exercising of social care for disabled persons, children without parents and parental care, children with educational and social problems, children with special needs, children from single parent families, deserted children, persons exposed to social risk, persons with drug and alcohol addiction problems; raising of citizens' awareness, housing of persons put to social risk, sheltering and education of pre-school children.</p> <p><b>LAW ON SOCIAL PROTECTION</b>, social protection is a system of measures, activities and policies for preventing and overcoming basic social risks to which the citizen is exposed throughout life, reducing poverty and social exclusion and strengthening their own capacity for protection.</p>

The **Croatian Constitution** connects social services with categories of persons (unable to meet their basic needs, unemployed, without capacity to work, disabled, neglected). It obliges the state to promote right to a decent life.

**Serbian constitution** has no explicit definition about social services; it guarantees development of personality of citizens and their integrity.

**Slovenian constitution** explicitly defines Slovenia a social state and regulates all kinds of insurance (health, pension, disability and other social insurance) thus, implicitly taking into account people under risk. It regulates that disabled and handicapped are guaranteed work-training and education for an active life in society thus reflecting the “developmentalist” view focusing on the accumulation of human

capital and social skills (training and education) to help address social risks in the longer-term perspective.

**Macedonian Constitution** regulates social services in the context of social justice without precise definition of what a social justice is.

## Effectiveness of the system

Measuring effectiveness of the social services system is not an easy task especially in a cross country comparative analysis. The usual problems of data reliability, methodology, consistency, purpose of study etc are of at most importance. To compare the effectiveness of the social service system this summary note uses the **Human development indicator (HDI), the Inequality adjusted-HDI (IHDI)<sup>8</sup> and the Multidimensional Poverty Index (MPI)** for the four countries under consideration. While the HDI and IHDI are easy to understand and widely used the MPI is a bit more complex both in its generation and understanding.

Human development encompasses a range of factors which “allow people to develop their potential and lead productive, creative lives in line with their needs and interests”. In this way, the Human Development approach highlights a broader view on opportunities other than income and material wealth. The Human Development Index is a composite indicator, which combines four measures of development, covering three areas: Health, Education and Living Standards. The Health risks are covered by the measure of life expectancy at birth; risks related to access to knowledge are measured by mean years of schooling and expected years of schooling, and vulnerabilities related to Living Standards are measured as GNI per capita.

On the other hand, the **Inequality-adjusted Human Development Index (IHDI)** adjusts the **Human Development Index (HDI)** for inequality in distribution of each dimension across the population. The IHDI accounts for inequalities in HDI dimensions by “discounting” each dimension’s average value according to its level of inequality. The IHDI equals the HDI when there is no inequality across people but is less than the HDI as inequality rises. In this sense, the IHDI is the actual level of human development accounting for this inequality, while the HDI can be viewed as an index of “potential” human development (or the maximum level of HDI) that could be achieved if there was no inequality. The “loss” in potential human development due to inequality is given by the difference between the HDI and the IHDI and can be expressed as a percentage – see Table 3 below.

**Table 3: HDI and IHDI for the countries (2011)**

Country	Rank	HDI	Inequality adjusted HDI	Loss
Croatia	46	0.796	0.675	15.1
Serbia	59	0.768	0.694	9.5
Slovenia	21	0.884	0.837	5.3
Macedonia	78	0.728	0.609	16.4

Source: <http://hdr.undp.org/en/statistics/indices/>.

Slovenia's HDI is 0.884, which gives the country a rank of 21 out of 187 countries with comparable data. The HDI of Europe and Central Asia as a region increased from 0.644 in 1980 to 0.751 today, placing Slovenia, Croatia and Serbia above the regional average. Macedonia is below the regional average. Also, the loss in potential human development due to inequality is highest in Macedonia among the four countries under review. In Table 4 below the disaggregation of the HDI is used to explain more explicitly the HDI ranking of the countries: the overall HDI for Macedonia is lowest compared with other countries but Macedonia's life expectancy is higher than in Serbia. An additional factor that can be discerned is Macedonia's GNI is the almost three times lower GNI per capita than Slovenia, which reflects the level of economic development. The mean years' of schooling is also low in Macedonia.

**Table 4: Disaggregation of HDI**

	Life expectancy	Mean years of schooling	Expected years of schooling	GNI per capita
<b>Croatia</b>	76.6	9.8	13.9	15,729
<b>Serbia</b>	74.5	10.2	13.7	10,236
<b>Slovenia</b>	79.3	11.6	16.9	24,914
<b>Macedonia</b>	74.8	8.2	13.3	8,804

Source: [http://hdr.undp.org/en/media/HDR\\_2011\\_EN\\_Table1.pdf](http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf).

**The Multidimensional Poverty Index (MPI)** complements traditional measure of poverty as material deprivation with measures of other types of deprivations in each of the HDI areas. As a result, the MPI is based on ten different types of indicators, which measure the exposure of each household to: poor nutrition, risks of child mortality, poor schooling and lack of access to enrolment for the children in household, as well as limited access to cooking fuel, toilet, water, electricity, solid floor and key assets (such as radio, TV, telephone or bicycle).

The MPI has three dimensions and 10 indicators where each dimension is equally weighted. Dimensions are: education (years of schooling and school attendance), health (child mortality and nutrition) and standard of living (cooking fuel, sanitation, water, electricity, floor and asset ownership).

The MPI reflects either the incidence or headcount ratio (H) of poverty – the proportion of the population that is multi-dimensionally poor – and the average intensity (A) of their poverty – the average proportion of indicators in which poor people are deprived. The MPI is calculated by multiplying the incidence of poverty by the average intensity across the poor (H\*A). A person is identified as poor if he or she is deprived in at least one third of the weighted indicators.

Table 5 compares the poverty rate using the MPI with three other commonly used poverty measures. The MPI (H) column denotes the percentage of people who are MPI poor (also called the incidence or headcount ratio). The other columns denote the percentages of people who are poor according to the \$1.25 a day income poverty line and \$2.00 a day line, respectively. The final column denotes the percentage of people who are poor according to the national income poverty line.

**Table 5: The Multidimensional Poverty Index, US\$-a-day, and National Poverty Line Measures of Poverty**

Country (out of 187 countries)	MPI	MPI (H)	US\$1.25 a day	US\$2.00 a day	National poverty line
Croatia	0.016	4.4%	0.1%	0.1%	11.1%
Serbia	0.003	0.8%	0.1%	0.7%	9.0%
Slovenia	0.000	0.0%	0.0%	0.0%	0.0%
Macedonia	0.008	1.9%	0.5%	3.2%	24.0%

Source: <http://hdr.undp.org/en/statistics/mpi/>.

We can see from the Table 5 that if measured with the traditional US\$ a day measure, Macedonia is the poorest (also relative to the national poverty line). The MPI and MPI (H) however, bring Croatia in a worst position relative to other countries. In Table 6 below the disaggregation of the MPI is used to explain more explicitly the MPI differences among the countries: while the intensities of deprivation (%) - which is denoted by the average proportion of indicators in which poor people are deprived - are close for Macedonia (40.9%) and Croatia (36.3 the incidence of poverty H (the proportion of the population that is multi-dimensionally poor) is higher in Croatia than in Macedonia which results in MPI (percentage of the population that is multi-dimensionally poor adjusted by the intensity of the deprivations) higher for Croatia than Macedonia.

**Table 6: Disaggregation of MPI**

	H %	H in 000	MPI intensity of deprivation %	population vulnerable to poverty in %	population in severe poverty %	clean water %	improved sanitation %	modern fuels %	PPP \$ 1.25 a day %	national poverty line %
Croatia	4.4	196.0	36.3	0.1	0.3	0.1	0.3	1.2	0.0	11.1
Serbia	0.8	79.0	40.0	3.6	0.1	0.1	0.2	0.7	0.1	6.6
Slovenia	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Macedonia	1.9	39.0	40.9	6.7	0.3	0.4	0.8	1.5	0.3	19.0

Source: [http://hdr.undp.org/en/media/HDR\\_2011\\_EN\\_Table5.pdf](http://hdr.undp.org/en/media/HDR_2011_EN_Table5.pdf).

## Spending efficiency of the system

Here we illustrate the most relevant parts of the World Bank's PERs for the countries (OECD is used for Slovenia) related to the social services. However, the selection of this material is purely intuitive and builds upon the work done so far. It is therefore recommended that these PERs should be read in more detail.

Efficiency can be defined by the amount of foregone resources by moving towards the desired allocation. Social spending is more efficient if less resource is used to

achieve a given level of change, or if, for a given level of foregone resources, the economy moves closer to the desired allocation<sup>9</sup>.

### **Macedonia<sup>10</sup>**

Pensions provide substantial support to the elderly and are an effective buffer against poverty. A recent Poverty Assessment for Macedonia suggests that absolute poverty levels would double in the absence of pensions - thus, for Macedonia the stability and sustainability of the pension system of paramount importance.

### **Croatia<sup>11</sup>**

Overall, about 35 percent of the population in Croatia is covered by transfer programmes. Child allowances are much the largest of the various programmes considered, and reach about 26 percent of the country's population. The population coverage rates of other: family allowances (10 percent), the social assistance programme (5 percent), and unemployment benefits (6 percent) are considerably lower. The social assistance programme, however, does not cover the great majority of poor people: it covers only about 13 percent of the poorest one-fifth. Fiscal transfers, however, are effective of reducing regional disparities. While regional disparities in GDP per capita may appear stark at first sight, taxes, social security contributions, and social and other transfers help to equalize incomes across regions. This in turn translates into smaller regional variations in consumption per capita. Social transfers to counties are inversely correlated with county-level GDP per capita and hence clearly help to reduce inter-county and interregional inequalities. Croatia thus has good results in balancing regional disparities but not such good results in targeting programmes and covering poor people.

### **Slovenia<sup>12</sup>**

As the public wage bill accounts for a large share of public expenditures, and public employment is often substantial (in Slovenia almost 12% of GDP and higher than OECD average), most OECD member countries have announced operational savings in their consolidation plans, though ambition and level of detail vary.

### **Serbia<sup>13</sup>**

Serbia spends relatively little on social assistance. Of the little that is spent, less than one quarter is specifically targeted to poor households. The two poverty targeted programs-the Material support to families-MOP and the child allowance-are nevertheless well designed although under-funded. As the recession is likely to increase the number of needy households, the Government should consider increasing funding for these two programs. As a whole, Serbia's non-contributory social programs nevertheless appear to be fairly well targeted, in the sense that the majority of benefits go to the poor. Over 54 percent of all benefits go to those in the poorest quintile of Serbia's population – Serbia's overall efficiency is characterised by an under-funded system that it is well targeted towards the poor.

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<sup>9</sup> Efficiency and effectiveness of social spending by Herrmann et al:

<http://ftp.iza.org/dp3482.pdf>.

<sup>10</sup> WB PER from 2008: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/03/03/000333038\\_20080303051431/Rendered/PDF/421550ER0P09621isclosed0Feb02802008.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/03/03/000333038_20080303051431/Rendered/PDF/421550ER0P09621isclosed0Feb02802008.pdf).

<sup>11</sup> WB PER from 2008: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/09/01/000334955\\_20080901050754/Rendered/PDF/373210GRAY0COV1closed0Aug0281020081.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/09/01/000334955_20080901050754/Rendered/PDF/373210GRAY0COV1closed0Aug0281020081.pdf).

<sup>12</sup> [http://www.sds.si/file/2011/7/virant\\_nk\\_priponke\\_2x\\_180711/OECD\\_PGR\\_-\\_Salary\\_System\\_Review\\_FINAL.pdf](http://www.sds.si/file/2011/7/virant_nk_priponke_2x_180711/OECD_PGR_-_Salary_System_Review_FINAL.pdf).

<sup>13</sup> [http://siteresources.worldbank.org/SERBIAEXTN/Resources/Serbia\\_PER\\_web.pdf](http://siteresources.worldbank.org/SERBIAEXTN/Resources/Serbia_PER_web.pdf).

## Local Government Experiences with Social Services – Governance and Funding

Table 7 below provides an overview of the system of financing social services in the countries with a focus on distribution formulas, variables and weights. Formula based funding has become the norm for social services. The main driving force behind formula funding is the desire of payers, such as central and local government, to limit the magnitude of aggregate expenditure, to share the limited expenditure in an optimal fashion, to transmit objectives to devolved agencies and to give them appropriate incentives. The most important reasons advanced in favour of a formulaic approach towards sharing out limited resources are as follows:

- Formula funding offers the payer a widely accepted mechanism for setting budget for devolved organisations. Most other methods of budget-setting offer greater scope for game playing and perverse incentives.
- Formula funding permits resources to be directed where they will secure most benefit.
- A well-designed formula allows finance to flow to providers in proportion to the services provided. If providers of social services are recompensed for the relative needs of their users, they might be tempted to ‘cream-skin’ only the less needy or demanding clients, making it difficult for more disadvantaged citizens to secure the public services they need.
- Formula funding facilitates the separation of purchaser and provide, allowing the creation of competitive provider markets or quasi-markets. This can increase the supply of social services by opening up the provision of services to NGOs and private for-profit providers.
- Formula funding is an essential tool for addressing equity issues, such as offering equal access to services, or securing equal outcomes, which are often invoked as important policy objectives for social services.
- A formula appears to treat all in the same way, and it can be shown to have been derived in a reasonable (or fair) fashion the recipients of funds are more likely to accept the outcome. This refers to the fact that the *procedure* for deriving an allocation of funds often has a vital importance over and above any consideration of the *outcomes* of the allocation.

These arguments reflect considerations of efficiency, equity and politics. Equity concerns have played a particularly strong role in formula funding in social services. However, of equal priority for the dominance of formula funding has been the fact that it offers a solution to the political difficulties associated with the allocation of public finances for social services.

**Table 7: Social Services**

Country	Financing social services at local level
Croatia	<p>Total transfer from the central government for decentralised function has two parts: an increased local share of the personal income tax and a grant (G), which is calculated as:</p> <p><b>G = [Estimated Spending for the Service] – [Increased Local Share of Personal Income Tax]</b></p>

**[Estimated spending for the services] = TMS – [Revenues from beneficiaries] – [Allocations for emergency interventions]**

TMS = Total minimal financial standards

Each of the decentralised function has a unique increase in the total local share of the personal income tax:

- 1) for elementary education – 3.1%
- 2) for secondary education – 2.2%
- 3) for social care centres – 0.5%
- 4) for health maintenance expenditure – 3.2%
- 5) for homes for the elderly people – 1.7%
- 6) for fire-fighting – 1.3%

And the equalisation formula for social care services in each region is:

$$P_j = MS_j - (0,005 \times PIT_j) - S_j$$

where: **i** - represents local or regional government unit

**P<sub>j</sub>** – the amount of support to the social care centres for regions;

**MS<sub>j</sub>** – the minimal financial standards for the year;

**PIT<sub>j</sub>** – the amount of collected Personal income tax (without surtax on PIT) from residents in the territory of the local and regional government unit;

**S<sub>j</sub>** – the amount of state budget (current) expenditures for heating that need to be financed from the state budget for the centres by the counties (standard in costs per beneficiary).

And the equalisation formula for homes of elderly and helpless for each region is:

$$P_j = MS_j - (0,017 \times PIT_j) - S_j$$

where: **i** - represents local or regional government unit

**P<sub>j</sub>** – the amount of support to the homes of elderly and helpless for

	<p>regions;</p> <p><b>MS<sub>j</sub></b> – the minimal financial standards for the year;</p> <p><b>PIT<sub>j</sub></b> – the amount of collected Personal income tax (without surtax on PIT) from residents in the territory of the local and regional government unit;</p> <p><b>S<sub>j</sub></b> – the amount of state budget (current) expenditures for heating that need to be financed from the state budget for the homes of elderly and helpless by the regions.</p> <p>Thus, each year the government adopts a regulation about the calculation of the equalisation of decentralised functions (basic and secondary schools, social care, health and fire-fighting) for the regional and local self government. A base for equalisation is the minimum standards prepared by the government with a Decision as explained above. The financial resources are (in accordance with the Law on financing regional and local self government) sourced from the central budget i.e. the 17.5% share of the PIT. Out of what is supposed to be covered by the regions (standards-revenues) i.e. out of the base for calculation of the equalisation of the decentralised function for old and helpless persons the additional PIT for decentralised functions is subtracted and what is left is covered by the equalisation fund.</p>
<p><b>Serbia</b></p>	<p><b>For equalisation transfer:</b></p> <p>The <b>equalisation fund distribution by LSG</b> is calculated 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.</p> <p>The distribution by LSG is illustrated in the next equation:</p> $\mathbf{LSGi = 0.9 * [0.9 * AVERAGE * INHi - USREVi]}$ <p><b>Where:</b></p> <p><b>AVERAGE</b> – the average of transferred revenues of all towns (cities not taken into account)</p> <p><b>INHi</b> – inhabitants of LSG-i</p>

	<p><b>USREVi</b> - the transferred revenues of LSG-i</p> <p><b>Transferred revenues</b> are comprised of:</p> <ol style="list-style-type: none"> <li>1. PIT revenues from: <ul style="list-style-type: none"> <li>• Agriculture and forestry</li> <li>• Sole-proprietorship</li> <li>• Real estate</li> <li>• Pledge of movables</li> <li>• Insurance of physical persons</li> <li>• 40% from PIT from wages where employee lives</li> </ul> </li> <li>2. Inheritance and gift tax</li> <li>3. From the transfer of rights</li> </ol> <p><b>For the general transfer:</b></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>
<b>Slovenia</b>	<p>Funds with which municipalities ensure that their constitutional and legal functions are carried out shall be considered the appropriate volume of fund. Appropriate per-capita expenditure shall be determined by the National Assembly of the Republic of Slovenia. The amount of appropriate expenditure for individual municipalities shall be determined in such a manner that appropriate per-capita expenditure is corrected by the ratio between area, length of local roads, population under the age of 15 and population over the age of 65 in an individual municipality and the average in Slovenia<sup>14</sup>.</p>

<sup>14</sup> <http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015732.pdf>. Also: <http://www.lexadin.nl/wlg/legis/nofr/eur/lxweslv.htm>.

	<p><b>PPI = (0.61 + 0.13 * Ci + 0.06 * Pi + 0.16 * Mi + 0.04 * Si) * P * Oi</b></p> <p><b>PPI</b> – municipality's appropriate expenditure;</p> <p><b>Ci</b> – ratio of the per capita length of local roads and public paths in an individual municipality to the per capita length of local roads and public paths in Slovenia;</p> <p><b>Pi</b> – ratio of the per capita size of the municipality to the per capita size of Slovenia;</p> <p><b>Mi</b> – ratio of the share of the population under the age of 15 in the entire population of the municipality to the average of this share in Slovenia as of 1st January of the year for which the amount of appropriate expenditure is determined;</p> <p><b>Si</b> – ratio of the share of the population over the age of 65 in the entire population of the municipality to the average of this share in Slovenia as of 1<sup>st</sup> January of the year for which the amount of appropriate expenditure is determined;</p> <p><b>P</b> – average rating;</p> <p><b>Oi</b> – number of inhabitants with permanent residence in the municipality according to data from the central population register as of 1st January of the year for which the amount of appropriate expenditure is determined.</p> <p><b>Sources of financing:</b></p> <ul style="list-style-type: none"> <li>• own tax sources compensation for the use of building land, tax on water vessels, tax on sale of immovable property, tax on inheritance and gifts, tax on classical gambling.</li> <li>• other own sources – fees, concessions, voluntary contributions, payments for public services, property income and additional co-financing funds from the national budget and EU funds.</li> <li>• municipal fees – for the use of public areas for exhibitions and entertainment events, for advertising in public places, for parking in public places, for the use of public space for camping and other, if so stipulated by law</li> <li>• relinquished revenues from the national budget-tax sharing<sup>11</sup> – income tax or other taxes, as stipulated by law<sup>12</sup> and</li> <li>• borrowing</li> </ul>
<b>Macedonia</b>	<p><b>For nursing homes:</b></p> <p>The methodology for the allocation of block grants to nursing homes (municipalities) are essentially based on the number of welfare beneficiaries in each separate house and price (cost) per social user calculated on the basis of norms and standards for the activity. According to the methodology, the</p>

allocation of block grants is made under the following **criteria**:

- Number of persons accommodated, users of social services;
- The unit cost per user, including the length of the heating period in the institution;
- Costs for current and capital maintenance, and
- Number of employees in the institution,

The **distribution of block grants** is done according to the following formula:

$$\mathbf{BG = S + CU + CM}$$

- **BG** (Block Grants) – block grants for social care-homes for the elderly for the municipality
- **S** (Salaries) - salaries for employees
- **CU** (Cost for users) - the cost of users, including the length of the heating period in the institution
- **CMK** (Cost for maintenance)- the cost of ongoing maintenance

**For kindergartens:**

The distribution of block grants is done according to the following formula:

$$\mathbf{BD = S + CC + CMK}$$

- **BD** - block grant for child care and education activities for children in municipal public institutions - kindergartens in the municipality
- **S** - Salaries for employees in the field care and education in municipal public institutions - kindergartens in the municipality
- **CC** - the cost of goods and services for the care and upbringing of children in municipal Public institutions - kindergartens in the municipality
- **CMK** - the cost of ongoing maintenance and capital facilities - municipal public institutions - kindergartens in the municipality

The funds from block grants are intended to finance the costs for the children in kindergartens, costs for utilities and heating, maintenance and other running costs of the institution, as well as cost for salaries for employees.

## EU perspectives

All four countries are either EU member states or are aspiring to EU membership. That is why it is of importance to coordinate their future activities in the area of social

policies with those of the EU by following the open method of coordination (OMC) on social inclusion and social protection. The OMC provides a framework for EU member countries to identify and promote their most effective social protection and social inclusion policies in order to learn from each other's experience<sup>15</sup>. EU countries have different policies in the area of social inclusion, pensions, health and long-term care. However, they have agreed common objectives in this area, as well as common indicators so that they can compare best practices and measure progress towards these common objectives. These common indicators consist of an overall list of 14 headline indicators. It is complemented by specific indicators relating to three main areas:

- Poverty and social exclusion
- Pension
- Health and Long-Term Care

In EU there is a trend to replace cash benefits with more spending on benefits in kind. While spending on cash benefits fell from 18.4% of GDP in 1995 to 17.6% of GDP in 2005, spending on health and social services rose from 8.1% of GDP to 9.1% of GDP in the EU-15 during the same period. There has been also a shift in the funding in several Member States towards a broadening of the financing base from labour taxation to other types of taxes<sup>16</sup>.

**The EU commission lists the following challenges and pressures on social spending:**

- The size and age-structure of Europe's population
- Policies should be carefully designed to minimize distortions and disincentive effects and to exploit synergies
- Growth and fairness can be consistent goals
- Rising inequality merits an appropriate policy response

**The characteristics of EU level and composition of social services spending:**

- The level and composition of social expenditure vary considerably among Member States
- Member States devote most resources to pensions
- The growth has been most pronounced in health care spending

**The characteristics of EU measurement of the social services system:**

- The relationship between spending and outcomes is at the heart of the measurement of the efficiency of social spending
- There is no methodological consensus on how to measure and compare aggregate social spending
- Appropriate indicators for measuring the achievement of social policy objectives have been agreed at European level under the OMC in the field of social protection and social inclusion

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[http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_social\\_policy\\_equality/omc\\_social\\_inclusion\\_and\\_social\\_protection](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_social_policy_equality/omc_social_inclusion_and_social_protection).

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[http://www.europarl.europa.eu/meetdocs/2004\\_2009/documents/dv/sec\(2008\)2153\\_/sec\(2008\)2153\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/sec(2008)2153_/sec(2008)2153_en.pdf).

## The main features of efficient social policies in EU for the future:

- Policy makers have different instruments at their disposal to increase the efficiency of social spending: they can affect the level, composition, structural design of social policies, and the institutional framework (public and private actors involved, role of different levels of government, etc.)
- General guidance on efficient social spending policy, as suggested by available empirical evidence, can be sketched as follows:
  - Social insurance programme parameters should be chosen to ensure protection while limiting serious distortion of economic incentives
  - Social policies focusing on the poorest and most vulnerable
  - Social policies should support high employment levels
  - Policies that foster human capital formation are of the utmost importance for enhancing efficiency
  - The modernisation of public administration can play an important role in delivering better services

## Which directions for efficiency-enhancing reforms in EU?

- Reconsidering the nature of social objectives and how to achieve them
- When reforming social schemes, a comprehensive approach is needed
- Focusing on active inclusion
- Encouraging people to work longer and be more active in order to cope with the social, economic, fiscal and other challenges posed by ageing populations
- “Making work pay” with appropriate incentives, so that tax/benefit systems do not hinder labour market dynamics and actually help facilitate structural change. Pursuing further the ongoing efforts to improve the cost-effectiveness and long-term financial sustainability of health care while ensuring access for all to adequate healthcare services and improving health outcomes
- Evaluate and screen regularly the efficiency and effectiveness of social policies, with a strong emphasis on value for money and an output-oriented approach

## Case studies

Table 8 below presents provides a portfolio of case studies from the countries and an overview innovative EU projects. The **Croatia** case illustrates the comparison of spending efficiency between private and public operators and solution for financing NGO sector (the new law on social care recognises NGOs as one of the providers of social protection activities that can be effectuated by a network of public social services). The **Serbia** case is about training needs of employees, better inspections needs, ambitious strategies and not achievable standards. The **Slovenia** case is the relatively well regulated Public Private Partnership (PPP) in the organic social care law and the long term care success of the IRIS project. The **Macedonian** case focuses on raising awareness about needs for citizens, incidental initiatives from citizens and missed EU opportunities because of lack of administrative capacity and possible lack of political will.

**Table 8: Illustrative Case Studies**

Country	Case studies
Croatia	The comparison between public and non-public homes that provide social care clearly illustrates the higher economic efficiency of the non-public homes

compared to public homes as illustrated in the next table.

Table. Indices of average cost per beneficiary, highest and lowest cost per beneficiary in public and non-public homes for social care in Croatia (average for public=100)

Cost per beneficiary	Public homes for social care	Non-public homes for social care
Highest	150	78
Average	100	69
Lowest	67	51

Source: DFID KSSD Project staff calculations from the Plan for deinstitutionalisation and transformation of the social welfare homes and other legal entities conducting social care activities in Croatia 2011-2016 (2018).

The NGO sector operates in the area of social care services financed partly from the state revenues from the games of chance.

**Serbia**

With regard to institutions that accommodate children, adults and elderly with special needs there is evidence of thorough Ministry reports 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

	<p>2008-10, and with participation of the Serbian Ministry of Health sought to address some of these and other<sup>17</sup> 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.</p>
<p><b>Slovenia</b></p>	<p>Another way of providing public services with private financing is through public private partnerships (PPP) and concessions. In Slovenia concessions for providing public department services are awarded on the basis of the opinion of the Social Chamber by the ministry or of Specialist Council for social welfare by the municipality authority responsible for social welfare. The Concession Act must determine for individual types of services, which are the object of concession, the following: the area of providing services and the number or extent of concessions to be granted following individual invitations to tender for a particular area of supplying individual types of services.</p> <p>A success has shown to be the so-called Dom IRIS. The aims of Dom IRIS are to enable the elderly and persons with disabilities to view and test various technical aids and technologies in order to find solutions for independent life in their home environment and to advise them and their family members or caregivers on how to adapt their existing living space in the most rational and sensible (inexpensive) manner in regard to their special needs. So far, Dom IRIS has served as a way to offer equipment producers and service providers in the field of technological solutions for the elderly and persons with disabilities to demonstrate, test, upgrade and integrate their solutions. Dom IRIS has been equipped with state-of-the-art communication technology which has been adapted to different levels and types of disability. Such equipment enables the elderly and persons with disabilities to communicate with the outside world, to receive remote care and remote monitoring of their health condition as well as to partake in studying, work, leisure and entertainment by means of electronic media.</p>
<p><b>Macedonia</b></p>	<p>In Berovo municipality elderly made an agreement with the CSW for him to transfer the ownership of its property (house) to the CSW. The CSW on the other side assumes obligation to take care of the elderly. This is becoming a common practice in Macedonia.</p> <p>A community in one building in Skopje were obstructing the de-institutionalisation efforts of the Ministry of labour and social welfare to provide homes to persons with some smaller disabilities. The Ministry was forced to close the home (a flat). Sources from the Ministry say this happens because of</p>

<sup>17</sup> Which included the lack of systematised and reliable data for decision-making, weak involvement of the NGO sector in service delivery,

	<p>lack of awareness of Macedonian citizens about social services.</p> <p>Ministry was eligible but could've not benefit IPA funds for de-insitutionalisation (application from the Ministry was not supported). Ministry's sources say: "We are so behind the EU. We have not even signed and ratified the UN Convention on the Rights of Persons with Disabilities".</p>
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## SWOT analysis of the social services systems

The SWOT is illustrated in the Tables 9, 10, 11 and 12 with comments on each component.

**Table 9: Strengths**

	<b>Croatia</b>	<b>Serbia</b>	<b>Slovenia</b>	<b>Macedonia</b>
<b>Overall policies stance and policy effectiveness</b>	Closing of chapter 19 with EU on social policy and employment and EU membership.		<p>EU membership</p> <p>In Slovenia the share of children in kindergartens is approaching the European average.</p> <p>Increase in the quantity and quality of housing provided to vulnerable groups</p>	
<b>Central government institutional and regulatory framework</b>	<p>Minimum standards are set.</p> <p>Methodology to monitor and assess the outcomes of the social activity has been set</p>	<p>Detailed standards per social protection service</p> <p>There is a methodology to monitor and assess the outcomes of the social activity</p>	<p>There is an institute to monitor and assess the outcomes of the social activity</p>	Some standards are set
<b>Local/regional government institutional and regulatory framework</b>				
<b>Participation by NGO sector</b>	The new law recognised CSOs as one of the providers of social protection activities that can be effectuated by a network of public social services		<p>Important position in Slovenia belongs to voluntary NGOs (Red Cross, Caritas, intergenerational and various other associations), which operate in local communities and offer different services from material help to help at work and companionship</p>	<p>Strategy for Cooperation between the Government and CSOs.</p> <p>Code of good practice in providing funds by the Government.</p>
<b>Participation</b>	Legal		Concessions in the	

<b>by private sector</b>	background and political will to move with the participation of the private sectors with the new Law on social care		social security act regulated in details	
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In these countries legislation is in place and related institutions are operational. The efficiency and effectiveness is continuously under scrutiny and in different reports it is recognized what are the weaknesses. Also, the political influence is high in all of these countries and in all of them there is lack of strong political will to make strategic improvements. In many instances it appears that Strategies are adopted just for the sake of having them on paper without efficient implementation. Formal standards for social services even when they exist are not achievable given the fiscal costs and weak human resource base. In many instances 'standards' in social services have not been monetised or costed, and have been imposed by outside consultancy firms with little or no regard to viability.

**Table 10: Weaknesses**

	<b>Croatia</b>	<b>Serbia</b>	<b>Slovenia</b>	<b>Macedonia</b>
<b>Overall policies stance and policy effectiveness</b>	The pension insurance and the healthcare system absorb more than 80 % of social protection expenditures	Too centralised social protection system  Standards are not monetised and not achievable	Lack of integral LTC system. Political problem (The introduction of LTC insurance was part of the coalition contract of the government ruling in the period 2004-2008. However, the issue proved to be contentious with regard to how to finance the coverage of the new insurance, as some stakeholders oppose the introduction of a new compulsory insurance)  Lack of important preconditions for ensuring funding for social protection systems – providing for necessary labour market adjustments and maintaining and raising the employment rate	Binding of the specific block grant with specific institutions does not meet the definition of decentralisation. Lack of discretion by the municipalities regarding the use of block grant funds.
<b>Central government institutional and regulatory framework</b>	Quality of projections from the Plan for deinstitutionalization and transformation of the social	Too ambitious strategies and standards not achievable  Representatives of child health care		Lack of standards and cost of services for all social services  Lack of a system of permanent

	welfare homes and other legal entities conducting social care activities in Croatia 2011-2016 (2018), especially with the global economic crisis	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		monitoring of services to ensure a minimum quality.
<b>Local/regional government institutional and regulatory framework</b>	There are LSGs and cities that are small. As a result, may not have the financial, administrative, and personnel resources to carry out the functions of social care.	Not clear responsibilities defined in the regulatory framework  The relatively underdevelopment of community-based social services and the very small funding effort realised by local governments in the social welfare domain		Insufficient capacity of the local governments to implement social services  Insufficient and inconsistent funding for development of social services  Lack of analysis of local needs and development of local programs for social protection
<b>Participation by NGO sector</b>		Scope is limited, providing support and advisory services to parents related to child care	The NGO sector does not substantially influence the state policy, even though it does a lot for social welfare of older people. A lot depends also on lobbying and knowing the right people.	Central and local governments do not provide sufficient funds to support the activities of NGOs  Unbalanced regional distribution of the NGO sector
<b>Participation by private sector</b>	There must be strong monitoring system of the quality of the services for the concessions	The private sector has not yet been included in providing child care services in Serbia (apart from homes of elderly).		Lack of interest of the private sector  Lack of corporate social responsibility developed

Lack of institutional coordination, LTC integral system missing, lack of relevant cost of services calculation especially in the decentralisation set up, too ambitious strategies. The lack of data and permanent systems for monitoring and evaluation are all significant impediments. Small Local Self-Governments (LSGs) cannot meet the competencies requirements and the need for quality of social services provision. NGO sector doesn't influence substantially state policy. There is also an efficient system for private participation and lack of corporate social responsibility towards social services.

**Table 11: Opportunities**

	<b>Croatia</b>	<b>Serbia</b>	<b>Slovenia</b>	<b>Macedonia</b>
<b>Overall policies stance and policy effectiveness</b>	<p>EU membership and implementation of European social fund</p> <p>The results from the project with the World Bank on social inclusiveness</p> <p>The Joint inclusion memorandum between Croatia and EU from 2007</p>	<p>EU Fund for social innovations (<a href="http://www.sif.minrzs.gov.rs/">http://www.sif.minrzs.gov.rs/</a>)</p> <p>Program Progress adopted by the European Parliament and Council of Ministers (<a href="http://www.minrzs.gov.rs/cms/sr/program-progres">http://www.minrzs.gov.rs/cms/sr/program-progres</a>)</p>	<p>Quality assurance with regards to community nursing; the nurses have to provide care according to a protocol. However, in reality there are many complaints and cases of improper care and nursing in different forms of care, and such cases are simply not taken care of.</p> <p>The development of Slovenian homes for older people involves a shift in the dynamics of the orientation of the homes from a medical to a social one. The theoretical conceptualisation of social work in homes for older people is only now coming into existence.</p>	<p>Determining the needs of local governments (through the mapping of vulnerable categories of people-potential number of users), and preparation of local development programmes.</p> <p>Taking advantage of pre-accession EU funds to strengthen the capacities of local governments and introduction of services in accordance with local needs.</p>
<b>Central government institutional and regulatory framework</b>	EU ESF and ERDF funds	Ministry of Labour and Social Policy with the assistance of international donor programs has developed an overall strategy for improving social welfare services.	Dom IRIS project to enable the elderly and persons with disabilities to view and test various technical aids and technologies in order to find solutions for independent life in their home environment	<p>Adoption of Strategy (Framework) for determining the long term objectives and long term financing framework for transferred responsibilities</p> <p>The administration of cash benefits and implementation of social services carried out by CSWs to be institutionally separated and managed separately.</p> <p>Initiatives for municipal cooperation</p>
<b>Local/regional government institutional and regulatory framework</b>	EU ESF and ERDF funds	Joint project of Government Ministry of health, Ministry of labour and social policy and Ministry of education to improve service provision at local		<p>Strengthening the administrative capacity of municipalities to develop services at local level</p> <p>Taking advantage of pre-accession</p>

		level  Inter-municipal cooperation		assistance for capacity development and development of services at local level
<b>Participation by NGO sector</b>	NGO sector for social services: <a href="http://www.mzss.hr/linkovi/udruge">http://www.mzss.hr/linkovi/udruge</a> .	Social welfare services are provided not only by state/government institutions but also by non-governmental organizations.	Besides ministries, there are institutions and professional bodies, which help forming social welfare and health programmes.	Implementation of measures to introduce social entrepreneurship, which will ensure sustainability of the NGO sector;  Improving procedures for obtaining donations and sponsorships according to Law on donations and sponsorships.  Tax facilitation for associations that will receive the status of associations of public interest.  Promotion of volunteerism
<b>Participation by private sector</b>	Public services can be under some conditions granted under concession in a public bidding. This article in the new law on social services will encourage competition between providers, which can result in higher quality for users			Granting of state land for investment by the private sector in social protection institutions Introduction of tax benefits and incentives  Promotion of socially responsible companies  Introduction to Social Entrepreneurship

Overall there are a lot of expectations from the EU membership and its policies and social system.

**Table11: Threats**

	<b>Croatia</b>	<b>Serbia</b>	<b>Slovenia</b>	<b>Macedonia</b>
<b>Overall policies stance and policy effectiveness</b>	An ageing population will require further reforms of the pension and health care system that ensure both financial sustainability	Slow EU roadmap  The lack of empowerment of vulnerable groups in Serbia (due to stigma certain needs are kept hidden, especially those concerning	The growing number of persons 65+ calls for a systemic regulation of this field  Resources for needs that are related to support	Lack of capacity and initiatives by municipalities for the financial management of transferred responsibilities.  Global economic crisis

	and social effectiveness.  Global economic crisis	persons with disability)  Global economic crisis	persons to perform everyday activities are considered to be scarce and the subject of LTC organisation and financing is underdeveloped.  Lack of important preconditions for ensuring funding for social protection systems – responding – to change (globalisation, competitiveness, migration)	
<b>Central government institutional and regulatory framework</b>		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		Uncertainty for providing the necessary funds.  Require a longer period of institutional transformation  Barriers to cooperation between central and local government because of political affiliation  Uncertainty to ensure continuity in financing of joint projects
<b>Local/ regional government institutional and regulatory framework</b>		In case of more decentralisation weak capacity of cities/towns (administrative, financial, managerial) might slowdown the reforms  Differences in municipality sizes and level of development	Global economic crisis (family members have a stronger involvement in paying for institutional care than municipalities and the recent economic crisis will probably be reflected in reduced payments by relatives)	Lack of interest by local authorities  Inconsistent and insufficient funds for development of services and lack of devolution in using the same
<b>Participation by NGO sector</b>		Control mechanisms are insufficiently developed at the central level and thus cannot adequately monitor a high level of decentralization,		Lack of clear settings by central and local government for the scope of funding of the NGO sector that threaten the sustainability of projects

		regardless of whether it is about transferring mandates to the local level or about including the private and non-government sector in service provision.		
<b>Participation by private sector</b>		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.		<p>Missing programs and initiatives by central and local governments for the development of public-private partnership</p> <p>Lack of prescribed standards and clear licensing procedures</p> <p>Lack of motivation of the private sector</p>

Overall aging populations, lack of political will, global economic crisis combined with a lack of technical and organisational capacities within Local Self Governments (LSGs) pose significant obstacles. In addition the lack of empowerment of vulnerable groups, and the longer time horizons required for the transformation of institutional arrangements are also significant threats. Moreover, there barriers to effective cooperation at two levels: vertical cooperation (between central and local government often because of different political affiliations) and horizontal cooperation (among relevant institutions).