

VERTICAL DIMENSION OF GOOD GOVERNANCE

Principles and approaches for the cooperation between
the state and local self-governments in the field of social protection

lessons learned and recommendations



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Abbreviations

AP	Autonomous Province
GDP	Gross domestic product
CSW	Centre for Social Work
EU	European Union
IDP	Internally displaced persons
LSU	Local self-government units
LSG	Local self-government
LAP	Local Action Plan
NES	National Employment Service
Charter	European Charter of Local Self-governments
RS	Republic of Serbia
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development and Cooperation
VD	Vertical dimension
UNOPS	United Nations Office for Project Services

Introduction

European PROGRES was the largest area based development Programme in Serbia whose objective was to support sustainable development of 34 municipalities in the South East and South West of the country. Two major donors - the European Union and the Government of Switzerland together with the Government of Serbia provided the funding necessary to reach the set Programme's goals.

The Programme contributed to sustainable development of the underdeveloped areas and creation of more favourable environment for infrastructure development and business growth by strengthening local governance, improving vertical coordination, planning and management capacities of the LSGs, improving business environment, as well as enhancing implementation of social inclusion and employment policies.

The European PROGRES Programme worked towards improvement of good governance and adoption of good governance principles as a cross cutting aspects of the entire Programmes' intervention.

This paper is prepared as logical continuation of the efforts within the preceding Programme, EU PROGRES, and the then published study "Vertical Dimension of Good Governance".¹ These collected findings were discussed with the Standing Conference of Towns and Municipalities (SCTM) and the Swiss Development Cooperation (SDC), which was providing backstopping to the programme on Good Governance. It was jointly agreed, to broaden conclusions in analysis of the vertical dimension in two important areas - social protection and environmental policy.

European PROGRES organised participatory consultations from December 2015 until August 2017. Three regional workshops were held, and attended by representatives of 23 local self-governments, 11 Centres for Social Work and eight national institutions and organisations². Additionally, focus group and personal interviews gained deeper insight into practices and perceptions of stakeholders and LSGs.

This paper presents the views of the representatives of the European PROGRES local self-governments (LSGs), which belong to the category of underdeveloped local self - governments (III and IV group of development). The identified challenges in applying the principles of good governance at the local level (with particular reference to the principles of subsidiarity, accountability and financial equality) should be the subject of particular attention of the creators of the national strategic and legislative framework, especially in light of the accession to the European Union.

¹ http://www.euprogres.org/dokumenti/en/11_46_GG_Vertical_Dimension_FINAL.pdf

² Ministry of Labour, Employment, Veteran and Social Affairs, Republic Secretariat for Public Policy, Standing Conference of Towns and Municipalities, Social Inclusion and Poverty Reduction Unit, Republic Institute for Social Protection, Centres for Social Work Association, Office for Human and Minority Rights, Centre for Social Policy

1. Background

The Vertical dimension (VD) of governance - the relationship between local self – governments and the central government, has to be taken into account in any efforts to improve governance at the local level.

In practice, the vertical dimension is assessed through the three main principles: subsidiarity or transfer of the competences; accountability and the fiscal equivalence. The notion of decentralisation entails the process of transferring certain functions from the central level to lower levels of government, but also to non-governmental organisations and other relevant stakeholders.

The principle of subsidiarity implies that the work will be assigned to the higher level only if the lower level cannot fulfil the task completely and adequately. Local self-governments must be enabled to fulfil the tasks assigned to them, which means that the transfer of tasks and responsibilities must be followed by the adequate resources, including financial means.

According to the European Charter of Local Self-Government (Art. 3, Para. 13), the concept of local self-government “denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population”. This means that existence of original scope of responsibilities is one of the fundamental assumptions for local self-government functioning.

The main motive for decentralisation of social protection is because the central level of authority cannot adequately respond to the needs of citizens, especially with regards to actual social services delivery. It is hard to assess what are local priorities by the national level, while planning and decision making would also be affected. This most often affects the **availability** of different social services for the citizens.

The decentralisation of social protection services also aims to achieve a higher **quality** of the services, because it is more difficult to tailor-make them for beneficiaries from the central level, i.e. they are not innovative enough and they are slow to change. The quality of the services is also supported by higher **competitiveness**, or the possibility for pluralism of service providers (both in the public and the private and civil society sectors).

The more choices for the services providers enables a higher degree of **participation** of service beneficiaries themselves, which also has an impact on designing the services themselves according to the actual needs of the beneficiaries. The Decentralisation also increases the **financial accountability** of local authorities and enables funding to be more **transparent**. A considerable number of local self-governments have limited financial resources that must be used for high-priority services and therefore some local self-government neither recognise nor budget funds for these purposes.

The key preconditions to achieve this principle, according to the opinions of the national institutions’ and local self-governments’ representatives expressed during the consultative process are: simulative

³ <https://rm.coe.int/168007a088>

strategic and legislative frameworks, as well as the existence of institutional capacities for their implementation.

2. Strategic Framework Relevant for the Principle of Subsidiarity

2.1 The National Strategic Framework

The Republic of Serbia has no defined strategic framework offering directions for social protection development, which also impedes relevant planning at the local level. The Draft Law on the Planning System⁴ which introduces mandatory planning will help to overcome this identified challenge related to the lack of the national strategic framework. The 2016 Employment and Social Reform Programme in the Process of Accession to the EU⁵, as well as 2018-2020 draft underline that redefinition of social protection systems priorities, taking into account that welfare allowances and the financial transfers to LSGs are the largest state budget expenditures⁶.

The reform of the social protection system, initiated after the year 2000, focussed the priorities towards reducing poverty and addressing consequences of the breakdown of Yugoslavia and second-highest and second-longest hyperinflation in world history (1992-1994), coupled with the international isolation and economic sanctions. Per capita income was plunged for more than 50 %, from 1990 until 1993, from 4,249 USD to 1973 USD⁷. As the consequence personal incomes, pensions and purchasing power decreased dramatically. To make the things even more hard, the number of internally displaced persons (IDPs) was more than half a million in Serbia and Montenegro⁸.

The Strategy of Social Protection Development (2005-2008)⁹ identified the need for further decentralisation of the social protection system, which was to be supported by transfer of competences and funds for the fulfilment of the social protection rights by the relevant laws (primarily by the Law on Social Protection, the Law on Financial Support to Families with Children, the Law on Local Self-Government Financing, the Budget System Law).

The Strategy indicated the need for amended regulatory framework to ensure that the government provides minimum of the guaranteed rights to social protection beneficiaries and that their availability be guaranteed to all, under equal conditions, with a clear demand for the system to be flexible and open for the provision of optimal services.

The directions defined in the Strategy of Social Protection Development were only partially translated into the provisions of the Law on Social Protection, which was adopted in 2011, and strategic directions for future action in social protection have as yet not been defined. The former Minister of Labour, Social and Veteran Affairs announced at the end of 2016 adoption of the new Law on Social Protection,

⁴ http://www.parlament.gov.rs/upload/archive/files/lat/pdf/predlozi_zakona/2386-17%20-%20LAT.pdf

⁵ <https://minrzs.gov.rs/lat/aktuelno/program-reformi-politike-zaposljavanja-i-socijalne-politike-u-procesu-prist447cd5bb31b5d1565483b1a42.html>

⁶ Page 37, <http://www.mfin.gov.rs/UserFiles/File/javne%20rasprave/2017/Nacrt%20ERP%202018-2020.pdf>

⁷ Source: <https://unstats.un.org/unsd/snaama/introduction.asp>

⁸ According to UNHCR <http://www.unhcr.org/44e5c79f11.pdf>

⁹ <http://npm.rs/attachments/strateg.razvoja.soc.zastite.pdf>

as well as the development of the new Strategy for social protection. It is necessary to assess current needs in this area as well as the capacities of local communities to implement the pertained laws and strategic priorities.

Other sector-specific strategic documents enabling social inclusion of vulnerable and marginalised groups have been of particular importance for the development of the social protection system. Most of them expired (the National Action Plan for Children¹⁰, 2004; the National Strategy on Ageing¹¹, 2006; the National Strategy for Improving the Situation of Persons with Disabilities¹²). Among the current strategic documents, this topic is also tackled by the Strategy for Social Inclusion of Roma Men and Roma Women¹³ 2016-2025, the National Strategy for Refugees and IDPs 2015-2020¹⁴ and the Strategy for the Reintegration of Returnees Based on Readmission Agreement, 2009¹⁵.

2.2 Local Strategic Framework

Local self-governments developed and adopted the local strategies and action plans for development of social services. However, these documents are not harmonised as umbrella strategy document at the national level expired and the new is not yet available. The overarching development strategy document in European PROGRES LSGs is mainly the Local Sustainable Development Strategy adopted as a result of the Exchange 2 Programme – Joint Support to Local Self-Governments with the aim to standardise the methodology of the strategic planning processes. Twenty four EP LSGs have adopted the Local Sustainable Development Strategy, nine LSGs have the Social Protection Strategy and 11 of them adopted documents to address the youth issues¹⁶.

The key challenges for the strategic planning identified by the representatives of the municipalities from the South and the South-West Serbia are presented below.

2.3 Key Challenges in the Strategic Planning

1. Lacking of the national sector strategy on social protection was identified as the key challenge, but simultaneously a precondition for ensuring the respect of the principle of subsidiarity in social protection, both by the representatives of local self-governments and the representatives of national institutions/organisations.
2. The Law on Social Protection¹⁷ prescribes obligation of the local self-governments to adopt the Programme for the Promotion of Social Protection – and LSGs usually do not meet this legal requirement. There is no predictability of trends in the development of the social protection system at the national level, which poses a risk for the sustainability of local services.

¹⁰ http://www.pravadeteta.com/attachments/286_NACIONALNI%20PLAN%20AKCIJE%20ZA%20DECU.pdf

¹¹ <https://www.minrzs.gov.rs/files/doc/porodica/strategije/Nacionalna%20strategija%20o%20starenju.pdf>

¹² <https://www.minrzs.gov.rs/files/doc/porodica/strategije/Strategija%20unapredjenja%20polozaja%20OSI.pdf>

¹³ <https://www.minrzs.gov.rs/lat/strategija-za-socijalno-ukljuc.html>

¹⁴ http://www.kirs.gov.rs/docs/nacionalna_strategija_izb_i_irl.pdf

¹⁵ <http://www.kirs.gov.rs/articles/navigate.php?type1=14&lang=SER&date=0>

¹⁶ Conclusions from participatory process

¹⁷ Law on Social Protection ("Official Gazette of RS", No. 24/2011)

3. Local planning is characterised as “cabinet-based” and reactive, rather than proactive. Planning rarely includes mapping/analysing beneficiaries’ needs.
4. Though Public hearing process is conducted during preparation and before adoption of the strategic documents and regulations, the respect of the transparency principle, according to LSG representatives, is not sufficiently ensured. Participation and transparency should be fostered in all stages of creation and implementation of the social protection policies.
5. Low level of participation of the representatives of marginalised and vulnerable groups in the development, implementation and monitoring of the activities and the results defined by the national strategic framework for social policy/protection was also pointed out. To a certain extent, the communication has been established through the proactive work of the civil society organisations and their networks/coalitions.
6. The Planning process doesn’t have the full cycle, and monitoring and evaluation are missing, meaning that proper assessment of the policy outcomes from the previous strategic period is not available. Also, weak inter-sectoral approach in defining measures important for improving social inclusion, reduces success of the prevention of entering into the social protection system.
7. The harmonisation of the programme budgeting with the projections of the national strategies for the implementation of envisaged measures/activities is necessary.
8. There is considerable demand of the line ministries and the international programmes for development of a large number of sector strategies/action plans, which directly or indirectly are determining local priorities relevant for social inclusion of vulnerable groups, and are putting certain pressure on the insufficiently developed LSG planning capacities. Therefore, in local practice, we come across a ‘mountain’ of strategic documents (social protection strategy, Local Action Plan (LAP) for Roma, LAP for refugees and IDPs, LAP for returnees based on Readmission Agreement, LAP for persons with disabilities, LAP for employment etc.), which are most often not harmonised with the national level documents but among themselves as well. As a consequence the funds for their implementation are planned and provided neither in the national budget nor in local budgets.
9. The financial situation of local self-governments is not predictable. Although the implementation of the Decision on Earmarked Transfers¹⁸ provided sustainability of the standardised services, the fact that earmarked transfers are executed annually, does not provide sufficient certainty in planning.

2.4 The Recommendations for Improvement of the Strategic Planning

1. Development and adoption of the National Social Protection Strategy was recognised as a *conditio sine qua non* for development of social protection at the national and local level.
2. To define clearly responsibilities the national level and support existing capacities operationally and financially (Social Inclusion and Poverty Reduction Unit, the Republic Secretariat for Public Policies, the Republic and the Provincial secretariats for social protection) more clearly, in order to establish continuity of the process of social protection policy development, defined in the relevant strategies.

¹⁸ Decision on Earmarked Transfers (Official Gazette, 18/2016)

3. Planning for earmarked transfers from the central state should be for three-year period, in line with presentation of capital expenditures in the local budget. This will ensure the predictability of the funding.
4. Ensure respect for the participatory approach in the development of the national strategic documents, and enable LSGs to articulate their needs through the established SCTM social protection network, and to participate in defining priorities and measures of the national strategies relevant for the area of social protection/social inclusion.
5. Asymmetric decentralisation is one of the answers in cases of diverse needs for social services and various levels of development of LSGs. Transfer of the competences can be made according to the LSGs' needs, predominant issues and development level of the capacities (institutional, infrastructural, financial, etc.).
6. Inter-municipal cooperation in provision of the social services is highly relevant for the underdeveloped LSGs. This solution should be backed up by regional social protection planning that could greatly contribute to responsible and rational allocation of the existing resources, while at the same time meeting the needs of citizens for social services.
7. Local self-governments need support to establish sustainable institutional capacities to take over the coordination of development, implementation, monitoring and evaluation of effects of the local social protection policy. This is especially important in the light of the Draft Law on the Planning System¹⁹ that will regulate planning practices and impose substantial changes in the planning practice.
8. When defining the internal organisation of local governments in the Rulebook on internal organisation and job classification of city/municipal administrations, it is necessary to define the position of officer in charge for the coordination of strategic planning processes with clearly defined performance objectives. Particularly, it is recommended to establish professional training programmes in order to enable continued advancement of public sector employees in this area.

¹⁹ http://www.parlament.gov.rs/upload/archive/files/lat/pdf/predlozi_zakona/2386-17%20-%20LAT.pdf

3. Legislative Framework Relevant for the Principle of Subsidiarity

The principle of subsidiarity is one of the general principles of the European Union Law, and it states that "Public responsibilities shall generally be exercised, in preference, by those authorities that are closest to the citizen. Allocation of the responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy."²⁰

The **European Charter of Local Self-Government**²¹ (Charter), is the most important European document on local government, is signed and ratified by the National Parliament of the Republic of Serbia in 2007, entered into force on 1 January 2008. However, the National Parliament did not ratify Art. 4 paragraphs 3 and 5, Art. 6, Art. 7, Paragraph 2, Art. 8, Paragraph 3 of the Charter, which specifically refer to the exercise of powers and scope of competences of the local authorities (i.e. the principle of subsidiarity), to appropriate structures and administrative resources relevant for the mission of the local authorities (i.e. the fiscal equality principle) and the financial compensation of the elected representatives and proportionality principle in the context of administrative supervision (i.e. the principle of accountability). Some experts have concluded that the full ratification of the Charter is impossible due to some provisions in the Serbian Constitution. Although it was planned for this issue to be the subject of further discussions of relevant institutions and experts, even ten years after the ratification of the Charter, consensus on this issue has still not been achieved.

LSG representatives draw their right to local self-government from the **2006 Constitution of the Republic of Serbia**²², which is proclaimed in the Article 12, and which is subject only to the supervision of constitutionality and legality. Delegation of public powers (Article 137) defines that "in the interest of more efficient and rational fulfilment of rights and obligations of citizens and meeting the needs directly relevant for their life and work, the law may delegate certain tasks in the scope of competences of the Republic of Serbia, to the autonomous province or the local self-government unit". According to Article 190, Paragraph 1, point 8 of the Constitution "the municipality also fulfils other tasks set out in the law", and according to Article 20, point 39 of the Law on Local Self-Government (LLSG), municipality "also fulfils other tasks of direct interest for the citizens, in accordance with the Constitution, the Law and the Statutes".

Comments of the Venice Commission on Constitution²³ of the Republic of Serbia pointed out few very important issues that were obstacles to full ratification of the Charter, also highly relevant for the functioning of local self-governments. While the Constitution provides for a right of citizens to local self-government, the content of this right is left it nearly entirely to the legislature to define the scope of these rights, while it entirely depends on the willingness of the National Assembly of the Republic of Serbia whether self-government will be realised or not. Furthermore, the Constitutional regulation of the division of competences between the State, autonomous provinces and units of local self-governance is quite complicated and leaves quite a wide scope for interpretation and specification through legal acts of lower rank, while the Constitution does not include any explicit guarantees for the financial autonomy of the municipalities. The Constitution sets clearly municipal tasks by the

²⁰ Article 4 of European Charter for Local Self-Government, <https://rm.coe.int/168007a088>

²¹ <https://rm.coe.int/168007a088>

²² http://www.parlament.gov.rs/upload/documents/Ustav_Srbije_pdf.pdf

²³ [http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2007\)004-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2007)004-e)

method of enumeration, defining that only stated tasks are valid for local self-governments. Municipalities and cities do not have jurisdiction over activities that are not explicitly stated²⁴.

Milosavljevic and Jerinic (2012)²⁵ also concluded that it is clearly laid down in the Constitution, and repeated in the LLSG, that new tasks under the competences of the LSG may also be set out by laws, without the necessity of constitutional revision. This clearly opens space and provides possibility for legislators to decide on further decentralisation.

Same authors also argued that new competences of LSGs would include the assumption of “leftover” competences (residual competence) for the LSGs, until possibly included within the scope of broader communities. This assumption is compliant with the principle of subsidiarity, but it seems that the quoted provisions of the Constitution and the LLSG do not directly support it.

Besides Constitution, that following laws define the framework for action for LSGs in social protection and division of the competences. :

The 2014 Law on Local Self-Government²⁶ - Article 20 of the Law defines LSG competences, referring to the establishment of social protection institutions, monitoring and ensuring their functioning, providing permits for the start of operations for social protection institutions founded by other legal entities and natural persons, determining the fulfilment of conditions for providing social protection services, setting out norms and standards for the institutions’ activities, adopting regulations on social protection rights and performing the tasks of state appointed custodian.

The 2011 Law on Social Protection²⁷ regulates the activity, objectives, principles, rights and services of social protection, procedures for exercising social protection rights and using social protection services, rights and obligations of social protection beneficiaries, procedures for exercising rights and using social protection services, etc. The Law on Social Protection distinguishes between two types of tasks in the area of social protection:

- **Delegated LSG tasks in the area of social protection** – In accordance with the Law on Social Protection, all financial transfers are within the mandate of the central level (except for one-time cash assistance) and services of accommodation in homes and families. Financial rights are administered by the Centres for Social Work (CSW) and relevant LSG services. CSWs simultaneously assess the needs of vulnerable citizens and plan their protection, and according to the Family Law (2005)²⁸, they also perform the role of custodian. LSG representatives did not identify any issues related to the funding of these rights. Transfers for the rights to financial support measures were assessed as regular and sufficient. In terms of delegated tasks under CSW competences (cash assistance, legal family protection, and home based accommodation), no particular issues regarding the funds for their implementation were identified, but a review of the criteria of eligibility would certainly be a topic for discussion, because of abuse that occurs in practice.

²⁴ <http://www.arhiva.drzavnauprava.gov.rs/files/dokumenta-6.pdf>

²⁵ Available here: <http://www.skgg.org/publications/details/439>

²⁶ (Official Gazette RS, No. 129/2007 i 83/2014 – other law)

²⁷ <http://www.minrzs.gov.rs/files/doc/pородica/Zakon%20o%20socijalnoj%20zastiti.pdf>

²⁸ Family Law (Official Gazette, 18/2005, 72/2011, 6/2015)

- **Original LSG competences in social protection** – the local level mandate also includes community services and one-time cash assistance, as well as in-kind transfers to poor individuals and families. The exercise of these rights is defined in the Decision on Social Protection, which is harmonised with the Law on Social Protection, and which presents grounds for adopting Rulebooks, defining in more detail the procedural and substantial legal issues relevant to this.

Statutes and other acts of cities and municipalities do not represent independent legal sources that would serve to define new competences, in addition to those defined in the Constitution and the law, and the same basic outlay of municipal and city bodies should result in a basically quite similar organisation of the administration and services of cities and municipalities. Statutes, as the highest LSG legal acts, define LSG competences in the most general way in the areas directly or indirectly relevant for the citizens and their social protection rights. Further development of statutory provisions relevant for citizens' rights to social protection is defined in the Decision on Social Protection (harmonised with the Law on Social Protection) and Decision on Financial Support to Families with Children (Harmonised with the Law on Financial Support to Families with Children). Decisions on social protection in all LSGs are adopted by local assemblies and present legal basis for funding the rights provided therein (more in the Section: Principle of Accountability).

By analysing the existing legislative framework, we can conclude that the system of social protection in Serbia is partly decentralised (particularly with regard to social services). Which direction will decentralisation further take will depend on the measure in which it can contribute to the attainment of the main goals or purposes of social protection: reduce poverty through providing opportunities to meet the basic needs of socially vulnerable citizens; provide support to the natural family (reduce separating children from natural families); continue the process of deinstitutionalisation (particularly by reducing the number of children and persons with intellectual difficulties in residential institutions); develop alternative, extra institutional forms of protection (through the development of community social services); increase participation of beneficiaries in service creation and service availability; encourage pluralisation of social service providers (include civil and private sectors more); improve the quality of services and develop control and regulatory mechanisms; improve inter-sector cooperation.

Thus, these are the main limitations for the decentralisation of the social protection system: insufficiently developed organisational and financial mechanisms; insufficiently developed professional and control mechanisms (the quality of services in the community remains out of control considering that the control mechanisms are linked primarily to the central level of authority); insufficient transparency of local authorities; unbalanced regional development in Serbia, which places citizens in unequal position with regards to the variety and availability of social services; unevenly developed network of service providers (particularly different presence of the civil and private sectors in the domain of service provision).

3.1 The Recommendations for the Implementation of the Principle of Subsidiarity

1. The development of the new Law on Social Protection has to be the result of a participatory process with LSG representatives, in order to remove possible challenges in the implementation phase.
2. The existence of valid by-laws (ordinances and rulebooks), would to a great extent enable consistency in the implementation of the relevant laws (primarily the Law on Social Protection).
3. Development of the social protection system and services in LSGs is necessary; however the capacities of LSGs for implementing legal provisions are limited. It is concluded that there is a need for affirmative measures to strengthen the existing and establishment of new organisational capacities within the LSGs and the line institutions (primarily CSW, but also NES, educational and health institutions).
4. According to the principle of subsidiarity, the national level should deal only with those issues that cannot be meaningfully dealt with by local self – governments. However, in order to have efficient task fulfilment, the pros and cons need to be weighed particularly well before some competences from the central level are decentralised to the lower levels of authority (provincial and local), while source of funding has to follow competences decentralisation.
5. The division of the competences and the delegation of the authority should be followed by sufficient funds. Fiscal decentralisation should count income but as well expenditures. LSGs clearly put forward the demand for fiscal decentralisation, so that they may respond to the demands set before them, by both the Law on Social Protection and other laws relevant for social inclusion, and the relevant strategies. Earmarked transfers for the social protection services are an important, but insufficient source of funding.
6. The range of weaknesses in the performance of competences at the local level can hardly be overcome by isolated actions undertaken at the local level only, but this would be possible primarily through comprehensive reforms in the administrative and political systems of the entire country. A special attention here should be given to finding adequate solutions for the local level.
7. Criteria for awarding cash social assistance, funded from the national budget, should be examined, considering that, due to the insufficient capacities for supervision, misuse of these funds occurs in the practice.
8. Local self-governments have insufficient capacities. Legal solution should be found that would make exceptions in the regime of ban on employment for social protection officers, considering the Law on Social Protection provides for a significantly extended scope of LSG competences in this area. Introducing quotas for employment of staff is one of the possible solutions.
9. Further capacity bundling of municipal administration as well as decision makers is needed, especially the competences of mayors / city/municipal council members, so that local policy coordination could meet the national priorities and ensure as consistent as possible application of the principle of subsidiarity.

4. The Principle of Accountability

Local self-government is not an end in itself, but always acts on behalf of the government and/or the local population. The system in which LSG accountability is taken seriously must guarantee that the responsibilities are clearly divided (it must be clear which level is responsible for what) and it must be clear whom the municipalities are accountable to (the local population and the state).

The following principles are underlining this viewpoint:

- The state should not interfere in the local sphere, otherwise accountability cannot be achieved at the local level
- The state administration should define (and implement) foundations guaranteeing local accountability, but leave internal organisation (structures and processes) to local self-governments
- Decisions made by local bodies at the local level must be explained to the citizens; appropriate structures and processes should be in place.

As with all other processes, decentralisation has certain limitations and preconditions that must be met in order for its strengths not to become weaknesses²⁹. Decentralisation can cause more harm than benefits if adequate support and appropriate structure are lacking and if accountability mechanisms were not established.

All three forms of decentralisation were duly represented in the Law on Social Protection. The Republic of Serbia de-concentrated certain social protection tasks (various administrative procedures are handled at lower levels of government, particularly in competent services at local communities). Some tasks were delegated to provincial and local community services, and a set of social services and some pecuniary entitlements entirely rest in the competence of local self-government units (devolution). The distribution of competences envisaged by this strategy paper is shown below.

²⁹ <http://www1.worldbank.org/publicsector/decentralization/decentralizationcorecourse2006/CoreReadings/Ahmad.pdf>

Division of Competences

Central level

The Ministry of Labour, Employment, Veteran and Social Affairs adopts decisions and funds financial expenditures, except for non-refundable financial assistance which rests in the sphere of competence of local self-governments. Moreover, the central level is competent for services of institutional and foster family accommodation, as well as regulatory and control mechanisms.

The national (central) level of government:

- adopts strategies, laws and bylaws
- regulates the system of social and legal protection for families
- regulates the rights and services in the field of social protection
- defines the system of financing (for central, provincial and local levels)
- defines pecuniary entitlements financed from the national budget including subsidies for energy generating product receipts
- defines the establishment and management of social protection institutions, financed by the the Government (the Republic Institute for Social Protection, the Social Protection Chamber)
- adopts social protection development and improvement programmes at national level
- defines oversight of the operation of bodies and holders of public authority, oversight of the professional work in centres for social work and social protections institutions, and inspection control of the operation of social protection institutions and social protection service providers
- issues licences to professionals for the performance of professional tasks in social protection and social protection organisations providing daily services to the community, family and institutional accommodation services
- accredits training and/or service provision programmes.

The Autonomous Province (AP) of Vojvodina

The AP of Vojvodina retains certain competences in the social protection system. The Statute lays down that the AP of Vojvodina can establish social protection institutions in accordance with the Law and Act by the Government, and regulate programming issues in social protection of families, children, the youth and the elderly.

The Province can:

- establish social protection institutions on its territory in accordance with the network of the institutions for the accommodation of users defined by the Government
- nominate supervision boards and directors of social protection institutions for the accommodation of users
- establish the Provincial Social Protection Institute and adopt the programme for the improvement of social protection in the AP of Vojvodina
- provide an opinion to the draft decision concerning the network of social protection institutions for the accommodation of users passed by the Government of the Republic of Serbia, to the extent it concerns the territory of the AP of Vojvodina,
- approve nomination of directors of centres for social work in the territory of the AP of Vojvodina

- determine that the conditions for the commencement of operation of social protection institutions in the territory of the Province have been fulfilled
- act as the second instance body on decisions of centres for social work operating on the territory of the Province
- oversee and inspect the operation of institutions (as a delegated task)
- through its legal protection and guardianship bodies, act on appeals against decisions made by public guardian bodies in the territory of the Province and inspect public guardian bodies (as delegated tasks).

Local level

Some functions and competences were de-concentrated to the local level and to local services and organisations. Hence centres for social work compile documents and issue decisions concerning entitlement to pecuniary social welfare and custodial care and assistance, and competent municipal services perform similar tasks regarding child benefits, parenting allowances and childbirth salary compensations. Conditions for the eligibility for these entitlements were defined at the central level and they are financed from the national budget. Numerous services have been completely delegated to the local level. Entitlements and services in the field of social protection are stipulated at local community level; these are funded and managed from the local budget (devolution).

The following tasks are fully in the domain of the competences of local self-governments :

- adopting programmes contributing to the satisfaction of individual and common needs of citizens in the field of social protection on the territory of local self-government
- establishing the Centres for Social Work
- setting up (establish and nominate management bodies) and funding of daily services in the community
- establishing and financing non-institutional social protection services
- providing funds to finance social protection services.

All of the tasks within the original scope of the competences of local self-governments comprise their compulsory scope – which indicates the existence of not only a right but also a duty to perform (the obligation to ensure the performance of these competences through bodies, organisations and services). This simultaneously means there are no competences that would comprise the voluntary scope, i.e. regarding which the municipality and/or town could decide whether or not they would perform. Individual municipalities and cities will not perform all competences (and delegated tasks) when there is no factual need to do so (e.g. there are no refugees and displaced in the territory of the municipality or the percent of the Roma population is low).

The consequences for the non-performance of individual competences from the original scope have not been specifically provided for (except in three cases where the municipal/town assembly can be disbanded, or if an election is not carried out, or if the assembly is not constituted within legal deadlines). Conversely, if individually delegated tasks are not carried out, a competent state authority is obligated to undertake measures to provide for their performance.

When dimensioning individual competences in the original scope, only a smaller portion of these competences is explicitly listed in the Constitution and in the Law on Local Self-Government specifically, by specifying a task to be carried out (e.g. adopting the Statute, budget and individual plans, establishing bodies, organisations and services for municipal needs, etc.). Instead of this, the majority of competences makes use of descriptive legal terms (legal standards), such as: 'regulates and ensures', 'carries out tasks', 'creates conditions', 'sets up', 'takes care of', 'takes care of and provides conditions for', 'encourages and assists' etc. In both cases it is up to specific laws to stipulate conditions under which each of the individual tasks will be carried out (in the first case), or the types of tasks and conditions under which these will be performed (in the second case). In practice, this means original competences are rarely complete, and even when they are complete they need to be performed under conditions and to the extent stipulated by the appropriate sector law. On the one hand, this provides the necessary legality to local self-government competences, making them uniform to a large extent and guaranteeing the preconditions for equality of all citizens before the local self-government bodies. On the other hand, the same approach makes competences rather rigid, detailed and conditioned with legislation, which is why municipalities and towns – when carrying out tasks from their remit – only have the freedom (discretionary space) that the laws permit, which is as a rule not enough. The same approach makes competences fluent and dependent on the adoption or amendment of legislation in areas that define certain competences.

Different from the presented situation concerning competences in the original scope, **delegated tasks** that municipalities undertake are always dimensioned by the relevant laws, precisely because this concerns the delegation of individual tasks performed by the public administration rather than a transfer of competences. Uniform standard procedures for the performance of tasks apply here, with a minimum tolerance for municipalities' and towns' freedom to customise how they carry out these tasks, depending on their local circumstance and needs. Municipalities' and cities' competences are designed by enumeration, whereby their competences are only the ones explicitly listed in the Constitution and legislation. The second possible approach, albeit an unused one, would consist of what is called the 'general clause method', whereby the general assumption would apply that municipalities and towns retain all competences except those positively fixed as higher public authorities' competences. The first method is more certain and traditionally preferred in legal system concerning the distribution of competences between territorial units.

It is the responsibility of the state to ensure that the LSGs act in accordance with the provided legal framework and that LSG tasks are carried out in line with state requirements. In accordance with the principle of subsidiarity, these requirements should be whittled to a minimum. In other words, state supervision will be limited to ensuring the observance of laws and it will never be disproportional. The principal (the state or the citizens at local level, depending on the situation) has at its disposal the necessary mechanisms to call the executive (LSG, its bodies or civil servants) to account. This requires transparency mechanisms in order for the principal to be in possession of all necessary information to judge whether local self-government tasks were handled in a satisfactory manner.

It is also required to define sanctioning mechanisms, i.e. instruments of intervention if the local self-government did not perform its tasks well. Along vertical lines (central to local level) this principle particularly implies that public administration, when presenting local self-governments with certain requirements, must also contribute to the financing of said requirements. The stricter the requirements from the central level, the greater the contribution that the public administration has to make in order for the state-given tasks to be carried out.

Aside from this, local governments must have necessary capacities to carry out these tasks (or an avenue to strengthen own capacities) which, in turn, again requires funds.

4.1 Key Stakeholders for the Principle of Accountability in Social Protection

A consultative process was undertaken for the purposes of the assessment of challenges to vertical coordination of the application of the principle of accountability. This process mapped the key stakeholders at the national and local levels, as well as their relationship, capacities and the challenges they face in carrying out the tasks assigned to them under the relevant legislation.

Key Stakeholders at the National Level

When it comes to formal vertical coordination mechanism, the Law on Self-Governments recognises the right of the LSGs to participate in the process of law drafting "of special importance for the realization and development of local self-government "standalone or via formal association. In practice, due to the lack of bylaws and clear instructions this is regulated on an ad hoc basis. Representatives of local authorities have recognised the key role of Republic Secretariat for Public Policy mechanisms to permit local authorities to participate in developing national-level policies.

The Standing Conference of Towns and Municipalities (SCTM) - as the key partner that has traditionally been advocating interests of local authorities is a channel towards other national institutions, such as Committees of the National Assembly of the Republic of Serbia and relevant ministries. The Social Protection Network, provides not only a channel to disseminate relevant information, but also support local authorities' institutional capacities in the field of social protection.

Communication with most important line ministry the Ministry of Labour, Employment, Veteran and Social Affairs is considered insufficient. The Department of Inspection has been providing local authorities with major support for the establishment of the social protection system, performs oversight function and, provides advisory support to local authorities, especially in establishing and aligning social protection services with the Law. Cooperation with the Serbian Government's Social Inclusion and Poverty Reduction Unit was rated as good, as well as with The Republic Institute for Social Protection that supports LSGs especially as regards the establishment of social protection services, as well as building capacity of staff of local authorities and centres for social work funded from local authorities' budgets.

Talking about legislation, local authorities have expressed the need for amendments to the Law on Local Government, in order to clarify the powers of local authorities in areas of importance for social development, and in particular for social protection. The Ministry of Public Administration and Local Government is important in addressing this use, while the on-going efforts that the Ministry support, Establishment of a human resources management function, is seen as opportunity to strengthen local authorities' human resources capacities and ensure continuing professional development of staff either directly or indirectly tasked with social protection duties (such as officers of finance and public procurement departments, youth offices, Roma co-ordinators, providers of legal aid, etc.).

Other line ministries – The need has been recognised for increased support to be provided by other ministries to either directly or indirectly contribution to greater social inclusion of marginalised and vulnerable groups of citizens, which in turn would prevent the risk of their entering the social protection system, such as a Ministry of Health. Cooperation and coordination is an ad hoc basis.

Key Stakeholders at the Local Level

These local governments' executive authorities (city/municipal councils) have increasingly been recognising the need for the appointment of a Council member tasked with social protection; members with these powers have accordingly been appointed in most local governments in South-Western Serbia. As Council members are selected from amongst the representatives of political coalition, so the need has been identified to enhance their competencies to allow them to lead the creation/implementation of local social protection policy aligned with the relevant laws. This need has been expressed by most Council members, who are fully aware of the importance of their role and the responsibility they assumed when taking office. The need has also been underlined to more clearly define the remit of Council members and the extent of the powers they have at their disposal when carrying out the planned activities.

The capacities of local administrations in social protection have been recognised as insufficient to respond to the numerous powers delegated to them under relevant laws. Staffing byelaws in force in most local governments envisage positions for officers performing delegated tasks in the field of social protection, so the performance targets of these staff are generally defined so as to reflect their fulfilment. Local authorities' original competences in social protection are generally not regulated by staffing byelaws; even where some original competences are recognised (such as ordering social protection services), they are generally found in the scopes of work of other organisational units. Co-ordination of original competences, where recognised, is usually delegated to centres for social work through general and vague provisions of Social Protection Decisions. The Government Order Prohibiting Employment in the Public Sector poses another major challenge to the establishment of capacities to co-ordinate original competences in the field of social protection. The conclusion here is that the issue of local governments' co-ordination of local social protection systems deserves particular attention due to its importance and necessitates support from line ministries, national institutions, and associations.

Working bodies are rarely formed, and even if they exist, they have limited powers and questionable mandates. Even where they do exist, their remit is reduced exclusively to green lighting annual reports of centres for social work adopted by local legislatures. They do not participate in any proactive sense in creating, monitoring, and assessing the results of social protection policies.

Centres for Social Work are recognised by local communities as key stakeholders in the social protection system. The role and importance of CSWs in procedures for recognising entitlement to social protection and providing professional services in the exercise of public competences are beyond doubt. As the extent of their responsibility is not defined with sufficient clarity, CSWs are increasingly facing the issue of excessive expectations of both local governments and members of the public when providing social protection. Yet another issue is the status of CSWs, which are categorised as local institutions, meaning they are formally controlled by their respective local governments, that cover the running costs of CSWs, as well as staff salaries in situations where they have the funding to do so (which is the case only in higher-income local governments). The Ministry of Labour, Employment, Veteran and Social Affairs is responsible for setting the number of CSW staff charged with exercising public competences and providing funds for their reimbursement (salaries for CSW staff are provided in the central budget). Although CSW plans and annual reports are submitted to local legislatures for adoption, local practice has revealed lack of capacity at both local administrations (including town/municipal councils) and local legislatures to appropriately assess the quality of proposed plans and annual reports.

CSWs do not regularly assess the needs of citizens for social protection, but they propose measures based on estimation and experience. One reason for this is that according to Regulation on Internal Organisation, Norms, and Standards for CSWs, sociologists are allowed their engagement only in local governments with populations of more than 50,000. This constraint means that most local governments lack the capacity to analyse and plan social protection measures.

One important problem identified affecting quality of social care, is affected by the factual status of social care procurement practice. In practical terms, LGS is organising tendering procure for social services or licenced service providers, in line with the Public Procurement Law. In reality, Centres for Social Works are guaranteed the status of social protection services (the Article 64 of the Law on Social Protection). However, as CWSs are part of the public sector they are not entitled to take part in public procurement procedures. Additionally, high standards to licencing cannot be fulfilled by CSWs due to the operation of the Government Order Prohibiting Employment in the Public Sector, most local governments are unable to hire new staff to perform social protection duties at organisational units of CSWs, necessary to fulfil licencing requirements. The new Law on Social Protection is expected to resolve these contentious issues that have been causing numerous problems in local practice.

Local educational and healthcare institutions and branches of the National Employment Service have some capacity and collaborate amongst themselves to some extent, but this is not institutionalised in a manner that guarantees sustainability. Collaboration generally takes place in an ad hoc way (to develop local strategies or carry out projects), or by means of protocols on co-operation in specific

areas (such as the Protocol on Protection from Family Violence). A number of reform projects have established some capacity for inter-sectoral cooperation (Inter-Departmental Commissions to assess needs for additional educational, health-related, and social support to children and students; Mobile Teams for social inclusion of the Roma), but additional support is required if these are to achieve the results envisaged at the time of their creation.

Providers of social protection services emphasised that the conditions and procedures for service provider licensing and service provision (as defined in the Regulations) do not reflect the potentials of service providers in local communities, and that they ought to be re-assessed and aligned with the current capacity of local stakeholders to respond to the requirements.

Civil society organisations are increasingly recognised as key partners of local governments in defining measures and programmes (by taking part in working groups to develop strategic and action plans) and putting them into effect, as well as in providing social services, whereby they have been contributing to social inclusion of marginalised and vulnerable groups.

4.2 Oversight and Reporting

Oversight of the performance of government bodies and holders of public authority, oversight of professional practices, and inspection oversight are all performed in the social protection context under the Law on Social Protection. The line ministry oversees government bodies and holders of public authority in their performance of tasks delegated by law, as provided for under legislation governing public administration.

The ministry tasked with social protection performs oversight of professional practices at CSWs, residential care facilities, facilities for family accommodation and adoption established by the Republic of Serbia or autonomous province, young offenders' institutions, and social protection institutions. It cannot be disputed that the current division of inspection powers between the central, provincial, and local levels should be retained. However, the question of whether there is sufficient capacity at the national level for inspection oversight deserves attention. Legislation implies that powers to oversee professional practices and perform inspections are linked with powers to establish social institutions and social services.

The line Ministry of Labour, Employment, Veteran and Social Affairs employs eight social protection inspectors; the autonomous province has two at its disposal, and the City of Belgrade Administration employs one. In view of this fact, the key problem of inspection oversight in social protection is not how decentralised it is, but, rather, whether there is sufficient capacity for it to be undertaken successfully at all three levels of government. This state of affairs means that oversight of professional practices and inspection oversight are reduced solely to interventions in cases of incidents

4.3 Recommendations for the Improvement of the Accountability

1. Local self- governments need new capacities, human and financial, to fulfil constant new organisational tasks, required by the central state (for instance Roma Co-Ordinators, CSW staff tasked with performing original competences in social protection, co-ordination of social protection services, etc.). Despite temporary ban of new employments, that is the only measure to adequately provide response to all requirements.
2. Local governments should increase powers in exercising control over CSWs, while CSWs should be strengthened. Although there has been some discussion about the shift of controlling rights over CSWs to the line ministry under a new law (currently at the drafting stage), representatives of local authorities believe that these local institutions are a key community resource and that new legislation should not change that. consider the option of enhancing CSWs.
3. Centres for Social Work should employ more professional practitioners, and local communities have clearly voiced their preference for this, taking into account the complexity of the problems faced by these institutions and the need for an inter-sectoral approach in providing assistance to individuals, and more commonly to families, at social risk.
4. A re-assessment of existing minimum standards for social protection services is needed. In re-defining these standards, one should particularly take into consideration existing capacity in underdeveloped municipalities (Categories 3 and 4 by level of development, or economically adversely affected areas), which find it difficult to meet the high requirements of the relevant national legislation. This either precludes the delivery of these services, or, alternatively, they are provided in contravention of the applicable legislation.
5. Control mechanisms for professional practices and service providers have to developed, and in place, and this requires funding to increase the number of national and provincial inspectors, and to introduce inspection oversight in municipalities and towns with well-developed community social services.
6. Control mechanisms on central level have to be strengthened also. Successful decentralisation requires strengthening control mechanisms at the central level so as to ensure that rights are exercised and services provided without discrimination, as well as that the services meet the appropriate quality standards. Traditional control mechanisms ought to be supplemented by alternative mechanisms that more closely focus on monitoring outcomes rather than inputs.
7. Methodology should be devised for reporting on the execution of social protection programmes and measures at the level of the local authority. These reports should cover measures and activities undertaken by all the various stakeholders (local government/Social Services Department, CSWs, service providers, and civic associations).
8. Members of the local legislature's Committee on Social Protection should be required to review and provide a statement of justification of the consolidated report on programmes and measures of social protection carried out by the various local stakeholders.
9. Sustainable and transparent reporting mechanisms should be established at the relevant national institutions, with clearly defined communications channels with local communities.

10. Establishment of oversight department at district level could bridge lack of human resources at national level, while at the same keeping the overall authority of The Ministry of Labour, Employment, Social and Veteran Affairs' Inspection Oversight Department as a key authority for oversight of social protection institutions and organisations, as well as service providers. Apart from performing inspection-related duties, this Department has been providing crucial support for aligning the social protection system with the law.
11. A uniform methodology for reporting on the implementation of both national and local policies should be defined, including a minimum of SMART indicators³⁰ that would allow assessment of the efficiency and effectiveness of national priorities in social protection.
12. Where indicators are defined, care should be taken to include reasonable sources of verification to assess their attainment. This will avoid creating additional costs in the monitoring process to the local authority, line institutions, service providers, and civil society organisations.

³⁰ Specific , Measurable, Assignable , Realistic , Time-related

5. Financing Social Protection

With regard to the accomplishment of funding tasks, the principle of fiscal equivalence states that those who order a public service should, as much as possible be the same as those who use the service and those who finance it.³¹

In the vertical dimension (central level – local level), this principle in particular means that if public administration makes certain requirements from local governments, it ought to contribute to their funding. The stricter the requirements coming from the central level are, the greater financial contribution from the central public administration to the fulfilment of public tasks is needed.

5.1 Legislative Framework of Importance for the Principle of Fiscal Equality

Development of the financial capacity of Serbia's local governments has over the past 15 years been affected by numerous legal and institutional changes.

The Law on Public Property³² rounded up a long-standing process of establishing ownership of the property that local self-governments were using. Though this was a big milestone, the situation on the ground is still facing numerous problems.

Decentralisation was advanced by the Local Government Law, enacted in 2002 and amended in 2007, which gave local authorities new powers in education, healthcare, social services, urban planning and construction, and promotion of local economic development.

Financial autonomy is a key precondition for efficient local government. This was first guaranteed in early 2006, with the enactment of the new Serbian Constitution. In general, the Constitution stipulates that funds for the exercise of powers of all levels of government are to be secured through taxation and other revenues, as governed by specific legislation, and a local government's budget should show all the revenues and expenditures used to finance the exercise of statutory powers of the local government. All local authorities were given the opportunity to set rates for their own-source taxes and so provide incentives for investment and attraction of capital. Also from 2006, new important mechanism was set in place-transfers for LSGs, with the main aim to contribute to vertical balance as well as horizontal equalization. However, according to experts, unclear formula let space for discretion right. Levitas calculated in his paper that average budget increase was 10 %, from 2006 to 2007, while regional disparity was decreased.³³

Global economic crises and spill over effect stopped the wave of fiscal decentralisation that was replaced by strict measure of fiscal consolidation from 2009, affecting negatively all income sources of

31 http://www.euprogres.org/dokumenti/en/7_46_Good_Governance_Vertical_Dimension.pdf

32 http://www.paragraf.rs/propisi/zakon_o_javnoj_svojini.html

33 <http://www.skgo.org/bz/data/1%20Policy%20Notes%20-%20Preporuke/SER/Sharing%20the%20Burden,%20Levitas,%20October%204,%202010%20SER.pdf>

LSGs. These significantly reduced the financial autonomy of local governments, and, consequently, constrained their ability to accomplish their delegated tasks. In most cases, local governments were compelled to rely not only on donations, but also on borrowing for investment. An example of constraints to financial autonomy is provided by changes to rates of contributions for pension and disability insurance and wage taxes, whereby some of these public revenues redirected from local budgets into the state's central coffers.

Local governments have since 2015 been additionally burdened by efforts to downsize public administration. The objectives of this downsizing have been adjusted with the goals of special fiscal rules, which have been altering the structure of public spending so as to reduce current expenditures and increase public investment (under the Budget System Law, enacted in 2015); one of the options here is to reduce overall salary expenditures incurred by local authorities. All of these changes to local finances and property have had a substantial impact on the capacity of local governments to perform their duties.

5.2 Sources of Funding for Social Protection

Local authorities in Serbia have an under-developed structure of funding sources. According to certain finance experts³⁴, sound financial management is best promoted by drawing on a variety of sources of finance and ensuring balance between them, with no single source of finance allowed to take up majority of total revenues. Reality is a bit different for local self-governments in Serbia. In 2016 budgets, current revenues were dominated by funds from the central budget, at 92 percent, followed by own-source revenue, at 4.5 percent, and donations, with 3.4 percent.

This structure reveals some variety, but funding for local governments is still largely dependent on money allocated by the national government. Recent changes to legislation governing local finance have greatly reduced own-source revenue available to local authorities.

A related challenge faced by local governments is striking a balance between being able to set own-source tax rates lower, so as to incentivise investment and attract capital, and setting them higher to boost their own income. There also always remains room to increase revenue by other means.

Moreover, donations – earmarked non-refundable income – are by and large dependent on donors, and are as such neither a predictable nor a stable part of the funding system.

5.2.1 Funding of Delegated Competences in Social Protection

Under Article 206 of the Law on Social Protection, delegated competences are funded from the central budget.

34 <http://ekfak.kg.ac.rs/sites/default/files/Zbornik/37%20-%20S.%20Djindjic%20i%20S.%20Lukovic.pdf>

The central budget also provides funds for: 1) Centres for Social Work 2) residential facilities established by the Republic of Serbia or autonomous province 3) National Institute for Social Protection; 4) family accommodation and adoption centres established by the Republic of Serbia; 5) young offenders' institutions; 6) Chambers (insofar as they exercise public competences); and 7) other institutions established by the Republic of Serbia.

5.2.2 Funding of Original Competences in Social Protection

Local governments can draw on the following revenues to finance their original competences:

- **Non-earmarked transfers.** Local authority budgets are used to finance: 1) day care community services; 2) assistance services for independent living, except assisted living for persons with disabilities; 3) assisted living services for persons with disabilities, except in local authorities at a level of development higher than the national average (as determined under legislation governing categorisation of local authorities by level of development); 4) advisory services, counselling, and social education services, except training for foster parents and adoptive parents; 5) other social protection services as required by the local government; 6) one-off assistance and other forms of assistance; 7) programmes of institutions established by the local government; 8) programmes to enhance social protection in the local government area; and 9) innovative services.
- **Funding for programmes to improve social protection.** The Law on Social Protection stipulates that the central budget is to provide funds for programmes to improve social protection. This money is allocated following a call for applications released by the Ministry of Labour, Veteran and Social Affairs at the beginning of each calendar year, and is intended for civil society organisation projects. Although the legislator intended these funds to support harmonised programmes to improve social protection, the lack of these programmes at the local level raises the question of whether and to what extent civic associations' programmes meet the local priorities.
- **Earmarked transfers.** Under legislation regulating local government finance, the central budget can be used to fund: 1) social protection services funded by local governments; 2) social protection services in local authorities where residential institutions undergoing transformation are located, including the costs of transformation of these institutions; and 3) innovative services and social protection services of particular importance for the Republic of Serbia. The Government sets the amount of these earmarked transfers, criteria for their allocation to local authorities, eligibility criteria for local authorities, and transfer timeframe, and determines which services constitute 'services of particular importance for the Republic of Serbia'. Although funding for these services was envisaged under the 2011 Law, earmarked transfers were first distributed only in 2016, with the enactment of the Government Order on Earmarked Transfers. The Order stipulates that local governments belonging to Category 4 by development, including economically adversely affected areas, are to receive earmarked

transfers regardless of whether they are able to finance social protection services from their respective remits, whilst local governments from Categories 2 and 3 are to be funded through complementary financing, as envisaged under legislation governing regional development. In other words, local governments from Categories 2 and 3 receiving these transfers must secure funds for social protection services they are responsible for in their budget decisions for the fiscal year in which the transfers are to be made.

- **Donations.** Funds from the Lottery Fund and donations (in particular Instrument for Pre Accessions (IPA) programmes) have been recognised as important means of support for social protection programmes/projects. Most local governments (especially those from Category 4 and economically adversely affected areas) lack capacity to prepare and implement projects to receive this type of support.
- **Beneficiary participation in social protection services** – Although the law envisages support to beneficiaries, co-payment rates remain exceptionally low (especially for services within the remit of the local authority); many local authorities have not even envisaged them in their respective Decisions on Social Protection.

5.2.3 Budget Allocation Planning and Budget Fund Expenditure Control Mechanisms

Financial support measures are mostly planned on the basis of assessments of previous year's reports and the funds for services are provided for on the basis of annual reports from service providers, CSWs and inter-departmental commissions. Although the methodology and timeline of draft budget development are clearly defined by Law, there are very frequent deviations in practice – both in terms of the methodology and timelines ('last-minute plans'). Consultations with budget users, particularly in the fields relevant to the implementation of measures and activities, are rarely conducted; hence the opportunity to argue budgetary requirements is frequently missing. The overall conclusion is that participative budgeting is not a part of budget practices, at least when it comes to planning measures and activities in the field of social protection and programmes that aim to prevent social differentiation.

Local budgets for social protection measures and activities are allocated in accordance with the Decision on Social Protection and other decisions that are indirectly relevant for the improvement of the citizens' social status (e.g. Decision on Financial Support to Families with Children, Decision on Inter-Departmental Commissions, Decision on Free Transportation for Pupils and Students etc.). In the case of financing rights and entitlements provided for in the Decision on Social Protection, the competence for the distribution of financial assistance measures is split between CSWs (non-refundable pecuniary assistance) and other measures provided for in the decision implemented by the competent department of social activities. In accordance with the Public Procurement Law and Law on Social Protection, social protection services are implemented by way of public procurement for standardised services, whereas innovative services are financed by open calls for citizens' associations.

5.3 Key Recommendations for Improvement of Social Protection Financing

1. Questioning and amendment of existing criteria to award financial support measures funded from the budget of the Republic of Serbia, with the aim of establishing a more equitable distribution. Criteria should be more clear, transparent, in order to avoid obvious breaches of the law during their implementation, which was identified during their allocation in the course of 2016.
2. Enhancing monitoring/oversight mechanisms for implemented financial support measures both at national and local levels. Strengthen existing institutional capacities in fields relevant for the control of the disbursement of allocated funds.
3. Improving existing and establishing new capacities at local self-government level to create local budgets in line with actual citizens' needs.
4. The role of Centres of Social Work should be reinforced, and in that respect intensive support from the national level is expected, both in terms of amending the existing Rulebook on internal organisation of CSWs and provision of additional resources (human and financial).
5. The predictability of the social protection system improvement should be clearly defined in the national and local strategic frameworks, and it should – in accordance with the Budget System Law – guarantee financial sustainability of planned social protection measures and services.
6. Defining a uniform methodology for the development of a Rulebook on Social Protection Service Provision (including the methodology to calculate the prices of social protection services and the criteria for participation of users in service price), that would significantly contribute to financial sustainability of established social services in the sphere of competence of local self-governments.
7. According to estimates of LSGs from South and South-West Serbia, funds allocated by earmarked transfers are sufficient, compared to existing capacities for their absorption at local level. However, identified challenges in this segment should be addressed remain at local level.
8. Expansion of licenced service provider network and /or enhancement of local community capacities should be followed by increase in financing.

Vertical Dimension of Good Governance

Principles and approaches for the cooperation between the state and local self-governments in the field of environmental protection – lessons learned and recommendations

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