



Government of the Republic of Serbia

**FIRST NATIONAL REPORT ON SOCIAL
INCLUSION AND POVERTY REDUCTION IN THE
REPUBLIC OF SERBIA**

**The Status of Social Exclusion and Poverty Trends in the
Period 2008 – 2010 and Future Priorities**

March 2011

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Social Inclusion: Solidarity Throughout Society and Opportunity for All

Serbia's membership in the European Union (EU) is a long-term goal shared by an overwhelming majority of the country. Our short-term goal is to gain EU membership candidate status by the end of 2011. The status of a candidate country entails numerous and sometimes demanding changes that need to be implemented in society. It will also signify the EU's recognition that the Republic of Serbia has become a better and more equitable society for all its citizens.

The Serbian Government intends to commence accession negotiations soon after obtaining candidate status and to continue the reforms that will lead Serbia to full-fledged EU membership. One of the obligations in the upcoming period will be to draft the Joint Social Inclusion Memorandum, a document that will set forth a plan for advancing social inclusion and poverty reduction until the moment Serbia has attained EU membership. To demonstrate that we are prepared for the task, the Government has prepared and adopted the First National Report on Social Inclusion and Poverty Reduction, taking account indicators and targets adopted by EU member states.

Over the past few years, the world has faced the most severe economic crisis since the Second World War. These years have also been Serbia's hardest years since the democratic changes in 2000. The crisis has had grave consequences both globally and domestically – rules that applied before the crisis have changed, and measures taken by member states have been upgraded and revised on an ongoing basis.

In response to the crisis and the need for a new development framework, the EU has adopted the Europe 2020 Strategy, defining EU development goals and lines of action until the year 2020. The Republic of Serbia has also responded, and through the Government's measures, managed to maintain financial stability, although poverty and unemployment growth trends have not left us unaffected. The First National Report on Social Inclusion and Poverty Reduction highlights the Government's commitment to adapting the reforms foreseen in the next three years to the new challenges imposed by the crisis as well as aligning our next steps with the Europe 2020 Strategy goals.

The crisis may not be an excuse for halting and slowing down reforms. We have passed many laws over the past three years that have made the Republic of Serbia a more equitable country. It is necessary to step up cooperation between all stakeholders in society in the coming stage of reform, and harmonise and coordinate individual measures implemented by various sectors. We need "sets of measures", rather than individual measures, in the fields of employment, education, social welfare, housing and other

sectors, which will target excluded and impoverished citizens and, in particular, rural and underdeveloped areas of the country.

To combat social exclusion and poverty effectively, a strong partnership of all stakeholders is required – it is only through the partnership and joint action of all segments of society that we will be able to act upon the recommendations of the First National Report on Social Inclusion and Poverty Reduction. Our ultimate goal is for citizens themselves to feel that Serbia is a more equitable and better society for all.

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Abbreviations

CSO	Civil Society Organization
DILS	Delivery of Integrated Local Services
DIS	Decentralized Implementation System - DIS
EIB	European Investment Bank
ESSPROS	European System of Integrated Social Protection Statistics
EUROSTAT	Statistical Office of the European Union (European Statistics)
FADN	Farm Account Data Network
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HBS	Household Budget Survey
ICTs	Information and Communication Technologies
IDPs	Internally Displaced Persons
IPARD	Instrument for Pre-Accession Assistance – Rural Development
IMF	International Monetary Fund
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LFS	Labour Force Survey
LSMS	Living Standards Measurement Survey
NALED	National Alliance for Local Economic Development
NBS	National Bank of Serbia
NIP	National Investment Plan
NPI	National Programme for the Integration of Serbia in the EU
OSCE	Organization for Security and Co-operation in Europe
PRS	Poverty Reduction Strategy for Serbia
SAA	Stabilisation and Association Agreement
SAPARD	Special Accession Program for Agriculture and Rural Development
SILC	Statistics on Income and Living Conditions
SIPRU	Social Inclusion and Poverty Reduction Unit
SME	Small and medium-sized enterprise
SMEE	Small and medium-sized enterprise and entrepreneurship
SORS	Statistical Office of the Republic of Serbia
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UN-HABITAT	United Nations Human Settlement Program
UNHCHR	Office of the High Commissioner on Human Rights
UNICEF	United Nations Children's Fund
VAT	Value-Added Tax
AP of Vojvodina	Autonomous Province of Vojvodina
EU	European Union
MDG	Millenium Development Goals

1. Introduction and Summary

1.1. Introduction

- 1.1.1. The Republic of Serbia, which entered the Stabilization and Association Agreement between the European Union (EU) and its member states on one side, and the Republic of Serbia on the other, submitted its request for EU membership along with responses to the Questionnaire of the European Commission to prepare its Opinion on the request of the Republic of Serbia for EU membership. Once candidate status for EU membership has been granted, issues of **social inclusion and poverty reduction shall become a mandatory component in the EU integration policy of the Republic of Serbia**. This includes the enhancement of the methodology for monitoring social inclusion trends among individuals and social groups, as well as the development and advancement of policies and the institutional framework for advancing the status of social inclusion and poverty reduction in the Republic of Serbia.
- 1.1.2. The Republic of Serbia has defined **active participation in the European process of social inclusion** as one of the critical tasks in the EU integration process. The Government is committed to meeting the requirements set by the EU at the Lisbon and Copenhagen summits, and follows all decisions relating to the adoption of the new EU development document: Europe 2020. In this context, the European Platform against Poverty and Social Exclusion¹, which was submitted by the European Commission in December 2010, is particularly important. This Report takes into account the recommendations and initiatives contained in the Platform.
- 1.1.3. Once the Republic of Serbia has been granted EU membership candidate status, it shall receive a request by the EU to prepare the **Joint Inclusion Memorandum**. This document shall update existing policies which tackle social inclusion, and shall set up a strategic framework which shall include a range of social exclusion issues. However, issues of social inclusion and poverty reduction in the Republic of Serbia are not perceived exclusively as an obligation set forth by EU documents – they represent a permanent commitment of a socially accountable state.
- 1.1.4. The **First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia** (hereinafter: Report) covers an overview of the legal, strategic and institutional frameworks relevant for social inclusion and poverty reduction, an analysis of the state of affairs in relevant areas, and an overview of implemented measures, as well as conclusions, challenges and the main future lines of action.
- 1.1.5. The preparation of the Report was a joint activity of line ministries and other executive authorities, the National Assembly, local governments, civil society organizations, international partners, scientific and research institutions, social partners and the expert community.
- 1.1.6. The preparation of the Report relied on documents of the Government (Reports on the Work of the Government 2008 and 2009, reports on the implementation of the National Programme for Integration of the Republic of Serbia in the EU, as well as other relevant documents and research conducted by line ministries), relevant reports and documents of the EU, as well as reports and studies of civil society organizations, international organizations and independent experts.

¹ COM(2010) 758 final.

- 1.1.7. **Comprehensive consultations** were conducted to achieve a national consensus on the main findings and priority lines of action in the following period as presented in the Report. The consultation process involved representatives of the Government, local authorities, civil society, labour unions, independent experts, scientific and international institutions and the wider public.
- 1.1.8. In order to analyze the current position of the most vulnerable population, the Social Inclusion and Poverty Reduction Unit launched a survey entitled “Social Inclusion and Poverty Reduction from the Perspective of Vulnerable Populations”, which should contribute to a more in-depth analysis of the current status of socially excluded and impoverished populations, as well as the mechanisms and opportunities for advancing their position. The survey’s findings and recommendations represent an effort to integrate the perspective of the impoverished and socially excluded population in the Report.
- 1.1.9. The language of the Report does not reflect a gender-sensitive approach, which has not yet been recognized by Serbia’s public administration and legislation.

1.2. Summary of the Report

1.2.1. Functioning of the State Ruled by Law

The stability of central authority in Serbia has improved since 2008 when the current Government was established, and in comparison to the previous period, there has been a clear consensus on issues of European integration. The Government has drafted a number of laws covering various areas and the efficiency of the National Assembly has increased. In the forthcoming period, greater efforts should focus on policy impact assessment and the more effective implementation of existing regulations and adopted strategies.

A new organisation and network of courts and public prosecution offices has been established. Public prosecutors and judges have been appointed through a general election procedure and new courts have become operational; however, appeal proceedings initiated as legal remedy by judges and prosecutors who were not re-appointed remain in progress. Procedural laws have been amended or superseded by new ones. A major problem of the judicial system is the excessive duration of court proceedings and, especially, long delays in the enforcement of court decisions. Most proceedings initiated by Serbian citizens before the European Court for Human Rights refer to these issues. Similar problems plague the Constitutional Court, which is still understaffed, but which has managed to pass a number of politically sensitive decisions during the reporting period.

Serbia still lacks a national decentralisation strategy. The Government has established an advisory body which should develop such a document with expert support. The legislation on the local government system is aligned with the Constitution of the Republic of Serbia and follows the fundamental principles of the European Charter of Local Self-Government. The Statute of the Autonomous Province (AP) of Vojvodina and the Law on the Establishment of Specific Competences of the AP of Vojvodina have been passed, which ensured compliance with the Constitution of the Republic of Serbia. The same pertains to the influence of political parties over the members of representation bodies at the local government level, especially in light of recent decision of the Constitutional Court declaring certain provisions of the Law on Local Elections to contravene the Constitution. It is necessary to adopt a comprehensive law on public property, which would also regulate local government and provincial property, as guaranteed by the Constitution of the Republic of Serbia.

1.2.2. Macroeconomic and Fiscal Framework and Economic Development

The global economic crisis affected the economy of the Republic of Serbia first in the second half of 2008 – in slowing the growth in GDP – and further in 2009, which registered a negative GDP growth rate of 3%. In response to the crisis, the Government introduced new economic policy measures immediately. Namely, the very moment it received the first reports on the spilling over of the global crisis to the economy of the Republic of Serbia, it adopted a framework programme of actions for alleviating the effects of the crisis, and later adopted extra measures to foster a more rapid economic recovery.

The Government's response to the challenges imposed by the crisis was financially endorsed by the International Monetary Fund (IMF) with which a stand-by arrangement was signed in early 2009. Under the agreement, the IMF approved around three billion Euros in total to the Republic of Serbia, about 1.45 billion Euros of which was withdrawn by November 2010.

Responding to the registered deterioration of the living standards of citizens, the Government set up a Budgetary Fund with a view to addressing problems caused by the adverse effects of the global economic crisis and enforcing the Law on Temporary Cutting of Salaries, i.e. Earnings,

Net Allowances and Other Income in the State Administration and Public Sector. The Government also adopted the Social Security Plan in response to problems linked to the regular disbursement of earnings and the payment of contributions for pension and health care insurance, as well as to the more frequent strikes of employees.

Because of a slump in public revenues, austerity measures were adopted right after the outbreak of the crisis. A decision was taken to freeze the rise in salaries of employees in public administration and pensions, as well as to introduce austerity measures for purchasing goods and services needed for the operation of the civil sector. Amendments to the Budgetary System Law passed in October and December 2010 introduced principles of fiscal accountability and set out how the rise in salaries and pensions would be adjusted in the following period, while the rise of salaries and pensions by 2% in December marked the end of their freezing.

Further government borrowing was needed to cover the fiscal deficit, which at the end of 2009 equalled 4.2% of GDP and which was planned to rise to 4.8% of GDP by the end of 2010. Consequently, the public debt at the end of July 2010 stood at 32.5% of GDP and it had risen by 6.9 percentage points compared to the end of 2008. The dinar depreciation that occurred in the reporting period affected adversely the external debt and hampered its defrayment. With a view to stimulating saving in foreign currency, the Law on Temporary Exemption of Tax on Personal Income of the Citizens with a Specific Type of Revenues² was amended in January 2009, temporarily exempting foreign currency savings from interest on foreign currency savings deposits.

Expenditure on social welfare equalled 18.2% of GDP in 2008, with expenditure on pensions (almost 70%) accounting for the largest portion. In total 3.2% more funds were allocated for social welfare in real terms in 2009, whereas spending on pensions increased in real terms by almost 8% (although in the course of 2009 pensions were frozen, the rise in pensions tracked by the end of 2008 led to a high rate of growth between 2008 and 2009).

In 2009, the National Bank of Serbia (NBS) formally switched to inflation targeting as a monetary policy regime. In 2009 the target set by the NBS was achieved (the target for the end of the year was set at $8\pm 2\%$, and realized inflation equalled 6.6%). Inflation was moving largely below the target tolerance band in the first half of 2010, but in the second half of the year it rose substantially and developed out of the target tolerance band (targeted inflation for the end of 2010 was 4%, with an allowed deviation of 6-8%).

The crisis attested to the need to change the model of growth used so far. This would require a shift from a consumer to a pro-investment model, as well as development of the sector of tradable goods, a rise in exports and a new way to boost public investment. In addition, taking into account the rise in public debt, it would be necessary to manage it cautiously, with transparent and predictable government borrowing, while the objective of general economic development to achieve social development and create improved living conditions for all citizens.

1.2.3. Population

According to the most recent estimates by the Statistical Office of the Republic of Serbia, the population of the Republic of Serbia totalled 7.307 million on January 1, 2010. In comparison to the beginning of 2009, the country's population declined by 28.3 thousand.

Population reduction in the Republic of Serbia is solely a result of negative natural growth. In 2009, the number of live births was lower than the number of deaths by as many as 33.7 thousand. At the same time, 2009 was the 18th consecutive year in which negative natural growth

² Official Gazette of RS, No. 5/09.

was recorded in the Republic of Serbia. In relative terms, the natural growth rate per one thousand inhabitants was -4.6%, lower than the lowest rates registered in European Union member states. Natural growth was negative in both major areas of the Republic of Serbia: -24 thousand (-4.4%) in Central Serbia and -9.7 thousand (-5.0%) in the AP of Vojvodina.

A minimum increase in the number of births was recorded in 2009, as had been the case in 2008, in both absolute and relative terms. Yet, the average of 1.44 children per woman is 30% below the population replenishment rate. An increase in the number of deaths and a slight increase of the crude death rate were also recorded in 2009 in comparison with the previous calendar year.

The balance of migration (the difference between the number of persons having entered the territory and the number of persons having left the territory) was still positive in 2009 (5.4 thousand), according to official data. This estimate, however, is not realistic, since official data do not include most emigrants, who move abroad with their families and do not declare their departure. Towards the end of 2009, 74,944 persons with recognised refugee status resided in the Republic of Serbia, as well as 210,146 registered internally displaced persons from the AP of Kosovo and Metohija.

The Republic of Serbia is an area in which demographic ageing is highly pronounced. More than 1.250 million persons are aged 65 or over. The share of the aged in the total population is 17%, which places the Republic of Serbia among the countries with the oldest populations in Europe. Population ageing has proceeded from the top of the population pyramid down (increase in the proportion of the aged) and from the base of the population pyramid up (decrease in the proportion of the young). As a result, the number of persons under the age of 15 is almost equal to the number of persons over the age of 65.

Two direct population policy measures important for encouraging childbearing are implemented in the Republic of Serbia. These are the parental allowance, paid for the first, second, third and fourth child in the family, and a maternity benefit equal to an employed mother's earnings during a maternity leave of one year. The response to demographic development problems is based on several adopted strategic documents concerning fertility, mortality, migration and population ageing policies. Their adoption, however, is only the first step. The achievement of desired results will largely depend on putting the proposed measures into practice and related activities implementation, which has been delayed because of the global economic crisis.

Efficient implementation of population policy measures is crucial. This is best illustrated by the results of probability projections developed for the period until 2020. Both in an optimistic demographic development scenario and in a pessimistic scenario, the population of the Republic of Serbia will be smaller in 10 years than it is today. However, if population policy is implemented successfully, it will total 7.273 million. Otherwise, the population is forecast to decrease to 6.636 million.

1.2.4. Regional Cohesion

By the Law on Regional Development, the Republic of Serbia introduced the NUTS classification system (an EU standard of the Nomenclature of Territorial Units for Statistics), with five NUTS II regions. The Law establishes a network of institutions responsible for regional development policy and the appertaining strategic framework for regional development.

Regional disparities in the Republic of Serbia are among the highest in Europe. The situation in southern parts of the country is less favourable in comparison with the north, and in rural areas in comparison with urban ones. In the Republic of Serbia, the ratio of the most developed local government units to the least developed ones in terms of economic development levels, was 10:1

in 2008. Of a total 150 municipalities, 46 are extremely underdeveloped, with 40 of these classified as devastated, i.e. their development levels are lower than 50% of the national average. Most of these municipalities are located in the southern part of Serbia, and 19 belong to only four districts: Jablanica, Pčinja, Nišava and Toplica. Per capita budget expenditure on health and the accessibility of health services differ considerably across the territory of the Republic of Serbia. In the bottom 10 municipalities in terms of the ratio of the population to doctors, this ratio is 4.5 times worse than the national average of 356 persons per doctor. The education sector also shows considerable differences among different parts of the state.

The legal and strategic framework is implemented through pertinent measures and programmes financed from the national budget, as well as from bilateral donors' development funds, and the funds of the EU and international financing institutions. The Government Programme for Stimulating Balanced Regional Development in 2010, adopted in March 2010, aims to launch production by utilising existing capacities and building new production facilities, creating jobs and reducing the gaps among regions and municipalities in the Republic of Serbia in terms of development levels.

Key challenges in the domain of regional cohesion in the Republic of Serbia pertain to the following structural issues: functioning of a complex institutional and strategic framework, preparation for the use of available EU funds earmarked for regional development, introduction of planning based on monitoring and evaluation, collection of statistical data at the regional level and funding of regional cohesion.

On the basis of identified challenges, the following recommendations may be formulated for the development of optimum regional policy from the viewpoint of the social inclusion and poverty reduction process: develop a competitive market economy and ensure balanced economic growth, upgrade infrastructure, direct measures and programmes of interest for poverty reduction and social inclusion towards areas outside of urban centres and to the least developed regions of the Republic of Serbia, adopt relevant bylaws foreseen by the Law on Regional Development and establish an appropriate institutional framework as foreseen by the Law, prepare the National Plan of Regional Development and five regional strategies, prepare the Regional Development Operational Programme (IPA component 3 – Regional Development), collect statistical data at the regional level, establish a monitoring and evaluation system and provide conditions for developing relevant analyses at the level of NUTS regions.

1.2.5. Rural Development

The Republic of Serbia does not have a definition of rural areas based on standard indicators used internationally. Official statistics recognise only two types of settlements – "urban" and "other"; the category of "other" settlements, which is insufficiently specific, is usually considered in developing data on rural areas. The legal and institutional framework was considerably improved between 2008 and 2010. Beside the laws on standards and food quality control, two other laws are relevant to rural development: the Law on Agriculture and Rural Development and the Law on Advisory and Extension Services in Agriculture. The National Council for Rural Development has been established, and 16 regional centres and 143 local offices operate within the Rural Development Support Network. Key strategic documents have also been prepared: the Draft Strategy of Agriculture and Rural Development of the Republic of Serbia in the period between 2011 and 2020, the National Programme for Agriculture from 2010 to 2013 and the National Programme for Rural Development from 2011 to 2013.

In 2008, rural poverty decreased to 7.5% (compared to 10% in 2007), which was the lowest figure in the period 2002–2009. However, rural areas responded to the economic crisis and the percentage of the poor below the consumption-based absolute poverty line in rural areas increased

from 7.5% to 9.6%, which is twice as high as in urban areas (4.9%). Mixed-income households are in a more favourable position compared to farm holdings whose members have no other sources of income. The share of vulnerable employment, workforce structure by age and education and workers' professional status are less favourable compared to the urban population. The rural population has poor access to key markets (of goods, information and finance). Rural areas indicate negative demographic trends, and outward migration has had an impact on the declining demographic viability of rural areas. Unfavourable educational levels and low levels of additional knowledge and skills have resulted in the low competitiveness of the rural labour force. The school network has not followed demographic trends and services pertaining to children's early growth and development are underdeveloped and insufficiently used. There is a pronounced rural-urban digital divide in terms of access to information and communication technologies, and rural infrastructure (utility, economic and social) is underdeveloped and imposes restrictions in the development of rural areas.

There are 2,140 active cooperatives across the Republic of Serbia; agricultural cooperatives account for the highest proportion (67.1%), followed by youth cooperatives and building societies. Operational results of the cooperative sector in the Republic of Serbia indicate that they are inversely related to their actual capacities and possibilities. Cooperatives worldwide have been the least severely affected by the global economic crisis. Rural development support funded from the agrarian budget aims to increase agricultural sector competitiveness, upgrading rural infrastructure and diversifying holdings' income. Since 2007, agricultural support has focused on subsidies for various investments and funded by direct payments per hectare. Within support to agriculture and rural areas from the national budget, there have been measures with (indirect) effect on rural poverty reduction. The most significant programmes in the observed period were the water supply programme carried out by the Ministry of Agriculture, Forestry and Water Management; local infrastructure development programme (funded by the EU); rural tourism support programme; support to local action groups (LAGs) and actions modelled on the LEADER approach, and preparations for the Census of Agriculture.

1.2.6. Financial Poverty and Deprivation of Existential Needs

The methodology for measuring financial poverty in the Republic of Serbia is comparable to EU standards and adapted to the national source of data (Household Budget Survey, Statistical Office of the Republic of Serbia). It is based on the relative poverty line (60% median national income per consumer unit), and the income of households as the essential aggregates for measurement of living standards (non-pecuniary income included in observance of EU recommendations). According to this concept, 18% of the population of the Republic of Serbia were exposed to the risk of poverty in 2008 and 2009, which is somewhat above the average at-risk-of-poverty rate in the 27 EU member states in 2008 (16.6%).

Social transfers contributed to reducing the risk of poverty by 7.9% in 2009 (from 19.1%, in a hypothetical case of the absence of social transfers excluding pensions to 17.7%), which is incomparably lower than the effect of social transfers on poverty reduction in the EU (32%). The social transfers had a major effect on reducing poverty among children under the age of 18.

The risk of poverty was the highest among inactive persons, except pensioners (47.4%), the unemployed (30.5%), the self-employed (26.5%), persons living in households with three or more dependent children (32.7%), single-parent households with one or more children (30.6%), followed by the single elderly household (26.5%) and children up to the age of 18 (22.1%).

The analysis of social transfers shows a drop in the proportion of social transfers (excluding pensions) distributed to the poor (efficiency) from 49% in 2008 to 47.7% in 2009. The percentage of the relative at-risk-of-poverty gap also decreased through social transfers (effectiveness) from

3.4% in 2008 to 2.6% in 2009. While the poor receive up to 50% of social transfers, the effectiveness of social transfers is very low, with the amounts significantly lower than the depth of the relative gap to be covered (difference between the relative poverty line and income of population).

Absolute poverty trends measured according to the current methodology (absolute poverty line and household consumption) need to be monitored in parallel with the presented poverty estimates according to EUROSTAT methodology, in order to gain a comprehensive insight into the situation of poverty in the Republic of Serbia. According to these assessments, and following a period of significant reduction (2002-2008), absolute poverty started to grow in 2009, as a consequence of the deterioration of labour market indicators triggered by the effects of the global financial crisis. The absolute poverty rate increased from 6.1% in 2008 to 6.9% in 2009. The upward trend of absolute poverty persisted throughout 2010 when, based on preliminary semi-annual reports of the Statistical Office of the Republic of Serbia, an absolute poverty rate of 8.8% was recorded.

The profile of absolute poverty is very similar to the profile of relative poverty presented. In addition, the absolute poverty profile indicates very pronounced regional disparities in the poverty rate, both between urban and rural areas as well as between Belgrade and Central Serbia. Reducing regional disparities in poverty may be achieved by creating an environment conducive to investments of entrepreneurs into less developed regions.

Furthermore, the absolute poverty profile shows a strong correlation between poverty and the level of education. The above-the-average poverty index was recorded in persons living in households where the head of household is uneducated, has not completed primary school or has completed primary school only. While it is among these households that the entire decrease of poverty occurred in the pre-crisis period, the entire increase of poverty in 2009 occurred among persons in households whose head had the lowest level of education. This corresponds to findings that the burden of the crisis was most felt by the least educated, while persons with the highest levels of education felt almost no effects of the crisis.

1.2.7. Employment and Labour Market

Two key laws in the employment sector were adopted in May 2009: the Law on Employment and Insurance in Case of Unemployment and the Law on Professional Rehabilitation and Employment of Persons with Disabilities. Decentralisation and promotion of development of regional and local employment policies are high on the list of employment policy priorities. The priorities set out in the National Employment Strategy 2011-2020 include an increase in employment, investment in human capital and social inclusion.

The labour market in the Republic of Serbia has been experiencing a protracted crisis. Key indicators such as activity, employment and unemployment rates are among the lowest in Europe, comparable only to results in other Western Balkans countries. Since the onset of the financial crisis, employment dropped by 12.6%, despite the fact that the cumulative GDP drop recorded in the same period was only 4.7%. In all other European and regional countries, the drop in employment was slower than the drop in GDP.

With a view to EU social inclusion indicators in the area of long-term and very long-term unemployment, the situation of the Republic of Serbia is markedly unfavourable compared both to the EU average and individual countries. The unemployment of youth (15-24) is highly pronounced and significantly above the general unemployment rate. The first impact of the crisis additionally worsened the situation of vulnerable groups, especially youth, persons without qualifications, rural population, and refugees and internally displaced persons on the labour

market. Unemployed Roma constitute a particularly vulnerable group on the labour market, the greatest problem being the quality of their employment with dominant informal employment. Just over 11% of respondents working in the grey economy hold formal employment, with regular earnings insufficient for a decent life. Social dialogue at the local level is still very rudimentary, as is social dialogue at the bilateral level. Although the climate is not conducive to the development of social entrepreneurship, certain initiatives have shown interest in improving the situation of vulnerable groups through this concept.

More than 80% of the total allocations for labour market programmes (approximately RSD 20 billion/annum) over the past three years have been spent on passive labour market measures (unemployment benefits primarily). Approximately RSD 4 billion/annum are spent on all active labour market programmes. The most dominant programmes in the structure of active labour market programmes over the past two years have been “The First Chance” programme and the Programme of Public Works. With the support of the Youth Employment Fund, more than 1,500 young members of vulnerable groups were involved in active labour market programmes in the course of 2009. In 2010, the interest of Roma in participating in active labour market programmes increased. With a view to formalising the labour and legal status of Roma, the occupation of “waste collector” will be introduced in the Integrated Nomenclature of Occupations. A total of 5,430 persons with disabilities from the National Employment Service registries have been employed since the Law on Professional Rehabilitation and Employment of Persons with Disabilities came into effect. In addition to public works and limited programmes targeting persons with disabilities, the targeting of members of vulnerable groups by active programmes is not yet adequate.

1.2.8. Education

Recently implemented reforms – aimed at increasing the quality, relevance, equity and efficiency of the education system – have extended to all levels of education. A set of laws was adopted and their efficient implementation and monitoring should be one of the future priorities. The most important legislative novelties refer to finding ways to include children with developmental disorders and children from marginalised groups into education; the extension of the duration of the Preparatory Preschool Programme from six to nine months; the introduction of general and specific outcomes and standards of education; and raising competencies of the teaching staff and managerial structures. Final examinations at the end of primary and matriculation examinations at the end of secondary education were introduced. The adoption of Standards for the Completion of Mandatory Education and Performance Quality Standards of Educational Institutions may contribute to improving the quality of education.

Inclusive practices in schools were supported through training teachers, producing materials and distributing grants to schools and local governments. Nevertheless, much remains to be done with respect to creating an “inclusive environment”, especially in the domain of inter-ministerial cooperation (education, health and social policy) and support to local governments. Nothing has been done as yet with respect to the improvement of education of children living in rural areas.

The new profiles in secondary vocational education show good effects, but cover only 15% of secondary school students. There are still educational profiles that are not in demand on the labour market. In the future, the reform of secondary vocational education needs to be accelerated, the National Qualifications Framework developed, the model of recognition of non-formal learning developed and the possibility for vertical and horizontal mobility across the system created.

Notwithstanding indications that certain indicators are improving relative to EU indicators, the level of education of the entire population of the Republic of Serbia is still low, and the quality of

education is not at a satisfactory level. In addition, the coverage of children by early growth and development programmes is low, a very small proportion of adults take part in lifelong learning programmes and drop-out rates remain high, especially in secondary education and among marginalised groups.

One of the future priorities needs to be the establishment of an information system, the alignment of indicators with those of the EU and the introduction of monitoring the performance of marginalised groups in education.

Local governments need to be strengthened to plan improvements in the education of the local population. The spending of loans and EU project proceeds must also be planned in order to help poor and underdeveloped municipalities improve conditions in educational institutions and the quality of education at all levels.

In order to maintain continuity in human resources development in the Republic of Serbia, a comprehensive strategy of education needs to be defined, developed and implemented in parallel with short and long-term measures strategically planned, budgeted, coordinated and monitored.

Data on the share of education in GDP in various documents have not been harmonised, and thus the conclusion that there is no common stance on whether the State considers education to be an expenditure that must be reduced, or an investment in the development of human capital that needs to be increased. In any case, allocations for development programmes need to be increased at the expense of current expenditures, and the effectiveness of the spending of available funds needs to be enhanced.

1.2.9. Social Welfare and Child Protection

Competent authorities of the Republic of Serbia, the Autonomous Province of Vojvodina and local governments have adopted a number of strategic documents, action plans, laws and other regulations relevant to social inclusion in the field of social welfare and child protection, housing and pension system development. Such strategies, primarily those at the national level, set the directions of developing subsystems of social welfare and family protection and the areas of housing and pensions.

In a number of cities and municipalities in the Republic of Serbia, the strategic goals of national strategic documents in the field of social welfare have been adapted to local communities' needs by adopting local strategies and action plans pertaining to social welfare and child protection. In the past two years, more than 120 local governments have developed local social policy plans and participated in strategic planning processes at the local and province levels. The overall number of beneficiaries of social welfare services provided through centres for social work has increased.

Significant results in the deinstitutionalisation of care have been achieved in the sphere of child and youth protection, in particular children without parental care. The capacities of residential institutions have been decreased; this has been achieved, to a large extent, through the development of foster care. The Family Law, passed in 2005, and the Law on Social Welfare (adopted by the Government towards the end of 2010) provide the normative basis for promoting the placement of beneficiaries in the care of foster families. Placement in social care institutions, primarily with regard to children, is in many cases the last resort, when all other available options have been exhausted.

In 2009, fewer children without parental care were in the care of social care institutions than had been the case in the previous years. The number of children in the care of foster families increased, but this service did not sufficiently cover children and youth with developmental

impairments. Placement in a foster family is also underutilised in the care of adult and elderly beneficiaries.

Although the capacity and number of beneficiaries has been on a constant increase since 2002, the number of beneficiaries is still low. In 2009, a total of 65 local governments funded day care services; of these, 43 funded child care, 13 – adult care and 9 – elderly care services. The social inclusion of persons with disabilities remains poor, and persons with disabilities encounter great difficulties in employment, education and family life. The Law on Vocational Rehabilitation and Employment of Persons with Disabilities was adopted in 2009, providing the legal framework for promoting the social inclusion of persons with disabilities in the field of labour and employment. Applicable legislation and legal norms governing the declaration of legal incapacity and guardianship do not provide sufficient instruments for implementing the concept of supported decision making by persons with intellectual and mental difficulties.

Key challenges in the sphere of pecuniary benefits targeting the poorest are linked to a clear trend of increasing the number of beneficiaries as a result of the crisis. At a conceptual level, an important new feature is a focus on the proactive role of beneficiaries of pecuniary assistance and providing opportunities for their activation. It is of paramount importance that the design of activation programmes for beneficiaries of pecuniary assistance be aligned with relevant programmes to be developed for the unemployed, at both the strategic and implementation levels.

Lines of action in the field of social welfare are aimed at deinstitutionalisation and further development of community-based services. This remains a key strategic line of development.

1.2.10. Pensions

The fundamental objective of European Union pension policy is adequate and financially sustainable pension benefits. Retirement benefits are considered adequate when they maintain the minimum income in old-age and therefore the absolute standard of living for the elderly, but also the old-age income replacement – preserving the standard of the preretirement years, the relative standard of living.

The pension system in the Republic of Serbia is mandatory, public and financed on a pay-as-you-go (PAYG) basis. The system is designed to link well the earnings of employees from their entire career to their future retirement benefits employing *the point formula*. Currently, it is possible to have the old-age income replacement at the level of approximately 72% of the pre-retirement wage.

Over the last 10 years, pension indexation methods have changed on several occasions. According to the latest proposed amendments to the law, pensions will be indexed to the Swiss formula in October 2011, and in 2012 the formula containing GDP instead of wages, and then pensions, will grow in real terms only if GDP records an increase of more than 4%, for a percentage point exceeding the growth, meaning a real growth of 1% per annum. Another novelty is that the Law on Amendments to the Law on the Budget System determines the manner of indexation until 2015, and in fact much longer – until the share of pension expenditure in GDP reaches 10%. Such a manner of indexation will certainly jeopardize the adequacy of pension benefits.

The instrument for maintaining the absolute standard of living within pension insurance is the minimum pension, defined by the 2005 legislative changes in such a way that it amounted to 25% of the average wage from the previous year in January 2006. From that moment on, it has been indexed like other pension benefits, under condition of extraordinary indexation if it falls under 20% of the average wage. The latest amendments to the Law stipulate a symbolic one-off increase in the minimum pension benefit. Approximately 60,000 people claim the minimum

pension or 6% of the old-age and disability pensions. Although aimed to provide for the absolute standard of living, it is not necessarily claimed by the poorest pensioners. The structure of minimum old-age pension beneficiaries indicates that these are primarily women with 15-25 years of service, which means that in most cases minimum pension is not a result of low wages during their working life, but of a small number of years of service.

There is no minimum pension when it comes to survivor pension benefits; more precisely, the minimum pension is applied to old-age and disability pension benefits and is used as a base for calculating survivor benefits, which is determined as a percentage depending on the number of beneficiaries. Therefore, survivor pensions can be very low and a significant number of survivor pension beneficiaries receive very low pension benefits; approximately 80,000 or 30% of survivor pensioners have pension benefits lower than RSD 11,000, and not less than 30,000 pensioners are entitled to pension benefits between RSD 7,000-8,000.

When it comes to farmers' insurance, 99% of farmer pensioners receive the minimum pension. Except for the year 2008, when the minimum pension was at the very poverty line, and 2009, when it was somewhat higher than that, the minimum farmers' pension benefit was generally below the absolute poverty line. It amounted to RSD 8,385 in 2010 and was raised to RSD 9,000 on January 1, 2011 by amendments to the law at the end of 2010, which is the amount higher than the absolute poverty line.

Poverty surveys have shown that the poverty of pensioners is slightly below the average of the general population, while the poverty rate of elderly men and women over 65 years of age without pensions is considerable – some 20% live in absolute poverty. The findings merely validate the important role of pensions in poverty reduction among the elderly. Detailed poverty research carried out on data from 2007 substantiates assumptions obtained in the analysis of pension figures – the poverty rate is more pronounced with farmer and survivor pensioners (12% and 8%), while the poverty of old-age pensioners from the employee insurance is below the overall population average (less than 4%). Likewise, although a strong correlation was identified between the level of pension and poverty, not all beneficiaries of the minimum pension are poor. Specifically, 10.3% pensioners from the first quintile of the old-age employee insurance pension are poor.

As for policy options, it is necessary to consider poverty reduction instruments for the elderly, bearing in mind the financial resources and administrative constraints. Options include the introduction of targeted social pensions for the elderly over 65 years of age; the introduction of targeted social pensions for the elderly over 75 years of age; the introduction of a universal pension for the elderly over 75 years of age; and determining a minimum survivor pension, for which the top-up would be provided from the budget of the Republic.

At the same time, it is necessary to consider the adequacy of pensions in terms of maintaining the relative standard of living, and in a few years' time, adequately revise the indexation proposed in the amendments to the Law on Pension and Disability Insurance and adopted in the amendments to the Law on the Budget System, but also to consider the financial sustainability of the system by means of additional savings in certain segments of the system, such as the long (accelerated) years of service, insurance calculated with increased duration and early retirement, as well as improvements on the revenue side.

1.2.11. Health

The legal and strategic framework of the Republic of Serbia is aligned with European Union recommendations. Particularly vulnerable groups of the population are defined by the Law on

Health Care, whereas the Law on Health Insurance regulates the modality of exercising mandatory health insurance rights by these groups. Aligning laws, bylaws and strategic documents, applying them consistently, ensuring sustainability and assessing the impact of implemented health policy measures are important challenges in the health care system of the Republic of Serbia.

The situation in this area is presented through an overview of the recommended list of indicators for monitoring social inclusion in the area of health and health care. The values of indicators measuring health care accessibility show progress. However, inequalities are still present in population health outcomes between the overall population and particularly vulnerable groups. Providing reliable data for computing health status indicators for vulnerable groups remains a problem. The most efforts in that regard have been invested in analysing the situation of the Roma population.

Funding health care for particularly vulnerable groups from the Republic of Serbia budget is regulated by the Law on Health Care and the Law on Health Insurance. However, the funds earmarked in the budget of the Ministry of Health for the health care of these persons, who would thus be equalised in status with other insured persons, are not sufficient. The proportion of out-of-pocket payment for health care services, primarily for medications and medical-technical devices, still present a significant obstacle to vulnerable groups of population in accessing health care.

Progress in health care quality assurance and evaluation has been achieved through developing the Strategy for Permanent Improvement of Quality in Health Care Protection and Safety of Patients accompanied by its Action Plan, through developing and monitoring modern health care quality indicators and through establishing the Agency for Accreditation of Health Care Institutions of Serbia, along with developing accreditation standards and introducing tools for service standardisation and reduction of clinical practice variation. Practicing health professionals are still insufficiently involved in the culture of on-going quality improvement, and challenges of ensuring sustainability of the newly established health care system mechanisms and raising working efficiency still remain.

The level of allocations for health care expressed as a percentage of GDP has been maintained since the onset of the economic crisis and is close to the European Union average. However, as a result of low GDP in absolute terms, the per capita expenditure on health is also low. Monitoring financial flows in the health care system is still based on estimates, and the introduction of national health accounts, which are being developed as part of a project, is expected to yield improvements in that regard.

In the Republic of Serbia, long-term care and treatment are currently provided in the existing health and social care institutions. The health care system provides hospital care and the protection of mentally ill patients in specialised psychiatric hospitals and psychiatric wards of general hospitals. Although trends of deinstitutionalisation of care are recognised in the legal framework, solutions in daily work, such as community-based mental health centres and other forms of integrating health and social care, are not present to a sufficient extent. Hospital wards for rehabilitation and geriatric wards are also in the domain of long-term care and treatment, but their capacities are insufficient. There are no special institutions for providing palliative care or accommodation to patients in the terminal stage of illness. The Strategy for Palliative Care integrates palliative care and treatment in the existing health care system.

1.2.12. Housing

The Republic of Serbia has lacked a developed national housing policy for more than two decades. Throughout this period, there have been programmes to solve the housing problems of

specific vulnerable groups, employees in public services and enterprises, and tax reliefs and subsidised loans for purchase of the first apartment.

The Law on Social Housing, adopted in 2009, provides a basis for the establishment of the necessary strategic, institutional, financial and other instruments aimed at the development of the social housing system at the central and local level. The process of drafting the National Social Housing Strategy is under way. The strategy should provide an estimate of the housing needs of different groups, as well as a proposal of adequate programmes and measures in this area. Identification of sustainable funding methods and transparent mechanisms of implementation, including enhancement of coordination and harmonisation of activities of various stakeholders (ministries, directorates, agencies, Provincial institutions, local governments and donors) is key to the successful execution of the planned programmes.

The herein presented situation in the sector is based on the information available, as certain segments lack data relevant to monitoring housing exclusion and existing data is inadequately aligned with the recommended list of indicators.

The housing fund in the Republic of Serbia is characterised by a high proportion of privately owned apartments (approximately 98%), which is a consequence of the process of privatisation of the socially owned housing fund during the 1990s. On the other hand, a number of owners cannot afford the high utility and maintenance costs, which results in the devastation of the housing fund. The absence of a regulated rental sector is one of the causes of the lack of accurate records on the number of households renting apartments. The existing sources indicate that the poorest households very rarely rent apartments due to the lack of funds to pay rent.

Judging by all indicators, low-income households face huge housing problems. Approximately one-third of households below the poverty line do not have water supply infrastructure in their house/apartment, and some 50% have neither a toilet nor a bathroom. One-third of these households spends more than one-half of their income on housing. Certain local governments in the Republic of Serbia grant subsidies to the poorest inhabitants towards covering electricity and housing costs. However, there are no analysis as to the extent of the effectiveness of this assistance to satisfy the needs.

Over the period of nearly two decades, 10,492 different housing solutions were ensured for refugees and internally displaced persons through new housing construction, the purchase of construction land and the distribution of building materials for construction or completion of houses, purchase of village houses, etc. Notwithstanding these efforts, 4,791 refugees and internally displaced persons, mostly extremely vulnerable individuals, were accommodated in collective centres in April 2010.

The housing conditions of Roma are considerably worse than those of other vulnerable groups as well as the general population. A high proportion of illegal Roma settlements, their inadequate access to infrastructure and the poor housing fund are but a few of the characteristic problems. Roma internally displaced persons and Roma returnees on the basis of the Readmission Agreement between the Republic of Serbia and the European Union face a particularly difficult housing situation. The resettlement of informal Roma settlements, often followed by evictions or a lack of adequate alternative housing, also represents a specific challenge. The programmes to resolve the housing problems of Roma are few and the funds invested are inadequate.

1.2.13. Human Rights and Social Participation

The Republic of Serbia attaches great importance to human and minority rights and invests efforts in observing and applying the highest international and European standards in this field. The

Republic of Serbia has accordingly completed the national legislative framework for human and minority rights, acceded to and ratified the major global and regional treaties in the domain of human rights, and worked on the adoption and national implementation of optional protocols to those treaties. As for the international framework, the Republic of Serbia has a proactive policy when it comes to acceding to the conventions of the United Nations, Council of Europe and other international organisations; moreover, a series of bilateral agreements with the countries in the region have been concluded.

By provisions that observe modern standards in the protection of minority rights, the Constitution of the Republic of Serbia has set up a solid framework for the further development and protection of guaranteed human and minority rights. In the section dealing with the protection of minority rights, the Constitution of the Republic of Serbia still contains minor inaccuracies which need to be removed, but one has to mention the fact that it is classified as one of the "rigid" constitutions, i.e. one that is hard to change and which assumes a hefty and demanding procedure, in other words, a great deal of consensus in the National Assembly.

In addition, a consistent and comprehensive body of anti-discrimination legislation has been built. The Anti-discrimination Law, fully harmonised with EU directives, has been passed. This framework law prohibits all forms of discrimination on any grounds and foresees the Commissioner for the Protection of Equality, an independent and autonomous public authority competent for the protection against discrimination and promotion of equality, appointed in 2010. Judicial protection against discrimination is also regulated.

With regard to the protection of national minorities' rights, the Law on the Protection of the Rights and Freedoms of National Minorities is of paramount importance. The Law on National Minority Councils regulates precisely the competences of national minority councils in the spheres of culture, education, information dissemination and official use of language and script and provides for their democratic election. In the domain of civil and political rights, the main laws are the Law on Associations and the Law on Political Parties, governing the constitutional freedom of association by establishing a registration application system, thus enabling the fast and efficient registration of associations and political parties. The Law on Free Access to Information of Public Importance has been passed; it regulates the right of access to information held by public authorities, with a view to achieving and safeguarding the interest of the public to be informed and attaining a free democratic order and an open society. The Law on Personal Data Protection governs the conditions for personal data collection and processing, the rights of persons whose data are collected and processed, and the protection of such rights.

Progress has been made in the field of statistics, but there is still a deficiency in specific indicators for the monitoring and analysis of the effects of adopted measures, as well as in the data for the systemic monitoring of the conditions and improvement of the status of minorities and vulnerable social groups.

The recent period was characterised by establishing the mechanisms of independent bodies. One of the challenges entails setting up an adequate system for providing support and assistance to victims of human rights violations, including compensation for damage. In this regard, it is necessary to further support the improvement of the work of independent bodies and ensure that their decisions and recommendations are being implemented.

As for social participation, progress has been made in cooperating with the public and private sectors through consultations at the executive and legislative levels. However, involvement of the public in decision-making processes remains a challenge in the forthcoming period. With regard to citizens' involvement in the decision-making process, the following recommendation from the European Platform against Poverty and Social Exclusion should be taken into account: "support the involvement of local actors in the decision-making process at local levels".

2. Social Inclusion and Poverty Reduction within the European Integration Process

2.1. Development of Relevant Policies, Institutional and Regulatory Framework in the European Union

- 2.1.1. In the establishing treaties, the European Union specified a wide range of its tasks, including: reaching a high level of employment and social protection, equality of women and men, raising the standard of living and quality of life and economic and social cohesion and solidarity among member states³. The commitment of the EU to achieving the said tasks was reiterated in 1994, when the European Commission defined the European Social Model as a “set of common values that include democracy and individual rights, free collective bargaining, the market economy, equal opportunities for all and social protection and solidarity.”⁴
- 2.1.2. The coordination of social inclusion policies among the EU member states is effected through the implementation of the Open Method of Coordination at the EU level. This is a voluntary process of political cooperation, based on the agreement about the common objectives and indicators allowing the measurement of the progress made in pursuing the defined objectives.
- 2.1.3. After the Treaty of Amsterdam had extended the application of the Open Method of Coordination to the field of employment, the EU adopted the Lisbon Strategy in 2000, extending the Open Method of Coordination to the fields of social inclusion, pensions, healthcare and long-term care⁵. By doing so, the European Union set the foundation for adoption of the Social Inclusion Strategy in late 2000, as a framework for development of the national strategies and coordination of public policies between the EU member states with regard to the issues concerning social exclusion.
- 2.1.4. This coordinated action at the EU level led to the creation of national action plans⁶, used by the member states to scrutinise their policies and define the ways in which they would carry out the activities in the process of social inclusion and poverty reduction. Moreover, mechanisms were set up under OMC for monitoring the state of social affairs in the EU through the Report on the Social Situation in the European Union and the European Observatory on Social Situation and Demography.
- 2.1.5. For pursuing the objectives stipulated under OMC, in addition to the European Social Fund as the central mechanism, the EU has offered financial support through the following instruments: EU Programme for Employment and Social Solidarity – PROGRESS 2007–2013, European Globalisation Adjustment Fund and the European Progress Microfinance Facility.
- 2.1.6. Complementary to the development of the European social model is the process of architecting the policy of economic and social cohesion, which aims at facilitating the balanced and harmonious development, primarily through narrowing the social and economic gaps between the regions. The above is to be achieved by supporting the less

³ Article 2 of the Treaty of the European Union.

⁴ European Commission, “European Social Policy – A Way Forward for the Union – A White Paper“, 1994, p. 2.

⁵ Initially, the OMC entailed three separate processes, which were combined in 2005 into a unified mechanism, the so-called Social OMC.

⁶ Since 2008, the Member States have been adopting national strategic reports, which are appraised by the Commission and the Council through joint reports.

developed regions by means of the structural funds – the European Social Fund and the European Regional Development Fund, as well as the Cohesion Fund.

- 2.1.7. As regards the primary sources of law, the most recent progress in the area of social policy at the EU level was achieved with the **adoption of the Treaty of Lisbon in 2007**. The Treaty introduced many innovations significant for the regulation of social affairs into the EU legal system. This primarily refers to the explicit definition of shared competence between EU and the member states in the field of social policy. Furthermore, the Treaty also contains the “Social Clause”, whereby in defining and implementing its policies and activities the EU “shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health”.
- 2.1.8. The EU institutional framework underpinning the process of social inclusion primarily includes the **European Commission**, as the body proposing the regulations to the European Parliament and the Council of EU. The European Commission comprises a number of directorates-general competent for the activities in the sphere of social inclusion: the Directorate-General for Employment, Social Affairs and Inclusion, the Directorate-General for Education and Culture and the Directorate-General for Health and Consumers. In addition, the Commission has established several bodies contributing to the social inclusion process, such as the Social Protection Committee and the European Observatory on Social Situation and Demography.
- 2.1.9. **The European Parliament** partakes in the process of social inclusion through the activities of several of its committees, namely on: employment and social affairs, human rights, culture and education, women’s rights and gender equality, etc. **The Council of the EU** discusses and decides on the matters pertaining to the social inclusion process in various Council configurations, primarily in the Employment, Social Policy, Health and Consumer Affairs Council and the Education, Youth, Culture and Sports Council.
- 2.1.10. Among other EU bodies significant for the process of social inclusion, it is important to acknowledge two committees, as well: the European Economic and Social Committee and the Committee of the Regions. **The Economic and Social Committee** has an advisory role in the process of adopting legislation and constitutes the pivotal EU body for cooperation with the civil society and the social partners – the employers and trade unions. **The Committee of the Regions** also plays an advisory role and gathers the representatives of the regional and local authorities.
- 2.1.11. Furthermore, significant for the process of social inclusion is also the work of EU agencies, of which there are several types. **Community agencies** are mainly established in order to accomplish a very specific technical, scientific or managerial task. Agencies of this type, which are competent for the process of social inclusion are: European Training Foundation, European Centre for the Development of Vocational Training, European Foundation for the Improvement of Living and Working Conditions, European Union Agency for Fundamental Rights, European Agency for Safety and Health at Work and the European Institute for Gender Equality. **Executive agencies**, such as the European Education, Audiovisual and Culture Executive Agency, are mainly established with a view to running individual EU programmes (e.g. the programme for modernising higher education – TEMPUS).

2.2. Strategic Framework in the European Union

- 2.2.1. The strategy entitled **Europe 2020: Strategy for Smart, Sustainable and Inclusive Growth**⁷ (hereinafter: Europe 2020 Strategy) is the fundamental document of the current EU strategic framework. This document was adopted in an attempt to more effectively coordinate the economic and social policies at the EU level, taking into account the achievement to date of the Lisbon Strategy objectives and of its social dimension – the Social Policy Agenda 2000–2005 and the Social Agenda 2006–2010.
- 2.2.2. **Population:** EU is facing demographic changes (ageing population, low birth rates, changes in the family structure and migrations) and, in response to these, five key solutions have been identified at the EU level: support to demographic recovery by ensuring better conditions for the families and the reconciliation of work and family life; stimulation of employment and increase of the quality of work; enhancing productivity through investment in education and research; acceptance and integration of migrants in Europe; ensuring sustainable public finances so as to guarantee adequate pensions, as well as healthcare and long-term care.
- 2.2.3. **Regional (or cohesion) policy:** This is one of the most significant joint policies at the EU level. In the financial period 2007–2013, the funds set aside for the implementation of this policy through the structural funds (European Regional Development Fund and the European Social Fund) and the Cohesion Fund amount to EUR 347 billion. The reform of the cohesion policy, the establishment of the new strategic framework and the rules for utilisation of funds in the period 2014–2020 have already begun. Within the EU member states, the most pronounced regional differences, measured in terms of per capita GDP, have been registered in the United Kingdom of Great Britain and Northern Ireland, where the ratio of the highest to the lowest values is 4.3, followed by France (ratio of 3.5) and Romania (ratio 3.4). Moderate regional differences in per capita GDP exist only in the EU-15 member states. The lowest values are found in Slovenia, with the ratio of 1.5, as well as Ireland and Sweden with the ratio of 1.6.
- 2.2.4. **Rural development:** The two fundamental elements of the common agricultural policy in EU are the assistance to farmers in increasing their competitiveness and the promotion of development of rural areas, especially in the less attractive regions. In accordance with these objectives, funding provided to farmers is focusing on environmental protection and quality, rather than on quantity of output. At the EU level, the responsibility towards rural development has been increased through an integrated financial instrument – the European Agricultural Fund for Rural Development, its objective being the promotion of agriculture and forestry, as well as of all types of rural activities.
- 2.2.5. **Employment:** The Europe 2020 Strategy also defines the guidelines which are particularly relevant in the field of employment: increase of participation in the labour market and the decrease of structural unemployment; development of the competent workforce that matches labour market needs, promotion of high-quality jobs and lifelong learning; enhanced performance of the education and training system at all levels, as well as an increased share of persons with higher education. In the section addressing employment, the Europe 2020 Strategy underlines the objective of increasing the employment rate of the population aged 20–64 to at least 75% by 2020. Moreover, at the national level, the member states will be expected, *inter alia*, to undertake national plans to implement *flexicurity*, with a view to decreasing labour market segmentation and facilitating the balance between work and (family) life.

⁷ Adopted at the EU summit on June 17, 2010.

- 2.2.6. **Education and training policies:** It is these policies that make up the backbone of the Europe 2020 Strategy for reviving the European economy in the next decade. In the EU countries, the goals of education system reforms are principally related to enhancing the quality of education, including children in the early development programmes, decreasing the number of early school leavers, increasing the number of young people with higher education and the number of adults who participate in the lifelong learning programmes. The common objectives and indicators for monitoring the progress in the achievement of these objectives have been defined.⁸ The fulfilment of the objectives should also be facilitated by the advancement of education efficiency and improvement of the outcomes at all levels of education in relation to the key competences. The central issues include the increase of the education system's relevance for the labour market by adapting the learning outcomes, creating the national qualifications frameworks and through empowering the current and future labour force to adapt to the new conditions and the potential career shifts. One of the priorities is the recognition of the competences attained through formal or non-formal learning for the purposes of further learning or employment.⁹ The EU member states participate in the Open Method of Coordination (OMC), whereas the major documents for cooperation in the field of education and training are: the Strategic Framework for European Cooperation in Education and Training, New Skills for New Jobs, Key Competences for Lifelong Learning, European Qualifications Framework for Lifelong Learning and the European Quality Assurance Reference Framework for Vocational Education and Training.¹⁰
- 2.2.7. **Financial poverty, social welfare and child protection:** In the European Union, 84 million people, or 17% of the population, were at risk of poverty in 2008, since they lived off the income below 60% of the average household income in their respective countries¹¹. For that reason, the Europe 2020 Strategy envisages, among other things, the launching of a number of new initiatives at the EU level in the field of social policy, such as the European Platform against Poverty and Social Exclusion, which was adopted in December 2010¹². Among the priority objectives to be achieved by 2020, one particularly highlighted is to reduce the number of persons living under the poverty line by 25%. The Platform defines a dynamic framework for the activities aimed at attaining social and territorial cohesion, which is to ensure that the benefits from growth and jobs are exploited throughout the European Union and that the persons facing poverty and social exclusion are given a chance of a decent life and active involvement in society. The eradication of child poverty is one of the common priorities of the members states within OMC; the Platform acknowledges the necessity of a multidimensional approach that requires interventions in the employment policies, organisation of the tax incentives system, provision of the key services such as high-quality childcare, education and the protection of children's rights.
- 2.2.8. **Pensions:** The pension systems in the EU are regulated by "soft legislation" coordinated through OMC, which is used for the exchange of experiences among the member states in

⁸ For the purpose of monitoring the Lisbon objectives, 5 reference points, common to the field of education and training (ET 2020), have been formulated and 16 indicators for monitoring the objectives have been defined at the EU level.

⁹ Europe 2020, A European strategy for smart, sustainable and inclusive growth, Flagship Initiative: "An Agenda for new skills and jobs: A European contribution towards full employment", EC 2010.

¹⁰ Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training ('ET 2020'), 2009/C 119/02, New Skills for New Jobs Anticipating and matching labour market and skills needs, EC 2008, Recommendation of the European parliament and of the Council on the establishment of a European Quality Assurance Reference Framework for Vocational Education and Training, 2008.

¹¹ Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-SF-10-009

¹² COM(2010) 758 final.

system reform, for defining the guidelines and setting the reference points, its ultimate goal being the coordination of the pension systems among the EU countries. In the sphere of pension systems, OMC was reformed in 2005 and integrated into the “Social OMC”. At that point, the overarching objectives were defined for the “Social OMC” and for each separate area. The overarching objective addressing the pension system envisages adequate and sustainable pensions, which will be provided by: a) ensuring adequate income and access to the pension system, which will, in turn, help maintain the living standard after retirement at an adequate level, b) ensuring financial sustainability of the public and private pension systems, taking into account the demographic pressure and c) a transparent pension system which is tailored to suit the needs of the modern society and demographic changes.

- 2.2.9. **Health:** At the time of its establishment, the EU was expected to ensure that people’s health be protected by all EU policies, as well as to facilitate cooperation among the member states with a view to improving public health, preventing the occurrence of diseases and eliminating the sources of hazard for the physical and mental health. The EU strategy for protection and improvement of public health¹³ is implemented primarily through the *Health Programme* in the period 2008–2013. The European Union promotes coordination of the national health policies through OMC, with special regard to the access to and quality assurance of services and system sustainability.
- 2.2.10. **Housing:** the EU and its members and institutions regard housing as a very important aspect of the social inclusion process, which is taken into consideration within OMC in the field of social protection and social inclusion¹⁴. In late 2009, the European Commission updated the set of indicators for monitoring the European Strategy for Social Protection and Social Inclusion¹⁵ and included two secondary indicators in the field of housing, namely the indicator of housing costs and the indicator of overcrowding, as well as two indicators of the context – housing deprivation and the share of housing costs in the total available income of the household.
- 2.2.11. **Human rights and social participation:** The Preamble of the Single European Act of 1986 and the Treaty of the European Union of 1993 formally introduced the protection of human rights as an obligation of the EU. The Charter of Fundamental Rights of the EU, ratified in 2000, proclaimed the sanctity of human dignity and incorporated the general human, civil, economic and social rights. The 2007 Treaty of Lisbon reinforced the political, economic and social freedoms, whereas the Charter of Fundamental Rights of the EU became a legally binding document. Among the secondary sources of EU law, the most significant for the field of human rights are the Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation and the Council Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin. The framework for human rights protection was further enhanced by the adoption of the Europe 2020 Strategy, which stipulated, as one of its objectives, the recognition of fundamental rights to the poverty-stricken and socially excluded persons. As regards social participation, the Treaty of Lisbon sets the basis for civil dialogue in the EU through new provisions on the democratic principles. Pursuant to its Article 11, consultations with the civil society become imperative for all institutions, in addition to the obligation to maintain an open, transparent and regular

¹³ WHITE PAPER “Together for Health: A Strategic Approach for the EU 2008-2013”, October 2007.

¹⁴ See: Scanlon, K. and Whitehead, C. (ed.). (2008): *Social Housing in Europe II, A review of policies and outcomes*. London: LSE

¹⁵ European Commission, Employment, Social Affairs and Equal Opportunities DG. (2009): *Portfolio of indicators for the monitoring of the European Strategy for Social Protection and Social Inclusion – 2009 update*, Brussels

dialogue with the representatives of the civil society organisations and the public concerned. Moreover, citizens' initiative at the EU level can be launched with one million signatories calling for a legislative initiative. The European Economic and Social Committee is a mechanism for participation and actions of the civil society organisations at the EU level based on the highly defined standards.

2.3. Institutional Framework in the Republic of Serbia

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 2.3.1. According to the **Law on Ministries**, adopted in 2008¹⁶, the policies of social inclusion in the Republic of Serbia are predominantly addressed by the following institutions: the Ministry of Labour and Social Policy, the Ministry of Health, the Ministry of Economy and Regional Development, the Ministry of Education, the Ministry for Human and Minority Rights, organisations in the social welfare system (the National and Province Institutes for Social Welfare, centres for social work), in the healthcare system (primary health centres), in the employment system (National Employment Service), etc.
- 2.3.2. **The Law on Budget System**¹⁷ foresees that, as of 2015, the national budget should be drawn up according to the programme-based model for all budget beneficiaries, with phased introduction for some of them. The programme-based budget will enable more efficient utilisation of the budget funds and will include the programmes and activities of the budget beneficiaries, which are implemented with a view to a more efficient management of funds by the proposed programmes, thus contributing to the achievement of the strategic objectives in accordance with the national economic policy. Since 2008, the programme for developing programme-based budgets has been implemented in five ministries¹⁸.

STATE OF AFFAIRS IN THE AREA

- 2.3.3. The **Government**, established in July 2008, comprises 27 ministers, including three deputy prime ministers, one of whom is in charge of the European integration process, one First Deputy Prime Minister of the Government and one Government minister without portfolio. This Government included two newly established ministries, competent for human and minority rights and for the National Investment Plan. The Government prepared a large legislative agenda, its main priorities being related to the process of European integration¹⁹. Most ministries and institutions of the Government are actively involved in drafting legislation significant for the process of European integration. According to the Progress Report of the European Commission, the quality of draft legislation varies among the ministries owing to their varying capacities for matters pertinent to the European integration²⁰. In April 2009, the Government initiated the process of coordinated translation of the *acquis communautaire* into the Serbian language.²¹

¹⁶ Official Gazette of RS No. 65/08, 36/09 and 73/10

¹⁷ Official Gazette of RS No. 65/08, 36/09 and 73/10

¹⁸ Ministry of Trade and Services, Ministry of Health, Ministry of Education, Ministry of Public Administration and Local Self-Government, Ministry of Religion.

¹⁹ From the Keynote Address of the Serbian Government Prime Minister Nominee Mirko Cvetković, <http://www.srbija.gov.rs/vlada/> (accessed on August 24, 2010).

²⁰ Progress Report of the European Commission (2009), p. 8.

²¹ Amended National Programme for Integration of the Republic of Serbia into the European Union, p. 655.

- 2.3.4. The **institutional structure for the European integration process** was reinforced by the Government Decision of June 7, 2007 defining the new tasks of the European Integration Council, which had been established in 2002: monitoring the implementation of the Strategy for Accession of the Republic of Serbia to the European Union, proposing guidelines with a view to promoting the process of Serbia's EU accession, proposing measures for achieving a general national consensus regarding the process of Serbia's accession to the EU and performing other professional and advisory tasks that enhance the efficiency of the Government and other public authorities in the process of Serbia's accession to the EU. In addition, the Coordination Body for EU Accession Process was established (October 2007), as well as the Expert Group of the Coordination Body, consisting of 35 expert subgroups for preparing the EU accession negotiations²².
- 2.3.5. The process of establishing the **Decentralised Implementation System – DIS for the management of the European Union IPA funds** commenced in 2008.²³ Pursuant to the Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities²⁴, the Republic of Serbia should establish the DIS, develop the structures and bodies and appoint persons authorised to manage the funds. In 2008, the Government adopted the Plan of Activities for Preparing the Accreditation for DIS in the Republic of Serbia and, in 2009, it appointed the managing officers responsible for the EU funds. Two new departments were established within the Ministry of Finance: the National Fund Department for EU Funds Management, competent for financial management, control and reporting, and the Department for Contracting and Financing of EU Funded Projects, responsible for public procurement, contracting and payment orders. The Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance was transferred from the Ministry of Finance to the Serbian European Integration Office. Units responsible for European integration and those responsible for project management were established in most ministries.
- 2.3.6. **The coordination between ministries and other Government bodies** in respect of the implementation of the Government Work Programme is entrusted to the Secretariat General of the Government, in respect of the implementation of the National Programme for Integration of the Republic of Serbia with the European Union – to the Serbian EU Integration Office and in respect of the participation of the Republic of Serbia in the EU process of social inclusion – to the Office of the Deputy Prime Minister and/or the Social Inclusion and Poverty Reduction Unit.
- 2.3.7. The **Secretariat General of the Government** oversees the execution of the Government documents, through which it stipulates obligations of the ministries and specific organisations. Furthermore, the Secretariat General of the Government drafts the Government annual work programmes and reports. In February 2009, the Secretariat

²² In the Serbia 2009 Progress Report, the European Commission stated a number of areas in which coordination had improved compared to the previous period: in January 2010, the Government adopted the decision to commence the activities of the Coordinating Body for EU Accession Process, which is chaired by the Prime Minister; the Serbian European Integration Office of the Serbian Government is still functioning well and it was exempted from the overall decrease of the number of employees. The European Commission added that the public administration capacity in certain sectors was weak and that coordination was not fully ensured.

²³ For a more detailed account of the ways of managing the IPA funds see: *Plan aktivnosti za pripremu akreditacije za decentralizovani sistem upravljanja EU fondovima (DIS)*, Government of the Republic of Serbia, 2008, pp. 29–35.

²⁴ The Framework Agreement was ratified by the National Assembly on December 26, 2007 – Law on Ratification of the Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities on the Rules of Co-operation Concerning EC Financial Assistance to the Republic of Serbia in the Framework of the Implementation of the Assistance under the Instrument for Pre-Accession Assistance (IPA), Official Gazette of RS, No. 124/07.

General of the Government was functionally improved and divided into four departments, one of them being the Department for Policy Planning, Monitoring and Coordination. Within this department is the Section for Coordination Activities and Data Analysis, responsible for coordinating the policies of public authorities, strategic planning, development of the planning methodology, supervision of implementation of the planned activities and priorities of the public authorities, and the development of the methodology for linking the planning activities with the process of programme-based budgeting. In addition to the Secretariat General of the Government, the horizontal coordination mechanisms among the line ministries also include the Government's bodies, regulated by the Rules of Procedure of the Government of Serbia²⁵: standing bodies – boards and committees, and *ad hoc* bodies. Currently, the Government has four boards²⁶ and five committees²⁷. The boards participate in the preparation of the Government meetings or discuss the issues that are not decided at the formal Government meetings. The committees, as a rule, adopt individual policy documents, or propose them to the Government. The Government may decide to establish an *ad hoc* body (council, working group, expert group, etc.) in order to discuss certain matters within its sphere of competence and give proposals, opinions and expertise.

- 2.3.8. **In March 2009, the Government approved the new organisational structure of the Serbia European Integration Office.** The Office is the pivotal technical institution for the coordination of the European integration process and its new structure was introduced to ensure more efficient and comprehensive coordination of the European integration process.
- 2.3.9. **The Social Inclusion and Poverty Reduction Unit** within the Office of the Deputy Prime Minister for European Integration was established in July 2009. The Government established the Unit as a programme-based body²⁸, marking the beginning of building the institutional framework for the development and implementation of social inclusion policies. The Unit provides support to the Deputy Prime Minister for European Integration in coordinating, monitoring and reporting on the Government's efforts in the field of social inclusion. The Unit is mandated with strengthening the capacities of the Government to develop and implement social inclusion policies based on the European good practices and supporting the line ministries in defining and implementing social inclusion policies, with regular consultation with the civil society organisations.
- 2.3.10. In early 2010, the Government founded the **Working Group for Social Inclusion**²⁹, gathering the representatives of the Government institutions with key responsibilities in defining, implementing and monitoring the social inclusion policies. The mission of the Working Group for Social Inclusion is to give proposals for active participation of the Republic of Serbia in the social inclusion process within the framework of European integration and propose measures in the process of defining and implementing the social inclusion policies. The Working Group for Social Inclusion cooperates with and consults the organisations and individuals dealing with social inclusion issues outside the Government and thus provides an important forum for advancement of dialogue between

²⁵ Official Gazette of RS, No. 61/06 Consolidated version, 69/08, 88/09, 33/10 and 69/10

²⁶ Board for the Legal System and Public Authorities, Board for Foreign Relations, Board for Economy and Finance and Board for Public Services.

²⁷ Administrative Committee, Personnel Committee, Housing Committee, Natural Disasters Damage Assessment Committee, Committee for Allocation of Public Buildings and Premises.

²⁸ Keynote Address of the Serbian Government Prime Minister Nominee Mirko Cvetković, <http://www.srbija.gov.rs/pages/article.php?id=90297>.

²⁹ The Decision Establishing the Working Group for Social Inclusion, 05 No. 02-1337/2010, March 4, 2010; published in the Official Gazette of RS No. 12/10.

- government institutions and citizen associations. Moreover, the Working Group is preparing the body of the annual report on social inclusion until the development of the Joint Inclusion Memorandum, as well as the body of the Joint Inclusion Memorandum, once Serbia is granted the status of an EU candidate country.
- 2.3.11. In 2009, the Social Inclusion and Poverty Reduction Unit and the Statistical Office of the Republic of Serbia provided the basis for analysis of the current state of affairs in social inclusion in the Republic of Serbia by **overtaking the EU Laeken indicators and defining the nationally-specific social inclusion indicators**. The Laeken indicators reflect the situation in the four core dimensions: financial poverty, employment, education and healthcare. Indicators were also introduced within two new dimensions that need to be monitored at the national level: deprivation of basic needs and social participation. At the request of the Statistical Office of the Republic of Serbia, the European Commission approved the project of conducting the Survey on Income and Living Conditions (SILC) during 2011 and 2012. The data on social exclusion and poverty provide a systematic and objective overview of the current situation in the Republic of Serbia and a basis for introducing the system for monitoring and assessment, harmonisation of the strategic frameworks and priorities in the relevant fields, and the design of future policies.
- 2.3.12. In the previous period, the Republic of Serbia has established a set of institutional mechanisms in the field of **protection of human rights and freedoms and prevention of discrimination**. In addition to the Ministry for Human and Minority Rights, established in 2008, the following independent institutions were also formed: the Commissioner for Information of Public Importance and Personal Data Protection (2004)³⁰, the Ombudsman for Citizens (2007)³¹ and the State Audit Institution³² (2007). In May 2010, the National Assembly appointed the Commissioner for Protection of Equality³³ as one of the key mechanisms for combating discrimination. Between 2008 and 2010, the independent bodies were very active, despite the unfavourable technical conditions in which they operated. In July 2010, the independent Committee on the Rights of the Child was established within the National Assembly by adoption of the new Rules of Procedure. The Committee is the result of two years' work of the intersectoral parliamentary Working Group for Children's Rights.
- 2.3.13. For the purpose of more successful social inclusion, combating poverty and protecting human rights and civil liberties, **a number of bodies have been established at the central and local levels**: the Socio-Economic Council³⁴, the Gender Equality Council³⁵, the Office for the Roma National Strategy³⁶, the Gender Equality Committee and the

³⁰ The scope and manner of work are further specified in the Decision on the Operation of the Office of the Commissioner for Information of Public Importance and Personal Data Protection, Official Gazette of RS Nos 109/2007 and 13/2009.

³¹ The scope and manner of work are further specified in the Law on Ombudsman for Citizens, Official Gazette of RS Nos 79/2005 and 54/2007.

³² The scope and manner of work are further specified in the Law on State Audit Institution, Official Gazette of RS Nos 101/2005, 54/2007 and 36/2010.

³³ Decision on the Appointment of the Commissioner for Protection of Equality, Official Gazette of RS No. 30/10.

³⁴ The Law on Socio-Economic Council, Official Gazette of RS No. 125/04.

³⁵ Decision on the Establishment of the Gender Equality Council, Official Gazette of RS No. 86/2007.

³⁶ Within the Ministry for Human and Minority Rights. The Office has existed under the name of Roma National Strategy Secretariat since 2003 within the institutions competent for the human and minority rights, with the support from the international organisations – United Nations Development Programme and the Swedish International Development Agency (SIDA), Fund for an Open Society, OSCE Mission to Serbia, European Agency for Reconstruction, Council of Europe, UNHCR.

Poverty Reduction Committee within the National Assembly³⁷, the Province Secretariat for Labour, Employment and the Gender Equality, Roma Inclusion Office of the AP of Vojvodina, the Gender Equality Committee of the Assembly of the AP of Vojvodina, the Gender Equality Institute of the AP of Vojvodina³⁸ and the Province Ombudsman of the AP of Vojvodina³⁹. More than fifty municipalities have gender equality focal points or local bodies and many local government units have appointed ombudspersons. Moreover, national minority councils have been established as the leading bodies in the efforts to safeguard collective minority rights and preserve the cultural identity of national minorities.

- 2.3.14. Funds from the national budget for projects conducive to the social inclusion process are approved by several public institutions. Following the adoption of the Law on Regional Development⁴⁰, the Government established the National Council for Regional Development, whereas the Republic Agency for the Development of Small and Medium-Sized Enterprises and Entrepreneurship was transformed into the National Agency for Regional Development. The Fund for the Development of the Republic of Serbia was established by law in 2009⁴¹, with a view to stimulating economic and balanced regional development, promoting competitiveness of the domestic economy, energising the development of production-oriented craftsmanship and the services sector, sparking employment and the development of the capital market. In the forthcoming period, the above institutions may become part of the structure for DIS, which will require efficient and transparent use of the EU funds, as well as the funds from the budget of the Republic of Serbia.

MEASURES AND PROGRAMMES

- 2.3.15. **The Social Innovation Fund operates within the Ministry of Labour and Social Policy.** This programme has so far been implemented in cooperation with the United Nations Development Programme (UNDP), with the support from the EU, the Government of the Kingdom of Norway, the Government of the United Kingdom of Great Britain and Northern Ireland and the Fund for an Open Society. The Social Innovation Fund has worked on the development of local services in the sphere of social welfare and the integration of lessons learned in the local projects into the national-level strategic decisions. Between 2003 and 2009, six million euros were invested through the Fund into the development of social welfare and 232 projects received support in the local communities in the Republic of Serbia.
- 2.3.16. **The implementation of the *Delivery of Integrated Local Services – DILS* project is currently underway.** The goal of the project is to strengthen the capacities of the institutions in the sectors of healthcare, education and social welfare at the local level for the delivery of the most effective, affordable services of consistent quality. The Government has implemented this project since early 2009 and will continue to do so until the end of 2012, using the funds secured through a World Bank loan amounting to EUR 32 million. A considerable portion of the loan will be allocated through grants to local governments and institutions in the sectors of healthcare, education and social

³⁷ Rules of Procedure of the National Assembly of the Republic of Serbia, Official Gazette of RS, No. 52/10.

³⁸ Decision on the Establishment of the Province Gender Equality Institute, Official Journal of the AP of Vojvodina, Nos 14/04 and 3/06.

³⁹ Decision on the Province Ombudsman, Official Journal of the AP of Vojvodina No. 23/02. 5/04, 16/05, 18/09, 21/10.

⁴⁰ Law on Regional Development, Official Gazette of RS No. 51/09 and 30/10.

⁴¹ Law on the Fund for the Development of the Republic of Serbia, Official Gazette of RS No. 36/09 and 88/10.

- protection, with a view to setting up a decentralised environment for service delivery in the domain of social inclusion.
- 2.3.17. With the support of the European Commission, the project titled *Support to the Introduction of the Decentralised Implementation System (DIS) of EU Funds in the Republic of Serbia* is being implemented. The process of introducing DIS is scheduled to end by mid-2012.
- 2.3.18. **The implementation of two EU-funded projects for the translation of the *acquis communautaire* into Serbian is in progress.** In addition to strengthening the administrative capacities for coordinating the translation activities, the project titled *Technical Assistance to the Translation Coordination Unit in the Republic of Serbia* also envisages the professional, legal/technical and linguistic proofreading and editing of nine thousand pages of the European legislation. Under the *Translation of the Acquis in Serbia* project, 16 thousand pages of EU legal documents have been translated.
- 2.3.19. **The European Commission has supported the project titled *Support to the Establishment of Ombudsman's Office*.** This is an IPA-funded project supporting the Office of the Ombudsman in delivering a more efficient control of legal compliance of public authorities' operations, in the light of improving the protection of human rights and civil liberties.

CONCLUSIONS AND CHALLENGES

- 2.3.20. In order to enable the monitoring of the comprehensive reforms in a large number of areas, it is necessary to introduce adequate institutional mechanisms for planning, coordination, monitoring and evaluation of the implementation of adopted and applied policies. One of the main challenges with that respect will be to monitor and coordinate the implementation of various strategic documents at the central level of authority. The systemic solutions for these processes are still lacking, so that the degree of achievement of different strategic plans varies, while the time frame for implementation of some of the documents has expired. In the course of redefining the strategic documents in the forthcoming period, it is necessary to set realistic targets, provide the means for implementation and continuous monitoring of the foreseen measures, as well as to identify the main implementing parties responsible.
- 2.3.21. When it comes to defining the policies for social inclusion of vulnerable social groups, it is vital to establish intersectoral cooperation, but just as well cooperation between the public, civil and private sectors, both on the national and the local level. It will be particularly challenging to integrate the Roma national minority and improve the coordination of relevant policies at the central level.
- 2.3.22. For a more efficient and successful utilisation of the available EU funds, additional efforts will be needed in terms of building the necessary structures. In order to successfully prepare the Republic of Serbia for using the European funds intended for social inclusion and poverty reduction (such as the European Social Fund), the primary challenge in the forthcoming period will be to set up the proper intersectoral structures for the efficient and transparent support to implementation of adequate measures at the national and local levels.

LINES OF ACTION

- 2.3.23. It is necessary to establish systemic mechanisms for planning, coordination of implementation, monitoring and evaluation of the policies at the Government level. In that regard, the role of the Secretariat General of the Government will be particularly

- significant, as it will be expected to perform important tasks of coordinating the adoption and implementation of public policies at the national level. For that purpose, the capacities of the Secretariat General of the Government should be additionally strengthened, so as to allow this body to efficiently perform the said tasks. In addition, further efforts need to be invested in ensuring adequate working conditions to the independent bodies.
- 2.3.24. It is vital to develop the institutional framework further and improve the coordination of the social inclusion process. In that respect, it is necessary to ensure the sustainability of the Social Inclusion and Poverty Reduction Unit's coordination function, which would contribute to increasing the efficiency and effectiveness of the bodies that already include within their respective domains certain functions in the social inclusion process. To the same end, there is also the need to promote the coordination and integration of the bodies addressing similar matters, with a view to higher cost-effectiveness of the administrative affairs in the current context of public expenditure cut-backs.
- 2.3.25. The Statistical Office of the Republic of Serbia is in need of support to conduct the EU Survey of Income and Living Conditions (SILC), which will be financed from the EU pre-accession funds during 2011 and 2012. The introduction of SILC is an obligation in the European integration process in the field of statistics. Furthermore, the cooperation between the Statistical Office of the Republic of Serbia, the institution that collects and disseminates the data, and the Government bodies, i.e. the end-users of the data, should be additionally improved. In the coming period, efforts should also be made to enhance the quality of administrative data that are also collected by other relevant institutions.
- 2.3.26. In addition to strengthening the existing structures for the use of European funds intended for social inclusion and poverty reduction (e.g. National Employment Service), it is also crucial to establish the Social Inclusion Fund to support the programmes for social inclusion of vulnerable groups and contribute to more efficient and successful utilisation of the available EU funds earmarked for social inclusion. The Fund would entail a support mechanism for implementation of the human resources development policy, which will also include the development of social innovations, in accordance with the obligations pertinent to the European integration process. This mechanism would help promote the coordination of implementation of the measures in the fields of employment, education, social welfare and health protection, as well as the coordination of rural and regional development measures with social inclusion and poverty reduction measures. Establishment of such a fund responds to the need to set up a national fund equivalent to the European Social Fund.⁴² This line of action is also a response to the recommendation from the European Platform against Poverty and Social Exclusion from December 2010, which stated that “[m]ore emphasis should be placed on well targeting of resources not only on specific groups, but also on certain deprived areas: in this context, integrated approaches to fight poverty should be stepped up and allow for investment by the funds in social infrastructure when necessary for the successful implementation of social policy measures underpinned by the ESF”⁴³.
- 2.3.27. As regards local government competences, the priority in the forthcoming period will be to fully assume the already transferred powers and to establish partnerships at the local level, including the intersectoral and intermunicipal cooperation. To this end, it is vital to further harmonise the policy of funding local governments, develop the information systems (which entails the collection and exchange of information), strengthen their

⁴² European Commission Questionnaire for Preparing the Opinion on Serbia's Application for EU Membership.

⁴³ COM(2010) 758 final, p. 13.

capacities, ensure a more thorough involvement in the reforms related to the process of social inclusion and poverty reduction and the like.

2.3.28.

2.4. Strategic Framework in the Republic of Serbia

Relevant Overarching Strategic Documents

- 2.4.1. The principal courses of development of the Republic of Serbia have been defined in the “overarching” strategic documents, including: the National Programme for Integration of the Republic of Serbia with the European Union, the Poverty Reduction Strategy Paper, the National Millennium Development Goals, the National Sustainable Development Strategy, the National Strategy for Economic Development of the Republic of Serbia, etc. In addition to these, there are also many sector-specific strategies (in the field of employment, education, social protection, health, etc.) containing measures for improving the status of vulnerable groups.
- 2.4.2. **The National Programme for Integration of the Republic of Serbia with the European Union** (hereinafter: NPI) incorporates the existing strategic documents and plans of the Government with the aim of planning and monitoring all activities relevant for the EU accession process. Different aspects of social inclusion policies have been defined through the political criteria (democracy and the rule of law, protection of the national minority rights), economic criteria (functional market economy, competitiveness) and sector-specific policies (social policy, employment, education, health care). Once the country has been granted the status of EU candidate country, the Government will adopt NPI in the form of the National Programme for the Adoption of the *Acquis*.
- 2.4.3. **The Poverty Reduction Strategy Paper** (2003) defined the basis for the development of measures, the principal purpose of which was to contribute to the reduction of absolute poverty. In addition to the measures aimed at stimulating dynamic economic growth and development, as well as the prevention of new poverty, the Poverty Reduction Strategy initiated the implementation of the existing measures and the design of new ones focusing on the poorest and socially vulnerable groups (children, elderly persons, persons with disabilities, refugees and internally displaced persons, Roma, rural poor population and the uneducated persons). The objective of the set activities was to reduce the poverty-stricken population by half, as its size in 2003 was approximately 800 thousand. The above objective was achieved during 2007 and 2008, but the economic crisis of 2008 led to a new rise in the number of poor people during 2009.
- 2.4.4. **The National Millennium Development Goals**, arising from the UN Millennium Declaration, envisage combating poverty, ensuring universal primary education, promoting gender equality, reducing child mortality, improving maternal health, combating serious diseases, environmental protection, as well as building global partnership relations for development. Specific tasks have been defined for each of the set national objectives in these areas, which are yet to be achieved.
- 2.4.5. **The National Sustainable Development Strategy**⁴⁴ gives proposals of specific measures for the preservation of resources, with quick progress in the relevant segments of Serbia’s accession to the European Union. The Strategy’s structure is dominated by three “pillars” of sustainable development, namely: knowledge-based economy, economic and social issues and environmental issues.

⁴⁴ Official Gazette of RS No. 57/08.

- 2.4.6. **The National Strategy for Economic Development of the Republic of Serbia 2006–2012** contains a chapter dedicated to the labour market and projections of employment. It also shifts the focus from the high unemployment rate to the low employment rate, which is considered the most important labour market problem in the Republic of Serbia.
- 2.4.7. In October 2008, the Government adopted the key document in the field of the small and medium-sized enterprise sector development policy⁴⁵ – **the Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises for the period 2008–2013**,⁴⁶ as well as the Action Plan for Removal of Administrative Barriers for Operation of the Sector. These documents comply with the EU policy guidelines in this field, but they also take account of the domestic circumstances.
- 2.4.8. Significant for promotion of businesses and improved competitiveness is also the **Regulatory Reform Strategy of the Republic of Serbia for the period 2008–2011**⁴⁷, which entails the Comprehensive Reform of Regulations. As part of the reform, the inefficient legislation is being revoked and amended with a view to enhancing the economic environment.
- 2.4.9. The Strategy for the Development and Promotion of Corporate Social Responsibility in the Republic of Serbia for the Period 2010–2015⁴⁸ was adopted in 2010 with the aim of promoting the socially responsible operations and their contribution to the social cohesion and sustainable competitiveness and development.

Relevant Sector-specific Strategies

- 2.4.10. **Population: the National Strategy on Ageing**⁴⁹ stipulates the goal of defining the integral and coordinated policy until 2015, which will acknowledge the current and forecast demographic changes in the Republic of Serbia and allow for the improvement of the status and social inclusion of the elderly. **The Birth Incentive Strategy**⁵⁰ defines its special objectives as the need to reduce the economic cost of raising children, balance work and parenthood, decrease the psychological cost of parenthood, promote the reproductive health of adolescents, combat infertility, promote healthy maternity, raise awareness of the population and agitate the local self-governments to encourage childbearing. **The National Youth Strategy**⁵¹ specifies the youth support mechanisms aimed at improving the quality of their lives, as well as the future of the entire country. It stresses that the significance of systematic, organised and continuous support to the young people guarantees sound future of the Republic of Serbia, its further economic development, rise of the birth rate and the conditions for better living.
- 2.4.11. **Regional policy:** the Serbian Regional Development Strategy for the period 2007–2012⁵² gives, for the first time, a comprehensive and consistent definition of the fundamental development priorities of the regional development of the Republic of Serbia and the methods to achieve them. The objectives of balanced regional development are: sustainable development, raising regional competitiveness, decreasing regional gaps and poverty, ending the negative demographic trends, resuming the decentralisation process,

⁴⁵ The sector of small and medium-sized enterprises includes the micro-companies (up to 9 employees) small (10–49 employees) and medium-sized enterprises (50–249 employees)

⁴⁶ Official Gazette of RS No. 103/08.

⁴⁷ Official Gazette of RS No. 94/08.

⁴⁸ Official Gazette of RS No. 51/10.

⁴⁹ Official Gazette of RS No. 76/06.

⁵⁰ Official Gazette of RS No. 13/08.

⁵¹ Official Gazette of RS No. 55/08.

⁵² Official Gazette of RS No. 21/07.

economic integration of the Serbian communities in the AP of Kosovo and Metohija and the creation of the regional institutional infrastructure. As regards the EU regional policy and the obligations of the Republic of Serbia in the process of EU accession, it is important to underline that the *acquis communautaire* covers this field, but the integration of its provisions in the national legislation is not compulsory. The EU membership candidate countries are preparing for cohesion policy in the pre-accession negotiations through the chapter of the *acquis* titled “Regional Policy and Coordination of Structural Instruments”. As a candidate for EU membership, and later as an EU member state, the Republic of Serbia is to establish an institutional framework for the utilisation of the structural funds and the Cohesion Fund, as well as adequate administrative capacity to ensure efficient use of the funds, their monitoring and evaluation (see: **Table 2 - Obligations in the field of regional policy in the EU integration process**, Annex 6.1).

- 2.4.12. **Rural development: the Strategy of Agricultural Development in Serbia**⁵³ (2005) focuses on the increase of the competitiveness of agriculture and commercial farms, with no reflexion on the life quality of the rural population and the rural economy. The new draft strategy for the period until 2020 also foresees rural economic development with sustainable and powerful rural communities, demographic balance, satisfactory income and additional employment opportunities. Particular stress is placed on the problem of vulnerable groups in the rural areas. In the local strategies, rural areas are most commonly considered in the light of the infrastructural issues and environmental protection. The requirements arising from the Stabilisation and Association Agreement in the field of rural development are related to the preconditions for using the IPARD (Instrument for Pre-Accession Assistance – Rural Development) funds. The progress in fulfilling the eligibility requirements for IPARD funds has been made by the preparation of the key strategic documents: **the Draft Strategy for Agriculture and Rural Development of the Republic of Serbia in the period 2011-2020**, **the National Programme for Agriculture 2010–2013**⁵⁴ and **the National Rural Development Programme 2011–2013** (which will be published in one of the following numbers of the Official Gazette of the Republic of Serbia).
- 2.4.13. **Employment:** the aims of the **National Employment Strategy 2005–2010** are: employment, enhanced quality and productivity of the labour force and strengthening of social cohesion and inclusion in the labour market. The Strategy is based on the integrated approach of the EU Employment Strategy and includes the Lisbon objectives. The **National Employment Strategy 2011–2020** aims at supporting the shift to the new development model for the Republic of Serbia, according to which it is necessary to place the issues of employment and poverty reduction in the focus of attention. In the context of the guidelines and recommendations of the Europe 2020 Strategy and with appreciation of the features of the national labour market, the fundamental goal of the employment strategy has been defined as the need to establish, by 2020, an efficient, stable and sustainable trend of employment growth and to fully harmonise the employment policy and the labour market institutions with the EU *acquis*. The employment policy priorities for achievement of the principal objectives are: increase of employment, investment into the human capital and social inclusion. The **National Employment Action Plan (NEAP)** sets, on an annual basis and at an operational level, the active employment policy objectives and defines the priority groups of the less employable persons. Upon attaining the EU candidate status, the Republic of Serbia will

⁵³ Official Gazette of the Republic of Serbia, No. 78/05.

⁵⁴ Official Gazette of the Republic of Serbia, No. 83/10.

- be obliged to adopt and implement the Joint Assessment of the Employment Policy Priorities.
- 2.4.14. **Education and training policies:** the Republic of Serbia lacks a valid comprehensive education development strategy. The measures addressing the field of education are defined in different development strategies that regulate the fields of poverty reduction, sustainable development, employment, European integration and special areas such as the establishment of the information society, integration of the Roma and disabled persons. The purpose of the reform of the secondary vocational education, defined in the **Strategy for the Development of Vocational Education and Training in the Republic of Serbia**⁵⁵ (2006), is the development of vocational education in accordance with the needs of the economy and the market. The **Strategy of Adult Education Development in the Republic of Serbia**⁵⁶ (2006) identifies various forms of education for the part of the population that is outside the formal schooling system, but that failed to complete the elementary and/or vocational education to lead them to employment (illiterate persons, primary school drop-outs, unemployed persons, redundant workers, women, rural population, persons with special needs, vulnerable ethnic groups, etc.). The **National Youth Strategy** (2008) stresses the importance of life-long learning. By signing the Stabilisation and Association Agreement, the Republic of Serbia accepted certain obligations with respect to education, namely (Article 102): raising the level of general education and vocational education and training in Serbia, youth policy and youth work, including non-formal education, reform of the higher education system towards the achievement of the Bologna Declaration objectives, ensuring that access to all levels of education and training is free of discrimination on the grounds of gender, colour, ethnic background or religion. In addition, participation in the Community programmes and instruments should contribute to the upgrading of educational and training structures and activities in the Republic of Serbia.
- 2.4.15. **Financial poverty, social welfare and child protection:** the **Social Welfare Development Strategy**⁵⁷ (2005) sets the following as the underlying goal of the reform of the social protection system: the development of an integrated social welfare system in which the social stakeholders use the existing and develop new resources through the accessible, high-quality and diverse services, with a view to preserving and improving the quality of life for the vulnerable and marginalised individuals and groups, rendering them capable of leading a productive life in the community and preventing their dependence on social welfare institutions. Among the specific objectives of the Strategy is to improve the protection of the poorest. The **National Action Plan for Children 2004–2015** defines the country's overall policy on children. The **Strategy for Improving the Position of Persons with Disabilities in the Republic of Serbia**⁵⁸ (2006) was based on the principles promoting social inclusion of the disabled persons. The efforts focusing on the reduction of child abuse resulted in the adoption of the **National Strategy for Prevention and Protection of Children from Violence**⁵⁹ (2008).
- 2.4.16. **Pensions:** In a range of adopted strategic documents, such as the Poverty Reduction Strategy Paper and the Social Welfare Development Strategy, the need was perceived for encouraging the activities of the elderly and promoting their economic activity even after

⁵⁵ Official Gazette of RS No. 1/07.

⁵⁶ Official Gazette of RS No. 01/07.

⁵⁷ Official Gazette of RS No. 108/05.

⁵⁸ Official Gazette of RS No. 01/07.

⁵⁹ Official Gazette of RS No. 122/08.

meeting the conditions for retirement. To that end, the new legislative solutions increased the age threshold, which is one of the conditions to be fulfilled for retirement.

- 2.4.17. **Health:** The basis for the healthcare system reform is the document entitled “**Better Health for All in the Third Millennium**” (2003) which integrates the health care policy, the vision of the health care system in the Republic of Serbia and the Strategy and Action Plan for the Reform of the Health Care System⁶⁰. The adoption of these documents is a part of the process of commitment to ensuring health care in accordance with the EU policies, especially in terms of acknowledging the significance of the nexus between health and social exclusion. These documents defined clear objectives in the field of equitable and equal access to health care for all and the improvement of health care for the vulnerable groups. **The Health Care Development Plan of the Republic of Serbia 2010–2015**⁶¹ identifies, as one of the priority areas, the health care for particularly vulnerable groups of people, namely: women in reproductive age, small and pre-school children, school-age children and adolescents, economically active population, elderly persons, persons with disabilities and the socially marginalised groups. The leading principles of the **National Strategy for Combatting Drugs in the Republic of Serbia in the period between 2009 and 2013**⁶² are multidisciplinary, universal and continuous work, availability of services, decentralisation and destigmatisation. In the field of decreasing the demand for drugs, there is the necessity of reducing social and health consequences after using drugs and the help for rehabilitation and social reintegration into society of former drug addicts. The measures aimed at improving the health of particularly vulnerable social groups are defined by a number of intersector strategic documents, such as the **National Strategy for Prevention and Protection of Children from Violence**⁶³, the **Children’s Environment and Health Action Plan in the Republic of Serbia 2009–2019**⁶⁴, **Strategy for Improvement of Status of Roma**⁶⁵, etc.
- 2.4.18. **Housing:** For more than two decades, the Republic of Serbia lacked a developed national housing policy. The groundwork for creation of the national housing strategy was provided by the study titled *Country Profiles on the Housing Sector (2006)*⁶⁶. It was essentially an overview of the housing sector against all key aspects and it gave the recommendations for the reform of the sector, some of which are still very relevant at present. Certain recommendations of this study have already been acted upon, especially those referring to the development of the social housing instruments, which was further strengthened by the adoption of the Law on Social Housing⁶⁷. The measures aimed at ensuring favourable conditions for addressing the housing problems of the socially vulnerable groups have also been provided for in the national strategies for youth, sustainable development, reintegration of returnees under the Readmission Agreement, promotion of the status of Roma, etc.

⁶⁰Ministry of Health (2003): Better Health for All in the Third Millennium – Healthcare Policy, Vision of the Healthcare System in Serbia, Strategy and Action Plan for the Reform of the Healthcare System in the Republic of Serbia – draft version.

⁶¹ Decision on the Development of the Health Care Plan of the Republic of Serbia, Official Gazette of RS No. 88/10.

⁶² Official Gazette of RS, No. 16/09.

⁶³ National Strategy for Prevention and Protection of Children from Violence, Chapter 5.3. Sectoral mechanisms for protection of children from violence.

⁶⁴ Children’s Environment and Health Action Plan for the Period 2009–2019, Official Gazette of the Republic of Serbia, No. 83/09.

⁶⁵ Strategy for Improvement of the Position of Roma in the Republic of Serbia, Section 8. Healthcare. Official Gazette of the Republic of Serbia, No. 27/09.

⁶⁶ UNECE (2006). *Country Profiles on the Housing Sector, Serbia and Montenegro*.

⁶⁷ Law on Social Housing, Official Gazette of the Republic of Serbia, No. 72/09.

2.4.19. **Human rights and social participation:** By signing and ratifying the Stabilisation and Association Agreement (SAA) with the EU, the Republic of Serbia committed itself to respecting the human and minority rights (Article 5). The political criteria for accession to the European Union, stipulated in the conclusions of the Copenhagen European Council in 1993, refer particularly to the standards in the areas of the rule of law, human rights and the protection of minorities. Special importance for the promotion of human and minority rights is recognised in more than fifty strategic development papers adopted by the Republic of Serbia over the last several years, such as the **National Action Plan for Children, the Strategy for Improving the Position of Persons with Disabilities, the National Strategy for Refugees and Internally Displaced Persons, the Migration Management Strategy⁶⁸, the Strategy for Reintegration of Returnees under the Readmission Agreement⁶⁹, the Strategy against Human Trafficking in the Republic of Serbia⁷⁰**, etc. **The National Youth Strategy** stipulates the strategic objectives for the social participation of youth, youth cooperation development, involvement of youth in the decision-making processes, etc. **The National Strategy for Improving the Position of Women and Promoting Gender Equality⁷¹** places special emphasis on the needs of the discriminated and minority groups of women, such as disabled women, Roma women and women from rural environments, single mothers and women with different sexual orientation. **The Strategy for Improvement of Status of Roma in the Republic of Serbia** sets the priorities referring to enhanced social inclusion of the Roma people, raised level of their education and the creation of employment opportunities, improvement of living conditions and fostering cultural diversity, with a view to promoting the position of children, refugees and internally displaced persons and Roma. **The Strategy for Protection against Domestic Violence and other Forms of Gender-based Violence** was adopted at the level of the AP of Vojvodina.

Vulnerable⁷² Groups of Population in the Republic of Serbia

2.4.20. It was in the Poverty Reduction Strategy Paper for Serbia⁷³ as well as in the current policies in the field of social inclusion, that the Government identified the following **vulnerable groups of population** in the Republic of Serbia: persons with disabilities, children, youth, women, the elderly (65+), the Roma national minority, uneducated people, the unemployed, refugees and internally displaced persons and the rural population.

2.4.21. As regards the criteria for defining vulnerability and exclusion of certain social groups, they are established taking into account the statistical data from the Household Budget Survey (HBS) and the Labour Force Survey (LFS). These two most exhaustive surveys are conducted on an annual basis by the Statistical Office of the Republic of Serbia and they are considered, at present, to deliver the most relevant statistical data that illustrate in a profound and comprehensive manner the social and economic status of the overall population and the above groups.

2.4.22. In contrast to the European social inclusion policies that define numerous social groups at risk of poverty and social exclusion and that entail monitoring of various social and

⁶⁸ Official Gazette of the Republic of Serbia, No. 59/09.

⁶⁹ Official Gazette of RS No. 15/09.

⁷⁰ Official Gazette of RS No. 111/06.

⁷¹ Official Gazette of RS No. 15/09.

⁷² The concept of vulnerable groups was first defined in the Poverty Reduction Strategy Paper for Serbia in 2003. Other terms – marginalised, socially excluded groups – are used as synonyms in relation to other national and EU strategic documents.

⁷³ Adopted in 2003.

economic indicators, the other groups recognised by the system as vulnerable and socially excluded are not statistically defined in the Republic of Serbia, i.e. administrative data on these groups exists mostly within the individual sectors which primarily deal with the matters related to these groups, but there are no developed sector-specific or intersectoral policies or measures to contribute to an integrated, comprehensive improvement of their position. These groups include the sexual minorities, homeless persons, sex workers, former convicts, street children and others.

- 2.4.23. The population census in the Republic of Serbia, scheduled for 2011, will provide the basic data on all categories of the population. Having adopted the Survey on Income and Living Conditions (EU SILC), the Republic of Serbia should introduce, within the nationally-specific indicators, the indicators for monitoring the status of these and other groups, which would enable systemic monitoring and provide the basis for defining the strategic and legislative framework for each of the above groups, with a view to improving their position and ensuring their inclusion in all spheres of social life.

3. Measuring and Reporting on the Status of Social Inclusion

3.1. *Measuring and Reporting on the Status of Social Inclusion in the European Union*

- 3.1.1. At the EU level, the data on living conditions and social welfare are gathered from a number of basic sources:
- Household Budget Survey (HBS)
 - Labour Force Survey (LFS)
 - Survey on Income and Living Conditions (SILC)
 - European System of Integrated Social Protection Statistics (ESSPROS).
- 3.1.2. **The analysis of indicators at the EU level is conducted by the European Commission;** it is reviewed by the Indicators Sub-Group of the Social Protection Committee and then made available to the member states prior to their preparation of the national reports on social protection and social inclusion.
- 3.1.3. **An innovation in reporting** is the classification of indicators and information under the proposed dimensions into:
- Commonly agreed EU indicators that enable a comparative assessment of the progress made by the member states towards the achievement of the common objectives;
 - Commonly agreed national indicators, based on the commonly agreed definitions and assumptions, which provide the key information to assess the progress made by the member states in relation to certain objectives, while *not allowing for a direct cross-country comparison*, so they should be interpreted against the relevant background information for each member state (exact definitions, assumptions, representativeness);
 - Context information: each indicator portfolio is to be assessed in the light of key context information and by referring to past and forecasting future trends. The list of context information is indicative and leaves room for other background information that would be most relevant to better frame and understand the national context.
- 3.1.4. This means that **within every dimension, there is a group of primary and secondary indicators**, i.e. within each of them an individual indicator can be defined as EU or national indicator, depending on whether or not it allows for direct comparisons between the countries.
- 3.1.5. In its September 2009 update, the Social Protection Committee made significant progress in monitoring the non-monetary measures. It was proposed that two indicators of material deprivation should also be monitored, as well as two indicators and two pieces of context information in the field of housing (housing costs, overcrowded households and poor housing quality). The most substantial innovation in the update of indicators was the introduction of the pension portfolio, while the monitoring of the health status of the population was also improved.

3.2. Measuring and Reporting on the Status of Social Inclusion in the Republic of Serbia

- 3.2.1. The principal sources of data for calculating the indicators of social inclusion in the Republic of Serbia are currently the Household Budget Survey (HBS) and the Labour Force Survey (LFS). Other sources are also used, such as the vital statistics and the education statistics produced by the Statistical Office of the Republic of Serbia and the Ministry of Education, as well as the health statistics provided by the Dr Milan Jovanović Batut Institute for Public Health of Serbia. For the computation of the indicators of social inclusion obtained through HBS, the EUROSTAT methodologies and definitions are adapted to the national data source.
- 3.2.2. The monitoring of social inclusion and harmonisation of the measurement system with the EU standards is one of the conditions for EU accession. The Government and the Statistical Office of the Republic of Serbia have invested great efforts in launching the Survey on Income and Living Conditions (SILC) as of 2011, which will facilitate the improvement of the data collection system and the analysis of the position of various socially excluded groups and individuals, as well as the harmonisation of the monitoring of social inclusion indicators with EU countries. Moreover, this research will provide the basis for preparing the Joint Inclusion Memorandum and enhancing the measures and policies aiming at the promotion of the position of excluded and poverty-stricken categories of the population.
- 3.2.3. In mid-2010, the Social Inclusion and Poverty Reduction Unit, in cooperation with the Statistical Office of the Republic of Serbia, published the report *Monitoring Social Inclusion in Serbia – Overview and Current Status of Social Inclusion in Serbia*⁷⁴ based on the monitoring of the European and national indicators, which systematized the available data and mapped the shortcomings of the present data sources in the field of social exclusion and poverty reduction.
- 3.2.4. The Statistical Office of the Republic of Serbia will conduct the Population Census in October 2011. The Census results will allow for a better understanding of the population structure in the Republic of Serbia and provide a framework for improved collection of administrative data. The Statistical Office of the Republic of Serbia and the National Council of the Roma National Minority launched an initiative to implement a pilot project of training a certain number of Roma persons to take an active part in conducting the 2011 Census of Population, Households and Dwellings.⁷⁵ At the proposal of the National Council of the Roma National Minority, the Statistical Office of the Republic of Serbia hired more than 80 Roma persons to take part in conducting the pilot census.

⁷⁴ The Report is available for download at <http://www.inkluzija.gov.rs/wp-content/uploads/2010/08/Pregled-stanja-socijalne-ukljucenosti-u-Srbiji-jul-2010.pdf>.

⁷⁵ Roma persons in the Census – The Pilot Census of Population, Households and Dwellings was conducted in November 2009.

4. Context and Trends in the Republic of Serbia

4.1. Functioning of the State Ruled by Law

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 4.1.1. The period between 2008 and 2010 was marked by harmonisation of regulations and the establishment of a new organisation of the public authorities to comply with the new Constitution of the Republic of Serbia, promulgated in 2006, and by the harmonisation of the legislative framework with EU legislation. A large number of systemic and other laws were adopted in this period. The passage of a number of laws was behind schedule, the most notable examples being the Statute of the AP of Vojvodina⁷⁶, the Law on the Establishment of Specific Competences of the AP of Vojvodina⁷⁷ and the new regulations on the organisation of courts and appointment of judges.⁷⁸
- 4.1.2. **The Law on the National Assembly⁷⁹ was passed in February 2010**, followed, in July 2010, by the Rules of Procedure of the National Assembly, which retained most of the rules introduced by earlier amendments to the Rules of Procedure, with the principal aim of accelerating the legislative process.⁸⁰ Major innovations in this law include the introduction of the special parliamentary budget and the establishment of the Collegium of the National Assembly. It decreased the number of parliamentary committees from 30 to 19 and set the fixed number of committee members, which will take effect as of the next convocation of the National Assembly.
- 4.1.3. **The following new laws in the field of the judiciary were passed in December 2008:** the Law on Organisation of Courts⁸¹, the Law on Judges⁸², the Law on High Judicial Council⁸³, the Law on the Public Prosecutor's Office⁸⁴, the Law on the State Prosecutorial Council⁸⁵ and the Law on the Seats and Territorial Jurisdictions of Courts and Public Prosecutors' Offices.⁸⁶ The new network of courts, which has been functional since January 2010, should also enable more efficient judicial proceedings and more effective court protection. The following laws were passed: the Law on Responsibility of Legal Entities for Committed Criminal Activities⁸⁷, the Law on Confiscating Property Resulting from Criminal Activities⁸⁸, the Law on International Legal Help Related to Criminal Affairs⁸⁹ and the Law on Cooperation with the International Criminal Court⁹⁰, all of them contributing to the functioning of the state ruled by law.

⁷⁶ Official Gazette of Autonomus Province of Vojvodina, No. 17/09.

⁷⁷ Official Gazette of RS, No. 99/09.

⁷⁸ These issues were also raised by the European Commission in its Serbia 2008 Progress Report {COM(2008)674}, p. 7.

⁷⁹ Official Gazette of RS No. 9/10.

⁸⁰ http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=494&t=O (accessed on August 23, 2010).

⁸¹ Official Gazette of RS No. 116/08, 104/09 and 101/10.

⁸² Official Gazette of RS No. 116/08, 58/09-US, 104/09 and 101/10.

⁸³ Official Gazette of RS No. 116/08 and 101/10.

⁸⁴ Official Gazette of RS No. 116/08, 104/09 and 101/10.

⁸⁵ Official Gazette of RS No. 116/08 and 101/10.

⁸⁶ Official Gazette of RS No. 116/08.

⁸⁷ Official Gazette of RS No. 97/08.

⁸⁸ Official Gazette of RS No. 97/08.

⁸⁹ Official Gazette of RS No. 20/09.

⁹⁰ Official Gazette of RS No. 72/09.

- 4.1.4. **The Law on Vital Records**⁹¹ was passed in March 2009, which comprehensively regulates the field of vital records and provides for their unification and authenticity in line with the relevant European standards and principles contained in the binding international instruments. **The Law on Administrative Disputes**⁹² was passed in late December 2009, which regulates the proceedings before the newly established Administrative Court. However, the legal framework for the functioning of the public administration is still incomplete and requires the passage of a new law on general administrative procedure.
- 4.1.5. **The laws on territorial organisation of the Republic of Serbia, local government, local elections and the capital city** were passed in December 2007⁹³ as a result of the need to align these areas with the Constitution of the Republic of Serbia, while they are largely harmonised with the European Charter of Local Self-Government.

STATE OF AFFAIRS IN THE AREA

- 4.1.6. **The National Assembly commenced its term with an ambitious legislative agenda.** The National Assembly passed 134 laws between June 2008 and June 2010, which accounted for 97% of its obligations stipulated by the National Programme for Integration of the Republic of Serbia with the EU.⁹⁴ The efficiency of the National Assembly until the end of 2008 was not as high as expected, principally as a consequence of the Rules of Procedure in effect at the time. The National Assembly Rules of Procedure were amended in February 2009, which allowed for more efficient parliamentary discussions and adoption of laws. The current Law on the Election of Deputies⁹⁵ allows political parties to appoint the deputies from the electoral list after the elections. In the last three progress reports of the European Commission, the Law was described as non-compliant with European standards as a result of the dominant influence of political parties over the functioning of the National Assembly⁹⁶. In April 2010, the Constitutional Court ruled that provisions of the Law on Local Elections (Articles 43 and 47), which laid down similar provisions on the appointment of councillors and the agreements on blank resignations, were not in line with the Constitution of the Republic of Serbia and the ratified international treaties.
- 4.1.7. **The majority of the laws in the previous period came from the Government**, while the influence of parliamentary committees was limited, as was the discussion on the laws' content. The pressure to pass a large number of laws in a short time led to the practice of law-making by accelerated procedure, frequently without the necessary public discussion about the substance and effects of the law. Moreover, most laws are discussed only in the sessions of the National Assembly, without prior consideration by the parliamentary committees.
- 4.1.8. **The High Judicial Council and the State Prosecutorial Council** were established in April 2009, with the responsibility for the appointment and promotion of judges and prosecutors and for defining the criteria for a general reappointment procedure for judges and prosecutors. The appointment of judges in accordance with the new laws was

⁹¹ Official Gazette of RS No. 20/09.

⁹² Official Gazette of RS No. 111/09.

⁹³ All four laws were published in the Official Gazette of RS No. 129/07.

⁹⁴ Report on the Implementation of the Amended National Programme for Integration of the Republic of Serbia with the European Union (NPI), for the Period April - June 2010.

⁹⁵ Official Gazette of RS No. 35/00, 69/02, 57/03, 72/03, 18/04, 85/05, 101/05 and 104/09

⁹⁶ Serbia 2008 Progress Report {COM(2008)674}, p. 8. The same comment is found in the Serbia 2009 Progress Report {COM(2009) 533}, p. 8.

conducted in the latter part of 2009. The EU and international organisations expressed certain concerns as to the procedure for the general appointment of judges, primarily with regard to the composition of the High Judicial Council in the first term and the criteria for the appointment of judges. These concerns refer to the possibility of political influence over the appointment procedure.⁹⁷ Similarly, the prosecutors' appointment procedure was assessed as susceptible to political influence.⁹⁸ The Constitutional Court was established in December 2007, but until April 2010 it was understaffed, working with only 10 judges, out of the foreseen 15. Currently, the Constitutional Court has 13 judges and faces a large backlog of cases.

- 4.1.9. **A major problem of the national judicial system is the excessive duration of court proceedings** and/or the backlog of civil, criminal, commercial and administrative cases, as well as delays in the enforcement of court decisions. This has already resulted in a few dozen judgements of the European Court of Human Rights against the Republic of Serbia. According to the data provided by the Government Agent before the European Court of Human Rights, most petitions submitted by individuals to this Court relate to the problem of unreasonably lengthy court proceedings and the non-enforcement of final court decisions.⁹⁹
- 4.1.10. Public administration reform continued and the action plan for its further reform in the period of 2009–2012 was adopted in July 2009. The Law on Civil Servants was amended in December 2008, setting clearer requirements for civil servant posts, defining the role of the Ombudsman in relation to the dismissal of civil servants and extending the legal deadline for completion of open competitions for the recruitment of civil servants until the end of 2009.¹⁰⁰ The Law on Amendments to the Law on Public Administration¹⁰¹ was adopted in 2010, which stipulated the obligations of public authorities to collect data from the registries kept by other bodies in order to build a service-oriented relationship towards the general public. Furthermore, the development and implementation of information technologies in the field of public administration has received general support. However, at certain levels and in particular areas, public administration has been burdened by staff surplus and, still very significantly, by obsolete procedures.
- 4.1.11. **The Human Resource Management Service has continued its civil servant training activities.** The Service has also carried out administrative tasks for the High Civil Service Council, which decides on the rights and obligations of civil servants who manage public authorities and runs disciplinary procedures against civil servants appointed by the Government. The Civil Service Code of Conduct was adopted in February 2008.¹⁰² The system for civil servants' performance appraisal has not been fully implemented to date.
- 4.1.12. Over the past several years, a number of independent bodies have been established to perform control over executive authorities and administration. The following independent

⁹⁷ Serbia 2009 Progress Report {COM(2009) 533}, p. 11; Venice Commission's Opinion on the Draft Criteria and Standards for the Election of Judges and Court Presidents of Serbia – unofficial translation into Serbian is available on the web page of the Judges' Association of Serbia: <http://www.sudije.rs/sr/aktuelnosti/vesti/misljenje-venecijanske-komisije-o-nacrtu-kriterijuma-i-merila-za-izbor-sudija-i-predsednika-sudova-u-srbiji> (accessed on August 25, 2010).

⁹⁸ In this context, the Serbia 2009 Progress Report states the influence of the parliament over the appointment of public prosecutors and their deputies (p. 12).

⁹⁹ *Stanje u predmetima Republike Srbije pred Sudom i uporedna statistička analiza (jun 2010. godina)*, Government Agent before the European Court of Human Rights, http://www.zastupnik.gov.rs/index.php?option=com_docman&task=cat_view&Itemid=51&gid=36&orderby=dmdate_published&ascdesc=DESC (accessed on August 30, 2010).

¹⁰⁰ The previous legal deadline until May 2008 was missed.

¹⁰¹ Official Gazette of RS No. 95/10.

¹⁰² Official Gazette of RS No. 29/08.

and autonomous institutions have been established: the Ombudsman for Citizens (2007)¹⁰³, the Commissioner for Information of Public Importance and Personal Data Protection (2004) and the Commissioner for Equality (2010). The conditions for the operation of these institutions have gradually improved, so as to allow them to operate at full capacity. The Province Ombudsman has been established in the AP of Vojvodina, while many local government units have introduced ombudspersons. National minority councils have been formed with a key role in ensuring collective minority rights and preserving the cultural identity of national minorities. Other established institutions include the Gender Equality Council (2003), the National Assembly Committee on Gender Equality (2004), the Province Secretariat for Labour, Employment and Gender Equality, the Gender Equality Committee of the Assembly of the AP of Vojvodina and the Gender Equality Institute. More than 50 municipalities have gender equality focal points or local bodies. Newly established bodies include the Council for Child Rights (2002), the Council of the Republic of Serbia for National Minorities (2009), the Council for Persons with Disabilities (2007), the Team to Combat Trafficking in Human Beings (2002) and other bodies at the national, province and local levels. The Socio-Economic Council has been very active in the field of establishing and enhancing social dialogue on issues relevant to the achievement of economic and social freedoms and rights.

4.1.13. **The local government system is still uniform and consists of one sole level**, with minor differences among cities and municipalities in terms of the competences held. In spite of the overall alignment of constitutional provisions and laws regulating the system of local government with European standards, there are still certain possibilities for the influence of central authorities over the functioning of local government units and over the affairs within their sphere of competence. This is especially reflected in the possibility to temporarily suspend the transfer of funds from the national budget if the programmes of local public enterprises diverge from the policy of projected price growth stipulated by the Government.¹⁰⁴

4.1.14. **In March 2009, the Government established the National Decentralisation Council**¹⁰⁵, with the mandate to participate, together with the Ministry of Public Administration and Local Self-Government, in the development of a decentralisation strategy. In the process, the Office of the National Decentralisation Council was established as well. The provisional deadline for completion of the decentralisation strategy is June 2011. Notwithstanding certain undertaken steps, there has been no substantial degree of decentralisation to date, especially in relation to the funding of local self-governments and autonomous provinces and the still considerable supervisory powers of the authorities at the central level. The Constitution of the Republic of Serbia foresees the right of local government units to their own property. The same guarantees are stipulated by the Law on Local Self-Government, but there is still no law regulating the field of public property to put these guarantees into practice. A law on employees at the local level of administration is still pending.

¹⁰³ The scope and manner of operation of this body are specified in more detail in the Law on Ombudsman for Citizens, Official Gazette of RS Nos 79/2005 and 54/2007.

¹⁰⁴ Article 22b of the Law on Public Enterprises and Performance of Activities of General Interest, Official Gazette of RS Nos 25/00, 25/02, 107/05, 108/05 and 123/07.

¹⁰⁵ Decision on the National Council for Decentralization of the Republic of Serbia, Official Gazette of RS No. 21/09.

CONCLUSIONS AND CHALLENGES

- 4.1.15. In the process of ensuring the alignment of laws with the *acquis communautaire* in the early stages of drafting, the primary challenge refers to the capacities of the line ministries that develop those drafts.
- 4.1.16. A constructive public discussion of the substance and effects of a certain legal document in its drafting stage ensures the adoption of adequate regulatory solutions and precludes the need for their amendment.
- 4.1.17. In the public administration reform process, the fundamental challenge is to streamline the organisation of public administration, as well as authorities at the province and local levels.

LINES OF ACTION

- 4.1.18. It is vital to ensure **better planning of legislative activities**, so as to avoid frequent amendments at a later stage, which has often happened to many systemic laws in this field. With regard to specific laws aiming to improve the functioning of the state, the priority in the forthcoming period should be to pass election laws at all levels, the Law on the Financing of Political Parties, the Law on the Enforcement Procedure, the Law on General Administrative Procedure and the Law on Public Property.
- 4.1.19. Despite the need to accelerate the adoption of a large number of legislation, **compulsory consultation should be ensured** with professional and concerned civil society organisations and individuals, as well as with the general public, in the early stages of drafting legislation.
- 4.1.20. The Government and executive authorities at other levels should adopt objective criteria for defining the optimum organisation of the administration.

4.2. Macroeconomic and Fiscal Framework and Economic Development

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 4.2.1. Upon receiving the first reports on the effects of the global economic crisis spilling over, **the Government adopted a series of measures to cushion its negative effects**. The first action was to adopt a document entitled *The Economic Crisis and its Impact on the Serbian Economy*, which contains a framework programme for alleviating the effects of the economic crisis (December 2008)¹⁰⁶. Austerity measures were envisaged for the state sector (taking into consideration the total level of public consumption), whereby the rule that greater savings must be made in the current segment of the state balance was complied with and consumption with a stimulating character was carefully projected. Incentives for the sector of small- and medium-sized enterprises and entrepreneurship were retained, and realized effects kept in check. The financial sector received state guarantees for incentives in the real sector (liquidity loans), and incentives for households savings as the basis of domestic investment activity were introduced (raising guarantees for foreign currency savings of citizens from 3,000 to 50,000 Euros, and allowing for the

¹⁰⁶ Available at the website of the Government in September 2010:
http://www.srbija.gov.rs/extfile/sr/120347/ekonomska_kriza311208.pdf

- temporary exemption of tax on personal income and income on capital, based on the interest on foreign currency savings and other personal deposits¹⁰⁷).
- 4.2.2. **A stand-by arrangement was signed with the IMF in January 2009**, first in the form of a so-called *precautionary arrangement* and later, as the crisis deepened, in the form of an ordinary stand-by arrangement that safeguards the macroeconomic position of the country. Through the arrangement, a total of around three billion Euro was approved to the Republic of Serbia, of which about 1.45 billion Euro had been withdrawn by November 2010 for the purpose of building foreign exchange reserves. The signing of the so-called Vienna agreement with foreign banks in mid-April 2009 was also significant for maintaining stability of the financial sector and additionally mitigating effects of the crisis, by agreeing to keep the degree of exposure to the Republic of Serbia at the level of 2008.
- 4.2.3. **In April 2009, the Government adopted the Plan for Economic Stability and Social Security of the Republic of Serbia¹⁰⁸**, which envisaged a less costly public administration, social accountability, protection of the living standards of citizens, incentives for economic activity and employment and support for public works and capital investment in infrastructure (i.e. sections of the Corridor 10 highway and railway). The Plan also contains a package of incentives that envisages Government stimulation of banks to approve loans at lower interest rates. In addition, the package listed allocations for active measures for the employment of young interns (through the “First Chance” Programme), as well as for public works. The realization of the package of incentives slowed down the decline in output and exports and lessened the non-liquidity of the national economy. In early May 2009 the Government adopted additional stimulating measures to provide even greater support for the economy. The novelty of this package was that the approval of loans was conditioned by the maintenance of the existing level of employment, and that control on spending of approved funds was tightened.
- 4.2.4. The Budgetary Fund was set up in May 2009 to address problems caused by the adverse effects of the global economic crisis¹⁰⁹ and enforce the Law on Temporary Cutting Salaries, i.e. Earnings, Net Allowances and Other Income in State Administration and Public Sector¹¹⁰. Funds of the Budgetary Fund are earmarked for subsidies to public non-financial enterprises, organizations and private entrepreneurs; transfers to other levels of government as well as compulsory social security organizations; budget social welfare allowances and the purchase of national non-financial property.
- 4.2.5. **The Government passed the Social Security Plan¹¹¹ in August 2009**, thus reacting to detected problems linked to the regular payment of earnings and contributions for pension and health care insurance as well as increasingly frequent strikes of employees, all with the aim of preventing potential incidents of non-compliance with legal obligations in the area of labour law relations.
- 4.2.6. **The targeted range for the core inflation of retail prices was determined¹¹² by early 2009**. The inflation corridor for 2008 was defined by the Memorandum of the National

¹⁰⁷ Law on Temporary Exemption of Tax for Specific Types of Income, Official Gazette, No. 5/09.

¹⁰⁸ Available at the website of the Government in September 2010:

<http://www.srbija.gov.rs/vesti/specijal.php?id=115578>.

¹⁰⁹ Decision on the establishment of the Budgetary Fund for addressing problems caused by adverse effects of the global economic crisis, Official Gazette of the RS, No. 37/09 and 81/09.

¹¹⁰ Official Gazette of the RS, No. 31/09.

¹¹¹ More information about the Plan can be found at: <http://www.srbija.gov.rs/vesti/specijal.php?id=115578>.

¹¹² The NBS opted for inflation targeting as the monetary strategy by adopting the *Memorandum on Principles of the New Monetary Policy Framework on the road to Achieving Low Inflation Objectives* in mid-2006.

- Bank of Serbia (NBS) on Setting Inflation Targets for 2008 at the level of 3-6% for the end of 2008. In comparison with the target set for the end of 2007, the targeted range was set at a lower level while the width of the range was narrowed.
- 4.2.7. In December 2008, the **Memorandum of the National Bank of Serbia on Inflation Targeting as Monetary Strategy**¹¹³ defined major principles of the monetary policy regime, with a defined objective of a continuous inflation band with a midpoint for headline inflation measured in terms of an annual percentage change in the Consumer Price Index. Following adoption of the Memorandum, the NBS set out to adopt the Memorandum on Setting Inflation Targets for the Period 2009-2011, which defined mid-term objectives of the monetary policy.
- 4.2.8. On January 1, 2009, the Government and the NBS signed the **Agreement on Inflation Targeting through which the NBS formally switched to inflation targeting as the monetary policy regime**. In addition, the Memorandum of the National Bank of Serbia on Setting Inflation Targets for the Period 2010-2012 laid down monetary policy objectives through 2012¹¹⁴. Picture 1 in Annex 6.1 (see **Picture 1 - Inflation and targeted ranges**) displays targeted ranges of headline inflation with the midpoint measured in terms of an annual percentage change in the Consumer Price Index, as well as realized inflation.
- 4.2.9. The Budgetary System Law was adopted in mid-July 2009 as a systemic law that regulates the area of public finance and to a great extent improves public finance management. Among other things, it regulates the planning, preparation, adoption and realization of the budget of the Republic of Serbia, as well as the budgets of autonomous provinces and local self-government units. The Law also defines the preparation and adoption of financial plans of compulsory social security organizations, as well as the control and auditing of beneficiaries of public funds and the budgets of the central and local levels of government. In addition, the Law stipulates the competences and organization of the Treasury of the Ministry of Finance, as well as the treasuries of local governments.
- 4.2.10. In mid-October 2010, the Law on Amendments to the Budgetary System Law was passed, introducing fiscal rules and principles – permanent limitations on fiscal policy expressed through combined indicators of fiscal performances¹¹⁵ (fiscal deficit, public debt or their main determinants) – to strengthen fiscal responsibility¹¹⁶. Amendments to the Law were passed with the aim of ensuring the sustainability of public finances in the medium run, as well as raising budget discipline and reducing the uncertainty of future fiscal policy¹¹⁷. December 2010 saw the adoption of additional amendments to the Law on Amendments to the Budgetary System Law that anticipated the trends of salaries and pensions¹¹⁸.
- 4.2.11. What is also of utmost importance is the drafting of the long-awaited **Law on Microcredit Companies, with the responsible Working Group managed by the**

¹¹³ http://www.nbs.rs/internet/latinica/30/memorandum_monetarna_strategija_122008.pdf.

¹¹⁴ Objectives are set for each individual month, in accord with the need to achieve mid-term price stability, which given the country's commitment to converge the level of prices and income of the EU in the midterm stands at 2-4% at the annual level.

¹¹⁵ FREN, Quarterly Monitor of Economic Trends and Policies in Serbia, Issue 19, October-December 2010.

¹¹⁶ Adoption of these amendments in September was a precondition for the continuation of financial support of the IMF.

¹¹⁷ Instead of the initially planned adoption of the Law on Fiscal Accountability.

¹¹⁸ Instead of the indexation set for January 2011 for the full inflation figure over the last six months, which would equal about 5%, salaries and pensions were raised by 2% in December 2010.

Ministry of Finance. Microcrediting would enable financial services to be made available to the poorer strata of society, the unemployed, those that do not meet the requirements to become bank clients or who do not have adequate security instruments, e.g. micro enterprises or inhabitants of rural areas. By providing microcredits for various business activities or for acquiring business skills, microfinance companies contribute to the employment of hard-to-employ population categories and their greater inclusion¹¹⁹.

Economic Activity

4.2.12. **Slowing GDP growth as a consequence of the global financial and economic crisis began in the second half of 2008.** In the course of 2009, GDP fell by 3.1%, and in 2010 it began to recover moderately. Following high rates of economic growth registered over the period 2000-2008 (annually on average of 5.4% in real terms), GDP in the fourth quarter of 2008 registered a much smaller rise of 2.9%. In the course of 2009, GDP decreased in real terms by 3.1% (Table 4.2.12) in comparison with 2008, and the recession was detected in the second quarter of 2009 when the quarterly drop of GDP equalled 4.5%. According to projections¹²⁰ in 2010, GDP is expected to rise in real terms by 1.5%.

Table 4.2.12: Gross domestic product: realisation, estimates and projections

	2008	2009	2010	2011	2012	2013
	Realisation		Estimate	Projection		
GDP, RSD bn (current prices)	2,722.5	2,881.1	3,073.5	3,314.4	3,626.3	3,986.5
GDP, EUR m ¹²¹	33,418	31,511	33,106	34,997	37,380	-
GDP per capita, in Euros	4,547	4,190	4,138	4,445	4,809	5,256
GDP, real growth, in %	5.5	-3.1 ¹²²	1.5	3.0	5.0	5.5

Source: Ministry of Finance

4.2.13. Further economic growth will largely depend both on the degree and the speed of the recovery of the global and, in particular, European economy. The contraction of economic activity registered in both the European and global economy has had an adverse impact on the economy of the Republic of Serbia. According to various projections¹²³ in 2010, the global economy is forecast to rise by over 4%, in the EU by 1%, and in the countries of Central and East Europe by over 3%, while a somewhat faster rise is anticipated starting in 2011 (see: Table 1 - International environment, real rise in GDP, %, Annex 6.1).

4.2.14. **Increased indebtedness of the economy and households.** Data from the Credit Bureau¹²⁴ suggest that the indebtedness of the economy stemming from bank loans at the end of 2009 rose by 6.8% in relation to the end of 2008, and at the end of 2010 rose by 19% in relation to the end of 2009. The total indebtedness of households at the end of 2010 compared to the end of 2009 increased by 29.7%. The total indebtedness of households and the economy at the end of 2010 equalled 1,732.1 billion dinars.

¹¹⁹ Reports of the Fund for Micro Development for 2008, 2009 and 2010: micro-credit programme and non-financial support for beneficiaries.

¹²⁰ Ministry of Finance, Memorandum on the Budget and Economic and Fiscal Policy for 2011 with Projections for 2012 and 2013.

¹²¹ Except for 2008, the source is the Revised Memorandum on the Budget and Economic and Fiscal Policy for 2010, with Projections for 2011 and 2012.

¹²² SORS, Communication No. 280, 30.09.2010,

<http://webzrzs.stat.gov.rs/axd/dokumenti/saopstenja/nr40/nr40062010.pdf>.

¹²³ Projections of the European Commission and the IMF.

¹²⁴ Association of Serbian Banks.

- Household debt by all types of loans at the end of 2010 reached 514.9 billion dinars (see: **Table 3 - Debt by bank loans, in RSD million**, Annex 6.1).
- 4.2.15. **The share of non-performing loans is increasing**, and the substantial depreciation of the dinar, in addition to the crisis, had a negative impact on the capacity for regular repayment (see: **Table 4 - Share of non-performing loans in total extended loans, %** Annex 6.1). The share of non-performing loans in extended loans by the end of 2008 equalled 4.7%, i.e. 7.2% at the end of 2009 and 10.3% at the end of 2010. The increase is largely a consequence of greater delays in the repayment of loans by legal entities, which at the same time have the largest share in total extended loans. In contrast, households remained the most regular in the defrayment of liabilities (at the end of 2010 only 3.3% of funds had not been collected regularly).
- 4.2.16. Indebtedness per capita continues to rise; at the end of 2010 the average indebtedness of citizens of the Republic of Serbia with regard to banking services and leasing contracts amounted to 749 Euros. Indebtedness stemming from loans was on average 668 Euros per capita, allowed borrowing on current accounts of citizens 24 Euros per capita, the credit card debt per capita equalled on average 49 euros, and the leasing contract debt equalled 8 Euros (see: **Table 5 - Average indebtedness per capita stemming from banking services and leasing contracts, in euros**, Annex 6.1).
- 4.2.17. **Privatization revenues substantially decreased**. Although one cannot expect the same privatization revenues that had been generated over the last few years, it is still vital to complete the process of privatising social companies, state-owned banks and insurance companies, with the efficient enforcement of bankruptcy legislation. Weak progress in the sale of social companies and the restructuring of state-owned companies in 2010 was also recognized by the European Commission's Report on the Progress of the Republic of Serbia¹²⁵. Revenues from the sale of companies over the first 10 months of 2010 amounted to 13.3 million Euros, running at 5.3% of privatization revenues generated in 2008 (see: **Table 6 - Results of privatization of companies**, Annex 6.1).
- 4.2.18. Indebtedness, non-liquidity, insolvency, a large number of bankruptcy proceedings and annulled privatizations remain key problems for the economy. A slump in domestic and foreign demand, limited and hampered access to sources of funding, diminished foreign investment, decreasing donations and remittances and a decline in the people's purchasing power all impacted the business performances of the Serbian economy in the crisis period.
- 4.2.19. **In spite of measures adopted to raise competitiveness, international competitiveness decreased in 2010**. At the proposal of the National Competitiveness Council, in early 2010 the Government adopted 38 measures in the area of infrastructure, energy efficiency, efficiency of the market and labour market, development of human capital and innovations and the promotion of an efficient public administration, with the aim of boosting the country's competitiveness in 2010. However, according to the assessment of the World Economic Forum¹²⁶, the international competitiveness of the Republic of Serbia fell by three positions in 2010 in comparison with 2009, ranking 96 out of a total of 139 ranked countries. In comparison with other countries in the region, only the economy of Bosnia and Herzegovina was less competitive than the Republic of Serbia. The Republic of Serbia lagged behind not only neighbouring EU member states (Hungary, Romania and Bulgaria) but also Albania, Macedonia and Croatia.

¹²⁵ European Commission, Serbia 2010 Progress Report, Brussels, 9 November 2010.

¹²⁶ <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>.

- 4.2.20. **In the period of reference, the share of tradable goods** (goods produced in industry, agriculture, forestry and fishery) **in the structure of gross value added (GVA) decreased further.** In the crisis-laden 2009, industrial output went down by 12.2%¹²⁷, whereas the service sector throughout the entire crisis period managed to retain positive growth rates (1.0%). Such developments further impacted a decrease in the share of the production of tradable goods in GVA, which now equals less than a third.
- 4.2.21. The structure of gross value added is dominated by the service sector, while the significance of agriculture, hunting, forestry and fishery is much greater than the EU average. The service sector accounted for 68.6% of GVA in 2009, and over 2008-2010 registered a continuous rise in its share. In the first quarter of 2010 services accounted for more than 70% of GVA. Still, the share of services in GVA in 2010 was close to the EU average¹²⁸. What deviates from the EU average is the much greater importance attached to agriculture, hunting, forestry and fishery in the economy of the Republic of Serbia. Although there are differences among EU member states themselves, in 2008 this sector accounted for only 1.8% of the GVA of the EU-27, in contrast to 12% in the Republic of Serbia the same year¹²⁹. Although the economy of the Republic of Serbia also saw a decline in the importance of agriculture, it still remains an important growth factor; throughout the crisis period this sector displayed positive growth rates and thus averted a steeper drop in GDP (see: **Table 7 - Sector share in gross value added (GVA)**, Annex 6.1).
- 4.2.22. **Since 2009, the NBS has been responsible for the headline instead of only core inflation** (inflation on competitive markets) **as used to be the case**, on the condition that it is involved in the process of planning regulated prices¹³⁰. In the course of 2008 core inflation of the retail price index was targeted, but it exceeded the upper limit of the targeted range (3-6%), and at the end of 2008 equalled 10.1%. Deviation from the target was largely due to rising food prices and the cost effects of a record-breaking rise in the price of oil in the first half of the year. Expansive fiscal policy, particularly in the third quarter, as a consequence of considerably higher transfers to the population also had a negative impact on achieving inflation targets. By the end of the year, the fiscal policy was no longer anti-cyclical, and much less was invested in capital projects at the expense of rising consumption, which exerted additional pressure on inflation.
- 4.2.23. In spite of a restrictive monetary policy¹³¹ pursued in the course of 2008, **the NBS failed to maintain core inflation within the targeted range.** At the end of 2008, the NBS again did not raise the restrictiveness degree so as not to impede economic activity (as there were signs that the adverse effects of the global financial and economic crisis had spilled over to the economy of the Republic of Serbia).

¹²⁷ Within industrial output the steepest drop was registered with manufacturing industry. Throughout entire 2009, the real drop stood at 15.3%, while the 'trough' was detected in the first two quarters of 2009 when real growth rates equalled more than 20%.

¹²⁸ Eurostat, European Commission, Europe in figures – Eurostat yearbook 2010, taken from the website:

http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-CD-10-220.

¹²⁹ In the EU economy, one can notice a considerable 'shift' of the economic structure over the last few decades, involving the dwindling significance of agriculture and industry and the rising importance of services. This is a result of both technological changes and changes to relative prices and globalization.

¹³⁰ These are prices that are under the direct or indirect impact of the Government (electricity prices, oil derivatives, utility and housing services, social community services, some transport services, prices of bread and flour, cigarettes, milk, medicines and other regulated prices).

¹³¹ In the course of 2008, the key policy rate, which is the major monetary policy instrument, was raised from 10% to 17.75%.

- 4.2.24. **For most of 2009 inflation developed within the defined range**, while the target for the end of 2009 set at $8\pm 2\%$ was realized (with inflation running at 6.6%). Throughout the year the NBS was relaxing the monetary policy restrictiveness (the key policy rate was lowered eight times and at the end of the year stood at 9.5%).
- 4.2.25. **In the first half of 2010 the National Bank of Serbia continued to relax monetary policy**; the key policy rate continued to lower until August when it reached 8%. Commercial banks were consequently discouraged from investing unemployed assets in REPO operations¹³²; banks invested excessive liquid funds partly through loans to the economy and households, while a greater portion thereof was spent on purchasing treasury bills issued by the Ministry of Finance, which covered a portion of the deficit.
- 4.2.26. After being below the lower limit of the targeted value for six months¹³³, in July 2010 inflation returned to the limits of the targeted value; slowing year-on-year inflation was mostly attributed to low aggregate demand, coupled with the freezing of salaries and pensions, a drop in food prices and a negligible transfer of dinar depreciation on inflation. In the second half of 2010 inflation accelerated heavily and developed out of the target tolerance band while, simultaneously, monetary policy restrictiveness increased (the key policy rate in January 2011 stood at 12%) (see: **Table 8 - Indicators of price rise, growth rates in %** and **Picture 1 - Inflation and targeted ranges**, Annex 6.1).
- 4.2.27. Due to a strong inflow of capital from abroad before the outbreak of the crisis, the value of the dinar had been overrated. As the crisis unfolded the dinar gradually depreciated, impacting the economy's international competitiveness, which had been lost through strong appreciation which began in 2005. In addition, due to the relatively slow recovery of the European economy and uncertainties linked to the situation in Greece, in the first and particularly the second quarter of 2010, the Euro weakened against the dollar, and in parallel, the dinar sharply depreciated against the dollar and the Euro (see: **Table 9 - Mean exchange rate of the dinar against the euro and the dollar** and **Picture 2 - The dinar exchange rate against the euro and the dollar**, Annex 6.1).
- 4.2.28. The boosting of exports¹³⁴ is an important component of the post-crisis model of economic growth and development in the Republic of Serbia 2011-2020, which envisages a change in the growth model from the sector of non-tradable goods towards the sector of tradable goods. Increased exports would positively influence production and thus employment and the standard of living of citizens. A rise in exports would help to achieve macroeconomic stability as economic growth would be less dependent on the inflow of foreign capital and the defrayment of external debt would not be threatened.
- 4.2.29. **In 2008 the Republic of Serbia saw a deficit of 21.6% of GDP in the current account of the balance of payments**; in the course of 2009 the deficit was considerably reduced (to 7.6% of GDP), primarily as a consequence of the economic crisis that impacted declining demand and thus a larger decrease in imports than in exports. This also led to

¹³² A transaction that involves the purchase and sale of bills through which the seller agrees to sell them to the purchaser who is willing to pay the purchasing price to the seller, at the same time taking on an obligation to sell purchased bills on a precise day to the seller, who is obliged to pay the purchaser for those bills whose re-purchasing price is set in advance. These transactions take place at auctions or through a direct purchase/sale.

¹³³ After six successive months of moving below the target tolerance band, in accordance with the Agreement on Inflation Targeting as the Monetary Strategy, the Executive Board of the NBS sent a *letter to the Government on reasons why inflation deviated from the target*, which stated that in the second half of the year inflation was expected to return within the target tolerance band, and by the year-end to move closer to the target. Source: NBS, Report on Inflation, August 2010, Annex 1.

¹³⁴ 2008 saw adoption of the *Export Promotion Strategy for the Period 2008-2011*, which established that the main objective of economic policy in the following period is to boost exports.

increased coverage of imports vis-à-vis exports, which in the first 10 months of 2010 equalled 58.2%. In keeping with the projected recovery of aggregate demand and economic activity, the revival of external trade is also assessed.

Table 4.2.29: Balance of payments

	Million Euros			% GDP	
	2008	2009	1-10.2010	2008	2009
Current account deficit	7,217	2,281.2	2,092.4	21.6	7.6
Export of goods	7,428.3	5,961.4	5,957.8	22.2	19.9
Import of goods	16,478.1	11,504.6	10,230.4	49.3	38.4
Coverage of import by export, %	45.1	51.8	58.2		

Source: Ministry of Finance

- 4.2.30. **External debt and obligation to defray increased.** At the end of 2008, the total share of (private and public) external debt in GDP equalled 65.2% of GDP, reaching 72.3% at the end of 2009. Estimates expect it will continue to rise in the next three-year period and eventually reach 76.8%¹³⁵ (see: **Table 10 - External debt of the Republic of Serbia**, Annex 6.1). The country's overall external debt in mid-2010 amounted to 23.6 billion Euros. An increase in shares of both the public and external debt in GDP was for the most part a consequence of a drop in GDP and dinar depreciation. This creates a danger that the indebtedness of the Republic of Serbia will grow into a macroeconomic problem and that the pursuit of economic policy will be less sovereign in time. With too much of the government debt denominated in foreign currency, the country remains overly exposed to high currency risk, particularly in conditions of dinar depreciation.
- 4.2.31. **At the same time the public debt of the country increased.** Public debt at the end of 2008 amounted to 8.8 billion Euros, i.e. 25.6% of GDP, and in comparison with the end 2009, had risen by 1.1 billion Euros (31.3% of GDP). At the end of July 2010, public debt of the Republic of Serbia¹³⁶ amounted to 10.7 billion Euros, i.e. 32.5% of GDP. Of this figure external debt accounted for 58.8% and 41.2% by internal public debt (see: **Table 11 - Public debt of the Republic of Serbia**, Annex 6.1).
- 4.2.32. Despite recognition of increased investment as a priority of economic policy, **in 2009 investments dropped by 22.8%**¹³⁷, while in 2010 they are expected to go up by a moderate 3.4%. A considerable rise is expected to take place in the next three years. In 2008, investments in fixed funds stood at 23.2% of GDP. The sustainable development of the Republic of Serbia requires redirection of investments in the production sector, particularly in exchangeable goods, and a higher level of investments, which are still at a low level given the development needs of the country.
- 4.2.33. **The world economic crisis had an impact on the flow of foreign direct investment (FDI).** In the Republic of Serbia, as in other transition countries of Southeast Europe, FDI decreased, influenced not only by the crisis but also by other factors such as exhausted privatization opportunities and structural weaknesses. In 2009, the Republic of Serbia managed to attract 1.4 billion euros of net foreign direct investments, and in 2008 1.8

¹³⁵ Ministry of Finance, Memorandum on the Budget and Economic and Fiscal Policy for 2011, with Projections for 2012 and 2013.

¹³⁶ This refers to the debt of the central level of government.

¹³⁷ Percentage changes by constant prices, *Source*: MFIN, Memorandum on the Budgeting and Economic and Fiscal Policy for 2011, with projections for 2012 and 2013.

billion euros. Over the first five months of 2010, the net inflow of FDI amounted to only 393.6 million euros¹³⁸.

4.2.34. The sector of small- and medium-sized enterprises and entrepreneurship (SMEE) is extremely important for the economy of Serbia. **In 2009, the SMEE sector accounted for 57.4% of GVA, 66.7% of employment and 50.5% of exports.** In the following period the objective is to develop a competitive SMEE sector based on knowledge and innovativeness that will drive a rise in output, exports, employment and a more balanced regional development. The *European Charter for Small Enterprises* for Western Balkans countries presents the main policy instrument for promoting entrepreneurship and small enterprises. The progress in the implementation of the Charter is presented in an annual report; the 2009 report underscores that the Republic of Serbia made the greatest advancement among countries of the second group and managed to get closer to Croatia, which leads the first group.¹³⁹

Public Finance

4.2.35. In the course of the crisis in 2009, public revenues dropped in real terms while public expenditure decreased less substantially, leading to an increased share of deficit in GDP. The deficit of the consolidated state balance rose from -2.6% in 2008 to -4.1% of GDP in 2009, while the share of consolidated public revenues and expenditure in GDP decreased at the same time.

Table 4.2.35: Consolidated balance of the general government sector, 2008-2010

	Billion dinars			Real rise		% GDP	
	2008	2009	1-5 2010	<u>2009</u> 2008	<u>1-5.2010</u> 1-5.2009	2008	2009
Public revenues	1,143.4	1,146.5	460.2	92.5	101.7	42.0	39.8
Public expenditure	1,213.9	1,267.9	506.6	96.4	101.3	44.6	44.0
Consolidated balance	-70.5	-121.4	-46.4	-	-	-2.6	-4.2

Source: Ministry of Finance

4.2.36. **Such fiscal aggregate developments stem from changes to the economic and tax policy** that undermined fiscal capacities on the one hand, and the high rigidity of public consumption on the other. Namely, changes in 2007 (a decrease in the tax rate on salaries, the introduction of the non-taxable portion of earnings, lowering of the tax on the transfer of absolute rights and changes in taxation through the value-added tax) caused a permanent decrease in tax revenues. Since 2009, customs revenues have decreased as well (a consequence of lowered customs on imports from the EU¹⁴⁰). Moreover, due to the crisis, domestic demand fell in relation to GDP, which led to lower revenues from VAT; due to lower employment revenues from earnings, tax and social security contributions also dropped.

¹³⁸ Source: Ministry of Finance, Bulletin of Public Finances, May 2010, except for the share of investments in 2009 and 2010 where estimates of the Republic Development Bureau presented in the publication Spring Analysis of Economic Developments, 2010, have been used.

¹³⁹ SME Policy Index 2009, Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans, OECD, EC, ETF, EB, 2009.

¹⁴⁰ Implementation of the Stabilization and Association Agreement with the EU, signed on April 29, 2008, started on February 1, 2009. The Agreement establishes a free trade zone between Serbia and the EU over an interim period of six years. Serbia's duty is to gradually lift customs for the import of goods that come from the EU during the interim period, while the EU through this Agreement confirmed the free access for goods coming from Serbia to the EU market.

- 4.2.37. The expenditure side of the consolidated government sector balance has seen a constant increase in the share of current expenditure (from 89.7% in the structure of total revenues in 2008 to 93.3% over the first five months of 2010), which is almost entirely a result of decreased capital expenditure (from 8.7% of total expenditure in 2008 to 4.9% over the first five months of 2010). Such developments conflict with the country's development needs and plans and in the future might slow down or hinder further progress (see: **Table 12 - Consolidated balance of the general government sector in 2008-2010**, Annex 6.1).
- 4.2.38. Despite considerable savings in 2009, expenditure on the repayment of interest, the disbursement of social assistance and transfers to the population continue to rise. Savings take place through reducing expenditure on employees (a consequence of the decision to freeze the rise in public administration salaries), savings in the purchase of goods and services for the public sector and cutting subsidies. Expenditures earmarked for repaying interest in the course of 2009 rose in real terms by 26.8% relative to 2008; the real rise over the first five months of 2010 relative to the same period in 2009 was even higher, equalling 37.1%. Viewed by the structure of expenditure, the largest share was within the category of social assistance and transfers, which rose from 40.9% to 46.1% of total expenditure, second only to interest repayment, which since 2008 has doubled.
- 4.2.39. **Lowering the fiscal deficit to a sustainable level is the main fiscal policy objective in the next mid-term period.** The initially planned deficit¹⁴¹ for 2010 equalled 4% of GDP, but after adverse developments, i.e. lower than planned revenues flows and a sluggish economic recovery in the first quarter of 2010, its increase to 4.8% of GDP was accepted (Table 4.2.39). The plan in the next three years is to reduce the deficit incrementally, which by 2013 should stand at 1.8% of GDP¹⁴², as well as to reduce the share of revenues and expenditure in GDP. The entire fiscal adjustment of 3% of GDP planned for 2011-2013 refers to current consumption and net budget loans, while it was planned to raise expenditure earmarked as capital expenditure.

Table 4.2.39: Planned developments of fiscal aggregates as % GDP

	2010	2011	2012	2013
Public revenues	38.9	38.3	37.7	37.5
Public expenditure	43.8	42.3	41.2	39.3
Consolidated fiscal deficit	-4.8	-4.0	-3.5	-1.8

Source: Ministry of Finance

- 4.2.40. December 2008 saw adoption of the **new Public Procurement Law**¹⁴³, which seeks to promote a system of public procurement in further alignment with EU regulations. The new Law, however, fails to meet EU standards in its entirety, especially with regard to entities that are obliged to implement public procurement procedures, goods exempted from implementation of the Law, deadlines and favouring domestic suppliers.¹⁴⁴ Although the legal date expired in July 2009, members of the Republic Committee for the Protection of Rights in Public Procurement Procedures, an independent body that is

¹⁴¹ Ministry of Finance, Revised Memorandum on the Budget and Economic and Fiscal Policy for 2010, with Projections for 2011 and 2012.

¹⁴² Ministry of Finance, Memorandum on the Budget and Economic and Fiscal Policy for 2011, with Projections for 2012 and 2013.

¹⁴³ Official Gazette of the RS, No. 116/08.

¹⁴⁴ A detailed analysis was done by SIGMA in the Report on Assessment of the Public Procurement System in Serbia, in May 2009 (Serbia public procurement system assessment, May 2009, SIGMA: <http://www.sigmaxweb.org/dataoecd/53/48/43910702.pdf>), p. 6-7.

supposed to replace the Committee for the Protection of Bidders' Rights within the Public Procurement Authority, have still not been elected. The Government sent a proposal of a decision to appoint members of the Republic Committee in March 2010, but the proposal was withdrawn.¹⁴⁵

- 4.2.41. **Serbia is one of the last countries in the region that has not yet issued a single municipal bond.** Municipal bonds represent a major potential for overcoming limitations to financing the construction of capital infrastructural buildings, as well as their maintenance and further development. The concept of municipal bonds to use private funds to fund capital investments of public importance. As a rule, revenues from interests stemming from municipal bonds are exempt from taxes, the case in Serbia as well, in contrast to the 10% tax on capital income, which is paid on bank deposit interest. Implementation of several programmes is underway to provide support for cities and municipalities in the process of preparing for the future emission of municipal bonds. The first step in this direction, under the management of the Standing Conference of Towns and Municipalities, is the drafting of the so-called *Feasibility Study for the Emission of Municipal Bonds*. This document includes factors and potential participants in this market, presents opportunities for the emission of bonds and identifies likely obstacles and recommendations for their removal. Identification of a group of pilot municipalities that will go through all the stages of preparation and emission of bonds is underway.
- 4.2.42. **Local governments have several guaranteed sources of revenues.** Revenues of local governments come from the collection of property tax, charges for land development and usage of building land, local communal taxes, company tax and leases. Shared revenues come from collecting the earnings tax, tax on the transfer of absolute rights, tax on revenues from self-employment and real estate tax. In addition, local self-governments are entitled to transfers from the budget of the Republic of Serbia. Non-earmarked transfers include *balancing transfer, compensation transfer, transition transfer (temporary character) and general transfer*. Specific-purpose transfers include *specific-purpose transfers in a narrow sense and functional transfers*. Weights of general transfers are defined on the basis of a genuine structure of expenditure: 65% by the number of inhabitants, 19.3% by the surface of a municipality or city, 4.56% by the number of classes in primary schools, 2% by the number of classes in secondary schools, 6% by the number of children in kindergartens, 1.14% by the number of buildings within primary education, 0.5% by the number of buildings within secondary education and 1.5% by the number of buildings related to child welfare.
- 4.2.43. **The crisis has had an impact on salary and pension trends.** In the years before the crisis, earnings had been registering high annual rates of real growth¹⁴⁶. During the crisis, the rise in earnings plummeted: in 2008 it stood at 3.9% and in 2009 it was close to zero; over the first seven months of 2010 earnings rose slightly, by 2.5%. The Law on the Temporary Cutting of Salaries, i.e. Earnings, Net Allowances and Other Income in State Administration and Public Sector influenced the earnings of public service employees, though private sector workers did not see a substantial rise in salaries either. After a record-high real rise of 14.2% in 2008, a consequence of extraordinary indexations in April (so that they would reach 60% of average salary) and October (through which they were raised by 10%), by the end of 2008 pensions were frozen. Still, in spite of the decision on freezing, the effect of the 2008 pension increase spilt over to 2009, and only in 2010 was the effect felt. For this reason, in the course of 2009 there was a lower rise in

¹⁴⁵ Information on the First Meeting of the First Regular Session of the National Assembly in 2010, http://www.parlament.gov.rs/content/lat/aktivnosti/skupstinske_detalji.asp?Id=2212&t=A (22.9.2010).

¹⁴⁶ In 2002, the real annual rise stood at as much as 29.9%, and in 2007 at 19.5%.

pensions (3.3%), and in the first seven months of 2010, there was a real decrease of 3.7% vis-à-vis the same period in 2009.

Table 4.2.43: Salaries and pensions

	2008	2009	1-7 2010
Net earnings			
Period average, in dinars	32,746	31,733	33,262
Real growth rates	3.9	0.2	2.5
Period average, in Euros	402.1	337.8	330.3
Average pension¹⁴⁷			
Period average, in dinars	17,660	19,788	19,841
Real growth rates	14.2	3.3	-3.7
Period average, in Euros	216.8	210.6	197.0

Source: Ministry of Finance. For sums in Euros, calculations were based on NBS data on foreign exchange rate developments.

4.2.44. **In December 2010 the practice of ‘freezing’ public sector salaries and pensions was abandoned.** Following amendments to the Budgetary System Law of December 2010, a decision was taken to raise salaries and pensions by 2% in December 2010, as well as in April and October 2011 and 2012, while adjustments have been set for the period 2013-2015.

4.2.45. According to the functional classification of expenditure, a decrease in the share in GDP of most expenditure categories is expected to take place by 2013. The planned decrease in expenditure earmarked for social welfare in relation to 2009 equals 2.5 percentage points of GDP, while a considerable decrease in the share in GDP will also refer to education, health care and economic affairs related to citizens.

Table 4.2.45: Functional classification of expenditure of the consolidated state sector, % GDP¹⁴⁸

Public consumption	Realized		Projected			
	2008	2009	2010	2011	2012	2013
Social welfare	16.8	18.1	17.9	17.3	16.5	15.6
General public services	4.3	3.8	4.4	4.2	4.1	3.9
Defence	2.3	2.3	2.1	2.1	2.2	2.4
Public order and safety	2.3	2.1	2.2	2.1	2.1	2.0
Economic affairs	6.3	5.4	5.6	5.2	5.0	4.6
Environment protection	0.3	0.3	0.3	0.3	0.3	0.3
Housing and community affairs	1.6	1.6	1.6	1.4	1.5	1.5
Health care	5.9	5.9	5.9	5.6	5.3	5.1
Recreation, sport, culture, religion	1.0	0.8	0.8	0.7	0.7	0.7
Education	3.9	3.7	3.2	3.4	3.3	3.1
Total	44.6	44.0	44.0	42.3	41.2	39.3

Source: Ministry of Finance

¹⁴⁷ All three funds.

¹⁴⁸ The functional classification brings to the fore the function played by the state through spending funds for a specific purpose.

Social Protection Expenditure

- 4.2.46. **Social protection expenditure** broadly comprises all allowances and transfers to citizens, including disbursement of pensions, unemployment benefits, social welfare payments, sickness benefits, etc. in contrast to expenditure on social protection in a narrow sense as defined by the *Law on Social Welfare and Provision of Social Security to Citizens*¹⁴⁹. Under this law, **social protection** refers to an organized social activity whose aim is to provide assistance to citizens and their families in times of social need, enforce measures that may prevent such situations and address their consequences. Rights related to social protection and social security as understood by the Law are 1) material support, 2) financial allowance for assistance to and care of other people, 3) assistance for the procurement of equipment, 4) assistance at home, stay in a day care centre, temporary placement in a shelter and shelter station, placement in an institution or with another family, 5) social services, 6) equipping the beneficiary for placement in a social protection institution or with another family and 7) a lump sum financial assistance.
- 4.2.47. **Analysis of the economic classification of the consolidated balance of the Republic of Serbia**¹⁵⁰ shows that expenditure on social protection in a wide sense is subsumed by the category *social assistance and transfers to citizens*.
- 4.2.48. Allocations for social protection, expressed in this way, accounted for 19.3% of GDP in 2009, with the largest portion in pension disbursement. In 2009, almost 70% of social protection expenditure was earmarked for the disbursement of net pensions. Although pensions were frozen in 2009, an increase in pension expenditure was registered in relation to 2008, primarily due to a large increase in pensions in October 2008. More than half of the real rise in social protection spending is the result of the budget ‘pension burden’ transferred from the previous year.

Table 4.2.48: Economic classification of expenditure on social assistance and transfers to citizens in the consolidated state balance

	billion dinars				Real rise
	Realization			Plan	
	2008	2009	1-5 2010	2010	<u>2009</u> 2008
Social assistance and transfers to citizens	496.8	555.6	233.4	577.3	103.2
1. Net pensions	331.0	387.3	161.5	398.0	107.9
2. Sickness benefit	6.1	6.8	2.6	6.8	102.8
3. Unemployment benefit	16.7	19.3	8.6	25.0	106.6
4. Social welfare*	99.6	99.0	43.1	107.1	91.7
Transition fund	7.3	4.9	4.3	6.0	61.9
Child protection	25.8	31.1	14.2	32.4	111.2
War veteran and invalid care	15.0	13.7	5.6	13.3	84.3
Budget social protection	11.5	13.1	6.1	15.6	105.1
Other	40.0	36.2	12.9	39.9	83.5
5. Budget transfers for military pensions	20.1	22.9	9.6	22.9	105.1

¹⁴⁹ Official Gazette of the RS, No. 36/91, 79/91- another law, 33/93- another law, 53/93- another law, 67/93, 67/93- another law 46/94, 48/94- another law, 52/96, 29/01, 84/04, 101/05- another law, and 115/05.

¹⁵⁰ **Economic classification** brings to the fore the type of expenditure, i.e. its economic feature and the impact of state spending on the market of goods and services, the financial market and redistribution of income.

6. Other transfer to citizens ¹⁵¹	23.4	20.2	8.1	17.5	79.6
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Source: Ministry of Finance

* Disbursement of funds from the republic budget, except for the category of Other, which apart from payments from the republic budget includes allocations at the local level and in the AP of Vojvodina.

Categories within social welfare are:

Transition fund: Companies whose 51% of assets is owned by the state (social or state-owned companies) are entitled to funds from the Transition Fund, which for the most part are earmarked for severance payments to employees made redundant in the privatisation process.

Child protection: 1. Disbursement of earnings to employed women on maternity leave, 2. Parental allowance, 3. Children's allowance, 4. Reimbursement of costs for children in pre-school institutions, 5. Assistance to refugee mothers with children up to one year of age.

War veteran and invalid care: 1. Disability allowances for disabled war veterans, civil war invalids and family disability allowances (disability allowances, veteran allowances, transport of disabled war veterans, services of hospitals and medical centres, as well as the right to motor vehicles for disabled war veterans).

Social protection from the republic budget (allowances and rights under the Law on Social Welfare and Social Security): 1. Disability allowance – allowance for care and assistance, 2. Budget allowance for children and family – material support, 3. Budget allowance for children and family – family placement, 4. Budget allowance for housing and living – (centres for social affairs and placement in institutions), 5. One-off payments.

Other: Social protection funds disbursed from the republic budget (1. Solidarity fund, 2. Return of VAT to disabled people for imported cars, 2. Pupils' and students' standard of living, 3. National pensions, 4. Young Talents Fund of the Republic of Serbia, etc.), and allocated social welfare funds within the competence of local self-governments and the AP of Vojvodina.

4.2.49. Although expenditure on social protection in the first year of the crisis went up in real terms by 3.2%, only part of this increase can be attributed to the declining standard of living and rising poverty. Although a high increase was registered in categories whose disbursement is conditioned by the level of household income (disbursement of children's allowance and material support) – i.e. categories whose number of beneficiaries during the crisis increased – pensions, which account for largest portion of spending, had the greatest impact on the increase. As a consequence of the growing number of unemployed since the outbreak of the crisis, expenditures classified as unemployment benefits also registered a high rise. The outbreak of the crisis has seen a trend of a faster rise in expenditure that is 'crisis-sensitive' greater than the category's average as a whole.

4.2.50. Pensions retained the dominant share in 2010, while 'crisis-sensitive' expenditures whose disbursement is conditioned by the level of income still registers a high rise (unemployment benefits and targeted social programmes). In early 2010, plans were for expenditure on social protection to amount to 577.3 billion dinars by the end of the year: planned allocations for pensions were 398 billion dinars, for social protection 107.1 billion dinars and for unemployment benefits 25 billion dinars. Recommendations were¹⁵² to raise allocations for programmes that target the poor most efficiently (material support and children's allowances), and data on these programmes show that they were adopted as a consequence of the crisis.

4.2.51. **Expenditure on social protection in the EU is monitored in the same way in each member state** by observing the principles of the common European System of Integrated Social Protection Statistics (ESSPROS)¹⁵³. Such monitoring ensures international

¹⁵¹ Other transfers to citizens comprise payments of organizations of compulsory social insurance for various purposes: allowance for care and assistance, allowance for bodily impairment, funeral costs, medical aids, etc.

¹⁵² World Bank, Serbia: How to Do More with Less – Facing the Fiscal Crisis by Increasing Productivity of the Public Sector, at http://siteresources.worldbank.org/SERBIAEXTN/Resources/Serbia_PER_srb_web.pdf.

¹⁵³ European Commission, Eurostat, ESSPROS Manual http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-027/EN/KS-RA-07-027-EN.PDF.

comparability, and allocations for social protection are harmonized with other national statistics, especially with national accounts. By the ESSPROS methodology, allocations for social protection at the EU-27 level in 2008 stood at 26.4% of GDP, though with major differences among member states.

- 4.2.52. Comparisons of expenditure on social protection in the EU and the Republic of Serbia measured as a percentage of GDP show that, like in some other areas, the Republic of Serbia is below the EU average, though it still allocates more than selected new EU members. In Table 4.2.52, the value for the Republic of Serbia refers to *social assistance and transfers to citizens* in the economic classification of expenditure of the consolidated state balance, and as such is not fully comparable with the EU data. Nevertheless, expenditure on pensions, which accounts for the largest portion of expenditure on social protection, is entirely comparable with expenditure on pensions monitored in the EU.

Table 4.2.52: Expenditure on social protection in the EU and Serbia, % GDP

	2008
Serbia	18.2
EU-27	26.4
EU states with greatest allocations for social protection as % GDP	
France	30.8
Denmark	29.7
Sweden	29.4
EU states with smallest allocations for social protection as % GDP	
Latvia	12.6
Romania	14.3
Estonia	15.1
Bulgaria	15.5

Source: For Serbia, the Ministry of Finance. For the EU, EUROSTAT.¹⁵⁴

CONCLUSIONS AND CHALLENGES

- 4.2.53. When the global economic crisis occurred, the Republic of Serbia was in a state of a fundamental external macroeconomic misbalance – its current account deficit amounted to over 6.25 billion dinar, i.e. around 18.7% of GDP (end 2008). The trade deficit also reached its maximum in 2008, when it equalled 24.2% of GDP. High domestic demand was satisfied largely through imports, primarily through the import of consumer goods.
- 4.2.54. The second unfavourable characteristic of that time was that economic growth and development hinged on the sector of non-exchangeable goods (services) and a declining share of industry and agriculture. The Government accepted the Foundation for Developing the Industry Development Strategy of the Republic of Serbia 2011-2020¹⁵⁵, which is under way. The strategy should take into account the necessity for further economic growth to be based on the sector of tradable goods.
- 4.2.55. Addressing structural problems and achieving objectives to be reached by 2020 pose major challenges before the Republic of Serbia. Except for completing comprehensive regulatory reform and aligning the legal framework for business with EU regulations, it is also necessary to develop a new industrial policy that will be based on the production of tradable goods, stimulation of exports, savings of resources and energy efficiency. Except

¹⁵⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/data/database.

¹⁵⁵ Conclusion 05 No: 3111-2057/2010-1 from April 22, 2010.

- for these challenges, high growth rates of investments and a controlled rise in public sector consumption will be needed for a new model of growth and development. Implementation of mid-term fiscal and structural reforms is recognized as one of the main challenges in the European Commission's Progress Report for the Republic of Serbia in 2010.
- 4.2.56. The Republic of Serbia is faced with several challenges at the moment. The first one is **the need to change the growth model we have had so far**, which will require a shift from a consumer to a pro-investment model, followed by the development of exchangeable goods and increased exports. That these changes are needed is confirmed by the data on ever-lower privatisation revenues, which in the past supported a rise in consumption, but also by a worrying rise in external debt and a much slower inflow of foreign direct investments.
- 4.2.57. The second challenge refers to the need to find a way to **increase public investments** in conditions of diminished fiscal revenues and a very rigid structure of public consumption. Public investments attract private investments and therefore are one of the key prerequisites for further development. Increased allocations for public investments, taking into account the need to lower the share of both public revenues and public expenditure in GDP, will be at the expense of a smaller share of current consumption through which the state fulfils its duties to public sector employees, pensioners and socially vulnerable groups, and provides various public sector services (education, health care, internal and external security, various communal services, etc.).
- 4.2.58. The third challenge is how to **reach values of major macroeconomic indicators** as defined by the Memorandum on the Budget and Economic and Fiscal Policy for 2011, with Projections by 2013. Analysis of the previous period year-by-year shows a pattern of setting unrealistic/unfeasible projections that represented the 'desired' level, after which the defined objectives would either be revised or unfulfilled (for example, earlier memoranda envisaged a lower share of public expenditure in GDP than the one later realized) (see: **Table 13 - Comparison of performances and plans defined by the Memorandum on the Budget and Economic and Fiscal Policy**, Annex 6.1). Still, the September amendments to the Budget System Law define the core of fiscal accountability, which understands the need to meet fiscal policy objectives defined in advance.
- 4.2.59. The fourth challenge relates to **improving the social status of the population** that should come as a result of economic growth and recovery. Namely, high economic growth in the several years before the crisis failed to boost employment, and this growth was not felt equally by all citizens of the Republic of Serbia. This challenge is of utmost importance given that due to the crisis the number of poor and socially marginalized individuals increased. Economic growth must be harnessed for achieving a higher standard of living and improving the quality of life of citizens. After the Europe 2020 Strategy that was adopted in June 2010 by the EU, the Republic of Serbia is preparing its development strategy that will prioritize poverty reduction and social inclusion for as many citizens as possible. The priority of this long-term development strategy should be an obligation to increase employment, invest more in research and development, improve the educational structure of the population and reduce poverty.
- 4.2.60. In the following period, Serbia must shift its approach to the statistical monitoring of expenditures on social protection to the system accepted in the EU. **By moving to the EU**

- system for monitoring social protection – ESSPROS¹⁵⁶, the Republic of Serbia would receive a comparable and consistent methodology for monitoring expenditures on social protection**, which would ensure a simpler and more proper interpretation of statistics in various categories of social protection. Namely, as various allowances, transfers, assistances and reimbursements are subsumed under social protection, diverse types of protection are grouped under a sub-category, which prevents their proper interpretation as they are often not a consequence of the same trends and social policy objectives (for example, expenditure on child welfare that unites expenditures that aim to cushion the consequences of the poor material position of children in disadvantaged families and the children's and parental allowances, whose primary aim is to stimulate birth rates).
- 4.2.61. Given external debt and forecast developments in the next period, the fifth challenge reflects **the need to cautiously manage external debt and the country's transparent and predictable borrowing**. Fiscal policy measures must also be coordinated as the structure of public consumption needs to be lowered and changed in order to avoid further borrowing to cover the state deficit.
- 4.2.62. A shift from the consumer development model to a pro-investment one, along with efficient and effective investments, will increase the country's labour productivity and international competitiveness. The Government faces the challenge of implementing the mid-term reforms needed to attain sustainable growth in the wake of the crisis, and avoiding the short-term stimulation of production and employment by increasing government spending.
- 4.2.63. In the following period it will be necessary to invest efforts in ensuring the first emissions of municipal bonds by cities or municipalities of the Republic of Serbia. It will thus be necessary to further develop a framework that will encourage future emissions of municipal bonds: 1) to amend the Public Debt Law, which at this point allows for purchase only from professional investors who are known in advance; 2) to adopt a new law on security markets and other financial instruments, which would help remove existing discrepancies with EU regulations, boost the trust of investors and facilitate capital acquisition, and 3) to adopt the law on public property, through which property would be returned to cities and municipalities. This mobilization of financial resources will be most realistic for cities and municipalities with robust financial potential.
- 4.2.64. To promote the efficiency and effectiveness of Government measures, national legislation on the **public procurement system** will need to be further adjusted to EU legal regulations. The European Platform against Poverty and Social Exclusion recommends 'actions with the view to achieving better understanding and consideration of aspects of social inclusion in public procurement'. Once established, the capacities of the National Committee for the Protection of Rights in Public Procurement will need to be strengthened. Moreover, more efforts need to be invested in the joint training of public procurement officers in bodies and organizations of public administration.
- 4.2.65. Although the GDP share of local self-government revenues has doubled since 2000, funds remain inadequate to implement assumed competences. The sum of non-earmarked transfers was reduced by 15 billion dinars (37%) through budget rebalancing in 2009. There are huge differences among local governments with respect to financial capacities, as well as regarding issues of poverty reduction and social inclusion. Inter-sectoral and inter-municipal cooperation remains lacking, particularly in small and underdeveloped

¹⁵⁶ http://cpp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:ESSPROS.

municipalities. The information systems of line ministries and services remain insufficiently developed, resulting in a lack of information on the state-of-affairs at the local level, including a lack of information on the budget funds of local self-governments for poverty reduction and social inclusion. Quite often, the most vulnerable social groups are not familiar with their rights and do not have any impact on budget drafting; how to resolve this poses yet another challenge to further development.

4.3. Population

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 4.3.1. **The Republic of Serbia has two direct population policy measures significant for birth promotion**, as stipulated by the Law on Financial Support to Families with Children¹⁵⁷ and the Labour Law¹⁵⁸: the parental allowance, and a maternity benefit equal to the employed mother's earnings during one year's maternity leave. The parental allowance is paid for the first, second, third and fourth child in the family. Its amount increases with birth order, adjusted by the rate of increase of the costs of living and, with the exception of the allowance for the first child, is paid in 24 monthly installments (data on the number of beneficiaries and amounts paid are presented below).
- 4.3.2. **The Republic of Serbia's response to demographic development problems is based on several adopted strategic documents** foreseeing policies pertaining to fertility, mortality, migration and population ageing. These strategies recognise all important population policy resources, outline a range of measures and activities and endorse, detail and coordinate a multi-sector approach to their implementation. Their adoption, however, is only the first step. The achievement of desired results will largely depend on the operationalisation of the proposed measures and activities and on their implementation, which has been delayed considerably as a result of the global economic crisis.

STATE OF AFFAIRS IN THE AREA

- 4.3.3. According to the most recent estimates by the Statistical Office of the Republic of Serbia, on January 1, 2010, the population of the Republic of Serbia totalled 7,306,677.¹⁵⁹ **In comparison with the beginning of 2009, the country's population declined by 28.3 thousand.** Since the beginning of the 21st century, the population of the Republic of Serbia has constantly decreased, and in early 2010 it was smaller by 220,000 in comparison with January 1, 2000.
- 4.3.4. In that period (2000-2010), **population decline was the exclusive result of negative natural growth** (-295.1 thousand in total). In 2009, the number of live births was lower than the number of deaths by 33.7 thousand. At the same time, 2009 was the 18th consecutive year in which the Republic of Serbia recorded negative natural growth. In relative terms, the natural growth rate per one thousand inhabitants was -4.6%. This is lower than the lowest rates registered in European Union member states. In the same year, the natural growth rate in the European Union was 1%, while the highest negative

¹⁵⁷ Official Gazette of RS Nos. 16/2002, 115/2005 and 107/2009.

¹⁵⁸ Official Gazette of RS No. 24/05, 61/05 and 54/09.

¹⁵⁹ All data for Serbia are stated without data for the Autonomous Province of Kosovo and Metohija.

natural growth rates were recorded in Bulgaria and Latvia (both -3.6%), Hungary (-3.4%) and Germany (-2.3%).¹⁶⁰

4.3.5. **Natural growth is negative in Central Serbia and the AP of Vojvodina:** the value of this indicator was -24 thousand (-4.4%) in Central Serbia and -9.7 thousand (-5.0%) in the AP of Vojvodina. The true proportions of negative natural growth are more easily comprehended at the municipal level. In 2009, negative or zero natural growth was recorded in as many as 157 of the 165 cities and municipalities.

Table 4.3.5: Population of the Republic of Serbia

Demographic indicators 2009	Republic of Serbia	Central Serbia	Vojvodina
Population	7,306,677	5,352,451	1,968,356
Live births	70,299	51,709	18,590
Deaths	104,000	75,748	28,252
Natural growth	-33,701	-24,039	-9,662
Crude birth rate (%)	9.6	9.7	9.4
Crude death rate (%)	14.2	14.2	14.4
Natural growth rate (%)	-4.6	-4.4	-5.0
Total fertility rate	1.44	1.45	1.42
Infant mortality	492	402	90
Infant mortality rate (%)	7.0	7.8	4.8
Balance of migration	5,443	5,982	-539
Life expectancy			
Total	73.8	74.1	72.7
Males	71.1	71.6	69.9
Females	76.4	76.6	75.5
Ageing index			
Total	108.6	110.8	102.7
Males	91.7	94.9	83.2
Females	126.4	127.7	123.2
Ethnic structure (in %), 2002 *			
Serb	82.9	89.5	65.05
Hungarian	3.91	0.06	14.3
Bosniak	1.87	2.48	0.02
Albanian	0.82	1.1	0.08
Roma	1.44	1.45	1.43
Croat	0.94	0.26	2.78
Slovak	0.7	0.04	2.79

¹⁶⁰ Data pertaining to the European Union taken from http://www.ined.fr/fichier/t_publication/1475/publi_pdf1_458.pdf - Tout les pays du monde (2009), Gilles Pison and http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-27072010-AP/EN/3-27072010-AP-EN.PDF - Eurostat newsrelease (July 27, 2010): EU-27 population 501 million on 1 January 2010.

Yugoslav	1.08	0.56	2.45
Montenegrin	0.92	0.61	1.75
Romanian	0.46	0.08	1.5
* Ethnic minorities that account for a minimum of 1% of the total population in at least one area are taken into account.			

- 4.3.6. **In 2009, as in 2008, a moderate increase in the number of births was recorded.** This increase was not significant – the difference in comparison with 2008 was about 1,100 babies, i.e. the number of newborns increased from 69,083 to 70,299. It is difficult to determine whether this was a variation in the number of live births or the beginning of a new trend, since the registered level of births is considerably lower than at the beginning of the 21st century: in 2003, there were 79,000 live births.
- 4.3.7. According to statistical data for 2009, **another slight increase in the number of live births per 1,000 inhabitants occurred.** Thus, the registered crude birth rate was 9.6%, whereas in 2008 it was 9.4%. At the same time, Serbia, with fewer than 10 live births per 1,000 inhabitants, has one of the lowest birth rates among European countries. In 2009, six European Union countries had fewer than 10 live births per 1,000 inhabitants, including Germany with its record low rate of 7.9%.
- 4.3.8. During 2009, an **increase of the average number of children per woman** was also recorded (1.44)¹⁶¹, but this increase was minute, especially in view of record low values in the previous two years and the fact that the Republic of Serbia has still not attained a population replenishment rate of 2.1 children per woman. The total fertility rate in European Union countries is 1.60. The highest fertility rates are recorded in Iceland (2.1), Ireland and France (both 2.0), followed by the United Kingdom, Sweden and Denmark (all 1.9). At the other end of the list are Romania, Hungary, Portugal and Slovakia (with the total fertility rate of 1.3) and Germany, Austria, Greece and Italy, with 1.4 children per woman.
- 4.3.9. As stated above, parental allowance and maternity benefit equal to an employed mother's earnings during one year's maternity leave are the two direct population policy measures relevant to birth promotion. In September 2010, parental allowance amounted to RSD 27,833 for the birth of the first child, RSD 108,838 for the second, RSD 195,900 for the third and RSD 261,198 for the fourth child in a family. In 2010, an average of RSD 463 million a month were spent for these purposes. Full reimbursement of employed mothers' wages/salaries during maternity leave requires considerably more budget funds. The monthly number of recipients in 2010 averaged almost 34,000 and about RSD 1.7 billion were spent each month.

Table 4.3.9. Number of beneficiaries and average monthly amounts paid on account of parental allowance and maternity benefits, in million dinars

	2008	2009	2010
Maternity benefits to employed mothers during maternity leave			
Average monthly amount, in million dinars	1,130	1,636	1,675
Number of mothers – benefit recipients	29,606	32,100	33,898
Parental allowance			
Average monthly amount, in million dinars	343	424	463
Number of children	61,333	62,771	70,169
Number of beneficiaries	60,446	61,905	69,200

¹⁶¹ Documentation of the Demographic Research Centre within the Institute of Social Sciences.

Source: *MLSP*

* *Average monthly amount paid in the first 11 months of 2010.*

- 4.3.10. In 2009, the Republic of Serbia also recorded **an increase in the number of deaths and a slight increase of the crude death rate** in comparison with the previous year. A total of 104,000 persons died, i.e. 14.2 per 1,000 inhabitants, which corresponds to Bulgaria, the country with the highest crude death rate in the European Union. At the same time, the number of infant deaths increased (from 460 to 492), as did the infant mortality rate (from 6.7% to 7.0%). This rate is considerably higher in Central Serbia than in the Autonomous Province of Vojvodina (7.8% and 4.8%, respectively). The value of this indicator is above the European Union average (5%), but at the same time is considerably lower than the number of infant deaths per 1,000 live births in Romania (11%) and Bulgaria (9%).
- 4.3.11. It is important to highlight that the **trend of increasing life expectancy at birth for both sexes continued** in the Republic of Serbia in 2009. The value of this indicator increased for both women (76.4 years) and men (71.1). In the Autonomous Province of Vojvodina, the length of life for both sexes is lower by 0.7 years in comparison with Central Serbia. Life expectancy increased by exactly two years in comparison with 2000. Despite reaching a record level of 73.8 years, the length of life in the Republic of Serbia is lower than in the European Union by five years, and seven years lower than in Italy, the country with the highest life expectancy in the European Union.
- 4.3.12. According to estimates by the Statistical Office of the Republic of Serbia, the balance of migration (the difference between the number of persons having entered the territory and the number of persons having left the territory) was still positive in 2009 (5.4 thousand). This estimate, however, is not realistic, since official data do not include most emigrants from the Republic of Serbia, who move abroad with their families and do not declare their departure. Non-representative in-depth research indicates that emigration from the Republic of Serbia continues and that mainly young and educated people are leaving.¹⁶²
- 4.3.13. According to available data, in 2008 **there were 16,779 foreign citizens with temporary residence permits in the Republic of Serbia**.¹⁶³ Towards the end of 2010, 74,944 persons from Bosnia and Herzegovina and the Republic of Croatia resided in the Republic of Serbia with the status of refugees, as well as 210,146 internally displaced persons from Kosovo and Metohija.¹⁶⁴
- 4.3.14. **The Republic of Serbia is an area in which demographic ageing is highly pronounced.** Population ageing has proceeded from the top of the population pyramid down (increase in the proportion of the elderly) and from the base of the population pyramid up (decrease in the proportion of the young). As a result, the number of persons under the age of 15 is almost equal to the number of persons over the age of 65. More than 1,250,000 persons are aged 65 or over. The share of the elderly in the total population is 17%, which places the Republic of Serbia among the countries with the oldest populations in Europe. Only four countries in the European Union have a higher share of the elderly: Germany and Italy (both 20%), Greece (19%) and Sweden (18%).

¹⁶² Bolčić, S. (2002): *"Iseljavanje radne snage i odliv mozгова iz Srbije"*, Srbija krajem milenijuma: razaranje društva, promene i svakodnevni život, Filozofski fakultet, Beograd; Penev, G. (2008): *"Obrazovni nivo građana Srbije u inostranstvu"*, Regionalni razvoj i demografski tokovi zemalja jugoistočne Evrope, Ekonomski fakultet, Niš; Predojević-Despić (2010): *"Main territorial characteristics of emigration from Serbia to EU: from guest workers to chain migration"*, 7th IMISCOE Annual Conference, 13–14 September 2010, Liege, Belgium.

¹⁶³ Migration Management Strategy, Official Gazette of RS No. 59/09.

¹⁶⁴ According to the data of the Commissariat for Refugees, 2010.

- 4.3.15. **The low and declining birth level constitutes the main reason for population ageing in the Republic of Serbia.** During the 1990s, the ageing process was also strongly affected by the peculiar age structure of the migration balance (the negative migration balance of young and lower middle-aged population and the positive migration balance of upper middle-aged and elderly population).
- 4.3.16. In 2009, **the growth trend of the aged population continued.** The number of persons aged 80 or over is 231,000 and accounts for 3% of the total population. In addition to ageing of the elderly population, another important characteristic of this group is the predominance of women. The number of women over 65 years of age significantly exceeds the number of men in the same age bracket (ratio of 57% to 43% in 2009).
- 4.3.17. Further, for fuller insight into the social position of the elderly, it should be highlighted that **many elderly persons live alone or with another person over 65 years of age.** Thus, according to the results of the most recent population census in the Republic of Serbia, one in five elderly persons lives alone, and 607,000 elderly persons, i.e. one half (49%), live in single-member households or multiple-member elderly households.
- 4.3.18. The ethnic situation in the Republic of Serbia in the early 21st century reveals great differences between Central Serbia and the Autonomous Province of Vojvodina. In Central Serbia, according to the 2002 data, the number of Serbs totals 4.9 million (89.5%), which makes Central Serbia remarkably homogeneous, almost monolithic, considering that other relevant ethnic groups account for very low shares of the population (2.8% Bosniaks/Muslims, 1.4% Roma, 1.1% Albanians). The territorial population distribution shows a high territorial concentration of Bosniaks/Muslims (inhabiting Sandžak) and Albanians (inhabiting almost exclusively Southern Serbia). Conversely, Vojvodina has a heterogeneous population of the bimodal type; although numerous ethnic groups inhabit this area, two are markedly dominant – Serbs (65%) and Hungarians (14.3%) – accounting for more than three quarters of the total population in 2002. They are followed by Slovaks (2.8%), Croats (2.8%), Yugoslavs (2.5%), Montenegrins (1.7%), Romanians (1.5%), Roma (1.5%) and Bunjevac (1%).

CONCLUSIONS AND CHALLENGES

- 4.3.19. Efficient implementation of population policy measures is required. This is best illustrated by the results of projections¹⁶⁵ developed for the period until 2020. Both in an optimistic demographic development scenario (aims of pro-birth policy mainly achieved, faster increase in the mean length of life, considerable inflow of immigrants) and in a pessimistic scenario (pro-birth aims not achieved, slower increase in the mean length of life and continued emigration trend), the population of the Republic of Serbia will be smaller in 10 years than it is today. However, if population policy is implemented successfully, it will total 7.273 million. Otherwise, the population is forecast to decrease to 6.636 million. The forecast ageing index in the Republic of Serbia in 2020 is 0.970 (optimistic demographic development scenario) or 1.092 (spontaneous population development).
- 4.3.20. In addressing the need to mitigate demographic problems efficiently, socio-economic and cultural dimensions emerge as the basic streams of action in all three spheres of demographic development: fertility level, mean length of life and migration. Economic development, a focus on education, support to modern forms of union between a woman and man, and promotion of a post-materialist set of values within these streams of action

¹⁶⁵ Nikitović, V. (2009): *"Mogući scenariji demografskog razvoja Srbije do 2020"*, Demografski razvoj – studijsko-analitička osnova – Strategija prostornog razvoja Republike Srbije, Geografski fakultet, Beograd.

- appear to be priorities. It should be underlined that time is a crucial factor in population policy since, on the one hand, achieving positive effects in the demographic sphere takes time and, on the other, any postponement of changes leads to a deterioration of the demographic base and reinforces its inertia.
- 4.3.21. As an old society and one that is set to continue ageing, the Republic of Serbia should create a different cultural climate and develop a new status and role for elderly persons in a modern "elderly" society. In that respect, it is necessary to reject the many stereotypes, prejudices and misconceptions about old age and to promote active ageing¹⁶⁶ by encouraging economic activity among the elderly and intergenerational and intragenerational solidarity and transfers. In addition, it is important to improve the quality of life of persons in the third and fourth ages.
- 4.3.22. To this end, the following recommendations from the European Platform against Poverty and Social Exclusion should be taken into account: "Promoting social innovation for the elderly, more equal and affordable access to modernised and responsive care services (i.e. specific aged related care, home based care) and new medical products and devices; support initiatives for active ageing at all levels of governance and by a wide range of stakeholders (social partners, civil society organizations, businesses) in the context of a European Year for Active Ageing in 2012."

4.4. Regional Cohesion

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 4.4.1. Pursuant to the **Law on Regional Development**,¹⁶⁷ the Republic of Serbia introduced the NUTS¹⁶⁸ classification, with five¹⁶⁹ NUTS II regions: Vojvodina Region, Belgrade Region, Šumadija and Western Serbia Region, Southern and Eastern Serbia Region and Kosovo and Metohija Region.¹⁷⁰ The Law governs: the modality of determining the areas that constitute a region and the modality of determining local government units that constitute an area; development indicators of regions and local government units; classification of regions and local government units by development levels; development documents; regional development entities; measures and incentives; funding sources for the implementation of regional development measures. The Law establishes a network of institutions responsible for regional development policy (National Council for Regional Development, ministries responsible for regional development, finance and spatial planning affairs, National Agency for Regional Development, regional development councils (five in number), regional agencies and accredited regional development agencies), as well as an appropriate strategic framework pertaining to regional development (National Plan of Regional Development, five regional strategies and regional financing plans).
- 4.4.2. The **Law on Territorial Organisation of the Republic of Serbia**¹⁷¹ governs the territorial organisation of the Republic of Serbia, which is composed of: 150

¹⁶⁶ In accordance with the Council conclusions on active ageing of July 7, 2010.

¹⁶⁷ Official Gazette of RS No. 51/2009 and 30/10.

¹⁶⁸ French: *Nomenclature des unités territoriales statistiques – NUTS*.

¹⁶⁹ Law on Amendments to the Law on Regional Development, Official Gazette of RS No. 30/10.

¹⁷⁰ The European Commission Annual Progress Report on Serbia 2010 states that there has been "some progress" towards harmonizing the Serbian regional statistical classification with the EU NUTS Regulation.

¹⁷¹ Official Gazette of RS No. 129/07.

municipalities, 23 cities and the City of Belgrade as territorial units and two autonomous provinces (the AP of Vojvodina and the AP of Kosovo and Metohija) as autonomous territorial units.

STATE OF AFFAIRS IN THE AREA

- 4.4.3. **Regional disparities in the Republic of Serbia are among the most pronounced in Europe.** In the Republic of Serbia, the ratio of the most developed local government units to the least developed ones in terms of economic development levels¹⁷², was 10:1 in 2008. The situation in southern parts of the country is less favourable in comparison with the north, and in rural areas in comparison with urban ones. Of the 150 municipalities in total, 46 are extremely underdeveloped, and 40 of these are classified as devastated, i.e. their development levels are lower than 50% of the national average. Most of these municipalities are located in the southern part of the Republic of Serbia, and 19 belong to only four administrative districts: Jablanica, Pčinja, Nišava and Toplica. The differences between the underdeveloped south and the more developed north of the Republic of Serbia are also manifested in the quality of roads, telecommunications and housing. About 10% of modern roads of the Republic of Serbia are located in underdeveloped municipalities, while a stunning 57.7% of local road networks are unpaved.¹⁷³
- 4.4.4. A correlation may be established between regional poverty levels, on the one hand, and development levels of economic potentials and wages, on the other (see: **Table 14 - Absolute poverty line by regions**, Annex 6.1). While wages in Central Serbia and Vojvodina were at the approximately same level in 2008, they were considerably higher in Belgrade. Between 2008 and 2009, average wage in Belgrade increased in relation to the Republic of Serbia average, in Central Serbia it kept pace with the average, while in Vojvodina the average wage declined. Differences in average wage among these areas decreased during the crisis. The key reason for this was a freeze on wages in the sectors that account for the highest proportion of employment in Belgrade, such as health, public administration and hospitality industry. On the other hand, the average wage in Central Serbia caught up with and exceeded the level of the considerably more developed Vojvodina. Municipalities in the Republic of Serbia differ considerably in terms of wage levels. Thus, the average wage in Kosjerić,¹⁷⁴ which has the highest wages in the Republic of Serbia, is 3.4 times higher than in Svrljig, the municipality with the lowest wages. Wages in Belgrade are 2.3 times higher than in Svrljig.
- 4.4.5. Per capita budget expenditure on health and accessibility of health services differ considerably across the territory of the Republic of Serbia. Of overall budget expenditure on health and social work in 2008, RSD 25,323.4 per capita were spent in Central Serbia. In the same period, per capita expenditure in the Vojvodina Region amounted to RSD 25,462.9, while in Belgrade it amounted to RSD 39,684.8.¹⁷⁵ In the bottom ten municipalities in terms of the ratio of the population to doctors, this ratio is 4.5 times worse than the national average of 356 persons per doctor. On the other hand, in the top ten local government units in terms of accessibility of health care services, the ratio is about 213 persons per doctor.

¹⁷² The development levels of local government units and the methodology for computing the development levels of local government units are laid down in articles 8–13 of the Law on Regional Development.

¹⁷³ Report on the Development of Republic of Serbia, 2009, Republic Development Bureau.

¹⁷⁴ Kosjerić is a very small municipality, with a population of 12,000, and is, to a large extent, a "one-company town" in which the average wages is inflated by one highly profitable company.

¹⁷⁵ Municipalities of Serbia, 2009, Statistical Office of the Republic of Serbia.

- 4.4.6. **In the education sector, there are considerable differences across the country:** the least developed municipalities, such as Ražanj, Gadžin Han, Crna Trava, Rekovac, Osečina, bojnič and Žabari, have six times as many people with incomplete primary education as the best-performing cities (Belgrade, Novi Sad, Kragujevac, Niš and Pančevo). In the least developed municipalities, discontinued education occurs seven times as frequently as in Belgrade.¹⁷⁶ Of overall budget expenditure on education in 2008, RSD 17,029.6 per capita were spent in Central Serbia. In the same period, per capita expenditure on education in the Vojvodina Region amounted to RSD 17,525, while in Belgrade it amounted to RSD 25,098.5 (see: **Table 15 - Poverty by regions and by population education levels**, Annex 6.1).
- 4.4.7. **Migration in the Republic of Serbia constitutes a part of the ongoing urbanisation process.** Currently, about 44% of the population of the Republic of Serbia lives in rural areas.¹⁷⁷ Since 2000, about 150,000 people or, on average, 2.7% of the working-age population (15–64 years of age) have left their previous place of residence each year.¹⁷⁸ Seven out of ten fastest-growing cities recorded positive net migration values between 2000 and 2008. The cities that contribute most to the national economic development (Belgrade at 43%, Novi Sad at 13% and Niš at 3%) recorded considerable inward migration from other cities and municipalities. The least developed areas (bottom 20 municipalities in terms of per capita value-added) have a total population of 361,000 and negative net figures for work migration are recorded in all these municipalities except Preševo. This means that, between 2001 and 2008, about 13,100 people left these 20 municipalities, i.e. they lost about 3.6% of their population. The age structure of the 20 poorest municipalities indicates that they are the most severely affected by outward migration of working-age population.

MEASURES AND PROGRAMMES

- 4.4.8. **The Government Programme for Stimulating Balanced Regional Development in 2010**, adopted in March 2010, sets the aim of launching production by utilising the existing capacities and building new production facilities, creating jobs and reducing the gaps among regions and municipalities in the Republic of Serbia in terms of development levels. This Programme, worth a total of EUR 100 million, stimulates production and employment in devastated areas, enterprise and entrepreneurship development in underdeveloped municipalities, and also realises investments into labour-intensive processing industries in underdeveloped municipalities. Under the Programme, underdeveloped municipalities/local government units include those whose development levels are below the average development level in the Republic of Serbia, i.e. those that are classified according to the level of development and in accordance with the Articles 7 and 8 of the Law on Regional Development, as belonging to group two (development levels ranging between 80% and 100% of the national average), group three (development levels ranging between 60% and 80% of the national average), group four (development levels below 60% of the national average) and devastated areas (development levels below 50% of the national average).
- 4.4.9. The **National Employment Action Plan (NEAP)**, as the main employment policy implementation instrument, recognises the importance of regional cohesion. In the recent

¹⁷⁶ Šestović, L. (2010): *Mapiranje rasta Srbije*, published in Kvartalni monitor No. 20, Beograd, Fond za razvoj ekonomske nauke

¹⁷⁷ The term "rural area" in this document, unless reference is made to another data source, corresponds to the term "other area" as defined in the official statistics.

¹⁷⁸ Ibid.

period, priorities of employment action plans pertaining to regional development have been: decentralisation of employment policy and stimulation of regional and local employment policy development through proactive approach on the part of local authorities (NEAP 2010); increasing formal employment in the private sector and reducing regional disparities (NEAP 2009); reducing the gaps among regional labour markets and the gap between the respective labour markets of the Republic of Serbia and the EU (NEAP 2006–2008).

- 4.4.10. **Incentive programmes and active employment measures implemented by the National Employment Service (NES)** between 2008 and 2010 were channeled towards devastated and underdeveloped areas. In 2008, 33.7% of the total funds for these purposes were earmarked for the operations in the least developed municipalities, and in 2009 – 37.2%. Employers were awarded subsidies for the recruitment of unemployed individuals amounting to RSD 160,000 per new employee in the least developed municipalities of the Republic of Serbia, RSD 130,000 in underdeveloped municipalities and RSD 80,000 in other municipalities. In the AP of Vojvodina, the basic subsidy (RSD 100,000) was topped up by 30% if the employer in question operated in an underdeveloped municipality. Public works also targeted devastated areas; in 2008, 24.66% of the total number of approved public works projects were in the least developed municipalities and 21.65% in underdeveloped ones, while in 2009, 36.72% of public works projects were in the least developed municipalities and 27.01% in underdeveloped ones. In 2010, the classification of municipalities into groups one, two, three and four was introduced; group three comprises the least developed municipalities (25.88% of all public works in 2010) and group four – devastated areas (33.55% of all public works in 2010). Other incentives within active employment policy were channelled depending on municipalities' development levels; thus, NES branch offices in underdeveloped regions and municipalities with severe unemployment had higher quotas and were awarded more funds for specific programmes in 2010.¹⁷⁹
- 4.4.11. **National Investment Plan (NIP):** In 2006 and 2007, about RSD 138 billion were earmarked from the National Investment Plan funds for 1,109 projects; in 2008, RSD 47 billion were earmarked for 1,060 projects and in 2009, RSD 12.5 billion were earmarked for 305 projects. The programme most relevant to regional development within the National Investment Plan is the investment in the 40 least developed municipalities (14.9% of the total funds).¹⁸⁰
- 4.4.12. **As regards the projects funded by the EU as part of the Instrument for Pre-accession Assistance (IPA),** the most important IPA projects relevant to the area of regional cohesion include: Regional Socio-Economic Development Programme 2 (IPA 2007, worth EUR 24 million), Municipal Support Programme (IPA 2007, worth EUR 21 million), Municipal Infrastructure Support Programme (IPA 2008–2010, worth EUR 76.5), European South and South-West Serbia Support Programme (IPA 2010, worth EUR 13.5 million), etc.
- 4.4.13. Significant projects relevant to the area of regional cohesion, **funded by bilateral and multilateral donors,** include: Municipal Economic Development in the Danube Region (Germany, EUR 4 million, 2010–2013), Bor Regional Development (World Bank, European Bank for Reconstruction and Development, EUR 30.9 million, 2008–2013), Municipal Economic Growth Activity – MEGA (USAID, EUR 26.5 million, 2005–

¹⁷⁹ National Employment Action Plan 2010.

¹⁸⁰ From the web site of the Ministry for National Investment Plan, www.nip.gov.rs, on August 11, 2010.

2010),¹⁸¹ Support to Sustainable Regional Development of Jablanica and Pčinja administrative districts (Austria, EUR 1.95 million, 2008–2011), etc.¹⁸²

- 4.4.14. With a view to making municipalities more attractive to investors, the National Alliance for Local Economic Development (NALED) has designed the **Business-Friendly Certification Programme** for municipalities. The Programme promotes standards and enables assessment of the quality of services and information provided to businesses by local governments. The certificate is a certain guarantee to investors that the municipality will provide them with all the required conditions and support for efficient realisation of their investment, launch of their operations and subsequent development of their business. The Programme is recognised and appreciated by the most relevant national and international institutions and organisations.¹⁸³ Partner support from institutions has been formalised by signing memoranda of understanding defining specific forms of support to the Programme and certified municipalities. Thus, the Memorandum of Understanding with the Ministry for National Investment Plan provides that certified municipalities are awarded additional points when applying for funding, which increases the probability of their projects being approved and funded from the National Investment Plan; the Executive Council of the AP of Vojvodina and the Fund for an Open Society also provided incentives for certification. As many as 32 local governments have a business-friendly environment or are introducing it through the NALED Certification Programme; of these, 11 local governments have certificates, while others have joined the Programme and are progressing towards the required standards.

CONCLUSIONS AND CHALLENGES

- 4.4.15. Defining a clear national policy of regional development is a priority owing to widening social and economic disparities, as well as development opportunities of various parts of the Republic of Serbia and its efforts towards full integration of its economy and market in the global environment and providing prerequisites for all parts of the country to be capable and competitive in that environment. An important factor affecting the growing importance of regional policy is EU accession and access to EU structural funds, with a view to reducing internal regional disparities and providing conditions under which the Republic of Serbia could progress towards the average level of social and economic development in the EU as fast as possible.
- 4.4.16. In view of this, the key challenges in the field of regional cohesion in the Republic of Serbia pertain to systemic issues to be addressed in the forthcoming period: functioning of a complex institutional and strategic framework, preparation for the use of available EU funds earmarked for regional development, introduction of planning based on monitoring and evaluation, collection of statistical data at the regional level and funding of regional cohesion.

¹⁸¹ Through MEGA programme, 470 businesses were started, 32 local economic development offices were established and 13,200 jobs were created in 31 cities and municipalities in Serbia.

¹⁸² Information on other relevant projects in this area is available at www.evropa.gov.rs.

¹⁸³ **The Business-Friendly Certification Programme is currently supported by a total of 10 state institutions and international organisations**, including: Ministry of Economy and Regional Development, Serbia Investment and Export Promotion Agency, Vojvodina Investment Promotion Fund, Executive Council of the AP of Vojvodina, USAID and, from 2011, Ministry for National Investment Plan, Fund for an Open Society, Ministry of Public Administration and Local Self-government and National Agency for Regional Development. In October, the NALED standard became the **de facto national standard** for business-friendly environment when more than 30 local governments signed the declaration on its endorsement.

4.4.17. On the basis of identified challenges, the following recommendations may be formulated for the development of optimum regional policy from the viewpoint of social inclusion and poverty reduction process:

- Develop a competitive market economy and ensure balanced economic growth through encouraging innovation, strengthening ties between science, technology and entrepreneurship and increasing capacities for research and development, including new information and communication technologies;
- Upgrade the infrastructure (transportation, energy, telecommunication, communal); in particular, build regional development infrastructure (business incubators, technology parks, business zones);
- Direct measures and programmes of interest for poverty reduction and social inclusion to areas out of urban centres and to the least developed regions of the Republic of Serbia;
- Adopt relevant bylaws foreseen by the Law on Regional Development and establish an appropriate institutional framework as foreseen by the Law;
- Prepare the National Plan of Regional Development and five regional strategies;
- Prepare the Regional Development Operational Programme (IPA component 3 – Regional Development);
- Collect statistical data at the regional level, establish a monitoring and evaluation system and provide conditions for developing relevant analyses at the level of NUTS regions;
- Fund regional cohesion through regional development funding programmes, which should include an overview of projects by regions and allocation of funds for the implementation of those projects for each region during a budget year (article 17 of the Law on Regional Development), and regulate the modality of co-funding projects in a systemic way.

4.5. Rural Development

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

4.5.1. **The Republic of Serbia does not have a definition of rural areas according to statistical criteria.** The criteria applied by the Statistical Office of the Republic of Serbia do not include internationally used standard indicators of rurality (e.g. population density, population, share of farming population); instead, those parts of the country that are not urban are considered to be rural. Official statistics recognises only two types of settlements: "urban" and "other"; the category of "other" settlements, which is not sufficiently precise, is usually considered in developing data on rural areas. According to the amended classification of the Statistical Office of the Republic of Serbia, rural areas include all territories except the 24 cities, whose status is defined by the Law on Territorial Organisation of the Republic of Serbia.¹⁸⁴

4.5.2. The lack of a clear definition of rural areas in official statistics **hinders precise assessment of rural areas' position** in various social and economic processes in the Republic of Serbia and of various characteristics of urban population.

¹⁸⁴ The classification into town/urban and other areas is based on municipal decisions granting the status of town (urban area) to settlements with developed general urban plans.

- 4.5.3. **Legislative work in the field of agriculture and rural development was intensified in the period of 2008–2009.** The required basis for faster progress in aligning with the requirements of the *acquis communautaire* was provided in areas of key importance for agriculture in the Republic of Serbia, which will contribute to increasing its competitiveness in the international market. The key laws passed include: the Law on Agriculture and Rural Development¹⁸⁵, the Law on Advisory and Extension Services in Agriculture¹⁸⁶, the Law on Wine¹⁸⁷, the Food Safety Law¹⁸⁸, the Law on Animal Welfare¹⁸⁹, the Law on Plant Health¹⁹⁰, the Law on Livestock¹⁹¹, the Law on Agricultural Land¹⁹², the Law on Organic Production¹⁹³ and the Law on Public Warehouses for Agricultural Products¹⁹⁴.
- 4.5.4. **The Law on Agriculture and Rural Development, as the framework law of the agrarian sector and rural development,** sets the aims of agrarian policy and defines types of incentives, registry of farm holdings, types of holdings and a range of other solutions pertaining to the operationalisation of policy in the field of agriculture and rural development. Another important development was the passage of the **Law on Advisory and Extension Services in Agriculture**, which provided a basis for more efficient transfer of agricultural knowledge and new technologies and faster improvement of competitiveness in this main rural economic sector.
- 4.5.5. **The Law on the Census of Agriculture 2011¹⁹⁵ was passed in late 2009** in preparation for the first census of agriculture in fifty years. The census of agriculture will enable establishing an analytical and documentary basis for a more precise analysis of indicators pertaining to rural areas and higher data comparability with other countries.
- 4.5.6. In the observed period, the following activities were intensified: the structure of the Department for Rural Development was aligned with the requirements for the realisation of IPA component V – IPARD (Instrument for Pre-accession Assistance – Rural Development); the Directorate for Agrarian Payments, responsible for payment of agricultural subsidies, was established, which was a prerequisite for access to EU rural development funds; the transformation of agricultural extension services was completed. With a view to improving rural development policy coordination, an interministerial body, **the National Council for Rural Development¹⁹⁶**, was established towards the end of 2010, with the aim of coordinating rural development measures and programmes with other ministries and strengthening regional ties, liaising with local communities, ensuring two-way information flow and building partnerships at the local level (preparing the ground for the implementation of the LEADER approach and establishment of local

¹⁸⁵ Official Gazette of RS No. 41/09.

¹⁸⁶ Official Gazette of RS No. 30/10.

¹⁸⁷ Official Gazette of RS No. 41/09.

¹⁸⁸ Official Gazette of RS No. 41/09.

¹⁸⁹ Official Gazette of RS No. 41/09.

¹⁹⁰ Official Gazette of RS No. 41/09.

¹⁹¹ Official Gazette of RS No. 41/09.

¹⁹² Official Gazette of RS No. 62/06, 65/08-another law and 41/09.

¹⁹³ Official Gazette of RS No. 30/10.

¹⁹⁴ Official Gazette of RS No. 41/09.

¹⁹⁵ Official Gazette of RS No. 104/09. Although the Law prescribed for Census to be taken in the period of November 1 – November 15, 2011, due to the lack of finances in the Budget of the Republic of Serbia 2011, the Statistical Office of the Republic of Serbia (at the meeting held on December 14, 2010), initiated the amendment to the Law on the Census of Agriculture 2011, and the new date for conducting the Census is being proposed for the period of October 1 – December 15, 2012.

¹⁹⁶ Decision on the Establishment of the National Council for Rural Development, Official Gazette of RS No. 100/2010.

action groups – LAGs). This is aimed at ensuring better living and working conditions in rural environments.

- 4.5.7. Since 2007, **the Rural Development Support Network**, consisting of 16 regional centres and 143 local offices, has been in operation.

STATE OF AFFAIRS IN THE AREA

- 4.5.8. In 2009, the share of the poor living below the consumption-based absolute poverty line in rural areas¹⁹⁷ of the Republic of Serbia increased from 7.5% to 9.6%, which is twice as high as in urban areas (4.9%). Unlike the situation in 2008, the poverty gap between rural and urban population decreased to 1.5, which was the lowest value recorded since 2006. The ratio of the rural to the urban poor obtained by comparing consumption-based relative poverty line is almost the same.
- 4.5.9. **Rural areas responded to the economic crisis faster and were severely affected;** overall poverty increase in the Republic of Serbia was therefore induced by poverty increase in rural areas. In comparison with 2008 and measured in terms of absolute poverty, the share of the poor in rural areas increased by 28 percentage points in 2009, whereas the overall share of the poor remained at the same level. These relations are in line with the observed global trends due to the economic crisis and global food prices, which declined in 2009 in comparison with 2008 and reached record low values.¹⁹⁸
- 4.5.10. Research into the impacts of the global economic crisis on poverty and social exclusion in "rural areas"¹⁹⁹, conducted by civil society organisations, indicates that **the position of mixed-income households is considerably more favourable than that of farm households whose members have no other income sources**. The most pronounced negative development in the period of crisis was observed among medium-sized holdings (1–5 ha), followed by those larger than 5 ha. As a result of methodological restrictions (absence of a farm accountancy data network (FADN)), farming income decline in the Republic of Serbia may not be stated in aggregate terms at farm level; it is, however, certain that market disturbances in 2009 had significant consequences for producers, whose income per hectare declined by 20–90%, depending on crops in question, in comparison with 2008.
- 4.5.11. Compared to urban population, rural population has higher activity and employment rates and lower unemployment and inactivity rates.²⁰⁰ However, other aspects of rural labour market performance, in particular **the share of vulnerable employment, unemployment structure by age and educational levels, employee professional status and the like**, are considerably less favourable. This is a result of high employment in (low-productivity) agriculture and high number of contributing family members. Since the onset of the economic crisis, the unfavourable trends in the rural labour market have become even more pronounced as a result of declining employment rate of young and highly-educated rural population in 2009.

¹⁹⁷ The term "rural area" in this document, unless reference is made to another data source, corresponds to the term "other area" as defined in the official statistics.

¹⁹⁸ Farmers' income decline in EU27I is estimated at about 12% against 2008.

<http://www.europarl.europa.eu/oeil/file.jsp?id=5831512>

¹⁹⁹ Sekons, 2010, Cvejić et al. In this research, "rural areas" are defined in conformity with the OECD criteria; according to this standard, the sample did not include municipalities whose population density is higher than 150 persons/km², whose share of urban population is higher than 50% and which have an administrative centre with a population of over 20,000.

²⁰⁰ Statistical Office of the Republic of Serbia (2010b).

Table 4.5.11: Rural and urban population activity rates, broken down by some demographic indicators (population aged 15–64)

		LFS 2009		LFS 2008		2009/2008, percentage points	
		Urban	Rural	Urban	Rural	Urban	Rural
Total (15–64 years of age)		59.5	62.6	60.4	66.4	-0.9	-3.8
Sex	Males	66.1	73.1	67.9	75.5	-1.8	-2.4
	Females	53.4	52.0	53.5	56.9	-0.1	-4.9
Education	Lower	29.6	51.3	29.7	55.9	-0.1	-4.6
	Secondary	63.1	70.3	63.7	74.0	-0.6	-3.7
	Higher	80.0	77.7	82.6	83.8	-2.6	-6.1
Age bracket	15–24	25.3	32.7	26.6	38.2	-1.3	-5.5
	25–49	82.6	79.1	82.9	82.8	-0.3	-3.7
	50–64	45.0	56.6	47.2	58.6	-2.2	-2.0

Krstić, G. et al. (2010)

- 4.5.12. **"Rural" population has poor access to key markets** (of goods, information and finance).²⁰¹ Only about 40% of the holdings have marketable surplus, which means that most are left out of the food supply chain. The financial market is not structured to meet the needs of farm holdings and specific features of agriculture, and farmers' information level is the lowest in South-Eastern Serbia (although information market is equally accessible to all holdings).
- 4.5.13. **Access to state agricultural development support varies depending on farm type and region.**²⁰² Data indicate that various forms of state aid are used more frequently by larger holdings located in plain areas. Small and medium-sized holdings (up to 5 ha) account for a higher share of beneficiaries of support for the establishment of permanent plantations and investments in equipment. According to available data, there are also development programmes providing services and support to rural households and entrepreneurs through small loans, most of which are used for agricultural purposes, while fewer are used for manufacture, service development and trade. Women account for a total of 56% of clients.²⁰³ (see: **Table 16 - Agroinvest activities 2008–2010**, Annex 6.1).
- 4.5.14. **The decline in the number of women, occurring in the rural population in some parts of the country** (Eastern and South-Eastern Serbia) leads to the decline in agricultural activities such as dairy processing, vegetable gardening and the like, and restricts the possibilities of diversifying farm income by engaging in food processing. The issue of male-female imbalance is also present in European countries.²⁰⁴

²⁰¹ Sekons, 2010, Cvejić et al.

²⁰² Sekons, 2010, Cvejić et al.

²⁰³ Agroinvest, 2010.

²⁰⁴ In North European countries, elderly women in single-member households are affected by exclusion, whereas in East Europe, migration of young women owing to labour market obstacles is more prominent.

- 4.5.15. **Rural areas of the Republic of Serbia record negative demographic trends:** in 2007, 79.6% of all communities had negative natural growth figures (and 91.6% of Vojvodina communities).²⁰⁵ In 2009, negative natural growth was recorded in 157 of the 165 cities and municipalities.²⁰⁶ According to the 2002 census, the rural population ageing index²⁰⁷ was 18%, compared to 13% for the urban population. The share of females in the rural fertile and working-age population (20–59 years of age) is 48.04%, compared to 51.89% for women of this age group in the urban population.²⁰⁸ The decline in demographic viability of rural areas was also affected by outward migration, which is particularly pronounced among younger rural female population²⁰⁹, according to the census results and the Living Standard Measurement Study²¹⁰. This phenomenon has also been observed in new EU member states²¹¹: Bulgaria, Lithuania, Poland and Romania.
- 4.5.16. Poor education structure, low level of additional knowledge and skills and insufficient coverage by the National Employment Service active employment measures hinder the labour market opportunities of the "rural" population and its competitiveness, in particular as regards women and youth.²¹² Knowledge and new technology transfer in the area of food production takes place as part of activities of agricultural extension services, Rural Development Support Network, private advisers, trade companies and agricultural pharmacies. Other continuing education programmes are rarely accessible to this population.
- 4.5.17. **The school network is not in line with demographic changes** and there are still many school field offices with few pupils in remote areas, without basic equipment and providing low-quality education. Services pertaining to children's early growth and development are underdeveloped and used to an insufficient extent (see chapter "Education" of this Report).
- 4.5.18. **There is a wide rural-urban digital divide** in terms of access to information and communication technologies (ICT), resulting from underdeveloped infrastructure and broadband access (38.9% in urban areas, compared to 11.4% in rural ones). Differences in computer ownership are also noticeable: 58.7% in urban areas, compared to 38.3% in rural areas of the Republic of Serbia. Compared to 2009, this gap decreased slightly: in urban areas, the computer ownership growth rate was 2.7%, while in rural areas it totalled 4.7%.²¹³
- 4.5.19. Rural infrastructure (communal, economic and social) is underdeveloped and imposes a constraint on the development of rural areas.²¹⁴ Regional differences in terms of

²⁰⁵ Republic Statistica Office (2010a).

²⁰⁶ Positive natural growth was recorded in four metropolitan municipalities of Belgrade (Zemun, Palilula, Surčin, Čukarica), the City of Novi Sad, the Municipality of Sjenica, the City of Novi Pazar and the Municipality of Tutin.

²⁰⁷ The ratio of the population over 60 years of age to the population under 19 years of age.

²⁰⁸ Statistical Office of the Republic of Serbia (2002).

²⁰⁹ Statistical Office of the Republic of Serbia (2008).

²¹⁰ Civic Initiatives (2010) states in its research that youth in rural and small municipalities of the Republic of Serbia are faced with numerous obstacles, such as: poor access to new technologies and information, limited access to non-formal education, limited support for agriculture and tourism development, lack of financial assistance for start-ups in the agriculture and tourism sectors.

²¹¹ European Commission (2008).

²¹² As many as 76% of unemployed women have never heard of any active labour market measures, while only 13% have participated in a National Employment Service programme and stated that these programmes have not improved their employment prospects (Cvejić, S. et al., 2010).

²¹³ Statistical Office of the Republic of Serbia, Usage of Information and Communication Technologies in the Republic of Serbia, 2010.

²¹⁴ Data are available on water supply and sanitation services and school facilities in rural areas; the prevalence and quality of other types of infrastructure are not known and have been researched into only partly.

- infrastructure levels are great and indicate an advantageous position of the AP of Vojvodina. Communal infrastructure is among the burning issues of rural population; they express higher dissatisfaction with these issues than with available services.²¹⁵ New communal systems have been built in highland rural areas, while in the AP of Vojvodina the existing ones have been rehabilitated and reconstructed. The Ministry of Agriculture, Forestry and Water Management has funded land infrastructure development projects, projects for remedying negative impacts of water and erosion, projects for water river areas regulation and water protection, and co-funded water supply system construction projects (together with local community funding).²¹⁶
- 4.5.20. Research conducted by civil society organisations indicates that **over one half of employed "rural" population does not pay pension and disability insurance contributions**, which leaves them without any protection in the event of injury and disability and also exposes them to extremely high risk of poverty in old age.²¹⁷
- 4.5.21. The Constitution of the Republic of Serbia recognise three types of ownership: public, private and cooperative, which provides a sound basis for the **revival of cooperative tradition** in the Republic of Serbia. The legal framework governing cooperatives consists of the Law on Cooperatives²¹⁸ (the Draft Law on Cooperatives has been developed and its passage is expected in the spring of 2011), the Law on Banks²¹⁹ and the Law on Accounting and Auditing²²⁰. The total number of cooperatives and cooperative unions declined from 2,337 in 2007 to 2,140 in 2009²²¹. The decline in the number of cooperatives was accompanied by the decline in cooperative membership and staff numbers. In 2009, the cooperative sector accounted for only 2.4% of the total number of legal entities in the non-financial sector. Its share in total turnover of the non-financial sector was 0.9%, while its share in employment was 0.8%. Analysis of turnover and net profit figures in the cooperative sector indicates two types of cooperatives. One includes efficient, market-oriented cooperatives, the "new-generation cooperatives", which upgrade their operations on an ongoing basis and have good prospects. The other includes cooperatives that have not been able to adapt to the market economy and record steady decline of their turnover.
- 4.5.22. In 2009, the cooperative sector in the Republic of Serbia included 2,124 cooperatives and 16 cooperative unions, or a total of **2,140 economic operators**. Agricultural cooperatives accounted for the highest proportion of all cooperatives (67.1%), followed by youth and student cooperatives (17.8%), building societies (6.9%) and skilled trades and crafts cooperatives (4.1%), while the combined share of all other types of cooperatives is 4.2%. The number of cooperative members totalled about 122,200 in 2009. Although agricultural cooperatives account for the majority, youth and student cooperatives had the highest share in membership – 62.4%, while the share of agricultural cooperatives was

²¹⁵ Bogdanov, N. (2007) Households expressed an incomparably higher level of dissatisfaction with utility problems than with the available services. Particularly high dissatisfaction with infrastructure is expressed by the population of the AP of Vojvodina, even though its infrastructure and service quality are better than in other regions.

²¹⁶ Reports on the Work of the Government 2008 and 2009.

²¹⁷ Also, 13% of respondents are without health insurance and face severe difficulties in access to adequate health care services. In spite of the high share of the poor, 1.9% of "rural" households receive family income support (Sekons, 2010, Cvejić et al.).

²¹⁸ Official Gazette of Republic of Yugoslavia, No. 41/96 and 12/98 and Official Gazette of RS No. 101/05 other law and 34/06; Official Gazette of Federal Republic of Serbia No. 57/89 and Official Gazette of RS No. 46/95 and 101/05 other law

²¹⁹ Official Gazette of RS No. 107/05 and 90/10

²²⁰ Official Gazette of RS No. 46/06 and 111/09.

²²¹ Satellite Accounts of the Cooperative Sector in the Republic of Serbia – 2009, Statistical Office of the Republic of Serbia.

25.5%. The combined share of other types of cooperatives was 12.2%. There was a **lower share of women than men in all types of cooperatives**. Women had the highest share in youth and student cooperatives – 41.2% and in consumer cooperatives – 38.2%.

4.5.23. Operational results of the cooperative sector in the Republic of Serbia indicate that they are inversely related to their actual capacities and possibilities. Cooperatives worldwide have been the least severely affected by the global economic crisis.²²²

MEASURES AND PROGRAMMES

4.5.24. Rural development support funded from the agrarian budget is aimed at increasing agricultural sector competitiveness, upgrading rural infrastructure and diversifying holdings' income. Since 2007, agricultural support has been focused on subsidies for various investments and funded by direct payments per hectare. Within support to agriculture and rural areas from the national budget, there have been measures with (indirect) effect on rural poverty reduction²²³. These measures include:

- **Support to non-commercial farms** – implemented in 2006 and 2008,
- **Support to the Roma for starting up farming activity** – implemented in 2008,
- **Higher support for investments in equipment and machines to holdings with farmers under 40 years of age, higher subsidies for young farmers in marginal rural areas** and higher milk premiums for farmers in highland areas (implemented since 2004),
- **Higher long-term loan subsidy rate for farmers under 40 years of age** – implemented since 2004,
- **Support for rural economy diversification** – implemented through support for processing activities, value-added agricultural products, rural tourism and old crafts and trades.

4.5.25. The effects of these measures on rural poverty reduction are modest, since agricultural support in the Republic of Serbia has been unstable in terms of both volume and modality of distribution.

4.5.26. Measures aimed at strengthening young farmers (in particular those in marginal areas) have been implemented since 2004²²⁴, but have yet to achieve the desired effect: small holdings with scattered land parcels rarely borrow since their needs for machinery and their creditworthiness are not equal to those of large holdings.

4.5.27. As part of a **water supply programme**²²⁵ carried out by the Ministry of Agriculture, Forestry and Water Management, facilities were built in more than 30 municipalities in the period of 2008–2009 and about one billion dinars were spent for these purposes. No data are available on the proportion of funds spent exclusively on village water supply systems.

²²² Resilience of the Cooperative Business Model in Times of Crisis, International Labour Organisation, 2009.

²²³ Bogdanov, N. et al. (2009)

²²⁴ Volk, Bogdanov, Rednak, Erjavec (2008), Analiza direktne budžetske podrške poljoprivrednom i ruralnom razvoju Srbije, Deputy Prime Minister's Poverty Reduction Strategy Implementation Focal Point.

²²⁵ In 2009, municipalities contributed 40% of the facilities' investment costs; in 2008, devastated municipalities contributed 40% of the investment costs, whereas other municipalities contributed 50%.

- 4.5.28. **The Municipal Infrastructure Support Programme**, funded by the EU,²²⁶ was implemented between 2008 and 2010. Its aim was to strengthen municipal capacities for infrastructure project preparation and implementation, enable access to funding for infrastructure projects, provide prerequisites for efficient service delivery to citizens, improve infrastructure services management in municipalities and increase investments in infrastructure with a view to meeting EU environmental standards. Since 2005, more than 14 projects, worth about EUR 65 million, have been implemented.
- 4.5.29. From 2007 to 2010 inclusive, the Ministry of Agriculture, Forestry and Water Management allocated RSD 219,000,000 for **rural tourism support** and plans to allocate further RSD 80,000,000 in 2011.²²⁷ As part of a hospitality service quality promotion programme, the Ministry of Economy and Regional Development supported the construction of tourism facilities in rural areas and restoration of rural structures and their conversion into tourism and hospitality facilities, by granting soft loans. Between 2008 and 2010, funding amounting to RSD 318,500,000 was approved.
- 4.5.30. The project *Strengthening of Rural Social Capital*²²⁸ supported initiatives that could develop into **local action groups (LAGs)** and actions based on the LEADER approach in five municipalities²²⁹. The capacity of more than 200 training participants for LEADER and local planning was strengthened. The project *Partnership for Revitalisation of Rural Areas*²³⁰ is aimed at accelerated and balanced development of rural areas, enhancement of capacities and development of social capital and partnerships in four pilot municipalities²³¹.
- 4.5.31. The *Serbia Transitional Agriculture Reform Project — STAR* will be implemented by the end of 2011, with a World Bank loan (the project is worth a total of about EUR 16 million), in three components: Strengthening the Agriculture and Rural Development Support System, Building Knowledge and Capacity of Agricultural Producers and Processors, and Sustainable Land Use and Ecological Management of the Stara Planina Nature Park.
- 4.5.32. The Joint Programme *Sustainable Tourism for Rural Development*²³² aims to establish a legal and political framework for the support to diversification of the rural economy through tourism development. The Joint Programme contributes to the achievement of United Nations Development Assistance Framework (UNDAF) outcome 3.1: "sustainable development plans effectively respond to the need of all people, communities and the private sector, and promote rural development and environmental

²²⁶ The Municipal Infrastructure Support Programme (MISP) consists of two phases: the first is in progress and includes the period beyond 2010, while the second will be launched in mid-2011. The project is worth a total of EUR 76 million, not including co-financing.

²²⁷ Reports on the work of the Government.

²²⁸ Implemented between July 2008 and December 2009. The project was worth EUR 200,000 and was funded by the Government of Romania. Implemented by UNDP with the Department for Rural Development of the Ministry of Agriculture, Forestry and Water Management.

²²⁹ Links between Rural Economy Development Actions/Liaison Entre Actions de Développement de l'Économie Rurale, http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm

²³⁰ Implemented between June 2010 and May 2011. The project is worth EUR 200,000 and is funded by the Government of Romania. Implemented by UNDP with the Department for Rural Development of the Ministry of Agriculture, Forestry and Water Management.

²³¹ Alibunar, Vršac, Čuprija and Bor.

²³² Implemented in cooperation of United Nations agencies and national partners (Ministry of Economy and Regional Development, Ministry of Forestry and Water Management and National Tourism Organisation of Serbia) between 2009 and 2012, with the budget of USD 4 million, in four regions: South Banat, the Danube area and Central and Eastern Serbia.

- protection" through planning national and regional initiatives and interventions targeting rural areas with respect to rural tourism supply and demand.
- 4.5.33. The project *Municipal Economic Development in the Danube Region*²³³ aims to promote integrated and coordinated rural development initiated within the rural communities. The overall importance of this project is in its contribution to local governments' efficiency in solving rural communities' problems according to rural development principles.
- 4.5.34. The project *Peacebuilding and Inclusive Local Development in South Serbia*²³⁴ is implemented in Jablanica and Pčinja administrative districts with a view to strengthening capacities for peace and development, reducing disparities in economic development and employment, enhancing social cohesion, developing human resources and managing migration.
- 4.5.35. The Statistical Office of the Republic of Serbia has carried out activities towards formulating the **Agricultural Statistics Development Strategy** as part of preparations for the census of agriculture within the IPA-funded project *Development of Administrative Capacities of the Statistical Office Regarding Fulfillment of the European Statistical System Requests (2009–2012)*. The pilot census of agriculture was carried out in the period of December 1–15, 2009.
- 4.5.36. Municipal agricultural development funds vary with municipal development levels and relevance of agriculture in municipal economies. Municipal agricultural development funds are used to stimulate activities such as organising local events, co-funding presentations at trade shows, promoting local products and values, tourism potentials, etc. In addition, most municipalities with agricultural budgets earmark funds for artificial insemination, plant protection, forecast service and the like.
- 4.5.37. The funds of the Ministry of Agriculture, Forestry and Water Management allocated for subsidizing of forestry were used for constructing and reconstructing the total of 585 kilometers of packed forest roads used by local population in the period between 2007 and 2010, totalling RSD 451,732,000. Additionally, municipal budget funds are also used for reconstruction of rural infrastructure, in particular local roads. The rural population of the AP of Vojvodina has access to additional funding from the Province budget (estimated at EUR 15–20 million per year) and from privatisation revenue²³⁵.

CONCLUSIONS AND CHALLENGES

Upgrading the Institutional and Analytical Framework

- 4.5.38. Rural areas of the Republic of Serbia are not defined according to statistical criteria and their status is monitored via few indicators. The status of rural economy is described mainly through employment and agriculture indicators, while other data on the economic structure of rural areas are not available. The documentary resources on the status of rural areas have been supplemented in recent years by numerous studies, addressing primarily issues of the socio-economic status of rural population.
- 4.5.39. In 2011, the Survey on Income and Living Conditions (SILC) should be carried out and a farm accountancy data network (FADN) should be established in the Republic of Serbia.

²³³ Funded by the Government of the Federal Republic of Germany and implemented by German Technical Cooperation (GTZ).

²³⁴ Implemented by United Nations agencies with the Ministry of Public Administration and Local Self-Government. Funded by the governments of Sweden, Switzerland, Norway and Spain and by UNDP (USD 5.4 million).

²³⁵ Volk, Bogdanov, Rednak, Erjavec (2008), *Analiza direktne budžetske podrške poljoprivrednom i ruralnom razvoju Srbije*, Deputy Prime Minister's Poverty Reduction Strategy Implementation Focal Point.

- The coordination of these two processes will ensure better quality and greater scope of data collection and an analytical basis for monitoring indicators and interpret data on households owning farm holdings.
- 4.5.40. With a view to obtaining a more precise overview of poverty in rural areas and within rural areas, **the proportions of poverty and exclusion among specific types of rural households** (mixed, farm, non-farm) and their socio-economic performance must be monitored. Research into young rural families, seasonal agricultural workers and new farmers (newcomers), whose vulnerable status is recognised in EU studies of social exclusion, is also required.
- 4.5.41. **The National Programme for Rural Development 2011–2013** should contribute to sustainable enhancement of agriculture and food sector through targeted investments with a view to raising and improving their competitiveness, improving standards in conformity with the *acquis communautaire* and promoting sustainable development of rural economy and rural areas by encouraging diversification. The main features include small and scattered holdings, the importance of subsistence and/or semi-subsistence farming on small holdings, prevailing informal economy in rural areas, especially in the agriculture sector, insufficient opportunities for alternative employment and entrepreneurship owing to low diversification, low income and high outward migration rate in recent years. These problems may be addressed by a mix of measures, both by small-scale on-farm activities and by encouraging new off-farm activities in rural areas.
- 4.5.42. **The operation of the National Council for Rural Development**, as a mechanism for coordinating rural development measures and programmes among different ministries and other stakeholders, is important for rural development policy implementation and a system for monitoring interventions in rural areas.

Support to Rural Economic Development and Employment Growth

- 4.5.43. The possibilities of diversifying rural economy and increasing employment, as key poverty reduction mechanisms, are significantly lessened as a result of underdeveloped labour, finance, goods and information markets. National policies do not address these multi-faceted problems adequately and the burden of complex socio-economic problems encountered by rural areas due to transition is shifted to the agrarian policy.
- 4.5.44. Experiences and good practices of neighbouring countries and EU member states indicate that **rural women have, to a great extent, initiated economic diversification in rural areas** through entrepreneurship and cooperatives. Women in small rural households in the Republic of Serbia are involved in rural economic diversification activities, mainly in food processing, souvenir production and handicrafts.
- 4.5.45. The status of smaller rural households with fewer resources and no prospects in agriculture requires more attention in other national policies.
- 4.5.46. In conformity with the requirements for **access to IPARD funding**, accredited institutions must be established, strategic documents adopted and future beneficiaries strengthened by public campaigns. The Ministry of Agriculture, Forestry and Water Management has started implementing some of these activities as part of the project *Capacity Building to Implement Rural Development Policies to EU Standards*.²³⁶

²³⁶ An IPA 2007 project implemented since July 2010.

- 4.5.47. The **LEADER project** activities (due in 2011) should be used for training and putting the EU local cooperation model into practice in the Republic of Serbia. In the forthcoming period, formulation of local and regional strategies in line with specific requirements and needs of the areas concerned will be an important task.²³⁷
- 4.5.48. Underdeveloped rural infrastructure and service sector have a negative impact on the rural population's quality of life and encourage permanent migration.

LINES OF ACTION

- 4.5.49. In the coming period, it is necessary to:
- **Expand the list of indicators** for monitoring rural economy, availability and quality of rural infrastructure and the environment, following the example of indicators monitored in the EU member states for the purposes of the Rural Development Report²³⁸;
 - **Promote changes in the formulation and implementation of rural development policy.** These changes should include a multi-level approach in managing rural development, i.e. adjustment along three key axes of government: horizontal, at both the central (including other ministries and state agencies) and local levels, and vertical, across all levels of government;
 - **Create a favourable environment** for more dynamic growth of rural economy and its restructuring and diversification;
 - **Ensure equal education conditions for the rural and urban population** and build an efficient system for knowledge and new technology transfer;
 - **Promote the concept of microcredit** with a view to enhancing activity and income diversification, employment growth and other aspects of economic performance of holdings;
 - Stimulate association and entrepreneurship **with a view to improving the status of women and youth** as the most vulnerable groups of urban population;
 - Promote the **private-public partnership principles** and support such activities, in particular as regards rural infrastructure upgrading. To this end, the following recommendation from the European Platform against Poverty and Social Exclusion should be taken into account: "support the development of social infrastructures and social services in rural areas".

²³⁷ Mapping rural infrastructure and analysis of the needs for various types of services in Serbian rural areas have not been carried out to date. For more information on the importance of such research, see the OECD document *Strategies to Improve Rural Service Delivery*, http://www.oecd.org/document/20/0,3343,en_2649_34413_44923348_1_1_1_1,00.html

²³⁸ Rural Development Report, http://ec.europa.eu/agriculture/agrista/rurdev2009/index_en.htm

5. Overview of the Dimensions and Status of Social Exclusion and Poverty in the Republic of Serbia

5.1. Financial Poverty and Deprivation of Existential Needs

STATUS AGAINST RELEVANT INDICATORS

Trends and Characteristics of Relative Poverty

5.1.1. **At-risk-of-poverty rate** (share of persons whose income per consumer unit does not exceed 60% of the median of national income²³⁹ per consumer unit in the total population) was 17.7% in 2009. After the initial level of stability - approximately 21% in 2006 and approximately the same level also in 2009 (17.9% in 2008 and 17.7% in 2009). Over the past two years, the at-risk-of-poverty rate in the Republic of Serbia was somewhat above the average at-risk-of-poverty rate of the 27 EU Member States in 2008 (16.5%), significantly lower than in Romania (23.4%) and Bulgaria (21.4%) which are among the countries with the highest at-risk-of-poverty rate.²⁴⁰

Table 5.1.1: Indicators of relative poverty

	2006	2007	2008	2009
At-risk-of-poverty rate	20.9	21.0	17.9	17.7
At-risk-of-poverty threshold, in RSD				
One person	8,388	9,900	11,520	12,828
Household with two adults and two children aged under 14	17,615	20,790	24,192	26,939
Relative at-risk-of-poverty gap, %	28.5	28.5	23.6	22.0
Rate of self-perceived risk of poverty	50.0	43.6	43.4	42.2

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government, 2010

5.1.2. **At-risk-of-poverty threshold** in 2009 (*relative poverty line*) amounted to an average RSD 12,828 per month for a single-member household, and RSD 26,939 for a four-member household with two adults and two children under the age of 14. This at-risk-of-poverty threshold should be expressed in units of the same purchase power²⁴¹, so as to allow comparisons with the EU Member States.

5.1.3. At-risk-of-poverty rate is an indicator informing us about who is poor, but not how poor one is. This information is obtained from the **relative at-risk-of-poverty gap** that measures the difference between the poverty line and the median income per consumer unit of persons below the poverty line, expressed as a percentage of the poverty line. In 2009, the relative at-risk-of-poverty gap was 22% of the poverty line. This value is at the level of the EU27 average (21.9%) in 2008, lower than in Croatia (23%), Romania (32.3%) and Bulgaria (27%), and higher than in Slovenia (19.3%).²⁴² The relative at-risk-of-poverty gap decreased in Serbia, corresponding to the decrease of relative poverty, from 28.5% of the poverty line in 2006 to 22% in 2009.

²³⁹ Household income includes in-kind income.

²⁴⁰ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tessi010&plugin=1>

²⁴¹ In this way the effect of the different price levels in Serbia relative to other countries is included.

²⁴² Data taken from the EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc250&plugin=1>

- 5.1.4. With respect to poverty measurement in the Republic of Serbia, **relative poverty** is expressed through methodology comparable to the EU standards and adjusted to the national source of data (Household Budget Survey). This means that a relative poverty line was used (60% of the median income per consumer unit). The household income (including income in kind) was used as a key aggregate for measuring living standards. Income per consumer unit is calculated by dividing the household income with the modified OECD scale (the weight 1 is assigned to the first adult household member, 0.5 is assigned to all the other adult household members, 0.3 weight to each child aged under 14). The main advantage of measuring poverty according to this methodology is comparability of the poverty indicators with the EU Member States and the EU candidate countries, since the poverty line is established in relative terms with respect to a certain percentage of median national income (60%) in each country. In order to include effects of the different price levels in these countries, it is most often expressed in the units of the same purchase power. The poverty line defined in this way raises with the increase of the living standards.
- 5.1.5. Contrary to relative poverty, the poverty surveys conducted in Serbia to date were based on the concept of **absolute poverty**. Whether a person is poor or not is established by comparing one's consumption or consumption per consumer unit with the absolute poverty line. The absolute poverty line is defined as fixed consumption required to satisfy minimum livelihood, adjusted in time only for changes in prices. Consumption (per consumer unit) was used, starting from the assumption that surveys record it better than income, bearing in mind the importance of informal sector in the Republic of Serbia, and particularly the unrecorded receipts from abroad as well as the fact that it is less susceptible to short-term fluctuations as in other countries undergoing a transition. The consumer units are defined according to the OECD scale (weight assigned to the first adult member of household =1, other adults =0.7, children under 14 = 0.5).
- 5.1.6. **At-risk-of-poverty rate by age** demonstrates that children up to the age of 18 were most exposed to risk of poverty relative to other age groups. Although the at-risk-of-poverty rate of children up to the age of 18 dropped in the period 2006-2009 (approximately as much as the average at-risk-of-poverty rate), it increased from 20.8% recorded in 2008 to 22.1% in 2009. It is only in this age group that a statistically significant increase of at-risk-of-poverty rate was recorded in 2009. Children up to the age of 18 in the Republic of Serbia are more exposed to the risk of poverty relative to the corresponding average value in EU27 (20.3%)²⁴³, and absolutely, and relatively as compared to the population average. Risk of poverty of children up to the age of 18 in the Republic of Serbia of 2009 was higher by 24.9% relative to the population average, as compared to 19.4% in the EU27 in 2008. In addition to the children (up to the age of 18), an above-the-average at-risk-of-poverty rate was recorded among the elderly (65 +). At-risk-of-poverty rate among this category of population totalled 18.2% in 2009 and was approximately at the average of EU27 (18.9%) in 2008.

Table 5.1.6: At-risk-of-poverty rate by sex and age, %²⁴⁴

		2006	2007	2008	2009
EU27	total	16.1	16.7	16.5	...
SERBIA	total	20.9	21.0	17.9	17.7

²⁴³ Data taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tessi120&language=en>

²⁴⁴ All indicators of financial poverty based on income are computed by using the definition which considers income in kind as income.

Sex	male	20.1	20.7	17.7	17.7
	female	21.6	21.3	18.1	17.8
Age group					
0-17					
	total	26.0	25.2	20.8	22.1
	male	24.6	24.8	20.8	22.2
	female	27.6	25.7	20.8	22.0
18-64					
	total	19.2	18.9	16.4	16.4
	male	19.2	19.1	16.9	16.9
	female	19.2	18.8	15.8	16.0
18-24					
	total	21.0	19.1	17.0	16.7
	male	20.3	19.5	16.4	17.6
	female	21.9	18.7	17.7	15.9
25-54					
	total	19.4	19.5	16.5	16.6
	male	19.4	19.7	16.9	16.9
	female	19.3	19.3	16.0	16.2
55-64					
	total	17.3	17.2	15.8	16.0
	male	17.7	17.0	17.2	16.3
	female	16.9	17.4	14.5	15.7
65 +					
	total	21.8	23.9	20.2	18.2
	male	18.6	22.1	17.4	16.4
	female	24.3	25.2	22.2	19.5

Source: For Serbia: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010. For EU27 taken from: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li02&lang=en

- 5.1.7. **From the aspect of sex**, women were more exposed to the risk of poverty than men in 2006 (7.4%), but the initial superior position of men disappeared in 2009, so the differences in poverty by sex were almost non-existent in 2009 (0.6%). However, differences in poverty between sexes are noted when disaggregated by age. While the young men (aged 18-24) were more vulnerable than young women, older women (65+) were more vulnerable than older men. At-risk-of-poverty rate in the EU27 is higher among women than among men (18% to 16% respectively in 2007).²⁴⁵
- 5.1.8. **Relative at-risk-of-poverty gap by age** indicates there were no significant differences in depth of poverty of children (up to the age of 18), adults (aged 18-64) and elderly (65+) in 2009 (see: **Table 17 - Relative at-risk-of-poverty gap by age and sex, %**, Annex 6.1). From the aspect of sex, men were more poor than women, since the relative at-risk-of-poverty gap of men was higher than that of women (24% and 20.9% respectively in 2009), which is primarily ascribed to the higher poverty gap of men than of women in the group up to age of 18.
- 5.1.9. **At-risk-of-poverty rate by type of household** shows that presence of children in a household significantly increases the risk of poverty. However, it is positive that the differences in at-risk-of-poverty rate between the households with dependent children and those without dependent children decreased in the period 2006-2008, only to slightly

²⁴⁵ Combating Poverty and Social Exclusion, EUROSTAT, 2010

increase (from 18.4% in 2008 to 18.9%) in 2009. In the category of households without dependent children, single-member households were the most vulnerable, elderly households in particular, with at-risk-of-poverty rate amounting to 26.5% in 2009. In contrast to them, three and four-member households without children were in the most favourable position, since the at-risk-of-poverty rate among them is considerably below the population average (13% and 17.7% respectively in 2009).

Table 5.1.9: At-risk-of-poverty rate by type of household, %

	2006	2007	2008	2009
<i>All households without dependent children</i>	17.2	18.8	17.3	16.2
Single-member households				
total	22.9	30.5	29.5	24.7
male	19.0	25.7	24.9	21.3
female	24.3	32.8	31.7	26.2
up to the age of 65	19.5	22.8	21.2	23.0
65 +	26.0	31.3	30.3	26.5
Two adults, no dependent children				
both up to the age of 65	14.1	17.4	12.5	17.7
at least one 65+	17.1	29.0	16.3	16.5
Other households without dependent children	13.5	13.3	14.7	13.0
<i>All households with dependent children</i>	23.3	22.6	18.4	18.9
Single parents with one or more dependent children	36.8	26.9	27.4	30.6
Two adults, one dependent child	16.3	13.3	14.0	15.0
Two adults, two dependent children	17.9	18.3	14.9	16.8
Two adults, three or more dependent children	35.8	37.5	27.7	32.7
Other households with dependent children	24.6	24.2	18.8	18.0

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government, 2010.

5.1.10. In the category of households with dependent children, two adults with three or more dependent children and single parents with one or more dependent children are the two categories of households most exposed to the risk of poverty in 2009 (32.7% and 30.6% respectively), since these households show a significantly worse ratio between the number of the earning and the dependent members relative to other households with more members. Their situation worsened in 2009 relative to 2008, while the situation of single-member elderly households improved significantly in the same period. These three categories of households were also most affected by poverty in the EU. While the at-risk-of-poverty rate in the Republic of Serbia for single-member elderly households and households with single parents with one or more dependent children is lower than the corresponding average value for EU27 (26.5% and 28% and 30.6% and 35.2% respectively), the at-risk-of-poverty rate for households with two adults and three or more small children is significantly higher than in the EU27 (32.7% and 26,3% respectively).²⁴⁶

5.1.11. **At-risk-of-poverty rate by the most frequent status on the labour market** (status on the labour market lasting 6 months and longer) indicates that poverty was most widespread among the inactive persons (with the exception of pensioners) (47.4% in 2009), the inactive women in particular (50.2%), and the unemployed persons (30.5%), the unemployed men in particular (33.4%). The most favourable position was that of the employed persons with the at-risk-of-poverty rate of 13.6% in 2009. In this group, men

²⁴⁶ Data taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc240&plugin=1>

were in a considerably higher risk of poverty than women (15.5% and 11% respectively). The paid workers were considerably less exposed to the risk of poverty relative to the self-employed (at-risk-of-poverty rate 10.6% and 26.5% respectively in 2009), which does not surprise bearing in mind that this is employment in insecure jobs, in informal sector most often (with low wages and low productivity, often without paid basic health and disability insurance). The situation of inactive persons (excluding pensioners) worsened slightly in 2009 relative to 2008. The employed remained in an almost unchanged situation, and the situation of the pensioners and the unemployed improved. The EU27 data indicate that the unemployed were considerably more exposed to the risk of poverty than the inactive persons, with the exception of pensioners (44.6% and 27.3% respectively in 2008), the employed being in the most favourable position (8.5%).²⁴⁷

Table 5.1.11: At-risk-of-poverty rate by the most frequent status on the labour market and sex, %

Economic activity of members of households	2006	2007	2008	2009
Employed total				
total	15.3	16.5	13.5	13.6
male	16.6	17.8	15.5	15.5
female	13.4	14.5	10.9	11.0
Self-employed				
total	26.5	29.7	28.4	26.5
male	27.5	31.2	28.3	27.4
female	23.5	24.6	28.8	22.9
Unemployed				
total	36.6	33.4	31.1	30.5
male	38.0	38.3	31.5	33.4
female	35.5	29.5	30.7	28.0
Pensioners				
total	15.6	15.4	14.1	12.9
male	14.5	15.9	14.1	12.6
female	16.6	15.1	14.1	13.2
Other inactive				
total	50.8	48.3	46.0	47.4
male	47.4	44.1	45.0	44.3
female	53.8	51.2	46.7	50.2

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

5.1.12. **At-risk-of-poverty rate by work intensity of household members** is an indicator that takes into account the number of months that all members in a household spent in employment in the course of a reference year as compared to the theoretical number of months that the members of the household could have worked. This indicator is difficult to calculate from the existing data sources. However, the at-risk-of-poverty rate anchored at a fixed moment in time may be calculated on the basis of the existing HBS data. The particular analytical value of this indicator is reflected in the possibility of monitoring the trend of at-risk-of-poverty rate in the course of time relative to certain reference fixed value of the poverty line (adjusted only for price increase). This indicator is similar to absolute poverty line, only that the initial value is formed differently, and thus at a

²⁴⁷ Data taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tessi124&plugin=1>

different level. While the general EU27 at-risk-of-poverty rate shows moderate increase in the period 2006 - 2008 (16.1% and 16.5% respectively), the at-risk-of-poverty rate fixed at a moment in time (2005) shows significant decrease: from 15.8% in 2006 to 13.2% in 2008.²⁴⁸

- 5.1.13. For computing the **at-persistent-risk-of-poverty rate** we must await the introduction of SILC, and the panel data, since this indicator measures the percentage of population exposed to the risk of poverty over a minimum period of two to three years. Comparisons between the general at-risk-of-poverty rate and the at-persistent-risk-of-poverty rate reveal the part of the poor population which is persistently exposed to the risk of poverty, (and thus to the risk of social exclusion) and the part that may be ascribed to the mobility of population towards poverty and out of poverty. Thus, for instance, in Slovenia the at-persistent-risk-of-poverty rate was 7.7% in 2008 as compared to 12.3% general risk of poverty. This information is not available as an EU27 average, because it is not as yet calculated in many countries due to lack of the panel data.
- 5.1.14. **At-risk-of-poverty-rate for owners of apartments/houses** (or those who live free of charge) was unexpectedly higher than with lessees in 2008 and 2009. These results must be taken with prudence bearing in mind the poorly developed housing rental market and the limited number of respondents who rent apartments.

Table 5.1.14: At-risk-of-poverty rate by tenure status, %

	2006	2007	2008	2009
Owner or lives free of charge				
total	20.8	20.7	17.9	17.9
male	20.0	20.4	17.7	17.9
female	21.5	21.1	18.2	17.9
Lessee				
total	24.9	29.2	16.1	12.2
male	24.6	30.5	17.2	12.8
female	25.3	27.9	15.0	11.8

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

Note: Data should be analysed bearing in mind that in this classification HBS deviates from the pattern that may be expected (higher at-risk-of-poverty rate of persons who rent apartments) due to the limited number of respondents who are not owners of apartments.

- 5.1.15. **Dispersion around at-risk-of-poverty threshold**, shows the sensitivity of the estimated at-risk-of-poverty rate to the choice of the poverty line. Poverty line is defined above and below the poverty line used in the estimate or as 40%, 50% and 70% of the median national income per consumer unit. Irrespective of the poverty line increase or decrease (+10%, -10%, -20%), we note the percentage of change of at-risk-of-poverty to be considerably higher relative to the percentage of change of the poverty line. This points to the high concentration of population around the poverty line. A 10% increase of the poverty line would raise the at-risk-of-poverty rate by as much as 49% in 2009 (from 17.7% to 26.4%), while a 10% decrease of the poverty line would reduce the at-risk-of-poverty rate by 39% (from 17.7% to 10.8%). The situation is similar in the EU27, since the decrease of the poverty line by 10% would reduce the at-risk-of-poverty rate by 40%

²⁴⁸ Data for EU25 taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tessi220&plugin=1>

(from 16.6% to 10% in 2008).²⁴⁹ The change of poverty line would significantly alter the extent of reduction of the at-risk-of-poverty rate.

Table 5.1.15: Dispersion around at-risk-of-poverty threshold

	2006	2007	2008	2009
40% of national median income				
-at-risk-of-poverty threshold (in RSD)	5,592	6,000	7,680	8,552
- at-risk-of-poverty rate	9.1	8.7	6.2	6.0
50% of national median income				
-at-risk-of-poverty threshold (in RSD)	6,990	8,250	9,600	10,690
- at-risk-of-poverty rate	14.4	14.4	11.5	10.8
70% of national median income				
-at-risk-of-poverty threshold (in RSD)	9,786	11,550	13,440	14,966
- at-risk-of-poverty rate	27.4	27.8	25.5	26.4

Source: HBS, SORS. Taken from the report “Monitoring Social Inclusion in Serbia” Government, 2010

5.1.16. **The perceived at-risk-of-poverty rate** is a very important country-specific indicator, because it allows comparisons between the self-perceived assessment of respondents on their economic situation and the objective assessment. In defining self-perceived poverty answers were used to the question on the minimum pecuniary sum necessary for a household to live in a satisfactory manner. In order to establish the ratio between the self-perceived and objective poverty, the poverty line used for defining “objective” poverty was applied to this self-perceived assessment of respondents. The self-perceived poverty was considerably higher than the objective poverty. In 2009, twice as many inhabitants of the Republic of Serbia perceived themselves to be poor relative to the objective assessment (42.2% as compared to 17.7%). Interestingly, self-perceived poverty also decreased over the observed period as did the objective poverty, and at approximately the same pace.

5.1.17. All the presented indicators of financial poverty referred to the population in the lowest part of income distribution. It is interesting to see the relative situation of this part of population as compared to the population in the highest part of income distribution. This may be illustrated by **quintile ratio** (S80/S20) that compares the total equivalent income of the upper income quintile (20% of the population with the highest income per consumer unit) with that of the lower income quintile (20% of the population with the lowest income per consumer unit). This ratio totalled 5.8 in 2006 and was significantly reduced in 2009 when it totalled 4.7. Consequently, in 2009, 20% of the richest population had 4.7 times higher income per consumer unit relative to the 20% of the poorest. This indicator is somewhat lower in comparison to the average of EU27, which was 5 in 2008. However, it should be noted that this quintile ratio would have certainly been somewhat higher for Serbia if income in kind was to be excluded (the most represented among the poor) as in EU27.

Table 5.1.17: Indicators of income inequality

	2006	2007	2008	2009
Quintile ratio S80/S20	5.8	5.6	4.8	4.7
Gini coefficient (*100)	32.9	32.0	30.2	29.5

Source: HBS, SORS. Taken from the report “Monitoring Social Inclusion in Serbia” Government, 2010

²⁴⁹Data taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tessi126&plugin=1>

- 5.1.18. Contrary of this inequality indicator, the **Gini coefficient** measures inequality in the entire income distribution. Gini coefficient dropped from 32.9 in 2006 to 29.5 in 2009. The financial crisis had no effect on the increase of income inequalities, since in 2009, the Gini coefficient was somewhat lower as compared to the previous year (30.2 in 2008 and 29.5 in 2009). The value of Gini coefficient was at the average of EU27 for 2008 (30.6).²⁵⁰
- 5.1.19. In social transfers (pensions excluded), the two major transfers targeting the poor are **child allowance and individual/family financial allowance** (MOP). The share of social transfers (pensions excluded) in the total household income by income decile shows the allocation of social transfers in the population, or more specifically, the share of these transfers in total income of the poor and the share in the total income of those who are not poor. This being said, one should bear in mind that the relative poverty line is significantly above the the legal minimum for obtaining child allowance and MOP. The share of social transfers significantly decreases with the growth of income of population (see: **Table 18 - Share of social transfers (pensions excluded) in household income by income decile**, Annex 6.1). Also, in 2009, the share of social transfers in the total income of population decreased relative to 2006, but it increased relative to 2008 (from 1.8% to 1.9%). Although the average share of social transfers decreased over the observed period (2006-2009), their share in income of the population in the lowest decile increased (from 10.1% in 2006 to 12.1% in 2009), while decreasing in the richest part of the population (the last two deciles).
- 5.1.20. Social transfers²⁵¹ (pensions excluded) reduced the risk of poverty by 7.9% in 2009.²⁵² In other words, in a hypothetical case of absence of social transfers (excluding pensions), the risk of poverty would be 19.1% instead of 17.7%. Social transfers had an increasing significance in reducing the risk of poverty of the inhabitants of the Republic of Serbia since they contributed to reducing the percentage of population exposed to the risk of poverty in 2006 and 2007 by 5.3% and 7.9% respectively. Although social transfers become ever more relevant to reducing poverty, this relevance continues to be incomparably lower than in the EU Member States where the social transfers reduced the at-risk-of-poverty rate by an average of 32% in 2008.²⁵³ The countries where social transfers have the least impact on reducing the at-risk-of-poverty rate are Greece, Lithuania, Spain and Italy (ranging from 14% to 17%).²⁵⁴

Table 5.1.20: At-risk-of-poverty rate prior to social transfers by age and sex (pensions not excluded from income), %

	2006	2007	2008	2009
total	22.0	22.3	19.1	19.1
male	21.2	21.9	18.7	19.1
female	22.7	22.7	19.4	19.1
0 - 17				

²⁵⁰ Data for EU27 taken from EUROSTAT website:

<http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do>

²⁵¹ Social transfers include family financial allowance, cash grants; child allowance; allowances and other benefits based on social welfare; sums for financial security of the unemployed and temporarily unemployed persons; alimony, subsistence; health and disability insurance allocations; pupils' and students' scholarships, as well as allowances for students of schools for qualified workers.

²⁵² This effect is assumed to be underestimated, because different types of social transfers are not individually registered in the HBS, but within the larger groups. One cannot exclude the possibility of the respondents forgetting to register all the types of social transfers they receive.

²⁵³ Wolff, P. (2010); Statistics in Focus, 9/2010.

²⁵⁴ Wolff, P. (2010); Statistics in Focus, 9/2010.

total	28.2	28.0	23.5	24.5
male	26.6	27.6	23.2	24.5
female	30.0	28.5	23.9	24.4
18 - 64				
total	20.2	20.3	17.4	17.7
male	20.1	20.3	17.8	18.1
female	20.3	20.2	17.0	17.4
65+				
total	22.1	24.0	20.6	18.9
male	19.4	22.1	17.6	17.0
female	24.2	25.5	22.8	20.3

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government, 2010

- 5.1.21. From the aspect of sex, social transfers had a somewhat stronger effect on men than on women (7.9% and 7.3% respectively). The situation was no different in 2006, while in 2007 and 2008, women were in a more favourable situation because social transfers contributed to reducing poverty among them more than among men.
- 5.1.22. The greatest effect of social transfers was on reducing poverty of children up to the age of 18, which was expected bearing in mind, *inter alia*, the significance of child allowance targeting the poorest families with children. Targeting of child allowance was assessed as good.²⁵⁵ Social transfers contributed to reducing poverty of children up to the age of 18 from 24.5% to 22.1% in 2009. On the other hand, they had a negligible effect on reducing the at-risk-of-poverty rate of the elderly (65+) from 18.9% to 18.2%. In the EU, the strongest effect of social transfers was in reducing poverty of children up to the age of 18 - on the average it dropped from 33% to 20.3% in the 27 EU Member States in 2008, with the least effect on the elderly where the at-risk-of-poverty rate dropped from 22.7% to 18.9%.²⁵⁶
- 5.1.23. The **efficiency of social transfers** may be measured by the percentage of social transfers (pensions excluded) distributed to the population exposed to the risk of poverty prior to social transfers. The data show an increase of the efficiency of social transfers in the period 2006 - 2008, since the percentage of social transfers distributed to the poor (prior to receiving social transfers) increased from 44.9% to 49% in 2006 and 2008 respectively, and then dropped to 47.7% in 2009, meaning that those who are not poor receive approximately 50% of social transfers. This is a consequence of the fact that not all of these programmes target the poor. Targeting of programmes that do could be improved, as significant sums keep being disbursed to those who are not poor.

Table 5.1.23: Efficiency and effectiveness of social transfers, %

	2006	2007	2008	2009
Efficiency of social transfers				
% of total realised social transfers (pensions excluded) distributed to population exposed to poverty prior to social transfers	44.9	47.2	49.0	47.7
Effectiveness of social transfers, total, %				
Relative at-risk-of-poverty gap after social transfers	28.5	28.5	23.6	22.0

²⁵⁵ Matković.G. and Mijatović, B (2009): *Analiya uticaja državne finansijske podrške siromašnima*, Government of the Republic of Serbia, Poverty Reduction Strategy Implementation Team, Office of the Deputy Prime Minister

²⁵⁶ Data for EU27 taken from EUROSTAT website:

<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tesov252&language=en>

Relative at-risk-of-poverty gap before social transfers	31.7	29.8	27.0	24.6
Decrease of relative at-risk-of-poverty gap after social transfers	3.2	1.3	3.4	2.6
<i>Men</i>				
Relative at-risk-of-poverty gap after social transfers	28.5	28.1	24.4	24.0
Relative at-risk-of-poverty gap before social transfers	31.2	29.8	27.4	26.3
Decrease of relative at-risk-of-poverty gap after social transfers	2.7	1.7	3.0	2.3
<i>Women</i>				
Relative at-risk-of-poverty gap after social transfers	28.5	28.7	22.8	20.9
Relative at-risk-of-poverty gap before social transfers	31.7	29.8	26.7	23.4
Decrease of relative at-risk-of-poverty gap after social transfers	3.2	1.1	3.9	2.5

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

5.1.24. The **effectiveness of social transfers** is measured by the percentage of the relative at-risk-of-poverty gap eliminated through social transfers. The effectiveness of social transfers (pensions excluded) dropped in the period 2006-2009. In 2006 and 2009 social transfers contributed to reducing the relative at-risk-of-poverty gap by 3.2% and by 2.6% respectively. However, the effectiveness of social transfers decreased relative to 2008 (from 3.4% to 2.6%). A somewhat stronger effectiveness of social transfers is noted in women as compared to men (with the exception of 2007). Such a low level of efficiency of social transfers (around 3%) is a result of very low sums of social welfare that the population is receiving as compared to the height of the relative poverty line. Therefore, the very small part of the gap between the poverty line and income of population is covered by social transfers. Social transfers would certainly be more effective if absolute poverty line was used, which *per se* correlates more strongly with the level of vulnerability of population in need of social welfare.

Trends and Characteristics of Absolute Poverty

5.1.25. The trends of absolute poverty must continue to be monitored in line with the present methodology based on household consumption and absolute poverty line in order to obtain a comprehensive insight into poverty in the Republic of Serbia.

5.1.26. According to the Living Standards Measurement Survey, absolute poverty in the Republic of Serbia was reduced significantly, the number of the poor being halved in the period 2002-2007. The total number of the poor was reduced by more than 500,000 since the poverty rate dropped from 14% in 2002 to 6.6% in 2007.

Table 5.1.26. Absolute poverty line and percentage of the absolutely poor

	2006	2007	2008	2009
Poverty line, RSD/month/consumer unit	6,221	6,625	7,401	8,022
Percentage of absolutely poor in the total population	8.8	8.3	6.1	6.9

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government, 2010

Note: The food line and the sum total of other expenditures (clothes, footwear, housing, health care, education, transport, recreation, culture, other goods and services) together, was used to define the absolute poverty line in 2006. Each year, the sum of inflation (Consumer Price Index) is added to the 2006 absolute poverty line.

- 5.1.27. This positive trend of poverty reduction continued also in 2008, with the HBS data showing a drop in the percentage of the poor from 8.8% in 2006 to 6.1% in 2008. However, the effects of the crisis were evident already in the last quarter of 2008, when the percentage of the poor began to grow (Matković et al, 2010). In 2009, the percentage of the poor increased by 0.8 percentage points relative to 2008, so there were 6.9% of the poor or 6.9% of persons whose consumption per consumer unit was lower than the absolute poverty line that amounted to RSD 8,022 per month per consumer unit in 2009.²⁵⁷
- 5.1.28. Poverty increased in 2010. According to the preliminary results of the Statistical Office of the Republic of Serbia based on consumption trends in the period January - June 2010, the absolute poverty rate was 8.8% - an 1.9 percentage points increase in comparison to poverty recorded in 2009. Thus, the absolute poverty rate reverted to the 2006 levels. The poverty line in the first semester of 2010 totalled RSD 8,327 per month per consumer unit. Even though a detailed analysis and classification calls for data valid for the entire 2010, the weak economic recovery as well as labour market trends have certainly contributed to the increase of the number of the poor.
- 5.1.29. These estimates of absolute poverty (based on consumption) demonstrate a considerably lower percentage of the poor than the percentage of relative poverty (based on consumption and not on income as presented in the previous part of the report) since the absolute poverty line is considerably lower than the relative poverty line. Also, as expected, the dynamics of poverty mobility 2006-2009, differ in these two methods, bearing in mind that the starting levels as well as dynamics of mobility of these two poverty lines differ (see: Table 19 - Relative poverty line based on consumption * and Table 20 - Mean household income, Annex 6.1). However, estimations obtained by both methods point to an increase of poverty in 2009, as a consequence of the effect of financial crisis (from 6.1% in 2008 to 6.9% in 2009 according to the absolute line and from 13.2% to 13.6% respectively according to the relative poverty line, see: **Table 20 - Mean household income**, Annex 6.1), as compared to the income-based percentage of relative poverty showing relative stability (17.9% in 2008 and 17.7% in 2009).
- 5.1.30. According to the estimates of absolute poverty (based on consumption), rural population was the most vulnerable, especially in the Central Serbia, followed by children up to the age of 14, the uneducated, the unemployed and the inactive (see: **Table 21 - Absolute poverty profile**, Annex 6.1).
- 5.1.31. Poverty continues to be most widespread in rural areas, although a considerably faster decrease of poverty was noted in rural as compared to urban areas prior to the crisis (2006-2008). However, in 2009, the entire increase of poverty occurred in rural areas (9.6% in 2009 as compared to 7.5% in 2008), since the percentage of the poor in urban areas remained almost unchanged (4.9% and 5% respectively). Pronounced regional disparities in poverty correspond to the current differences in economic development of regions. In 2009, the poverty index ranged from 3.8% in Belgrade to 9.3% in Central Serbia (excluding Belgrade). Belgrade remains much better positioned relative to the rest of the country, even though economic crisis resulted in an increase of poverty in Belgrade (3.8% in 2009 as compared to 2.9% in 2008). The increase in poverty was also noted in Central Serbia (9.3% and 7% respectively), while a decrease of poverty was recorded in the Autonomous Province of Vojvodina (4.9% and 6.8% respectively). As opposed to

²⁵⁷The absolute poverty line was computed in 2006. The following year, the 2006 value was adjusted by consumer price increase.

- this, a labour market analysis indicates that the effect of crisis were least felt in Belgrade relative to the other two regions in the Republic of Serbia.²⁵⁸
- 5.1.32. Children up to the age of 14 and the elderly (65+) were more exposed to the risk of poverty than other age groups and had an above-the-average poverty index. In 2009, poverty increased among children up to the age of 18, youth aged 19-24 and adults aged 25-45. The poverty index among adults aged 46-64 and the elderly (65+) remained unchanged but their position in comparison to the population average improved, since poverty increased in the overall population. This portrait of poverty corresponds to the effects of the financial crisis on the labour market, as the young persons (aged 15-24) in the Republic of Serbia bore the brunt of the crisis.²⁵⁹
- 5.1.33. From the aspect of the type of household, the households with six and more members were the poorest, their poverty index considerably above the population average in the entire observed period and the highest in comparison to the other demographic groups. These households were hit by the financial crisis the hardest, since the percentage of the poor increased from 10% in 2008 to as high as 14.2% in 2009. Poverty was least widespread in three and four-member households which is understandable given the higher share of members who generate income in these households than in the households with more children, causing higher levels of consumption and lower poverty.
- 5.1.34. Poverty decreases significantly with the level of education. The persons in households the head of which has no education or has an incomplete primary school and primary school education only had an above-the-average poverty index. It is among these households that the entire decrease of poverty occurred in the pre-crisis period. Likewise, the entire increase of poverty in 2009 occurred among the persons in households the head of which has the lowest level of education (9% in 2008 and 14.8% in 2009), which corresponds to the findings that the burden of the crisis was most felt by the least educated, while the persons with the highest levels of education felt almost no effects of the crisis.²⁶⁰
- 5.1.35. Poverty is the most widespread among the persons in the households with an inactive (pensioners excluded) or unemployed head of household. Their poverty index was considerably higher than the population average. In the pre-crisis period, poverty dropped among all the socio-economic categories of households (except those with an unemployed head of household). The economic crisis had a greatest impact on the persons in households that were already in the worst economic situation, and these are the persons with an inactive (pensioners excluded) head of household, since the percentage of the poor increased from 15.5% in 2008 to 29.3% in 2009 – slightly more than the percentage of the poor in 2006 (28.2%). The least increase of poverty was recorded with pensioners (from 5.7% in 2008 to 6.1% in 2009).

Deprivation of Existential needs (Material Deprivation)

- 5.1.36. The country-specific indicators of fulfillment of basic needs refer to quality of food, quality of clothing and hygiene. The proposed indicators referring to these three areas of fulfillment of basic needs were revised²⁶¹ due to lack of data.

²⁵⁸ Arandarenko et al, 2010.

²⁵⁹ Krstić et al, 2010; Arandarenko et al, 2010

²⁶⁰ Arandarenko et al, 2010

²⁶¹ Social Inclusion and Poverty Reduction Unit and the Statistical Office of the Republic of Serbia (2010): Monitoring Social Inclusion in the Republic of Serbia

- 5.1.37. The **quality of food** is monitored through several available indicators. The first of them is the share of persons who use animal fat in preparation of meals according to their financial status. In 2006, 58% of the poorest used animal fat in preparation of meals (see: **Table 22 - Quality of food by level of vulnerability, 2006**, Annex 6.1). This indicator decreases with an increase of income of the population. Thus, only 9% of the richest prepare meals in this way. Additional indicators that also point to the objective quality of food according to the different criteria and are presented by financial status of persons are the percentage of persons who eat wholewheat, rye and similar kinds of bread; percentage of persons who eat fresh fruit every day; percentage of persons who eat fish less than once a week. Only 5.4% of the poorest consume wholewheat, rye and similar kinds of bread as compared to 27.9% of the richest. In addition, almost one third of the poorest eat fresh fruit every day as compared to one half of the richest and less than two thirds of the poorest eat fish less than once a week as compared to one third of the richest. All this indicates the considerably poorer quality of food of the poorest relative to the wealthy strata of the population. A subjective assessment of respondents on the sufficiency and quality of food, on the basis of a survey conducted as part of the research “Social Exclusion in Serbia – Intensity, Causes and Types” in 2006²⁶², paints a somewhat worse picture about the quality of food relative to the objective assessment. Namely, 3% of the persons aged 15+ are often hungry for lack of money to buy even the necessary minimum of food, while additional 12% of respondents stated they were not hungry but their meals were meagre (see: **Table 23 - Quality of food, 2006**, Annex 6.1). As opposed to them, only 14% of persons can afford any food they desire.
- 5.1.38. The **quality of clothing and hygiene** is also monitored on the basis of a self-perceived assessment of the respondents in the above mentioned survey only due to the absence of data on the share of households which cannot afford to buy clothes and footwear to any of the members or basic hygienic products. Approximately 6% of persons wear old clothes, mend or borrow clothes, while 3% buy second-hand clothes and footwear (see: **Table 24 - Quality of clothing, 2006**, Annex 6.1). As many as 26% of persons have neither a habit nor money to maintain personal hygiene (see: **Table 25 - Quality of hygiene, 2006**, Annex 6.1). If we add the 8% of those who stated not to have the habit and as many who do not have the money, then we reach the figure of 42% of persons who do not maintain personal hygiene for whatever reason (be it for absence of habit or the lack of enough money).²⁶³ The very poor maintenance of hygiene is also reflected in the data that only 73.8% of adult population of the Republic of Serbia wash hands regularly, 40.7% brush their teeth regularly, and 56.7% take regular bath/shower (see: **Table 26 - Hygiene habits of adult inhabitants in Serbia, 2006**, Annex 6.1).²⁶⁴

CONCLUSIONS AND CHALLENGES

- 5.1.39. Economic growth resulting in increase of employment and the unchanged (or a drop of) income inequality of the population are the two key conditions to be fulfilled in order to reduce financial poverty. In other words, generating continuous economic growth that would most benefit the poorest strata of population (as in the period 2002-2007) certainly represents the greatest challenge before the Government in carrying out its economic policy in the coming period. In addition, the sectoral policies in education, employment,

²⁶² Srećko Mihajlović et al, 2009

²⁶³ It is noteworthy that the first three responses offered in this survey do not exclude one another (I am not in the habit nor money to do all it takes; I am not in the habit of doing all it takes; I have no money to do all it takes)

²⁶⁴ Public Health Institute of the Republic of Serbia “Dr Milan Jovanović Batut“, Health-Statistical Almanach of the Republic of Serbia, 2008

social protection and other aspects of poverty, given in the appropriate chapters of this report, are also significant for reduction of poverty.

- 5.1.40. Continuous deterioration of labour market indicators in 2010 – a consequence of the impacts of global financial crisis on the economy of the Republic of Serbia – points to the possible emergence of a considerably higher number of the poor in 2010 relative to 2009 when, according to the relative poverty concept, there were 17.7% of the poor. Even though social protection of the poor is one of the key Government priorities, one of the main challenges it faces is how to help a growing number of the most vulnerable categories of population in the ever worsening financial conditions of the State. Groups of population that may become particularly vulnerable in the forthcoming period are the young, but also all of those who search in search of employment for the first time, followed by the unemployed persons from particularly vulnerable groups who were the most vulnerable even before the crisis such as the unemployed Roma, internally displaced persons and persons with disabilities. Therefore, social inclusion policy interventions must be focused on these vulnerable groups, allowing at the same time continuous monitoring of at-risk-of-poverty rate for the most vulnerable groups (Roma, internally displaced persons and persons with disabilities), since the HBS does not cover these categories of population.
- 5.1.41. The assistance of the State to the poor in the forthcoming period should alleviate the emergence of new poverty, but also to help prevent deepening of poverty of the most vulnerable categories; therefore, it is of paramount importance to continue working on improved targeting of the two most significant programmes of assistance to the poor: the child allowance and financial assistance.
- 5.1.42. With respect to research into poverty, efforts must be focused on preparations for introduction of SILC – a survey on income and living conditions according to the EUROSTAT methodology, scheduled for 2011. By that time, the possibility of monitoring the currently unavailable social inclusion indicators should be reconsidered, on the basis of minor extensions of the current HBS (at-risk-of-poverty rate by labour intensity of members of household, at-risk-of-poverty rate anchored at a moment in time, at-risk-of-poverty rate of the employed by type of employment), as well as country-specific indicators (increase of income of middle class relative to increase of income of the poor, rate of household indebtedness). In parallel to assessments of poverty using EUROSTAT methodology, monitoring of trends of absolute poverty must be continued using the current methodology (absolute poverty line and household consumption).
- 5.1.43. With respect to research of poverty of the extremely vulnerable groups, the possibility of continuous monitoring of the most important social inclusion indicators through the current and future regular surveys (HBS, SILC) must be reviewed. One-time in-depth surveys of social inclusion for certain vulnerable groups may be undertaken as needed (for instance, 2003 Survey on Roma living in Roma Settlements and 2007 Survey on Internally Displaced Persons).

5.2. *Employment and Labour Market*

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.2.1. **Dynamic changes took place in the realm of labour legislation in the Republic of Serbia after 2000.** The Labour Code²⁶⁵ – the principal law regulating this sector, setting down the rights and responsibilities of employers and employees in their mutual relations – has been amended twice. Two key laws relevant to the employment sector were adopted in May 2009: the Law on Employment and Insurance in Case of Unemployment²⁶⁶ and the Law on Professional Rehabilitation and Employment of Persons with Disabilities²⁶⁷.
- 5.2.2. The **Law on Employment and Insurance in Case of Unemployment** focuses on unemployed persons: it provides for support to their employment, reduction of unemployment and the provision of cash allowances based on insurance. The Law regulates institutional and programmatic aspects of active labour market programmes, as well as the rights of workers based on insurance in case of unemployment, as the key instrument of passive labour market policies. In the Republic of Serbia, as in the majority of other countries, active and passive labour market policies are institutionally integrated via the public employment service. This Law regulates its functioning as well as the functioning of employment agencies.
- 5.2.3. Some of the key regulations of the new law on employment were developed to correct fundamental weaknesses in the development and implementation of active labour market policy. The measures of active labour market policy are widely regulated, leaving the competent ministry with an opportunity to adapt them, through annual action plans, to the real needs of the labour market and to introduce necessary innovations.
- 5.2.4. **Decentralisation and promotion of the development of regional and local labour market policies represent one of the priorities.** The Law on Employment and Insurance in Case of Unemployment promotes development of local action plans/employment as well as co-funding of programmes and interventions foreseen by these plans. The 2010 budget of the Republic of Serbia approved the co-funding of programmes and active labour market programmes in 10 municipalities. Approximately RSD 69 million from the budget of the Republic of Serbia have been earmarked for these purposes. A total of 116 local employment councils were established, 55 of them operational.
- 5.2.5. Towns and municipalities in the Republic of Serbia have limited direct competencies in the domain of employment. The National Employment Service (NES) operates through decentralised offices: 34 subsidiaries in larger cities and 141 branch offices and departments throughout the Republic of Serbia. As of 2010, local governments may apply for active labour market programmes at the national level on the condition that they ensure 50% of the funds in their budgets. There is ample space for cooperation between local governments and the NES, particularly in the domain of development of joint employment projects, assessment of local needs and specificities, development of local action plans for employment and information exchange.
- 5.2.6. **The definition of persons in search of employment introduces a new category of other persons in search of employment,** in addition to existing categories of the unemployed (i.e. persons who do not work and are readily available for work) and

²⁶⁵ Official Gazette of the Republic of Serbia, No. 24/05, 61/05 and 54/09.

²⁶⁶ Official Gazette of the Republic of Serbia, No. 36/09 and 88/10.

²⁶⁷ Official Gazette of the Republic of Serbia, No. 36/09.

- persons seeking to change jobs (i.e. persons who wish to change an employer or a job). This category includes persons who cannot be classified as unemployed either because there is no legal basis for it (pupils, students up to the age of 26, pensioners), or because they are unable to meet all the obligations of an unemployed person (other persons outside employment). This creates the possibility for the abovementioned persons to avail themselves of some of the services of the National Employment Service.
- 5.2.7. The Law on Employment introduces important changes in the domain of rights based on insurance in the case of unemployment. The conditions for the exercise of this right were redefined and aligned with labour regulations; the duration of this right has been set at maximum 12 months, and exceptionally at 24 months for persons two years before retirement. In addition, the levels of cash allowances were reduced to between 80 and 160% of the minimum wage. Over the past decade, the proceeds for unemployment benefits have constituted approximately 85-95% of the total budget for active and passive labour market policies, not including proceeds for severance packages.
- 5.2.8. The **Law on Professional Rehabilitation and Employment of Persons with Disabilities** represents a novelty in the body of labour legislation in the Republic of Serbia. The most important novelty introduced by this Law refers to the obligation of each employer to employ a certain number of persons with disabilities, thus contributing to their enhanced inclusion in the labour market and their social inclusion in general. Persons with disabilities include all persons who have acquired this status in accordance with other applicable regulations (on the basis of pension and disability insurance, war veterans and disability protection, regulations pertaining to education for categorised youth), as well as persons who had the capacity to work and the possibility of contracting employment or keeping an employment evaluated on the basis of this Law.
- 5.2.9. The evaluation of work capacity is available to persons without established status, on the basis of regulations effective to date, as well as persons with systemic diseases/conditions (multiple sclerosis, muscular dystrophy, paraplegia, quadriplegia) to become fullfledged beneficiaries of employment support including measures and activities of professional rehabilitation²⁶⁸.
- 5.2.10. Each employer who engages 20 to 49 employees is obliged to employ one person with a disability, and another one at every 50 employees. The Law provides for the possibility of exemption from this obligation under the condition that the employer fulfill financial commitments from the agreement with a company for the professional rehabilitation and employment of persons with disabilities or partake in funding wages of employed persons with disabilities²⁶⁹ in companies of this type. The Law also sets down special forms of employment and the engagement of persons with disabilities: companies for the professional rehabilitation and employment of persons with disabilities, labour centres and social enterprises and organisations²⁷⁰.

²⁶⁸ Work capacity and the possibility of contracting or keeping employment are evaluated by a committee including a doctor, a court-appointed expert of the Republic Fund for Pension and Disability Insurance, an expert of the NES, a psychologist and a occupational specialist of the Health Centre, Institute or an Institute for Occupational Medicine.

²⁶⁹ The Budget Fund for the Professional Rehabilitation and Promotion of Employment of Persons with Disabilities was founded pursuant to the Law. The revenues of the Fund are proceeds collected from penalties and payments for participation in funding wages of persons with disabilities employed in a company for the professional rehabilitation and employment of persons with disabilities, a social enterprise or an organisation and will be used to promote the employment and professional rehabilitation of persons with disabilities.

²⁷⁰ Social enterprises, in accordance with this Law, are companies founded to conduct activities directed at fulfilling the needs of persons with disabilities and which, irrespective of the total number of employees, employ a minimum one person with a disability.

5.2.11. In 2007, the mandate for employment was transferred from the Ministry of Labour, Employment and Social Policy to the Ministry of Economy and Regional Development. For the first time, programmes managed by the National Employment Service and other state development agencies such as the Development Fund fell under the jurisdiction of one institution, thus opening more opportunities for coordination and the simplification of interventions. **To date, 52 private employment agencies have been registered and become operational.** The National Employment Service signed a Code on Cooperation with a number of agencies. The **Centre for the Professional Rehabilitation and Employment of Persons with Disabilities was established** in the NES, as a central driver of interventions and activities of professional rehabilitation and a significant resource of support to the promotion and implementation of the Law on the Professional Rehabilitation and Employment of Persons with Disabilities. Also, the **Youth Employment Fund** was established at the National Employment Service.

STATE OF AFFAIRS IN THE AREA

- 5.2.12. With the exception of 2009, relatively strong economic growth over the past decade was not followed by a corresponding increase in employment. Since 2001, the transition of the labour force market was followed by a slight decrease of employment over the years, resulting in the low employment of the population. Only during 2007 and 2008 was a multi-year trend of decreasing employment interrupted and a slight increase even recorded.²⁷¹
- 5.2.13. In the period October 2008-April 2010, the cumulative drop of the gross domestic product was 4.7%, but according to the Labour Force Survey (LFS) employment dropped by 12.6%. Consequently, **2.6% of jobs were lost with each lost GDP percentage, cumulatively meaning that one in eight jobs²⁷² disappeared²⁷³.** In other comparable countries, the flexibility of employment relative to GDP during the financial crisis ranged as expected between 0 and 1, meaning that the drop in employment was proportionately lower relative to decreasing GDP.
- 5.2.14. According to the Labour Force Survey, the number of employed persons in the Republic of Serbia reached a minimum of 2,382,000 in October 2010. The number of employed inhabitants of working age was less than 2.3 million. The corresponding employment rates were 37.7% for the adult population and 47.1% for the working age population. There were 566,000 unemployed persons of working age, with the corresponding unemployment rate for the working age population totalling 20%.²⁷⁴ The employment rate (15-64) in April 2008 was 54%, but a year later it dropped to 50.8%. The unemployment rate 15+ increased from 16.1% in 2008 to 18.1% in 2009.
- 5.2.15. The primary and secondary indicators of social exclusion in the domain of labour and employment are used for comparisons among countries in the European Union as well as for the systematic monitoring of the results of social inclusion in employment in EU Member States.
- 5.2.16. The first indicator measures **regional cohesion on the labour market** as a coefficient of the variation of employment rates between NUTS-2 regions in EU Member States. The

²⁷¹ *Uticaj krize na tržište radne snage i životni standard u Srbiji*, CLDS, 2010.

²⁷² We use the term 'job' instead of 'post', because the latter normally implies formal employment for wages, while the former covers all forms of paid labour – formal and informal – for wages as well as self-employment.

²⁷³ Quarterly monitor No. 21, FREN.

²⁷⁴ There were 727,621 unemployed persons registered with NES in December 2008; 730,372 in December 2009 and 729,520 in December 2010.

higher this coefficient, the higher the risk of social exclusion: the assumption is that these ‘pockets of exclusion’ are the largest in the regions lagging substantially behind the average of a country.

- 5.2.17. However, though a first and presumably the most important primary criterion, this measure must be observed in conjunction with other indicators, as taken by itself it is rather rough for several reasons. First, it measures the risk of exclusion by deviations from the average²⁷⁵. Second, within the same country, the general increase of regional employment rates followed by their higher variation may be interpreted as deterioration and *vice versa*. Third, the coefficient is sensitive to the change of size and arrangement of regions. The results obtained through the current division of the Republic of Serbia into three NUTS-2 regions (Belgrade, Central Serbia and Vojvodina) will differ when (if) a move to monitoring statistical regions²⁷⁶ is made.
- 5.2.18. According to the Labour Force Survey, the coefficient of the variation of employment rates of the three regions in the Republic of Serbia is relatively moderate: in 2008 it was 0.02%; in 2009 it was 0.03%; in April 2010 it was 0.05% and in October 2010 it totalled 0.05%. The corresponding coefficient in EU Member States is significantly higher and is not fully comparable to the data for the Republic of Serbia (due to the size of the three regions the differences in employment rates between the regions are underestimated). Comparisons among countries fall short due to these characteristics.
- 5.2.19. **Long-term unemployment rate** represents the proportion of persons unemployed for more than 12 months in the total active population aged 15-64. The risk of exclusion is assumed to increase with prolonged unemployment. It is also assumed that not all long-term unemployed persons are willingly in this status (as opposed to short-term unemployment that may represent a kind of investment or a strategy of a voluntary search for the best possible job).
- 5.2.20. Monitoring of this indicator constantly displays very **high long-term unemployment rates as well as the tendency for them to rise over the course of the financial crisis**. As opposed to the indicators of regional cohesion, the long-term unemployment rate is usually calculated from LFS and its interpretation is straightforward.

Table 5.2.20: Long-term unemployment rate in the Republic of Serbia (15-64)

	April 2008	October 2008	April 2009	October 2009	April 2010	October 2010
Men	8.7	8.94	9.33	10.69	12.40	13.83
Women	11.7	12.31	12.10	12.32	14.72	14.95
Total	10.0	10.42	10.60	11.41	13.40	14.31

Source: LFS

- 5.2.21. When compared against this indicator, it appears that the Republic of Serbia’s long-term unemployment rate is five time higher than the average for the EU27 and EU15, both of which total only 3%.

²⁷⁵ E.g. in a situation whereby all regions in a country have higher employment rates than the regions of another country, and where the latter has a lower coefficient of employment rate variations.

²⁷⁶ Within the EU, this indicator is not calculated in the Member States: Ireland, Denmark, Slovenia, Malta, Luxembourg and the three Baltic states.

- 5.2.22. Currently, there is no data to state with certainty that a change of the corresponding module of the LFS questionnaire or its execution would result in a significant reduction of this indicator in the Republic of Serbia²⁷⁷.
- 5.2.23. The indicator of the *number of persons living in jobless households* could potentially yield much information, as it allows for the monitoring of the concentration and structure of unemployment in the reproductive and social dimension²⁷⁸. This indicator is monitored separately for children and adults. In the case of children, the share of persons under 18 (aged 0-17) living in jobless households in the total population of that age group is monitored. In the case of adults, the share of adults under 60 (aged 18-59) living in jobless households in the total population of that age group is monitored. Comparing these two sub-indicators may shed light on the level of fertility of jobless families, or demonstrate the relationship between household exclusion from the labour market and the average number of children in such households relative to the families with employed members. While the rates for children and adults in the EU as a whole are equal (9.4% for children and 9.3% for adults in 2007), these rates highly differ for children and adults among EU Member States²⁷⁹. In addition, the share of adults in jobless households in these two countries is not proportionate to the corresponding, standardly computed unemployment rates. Rather, it is under the influence of the average size of household, explained not only by economic and demographic but also sociological and culturological factors.
- 5.2.24. The abovementioned indicator has never been calculated for the Republic of Serbia, even though formally it could be calculated from the Labour Force Survey. It could provide great information, as well as conclusions from its levels and trends and recommendations for the development of public policies.
- 5.2.25. The *share of long-term unemployed in the total number of unemployed* is high in the Republic of Serbia – approximately two thirds. Interestingly, this share showed a slight downward trend, more so among women, in the first year of the crisis. An explanation could be found in the fact that this ratio decreases with a higher influx of new entrants into unemployment, while the “hard core” of long-term unemployment remains unchanged in absolute terms. However, the most recent upward surge of this rate (which exceeded 70% in October 2010) suggests increasingly slower trends on the labour market and that the majority of persons who lost a job early in the crisis remained in that status. A detailed analysis of panel data from the Labour Force Survey would provide a more accurate answer.
- 5.2.26. Relative to EU Member States, the Republic of Serbia has the largest share of long-term unemployed persons in the total number of the unemployed.

Table 5.2.26: Share of long-term unemployed in total unemployed (15-64), (%)

	April 2008	October 2008	April 2009	October 2009	April 2010	October 2010

²⁷⁷ The working assumption is that some respondents answering the question related to the length of time spent in search of employment forget the periods when they worked in the informal sector, which results in a statistical overestimation of long-term unemployment.

²⁷⁸ Unemployment is a technical term including unemployment and inactivity. In circumstances at risk of exclusion, the boundary between these two categories becomes truly porous.

²⁷⁹ According to EUROSTAT data, in 2007 only 3.9% of children in Greece lived in jobless households, compared to 8% of adults. In contrast, in Great Britain that same year, as many as 16.7% of children lived in jobless households, compared to 10.9% of adults.

Men	69.89	70.34	62.29	66.53	63.85	72.64
Women	73.21	71.03	67.30	64.35	70.26	70.60
Total	71.58	70.70	64.72	65.48	66.75	71.72

Source: LFS

5.2.27. The *very long-term unemployment rate* represents a proportion of persons unemployed for a minimum 24 months in the total active population aged 15-64. Relative to the standard long-term unemployment rate, it is assumed that the risk of exclusion grows with protracted unemployment and that persons who are unemployed for a period exceeding 24 months find themselves at greater risk of becoming unemployable and transitioning into permanent inactivity due to hopelessness and the loss of the knowledge, skills and habits required for participating in the labour market.

5.2.28. **Very long-term unemployment rates in the Republic of Serbia are very high, especially for women**, as evident in Table 5.2.28. As a result of a swifter increase of this rate for men, the differences in very long-term unemployment rates for women and men decreased in October 2010. Similar to the long-term unemployment rate, it is assumed that a revision of the survey methodology could reduce the values of indicators, but they would still remain very high relative to EU Member States.

Table 5.2.28: Very long-term unemployment rates

	April 2008	October 2008	April 2009	October 2009	April 2010	October 2010
Men	6.00	6.38	6.56	5.98	8.66	9.89
Women	8.70	9.04	9.27	7.73	10.77	10.90
Total	7.20	7.54	7.76	6.77	9.57	10.32

Source: LFS

5.2.29. In comparison with EU Member States, there is an enormous difference between the average values of this indicator, amounting to approximately 1.6% for the EU-27, and the values for the Republic of Serbia, which are four times higher. The position of the Republic of Serbia with respect to all three indicators relating to the problem of long-term unemployment relative to the EU average is markedly unfavourable. In the current overview, the available sources of information allow for four out of five EU common social inclusion indicators for employment.

Country-specific Indicators

5.2.30. Employment in the Republic of Serbia has been decreasing since the outbreak of the financial crisis in 2008. In October 2010, it reached a minimum unprecedented in decades. The employment rate was 47.1% in October 2010. In the period October 2009-October 2010 the total number of employed persons dropped by 181,000. The total number of employed persons decreased by approximately 374,000, between the pre-crisis period (April 2008) and October 2010.

Table 5.2.30: Employment and unemployment according to the Labour Force Survey, 2008-2010

		Total no of employees 15-64.	No of employees in Agriculture and Unpaid family workers In agriculture 15-64	Employment rate 15-64			Total no of Unemployed 15-64	Unemployment rate 15-64		
				Total	Men	Women		Total	Men	Women
		1	2	3			4	5		
2008	April	2,652,429	..	54.0	62.3	46.0	432,730	14.0	12.4	16.1
	October	2,646,215	443,243	53.3	62.2	44.7	457,204	14.7	12.7	17.3
2009	April	2,486,734	437,957	50.8	58.7	43.3	486,858	16.4	15.0	18.1
	October	2,450,643	411,303	50.0	57.4	42.7	516,990	17.4	16.1	19.1
2010	April	2,278,504	326,623	47.2	54.3	40.3	572,501	20.1	19.4	20.9
	October	2,269,564	352,724	47.1	51.4	39.9	565,880	20.0	19.0	21.2

Source: LFS

- 5.2.31. Unemployment grows, albeit at a slower pace relative to the decrease of employment due some unemployed persons becoming inactive. The unemployment of working age persons (15-64) reached 20% in October 2010. The cumulative increase of unemployment from the beginning of the crisis and to October 2010 totals approximately 133,000 persons, with the total number of the unemployed reaching 567,000.
- 5.2.32. Inactivity is growing in all age groups. From the aspect of social exclusion, its increase in population groups 25+ is particularly worrying. Inactivity is equally important for the analysis of exclusion as is unemployment. The number of inactive people and the inactivity rate are especially relevant indicators of vulnerability and exclusion in age groups 25-55, because outside these age limits, inactivity as a consequence of discouragement with the possibilities for inclusion in the labour market overlaps with inactivity as a consequence of education (below 20, or 25), or retirement (over 55, and especially over 65).
- 5.2.33. The total number of inactive persons in October 2010 was more than 3,368,000, meaning that **41.2% of working age persons fell into the category of inactive**. A large number of persons who stopped working crossed into this category, which is why the total number of unemployed persons did not increase in proportion to the drop of the number of the employed: 333,000 inactive persons in the Labour Force Survey for October 2010 stated they wanted and were able to work. Also, some 80% of persons who stopped working between October 2008 and April 2009 became inactive rather than unemployed²⁸⁰.
- 5.2.34. **The rate of women's employment has persistently decreased since 2008, as has employment rates for men.** In the period April 2008–October 2010, the reduction of the employment rate for women totalled 6.1 percentage points (183,000 i.e. the number of employed women decreased by 18.9%), while the employment rate for men dropped by 7.9 percentage points (by some 200,000 i.e. decreasing by 13.3%). The difference between the employment rates of women and men was reduced by 1.8 percentage points

²⁸⁰ Fund for Economic Sciences Development, (2009), *Employment and Wages*, Quarterly monitor of economic trends No. 17, Belgrade.

- in the period April 2008 – October 2010, the result of better coverage of the category of unpaid family workers since 2008, which is dominated by women²⁸¹.
- 5.2.35. **The unemployment rate of women has persistently decreased since 2008, as has the employment rate of men.** In the period April 2008–October 2010, women’s unemployment rates increased 5.1 percentage points (by some 40,000, i.e. the number of unemployed women increased by 15.3%), while the unemployment rate of men increased by 6.6 percentage points (by some 93,000, i.e. the number of unemployed men increased by 30.5%).
- 5.2.36. To date, the crisis has been most strongly felt in sectors with predominantly “male jobs” (e.g. construction and processing industry). In the forthcoming period, growing differences in the employment rates of men and women pose a threat as decreasing employment is expected in the public sector, where more women work than men. **The share of women in active labour market programmes must therefore be proportionate to their share in registered unemployment. Gender sensitivity in monitoring active labour market programmes** must also be improved to increase the efficiency of funds allocated to programmes, especially should the relative share of trainings in active labour market programmes increase²⁸².
- 5.2.37. Interpreting trends of specific structural indicators marked by the recent financial crisis – such as changes in the sectoral structure of employment, the share of informal employment in total employment and the structure of employment by professional status – must take into account the ‘downward’ trends of general labour market indicators²⁸³. While a decreasing share of persons employed in the informal sector, with regard to total employment in times of a general increase in employment, could be interpreted as a positive step forward, a sharp decline in employment may instead indicate that the financial crisis had the greatest impact on extremely vulnerable categories. A decreased share of employment in agriculture and an improved educational structure among the employed can also be observed.
- 5.2.38. **The age structure of unemployed persons**, observed in the period 2008–2010, shows the highest share of unemployed among unemployed persons aged 25-34 (30.3% or 172,000 persons), followed by persons aged 45-54 (20.7%, or 117,000 persons)²⁸⁴. The highest growth in the unemployment rate is recorded in the category of persons aged 25-34 (by 4.8 percentage points, from 21.9% in October 2009, and to 26.7% in April 2010), but there has also been a positive increase in the activity rate of this age group.
- 5.2.39. **Unemployment among young people (aged 15-24) is highly pronounced and considerably above the general unemployment rate.** Labour Force Data from October 2010 showed the unemployment rate of young people dropped to 15.2% (1.8 percentage points relative to October 2009), while in October 2008 it was 21.6%. The unemployment rate in October 2010 increased from 42.5% to 46.1% (3.6 percentage points relative to October 2009), while in October 2008 it was 37.4%. Data from April 2010 show a significant drop in employment among young people within the category of unpaid family workers (the age group’s share in total employment totalled 16.5% in October 2009, while in April 2010, it dropped to 4.3% or by 12.2 percentage points).

²⁸¹ Policy impact assessment in the area of employment, Social Inclusion and Poverty Reduction Unit, FREN.

²⁸² Krstić, 2010.

²⁸³ For values of employment indicators see <http://www.inkluzija.gov.rs/wp-content/uploads/2010/08/Pregled-stanja-socijalne-ukljucenosti-u-Srbiji-jul-2010.pdf>, pp. 28-31.

²⁸⁴ LFS, October 2010.

- 5.2.40. In the period October 2009–October 2010, the activity rate of young people dropped by 1.3 percentage points (from 29.5% in October 2009 to 28.2% in October 2010). In October 2008 it totalled 33.8%. In addition, the data indicate **that the number of young people opting to continue schooling has increased** (an increase of 31.9% in April 2010 relative to October 2009), confirming that in times of crisis young people decide to continue their education for lack of employment opportunities.
- 5.2.41. **The growth of the unemployment rate among older workers** (aged 55-64) in the period October 2009–April 2010 totalled 1.6% (increasing by some 4,000 persons) and cannot be ascribed only to the negative effects of the financial crisis. The Agreement signed with the International Monetary Fund implies reductions in the public sector and restructuring is well under way. Consequently, older employees would lose their jobs on the basis of a surplus of employees even without the effect of the global financial crisis. The number of the unemployed in this age category continues to grow, and increased by 5,300 persons in the period April–October 2010.
- 5.2.42. The employment rate of the age group 55-64 dropped by 2.3% in the period October 2009–April 2010 (from 35.0% to 32.6%), meaning that the number of employed persons decreased by 29,000. The employment rate in October 2010 totalled 33.1%, which represents an increase of some 19,500 persons in absolute terms relative to April 2010. A decreased activity rate for this age group in April 2010 relative to October 2009 totals 1.9 percentage points (approximately 19,000 persons). Compared to the previous period, in October 2010 the rate increased to 36.9%, or decreased by some 25,000 persons in absolute terms for the period between April and October 2010.
- 5.2.43. In October 2010, **the majority of unemployed persons with secondary education marked the highest rate of unemployment (22.7%)**, compared to 13.2% among persons with higher education. The qualification structure of unemployed persons from October 2010 unemployed persons with secondary and higher education at 82.5% and persons without education or with primary education at 17.5% of total unemployment.
- 5.2.44. The first impact of the crisis additionally aggravated the situation of vulnerable groups, particularly the young, persons without education, rural populations, refugees and internally displaced persons on the labour market²⁸⁵.
- 5.2.45. **The unfavourable position of persons with lower levels of education is substantiated by the April 2009 Labour Force Data:** persons from this group (with primary education and lower) are characterised by a very low level of employment of 35.8% and activity of 43.4%, compared to relative rates of the entire population (50.8% relative to 60.8%). **High vulnerability remains the main characteristic among women with low levels of education** (with employment and activity rates of 28% and 34.2% respectively), **and young people in this group** (aged 15-24), whose employment and activity rates are very low (6.9% relative to 10.4%)²⁸⁶. In the observed year, the main labour market indicators in all demographic categories deteriorated relative to 2008, somewhat more so for persons with lower levels of education compared to the total working age population.
- 5.2.46. **Unemployed Roma represent an extremely vulnerable group on the labour market.** The situation of Roma on the labour market is characterized by a high unemployment rate and a low rate of participation and employment. A total of 13,731 Roma²⁸⁷ registered with the National Employment Service, which represents 1.9% of the total number of

²⁸⁵ Krstić, 2010.

²⁸⁶ FREN, Vulnerable Groups on the Labour Market, 2010.

²⁸⁷ National Employment Service, October 2010.

unemployed persons registered with the NES. With regard to duration, 40% of Roma actively search for a job for less than one year. The greatest problem remains the low standard of Roma employment, which is dominated by informal employment.

Table 5.2.46: Educational structure of total Roma population and employed Roma

		Total		Roma	
		Employed (15-64)	Total (15-64)	Employed (15-64)	Total (15-64)
Educational structure	primary	20.0%	29.2%	80.7%	88.4%
	secondary	59.9%	56.0%	19.3%	11.6%
	post secondary and university	20.1%	14.9%	-	-

Source: LSMS 2007, Situation of Vulnerable Groups on the Labour Market in Serbia (group of authors)

5.2.47. The largest number of able-bodied Roma lack the adequate education necessary for success in the labour market. As a consequence of their exclusion from the labour market and a lack of income generation, the **Republic of Serbia loses some 231 million Euro in productivity and 58 Euro in fiscal contributions at the annual level.**²⁸⁸ Taking into account demographic trends as well as projections that the share of Roma will increase in the able-bodied population, the National Action Plan for Roma Employment pays special attention to the social inclusion and employment of Roma in the forthcoming period.

5.2.48. Since the beginning of the crisis (April 2008), informal employment²⁸⁹ has demonstrated a downward trend, totalling 19.6% in October 2010.²⁹⁰ In April 2010, employment (aged 15-64) in the informal economy (17.2%)²⁹¹ dropped relative to October 2009 (18.2%) by 1%, meaning that the number of those working in the informal economy decreased by 13.8% (approximately 54,000 persons). The employment in informal sector is highest among the young (aged 15-24) at 28.8%. The number of employed young persons in the informal sector decreased by 15.1%, or by approximately 6,000 persons in April 2010.

Table 5.2.48: Informal employment rates, 15 +, (%)

April 2008	October 2008	April 2009	October 2009	April 2010	October 2010
23.6	23.0	22.2	20.6	19.8	19.6

Source: LFS

5.2.49. Labour in the gray economy implies low wages and low productivity, low levels of work safety, poor working conditions and very often jobs without basic health, pension and disability insurance. In periods of crisis, **the possibility of losing jobs is higher among the informally employed than the formally employed**, as shown by the Labour Force Survey data.

²⁸⁸ World Bank assessment “Economic Price of Roma Exclusion”.

²⁸⁹ Informal employment represents a proportion of persons working ‘on the black market’ in the total number of employed persons. Work ‘on the black market’ includes employees in unregistered companies, employees in registered companies but without a formal employment contract or social and pension insurance, and unpaid family workers.

²⁹⁰ LFS, October 2010.

²⁹¹ National Action Plan/Employment 2011.

Social Dialogue

- 5.2.50. Over the course of 2009, **the Socio-Economic Council of the Republic of Serbia**²⁹² gave a positive opinion on the Draft Law on Gender Equality, the Draft Law on the Prevention of Mobbing and the Draft Law on Changes of the Law on Peaceful Resolution of Labour Disputes, as well as on strategic documents in the area of safety and health at work. In 2010, reduced activities meant that not a single draft law from the Council's mandate was submitted to it for opinion.
- 5.2.51. **Wages in the previous period ranged between a relatively narrow and acceptable interval of 36-42% of the average salary.** The minimum wages in the Republic of Serbia are established through semi-annual adjustments between social partners in the Socio-Economic Council. Should the social partners fail to reach an agreement, the decision is passed by the Government, as was the case twice in 2010.
- 5.2.52. **Social dialogue at the local level is still highly underdeveloped.** To date, 16 local socio-economic councils have been established, several of which are active occasionally. Some 10 new local councils that were established on the basis of agreements cannot register because of the representation of employers as required by the Labour Code. A lack of political will on the part of local authority representatives is an enormous obstacle to development of councils.
- 5.2.53. **Social dialogue is underdeveloped at the bi-partite level.** No sectoral collective agreements²⁹³ have been signed in industry and services; agreements have only been signed in areas funded from the budget where, as is the case in cultural institutions and health care, their influence extends also to private employers. The general collective agreement signed in April 2008 lost relevance soon after obtaining an expanded mandate when, due to effect of the global financial crisis, the regulations defining the financial obligations of employers to employees were suspended. As wages in the Serbian public sector increased much faster during the entire past decade, relative to the increase of productivity and wages in the private sector and processing industry, reorientation of the collective agreement system in the direction of sectoral bargaining in industry would positively affect competitiveness, ensuring increased wages in the country in accordance with productivity growth.
- 5.2.54. The gray economy is most present in trade, construction and agriculture²⁹⁴. According to data on the entire economy, some 665,000 of the labour active population works in gray economy. Just over 11% of respondents working in the gray economy have formal employment, with regular salary insufficient for a decent life. According to the Labour Force Survey, some 400,000 persons work in the informal economy.

Social Entrepreneurship

- 5.2.55. **The concept of social entrepreneurship** was first introduced in the Republic of Serbia in 2000, driven by international initiatives on social enterprises, particularly in the area of research.²⁹⁵ In their contemporary form, the first social enterprises appeared in Italy in the

²⁹² Established by Law on Socio-Economic Council (Official Gazette of the Republic of Serbia, No. 125/04). It became operational in April 2005.

²⁹³ One exception is the signed sectoral collective agreement in the sector of construction and construction materials industry (December 20, 2010), but its implementation is conditioned by obtaining extended influence.

²⁹⁴ In April 2010, the Socio-Economic Council conducted the survey 'The Efficient Suppression of the Gray Economy' between employees and employers in more than 30 municipalities on the forms and expansion of gray economy.

²⁹⁵ Network for development of innovative social entrepreneurship (ISEDE – NET), European Movement in Serbia, 2010.

- late 1980s, and then expanded to developed EU countries in the 1990s²⁹⁶. Despite historical and cultural differences as well as legal differences, such enterprises are believed to fall under the spectrum of the “third sector” and “non-profit organisations”; their specific features emerge from the performance of economic activity and the provision of services aimed at improving the quality of life, of the most vulnerable categories of the population. Various forms of social entrepreneurship (such as cooperatives, civil society organisations and foundations) in the EU constitute 10%, or two million companies employing 11 million people (6%)²⁹⁷.
- 5.2.56. In the Republic of Serbia, 1,160 social enterprises²⁹⁸ have been identified, the most numerous being cooperatives (898), associations (162), enterprises for the employment of persons with disabilities (55) and “spin-offs”²⁹⁹ (24). Among their principal aims are support for different vulnerable groups, local development and the development of entrepreneurship. Total number of employees (with fixed-term and indefinite employment) are approximately 12,000, or only 0.5% of total employed persons, with flexible forms of employment more represented than traditional ones. A total of 2,544 persons from vulnerable groups work in social enterprises, attesting to their potential for social inclusion in the future.
- 5.2.57. According to data from the Ministry of Economy and Regional Development, 48 enterprises for the professional rehabilitation and employment of persons with disabilities (employing some 1,800 persons with disabilities) were functional in June 2010, with 44 such enterprises identified in October 2010.
- 5.2.58. The key obstacles to the development of social entrepreneurship are an inadequate legal framework, insufficient investments in human capital, aggravated access to sources of funding, the tax regime and an absence of statistical monitoring³⁰⁰, similar to neighbouring countries³⁰¹. Taking into account the criteria for defining social enterprises, this sector in the Republic of Serbia is regulated by the Law on the Professional Rehabilitation and Employment of Persons with Disabilities, the Law on Associations³⁰², the Company Law³⁰³ and the Law on Cooperatives. The concept and principles of social entrepreneurship are most closely regulated by the Law on Cooperatives (which introduces the concept of social cooperatives). In the forthcoming period the Law on Foundations and Endowments³⁰⁴, the Draft Law on Social Protection³⁰⁵ and the Draft Law on Microcredit Companies are currently being developed; the Law on Health Care³⁰⁶ should also be taken into account.

²⁹⁶ Social enterprises and the role of alternative economy in the EU integration processes, Kolin and Petrušić, 2008.

²⁹⁷ Social Economy in the European Union, CIRIEC 2007.

²⁹⁸ The definition of social enterprises by the research network EMES, which has been adapted for the Serbian legal framework, does not clearly define social enterprises, Mapping Social Enterprises in Serbia, SECONS 2008.

²⁹⁹ The founders are citizens' associations, most often in the form of limited liability companies and shareholder companies.

³⁰⁰ The first initiative for monitoring the relevance of cooperatives and other forms of social economy per the concept of satellite accounts was conducted by SORS http://webzrzs.stat.gov.rs/axd/en/EU_projects3.php.

³⁰¹ Network for development of innovative social entrepreneurship (ISEDE – NET), European Movement in Serbia, 2010.

³⁰² Official Gazette of the Republic of Serbia, No. 51/09.

³⁰³ Official Gazette of the Republic of Serbia, No. 125/04.

³⁰⁴ Official Gazette of the Republic of Serbia, No. 88/10.

³⁰⁵ The Government adopted the draft law on December 29, 2010.

³⁰⁶ Official Gazette of the Republic of Serbia, No. 107/05, 72/09 other law, 88/10 and 99/10.

5.2.59. The concept of social entrepreneurship is mentioned in recent EU documents, such as the document on active inclusion³⁰⁷ (an integrated approach promoting activation of the active labour population and social participation for all, with the three pillars formed by programmes providing minimum income, access to quality services and inclusive labour market). Proposed measures for inclusion of the extremely vulnerable in the labour market include support to social entrepreneurship and supportive employment, financial inclusion and micro-credits, different forms of financial incentives for the employment of vulnerable groups and new job creation in the sector of services, especially at the local level.

MEASURES AND PROGRAMMES

- 5.2.60. Passive labour market programmes (primarily unemployment benefits) still make up more than 80% of total allocations for labour market policies; over the past 12 months, for an average of 80,000 beneficiaries a month (just over 10% of the total number of the registered unemployed) some RSD 1.7 million/month have been allocated, meaning RSD 20 billion per annum. In contrast, less than RSD 4 billion per annum have been invested into all active policies. The share of these expenditures in GDP was relatively stable in the period 2007-2010 and amounts to some 0.5% for all programmes and 0.1% for active labour market programmes³⁰⁸. Nevertheless, consolidated expenditures for supporting the employment of the unemployed are considerably higher, including programmes of provincial and local authorities as indirect incentives and subsidies for new job creation external to the National Employment Service budget.
- 5.2.61. Two major items have dominated the structure of active policies over the past two years: the First Chance programme, targeting educated young people whose first employment is subsidised, and the Public Works Programme, targeting the long-term unemployed members of vulnerable groups, especially those with low levels of education and the poor in underdeveloped regions. In addition to public work programmes and smaller programmes for persons with disabilities, active labour market programmes do not yet sufficiently target members of extremely vulnerable groups.³⁰⁹
- 5.2.62. The overview of services by type and number of beneficiaries in the period early 2008–June 2010, based on NES documentation, is presented in Annex 6.1 (see: **Table 27 - Active programmes and services implemented by NES by type and no. of beneficiaries 2008-2010**, Annex 6.1). From active measures, relative stability is noted in the first group – *brokering, career management and counselling* in the course of the period under observation. The most individualised measure – *assessment of employability and individual plans* – has a stable upward trend in coverage of beneficiaries as a result of new requirements stipulated in the Law on Employment.
- 5.2.63. A sharp increase in the coverage of trainees is noted in the second group, *programmes of additional education and training* during 2009, a result of the First Chance programme.
- 5.2.64. In the third group, *development of entrepreneurship and employment programmes*, there is a significant reduction of the 2010 plan, especially with respect to more expensive programmes (self-employment and new employment subsidies), as a result of the redistribution of funds, primarily towards the First Chance programme. With respect to

³⁰⁷ EC recommendation on the active inclusion of people excluded from the labour market, C(2008) 5737, as well as the European Parliament Resolution on Social Economy 2009.

³⁰⁸ Arandarenko, M, 2010.: "Politička ekonomija nezaposlenosti", in Arandarenko et al: *Економско-социјална структура Србије*, NDE and Faculty of Economy, Belgrade.

³⁰⁹ Krstić, 2010.

- subsidies for new employment, a complete picture of support is cast by including subsidies for new job creation funded through the Foreign Investment and Exports Promotion Agency³¹⁰ and the Development Fund.
- 5.2.65. More than 10,000 trainees in Central Serbia, and some 7,000 in the Autonomous Province of Vojvodina, were employed through the First Chance programme in 2009.³¹¹ Of the total number of engaged persons, some 4,200 were trainees with higher education and 12,900 had post-secondary two-year and secondary education. The majority of trainees employed were women. Also in 2009, and with the support of the Youth Employment Fund³¹², more than 1,500 young people from vulnerable groups were included into active employment programmes.
- 5.2.66. Judging by comparative experiences, the most frequently implemented active labour market programmes to improve the situation of the unqualified labour force are the programmes of functional adult literacy, general trainings and public works. **Training programmes are not sufficiently represented among active National Employment Service programmes³¹³. Programmes for persons with low levels of education are completely neglected.³¹⁴**
- 5.2.67. As a response to the financial crisis, the budget proceeds for active measures were redistributed in early 2009. The sum earmarked for **public works programmes** was almost doubled in 2009 relative to 2008: from RSD 710 million to RSD 1.3 billion. In 2009, these proceeds were used to fund 396 public works projects employing some 8,500 persons. The AP of Vojvodina funded additional public works from a separate, additional budget thanks to sizeable privatisation income generated through the sale of the Serbian Oil Company (NIS). The 2009 budget of the AP of Vojvodina supported 208 projects for employers who employed some 1,900 persons from the NES registries on public works. In 2008, 263 public works projects were approved, generating employment for some 5,500 persons, while 352 public works were approved in 2010, employing more than 5,600 persons. Future actions should include a more accurate definition of the aims of public work programmes, better efforts to inform target populations, greater liaison with other active labour market programmes and strengthened ties with local economic development plans.
- 5.2.68. With respect to implementation of the *Roma Inclusion Decade*, the **Strategy for Improvement of the Position of the Roma in the Republic of Serbia** was adopted, with integral measures and activities in the employment sector taken into account during development of the National Action Plans/Employment for 2009, 2010 and 2011. Wishing to promote the employment of Roma in 2010, the National Employment Service opened special public calls for disbursing subsidies for self-employment and to employers for employment of members of the Roma community. Both subsidies are paid as cash grants amounting to RSD 160,000. By October 31, 2010, 117 Roma, including 38 women, received self-employment subsidies. A total of 66 Roma, including 30 women, were employed through subsidies to employers. Roma interest in participating in active labour market programmes increased in 2010. In the period January 1–October 31, 2010,

³¹⁰ Thirty five investment companies committing to create a total of 4,564 new jobs received subsidies for investors in 2009. In 2009, approximately RSD 826 million were earmarked for these subsidies in the budget of the Republic of Serbia.

³¹¹ Arandarenko, 2010.

³¹² The Fund is financed from the national budget, the Spanish MDGF, Italian Government and the Open Society Fund.

³¹³ Arandarenko and Krstić, 2008.

³¹⁴ The Republic budget earmarked a smaller percentage for training workers with low qualifications, also taking into account other projects (Employment of Youth and Migrations, Employment of Youth in Serbia).

- the information system of the National Employment Service recorded 22,160 cases of in which Roma utilised one of the measures of active labour market programmes. In 2010, some 2,000 Roma were employed³¹⁵.
- 5.2.69. Certain progress was made through public works, with advantages for projects that included higher numbers of Roma, as well as those submitted by associations aiming to exercise or advance the rights of Roma. In 2010, 352 public works were approved, 21 of which targeted the Roma population. Roma also participated in other public works, rendering the total number of employed Roma higher, i.e. approximately 360 persons. In 2009, a total of 450 Roma were engaged on public works³¹⁶, and 275 in 2008.
- 5.2.70. Within employment-related measures and activities in implementing the Strategy for Improvement of the Situation of Roma in the Republic of Serbia, with a view to formalizing the labour and legal status of Roma, the occupation of **“waste collector” will be introduced into the Integrated Nomenclature of Occupations**, which the Statistical Office of the Republic of Serbia is conducting in line with international standards.
- 5.2.71. The funds earmarked in the 2010 budget of the Republic of Serbia for implementation of active labour market programmes total RSD 3.7 billion, while estimated funds earmarked for Roma employment amount to RSD 65 million. **In the period January-October 2010, the costs of Roma inclusion into active labour market programmes and their employment amounted to approximately RSD 102 million**³¹⁷.
- 5.2.72. The total of 22,023 unemployed **persons with disability** registered with the National Employment Service in 2009, 32.49% of whom were women. The quantitative objectives³¹⁸ for including persons with disabilities into active labour market programmes were not fully implemented: 77% participated at job fairs, 71% in job clubs and 61% of the planned number of persons with disabilities taking part in trainings. In 2010,³¹⁹ the total number of persons with disabilities registered with the National Employment Service was 20,312. From the aspect of education level, persons with primary school education (more than 7,000 persons) dominate. A total of 480 persons with disabilities were included by employment programmes in 2010. A total of 11,360 persons with disabilities were covered by career management and counselling, with 1,383 of them contracting employment. Since this Law came into effect (May 2009–end November 2010), **NES records indicate that 5,430 persons with disabilities signed employment contracts**. Approximately 5,100 applications for assessing work capacity were submitted in 2010, and 3,344 decisions on assessment of work capacity were passed.
- 5.2.73. **Large redundancy numbers** continue to be a particular problem on the labour market. The legal status and employment of this category were resolved in various ways and through the execution of different active labour market programmes. Investments into new employment or self-employment were among past incentives. The State also supported resolution of this issue in companies that embarked on the rationalisation and restructuring processes as part of preparations for privatisation. In the period 2002-

³¹⁵ Of this number, 2,964 Roma (2,313 women) were included in group information activities, 750 Roma (286 women) visited job fairs, and 436 Roma (120 women) participated in trainings for entrepreneurship.

³¹⁶ National Employment Service.

³¹⁷ In the period January 1- October 31, 2010, a total of 22,157 Roma participated in active labour market programmes (budget of the Republic of Serbia and donor funds). It must be noted that one person may avail himself of several active labour market programmes, as recorded by the NES info system.

³¹⁸ 2009 Report on NES Operation.

³¹⁹ By November 30, 2010, NES.

- October 2009, funds were ensured in the budget of the Republic of Serbia for the resolution of the legal and labour status of 209,795 employees who became surplus.
- 5.2.74. There have been no new labour market programmes targeting older persons of working age since the onset of the crisis. The project **Severance to Job**, launched in 2007 to support the re-employment of employees who became redundant in the process of privatization with their symbolic participation from severance pay, ended in 2009. The main objective was the indefinite employment of the above mentioned categories with private-sector employers or self-employment. In the course of 2009, approximately 450 persons were eligible for subsidies and the sum of effected funds amounted to some RSD 53 million, RSD 17 million from project funds.
- 5.2.75. **The rural population** is insufficiently included into active labour market programmes with the exception (as in the case of persons with low levels of education) of public works programmes³²⁰. In the course of 2009, the rural population in the AP of Vojvodina enjoyed the benefits of additional proceeds generated in privatisation and earmarked for active labour market programmes, implemented by the Province Secretariat for Labour, Employment and Gender Equality.
- 5.2.76. Approximately 10 million Euro in budget funds through the Development Fund of the Republic of Serbia were disbursed in 2010 for the **approval of loans for beginners without mortgage and start-up loans for entrepreneurs and legal entities**, all in cooperation with the National Regional Development Agency. In 2009, the Development Fund approved approximately 2,900 loans to entrepreneurs and legal entities for creating 8,150 new jobs on the basis of the *Programme on Allocation and Use of Funds for Beginners Start-Up Loans*. Within the framework of the *Programme on Allocation and Use of Funds for Business and Entrepreneurship Development Incentives in the Most Underdeveloped Municipalities*, 300 loans were approved to entrepreneurs and legal entities for creating approximately 3,200 new jobs in 2009. In 2010, the Development Fund approved approximately 1,900 long-term loans totalling some RSD 16.5 million for the creation of 9,710 new jobs as well as 33 short-term loans and two guarantees.
- 5.2.77. The National Regional Development Agency, as a legal successor of the Small and Medium-Size Enterprises Agency, approved RSD 60 million for 320 enterprises within the **Programme of Support to Promoting Competitiveness of Small and Medium-Size Enterprises and Entrepreneurs** in 2010. The aim of the Programme was to provide direct support to enhancement of SMEs competitiveness through co-funding of consultancies in the form of grants. In the period 2008-2009, 750 SMEs were supported by RSD 178 million.
- 5.2.78. On the territory of the AP of Vojvodina, the Guarantee Fund of the AP of Vojvodina **supports the entrepreneurship of women**.³²¹ In the period 2004-2009, 130 guarantees (approximately RSD 152 million) were issued and 520 new jobs were created.
- 5.2.79. In the period 2008-2010, the Ministry of Youth and Sports supported the development and promotion of **youth entrepreneurship** by different incentives and activities aimed at building the capacities of young people for self-employment and starting their own businesses through practical trainings (aged 18-35, training of a group of trainers)³²². The trainings were completed by 750 young persons from 14 cities and some 150 of them founded their own enterprises (39% of them women) to date. Three regional and one

³²⁰ Krstić, 2010.

³²¹ <http://www.garfondapv.org.rs/Informativ.pdf>

³²² The project Development of Youth Entrepreneurship in Serbia, in cooperation with MERR, NAPP and the Norwegian agency BIP, donation of the Kingdom of Norway.

national *new enterprise promotion fairs* were organised. In the period 2009-2010 development of Local Action Plans for Employment and Entrepreneurship were supported in 12 local governments. Their implementation is ongoing³²³. Some 1,000 young people in 54 municipalities were trained in starting their own businesses. The Ministry of Youth and Sports also supports projects of citizens' associations dealing with the empowerment of young people for entering the labour market through various trainings, seminars and workshops, promoting entrepreneurship among young Roma men and women, enhancing social skills for employment and career development, and job fairs. This project directly involved more than 11,000 young people (beneficiaries), opening up the possibility for them to improve their knowledge and acquire practical skills to help them find employment through informal education. Information points were opened in six municipalities (Bački Petrovac, Temerin, Belgrade: Palilula and Rakovica, Surdulica, Bujanovac)³²⁴ and trainings were carried out for the employees in **offices for youth in order to improve work with vulnerable groups and their inclusion**.

- 5.2.80. An inter-ministerial working group, established through the United Nations Country Team Youth Employment and Migrations, developed a **model of integration (intensive collaboration) of institutions mandated to provide employment services and social protection**. The model involves branch offices of the National Employment Service and Social Welfare Centres, and also includes schools and local youth offices. The model is piloted and evaluated in seven selected municipalities (Palilula, Savski Venac, Novi Sad, Bečej, Bački Petrovac, Vranje and Vladičin Han), whereafter it will be institutionalized at the national level.
- 5.2.81. According to data of the Labour Inspectorate, in practice young people – primarily workers without education, the employed with no regular pay, the employed aged over 40 and beneficiaries of social assistance and social welfare – are most often recruited for **work on the black market**. This practice is very much present in construction, catering, trade and crafts. A comparative analysis of data on the number of persons identified as working on the black market and the number of persons who contracted employment following inspection in 2010, relative to 2008 and 2009, indicates a declining trend in the number of persons identified as working without an employment contract³²⁵.
- 5.2.82. **The number of beneficiaries of cash allowances** who received benefits in 2010 totalled 81,896, and in 2009 85,695 persons. Delays in payment of cash allowances (previously four to six months) stopped in the last quarter of 2010, so this instrument recovered one of its primary functions, that is 'bridging' the period of transition from one job to another.

CONCLUSIONS AND CHALLENGES

- 5.2.83. The labour market situation is extremely difficult due to long-term negative economic trends, transitional restructuring and the impact of financial crisis on the Republic of Serbia since 2008.

³²³ The project Youth Entrepreneurship in cooperation with USAID and local governments. The project continues in 2011 in 33 local governments.

³²⁴ UN programme Youth Employment and Migrations.

³²⁵ Labour inspectors conducted 42,595 inspections in the area of labour relations in 2008 (covering 306,416 persons). Of them, 9,054 were found working on the black market. Following inspection, the employers concluded employment contracts with 6,394 persons. In 2009, there were 40,222 inspections, 5,734 persons were found to be working on the black market, employment contracts were signed with 4,178 persons. In 2010, there were 37,750 inspections, with 5,408 persons found to be working on the black market, employment contracts were signed with 3,902 persons.

- 5.2.84. The detailed projections of labour market trends by 2020³²⁶ indicate that not even in the optimum case scenario can we expect significant results on the labour market almost until the end of the next decade. Reduction of the gap in the key indicators will be more a result of unfavourable demographic trends rather than moderately positive trends in employment growth. The direct negative effects of the crisis on the labour market will presumably be felt until 2013, longer than on the other markets because, in addition to the usual deferred recovery, they would be enhanced by the effects of decreasing public consumption on public sector employment.
- 5.2.85. The next decade will be marked by a relatively dramatic decrease of the working age population amounting to almost 8% as a consequence of the disproportion between large exiting and small entrant cohorts, assuming a zero migration balance³²⁷. The potential and available human capital will decline, and the continuation of demographic ageing will intensify, direct pressure on relevant social protection systems such as the pension and health care systems.
- 5.2.86. The exit of the proportionately larger and less educated cohorts of older generations from the working age population, and their replacement by smaller and better educated cohorts, will also contribute to the improvement of formal indicators of human capital such as the share of the highly educated in the population aged 25-54, or the share of inhabitants without qualifications (with primary school or less) in the working age population. However, in order to successfully apply the new model of growth, the strategies of employment, education and the scientific and technical development must be aligned.
- 5.2.87. The experience in implementation of the Labour Code points to the need for a more consistent implementation of the adopted European and international concept of flexicurity. The implementation of the concept of flexicurity should contribute to reducing the differences between the primary and the secondary labour market, formalising informal employment and simultaneously allowing enterprises to be flexible when hiring employees and reducing their numbers for structural reasons. These changes could lead to increasing labour force competitiveness on the international scene.
- 5.2.88. In the area of monitoring social exclusion indicators in the sectors of employment and labour market, additional verification of the methodology of data collection and computing of primary and secondary indicators is called for, since they are key for comparing the results and convergencies relative to the European Union. The Statistical Office of the Republic of Serbia should conduct a detailed revision of field practices with respect to the issues of duration of unemployment and compare it to the recommendations of the relevant international institutions (the International Labour Organisation, the International Association of Labour Statisticians and EUROSTAT), as well as with the practice of the leading EU statistical institutions. Also, revision of survey methodologies could reduce the obtained values of indicators of long-term unemployment, even though they would remain high as compared to those in the EU.
- 5.2.89. In view of the insufficient and limited funds for financing active labour market programmes, the categories of population that are more difficult to employ and vulnerable categories of unemployed persons should be included into active measures on the basis of individual employment plans and new measures should be developed in line with the demand of the labour market and the capacity of categories of persons facing a

³²⁶ Arandarenko and Vujić, 2010.

³²⁷ Penev, 2007, Arandarenko and Vujić, 2010.

- greater risk from remaining in the realm of long-term unemployment and social exclusion.
- 5.2.90. In times of crisis, the focus on youth appeared to be a good response of the decision-makers. However, they too are a heterogeneous group and it would be better to target those with multiple risk factors (e.g. with low education levels living in underdeveloped regions) than the highly educated and those with secondary education that are in sufficient demand on the open labour market.
 - 5.2.91. Public works target very vulnerable groups. However, they mostly provide only a momentary relief of the financial situation and subjective improvement to the participants, while durable effects on the labour market fail to materialize as a rule. This measure needs to be combined with other active programmes (such as functional literacy and on the job trainings) for the participants due to multiple vulnerability factors and that the 'combination of measures' is simultaneous.
 - 5.2.92. Measures including tax and contribution subsidies for employment of older and younger employees insufficiently target vulnerable groups because subsidies to employers are proportionate to pay instead of being fixed. These subsidies should be maintained only with respect to employment of older persons (aged 45/50 +).
 - 5.2.93. As for the majority of other vulnerable groups, specific employment programmes have not been developed for refugees and internally displaced persons within the National Employment Service activities. Their treatment as extremely vulnerable groups is symbolic only in ranking applications for public works and some other active programmes. Irrespective of the fact that they are categorised as extremely vulnerable groups, refugees and internally displaced persons, by many structural characteristics, carry the potential to improve their relative position on the labour market.
 - 5.2.94. In order to ensure social sustainability of the transition to the new model of growth, reliance on social dialogue and labour market policies is called for, and none of these two pillars is stable and developed to a sufficient degree. The challenge now is to strengthen the actors in the social dialogue and create a social pact that would support a strong and sustainable growth of employment, living standards, competitiveness and domestic product. After the example of good EU practices, the social pact could ensure additional conditions for increasing the competitiveness of the economy with regulation of minimum wages and coordination of wage trends at national level. Its inevitable part during the first stages of implementation would also be control of public sector wages. Also, an important aim of the social pact should be a gradual termination of dualities on the labour market, and unification of the conditions of operation and arrangement of relations on different labour markets (formal and informal).
 - 5.2.95. Notwithstanding the absence of an environment conducive to development of social entrepreneurship, there are initiatives that have already shown an interest for improving the position of vulnerable groups by implementing this concept. The challenge will be how to use the opportunities provided for in relevant laws, the adoption or implementation of which is expected shortly (for instance, Law on Social Protection, Law on Cooperatives), as well as investments into human capital and access to funding sources.

LINES OF ACTION

- 5.2.96. The new post-crisis model of growth should integrate objectives related to labour market and social inclusion and to make growth of employment and reduction of absolute and relative poverty as its ultimate objectives.
- 5.2.97. With reference to the general economic policy, transition to the “new model of growth” should bring about a radical change of incentives for economic actors. Investments and exports orientation should be supported by coordinated measures of monetary, fiscal, industrial, foreign trade and other key policies.
- 5.2.98. Within the framework of this new fiscal policy, radical reduction in the taxation of labour, and especially less-paid labour, is called for. On the other hand, the reform of income tax would ensure higher vertical equity and the implementation of tax-based income policy.
- 5.2.99. With respect to the institutions and labour market policies, additional rationalization of passive measures, especially in the domain of severance packages, will be required. Also, reform of Labour Code is necessary with a view to optimisation of the relationship between security and flexibility of the labour market, adjusting the widely adopted concepts of flexicurity and decent work to national circumstances. Importantly, this optimization is two-way, meaning that review of labour relations regulations implies certain changes towards increased security while others would be directed at attaining higher flexibility. The Socio-Economic Council would provide an adequate framework for the reform of institutions on the labour market.
- 5.2.100. Sectoral collective bargaining should be reaffirmed, with the leading role of industrial agreements in the national system of collective agreements. The countries with dominant collective agreements in industry and private sector such as Germany and the Scandinavian countries, are more competitive as a rule, notwithstanding high wages, as compared to the countries – one of which is the Republic of Serbia – with dominant collective bargaining in the public sector.
- 5.2.101. The capacity of the Socio-Economic Council, as well as local socio-economic councils, must be strengthened. Also, the recommendation of the European Platform against Poverty and Social Exclusion: ‘Cooperate with social partners to achieve active inclusion of persons who do not have access to the labour market’, should be taken into account.
- 5.2.102. Responsible policies of minimum wages are to be conducted. Since the increase of employment is the principal objective of the new model of growth, the relative level of minimum wages should be kept moderate, between 30 % and 40% relative to the average net wages.
- 5.2.103. The new model will also usher in new imbalances and change the list of relative winners and losers. The active labour market policy should counter the reduced demand for labour in the first years of the implementation of the model, and thereafter focus on groups that will not at all or not in the equal extent benefit from transition to the new model.
- 5.2.104. In order to fulfill the set objectives, in addition to the parallel improvement of efficiency of active measures, increase the share of these measures in GDP from 0.1% to 0.4% within the first three years, and then stabilise the share at around 0.5% GDP in the second half of the next decade. In the circumstances of fiscal restrictions, redistribution between active and passive labour market measures should be done by introducing a lower maximum limit for benefits and releasing additional funds for active labour market programmes.

- 5.2.105. The fast increase of funds for active labour market programmes is required to alleviate the negative consequences of the financial crisis and later, with the accelerated growth, to continuously assist the most vulnerable groups who will be the last to feel the benefits of economic growth, as well as groups/individuals who will emerge as relative losers due to the shift to the new development strategy. Since it would be unrealistic to expect that the standard educational system would be able to adjust, within a short timeframe, to the changed structure of labour, qualifications and skills demand, the labour market policies should support, more so than to date, advancement and alignment of labour offer to the changes in labour demand.
- 5.2.106. Over the next years, efforts should be invested in ensuring higher quality monitoring and thorough evaluations of the existing programmes and their efficient targeting of the vulnerable groups.
- 5.2.107. The framework and institutional support to development and promotion of social entrepreneurship with a view to strengthening this sector should be defined. The legal and practical obstacles, including absence of equal conditions for the operation of social enterprises and profit-generating enterprises should be removed. A network of support to the development of social entrepreneurship should be created, as well as the inclusion of social enterprises into active employment measures.
- 5.2.108. Also, the recommendations of the European Platform for Combating Poverty and Social Exclusion should be taken into account: ‘Propose measures for raising the quality of regulation related to foundations and cooperative with a view to improving their operation (...)’ and ‘Conduct awareness raising campaigns on the benefits of social economy targeting key public and private actors (including public services and entrepreneurs) and facilitate access to relevant EU financial programmes for the actors dealing with social economy, *inter alia*, through providing support to development of partnerships related to measures of active inclusion’.

5.3. Education

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.3.1. The Ministry of Education adopted a set of laws over the course of 2009 and 2010: the Law on the Foundations of the Education System, the Law on Textbooks and Teaching Aids, the Law on Preschool Education and the Law on Pupil and Student Standards. Amendments to the Law on Higher Education were also adopted.
- 5.3.2. **The Law on the Foundations of the Education System**³²⁸ sets the preconditions for the non-segregated inclusion of children into education and continued schooling: extending the mandatory and free-of-charge Preparatory Preschool Programme (PPP) from six to nine months, facilitating the enrollment of children from socially vulnerable groups³²⁹, legally regulating an inclusive approach and ensuring support mechanisms for children and teaching staff. The Law also introduced general and specific outcomes and standards of education³³⁰, stipulated higher competencies for teaching staff and school management

³²⁸ Official Gazette of the Republic of Serbia, No. 72/09.

³²⁹ All children are enrolled. Children are evaluated after enrollment in their mother tongue, and in the absence of proof of their parents’ habitual residence and the necessary documents, as the case may be.

³³⁰ Except for preschool education.

- structures and established a system for quality insurance in institutions. Final exams (at the end of mandatory education and at the end of three-year vocational education) and matriculation examinations – general, vocational and artistic (at the end of secondary education) were introduced. The role of student parliaments was strengthened through involvement in self-evaluation and development planning processes and the role of parents' councils in the work of schools was more clearly defined. Penalties for the violation of the rights of children and pupils were defined and raised. The role of schools in the socialisation of pupils was enhanced by specific regulations on the prohibition of discrimination, violence, abuse and neglect.
- 5.3.3. **The Law on Textbooks and Teaching Aids**³³¹ equalises the operations of private and state publishers. The Law sets down standards for the quality of textbooks. With regard to content, the Law prohibits discrimination on the basis of race, ethnicity, language, religion, sexual orientation, developmental disorders, disability, physical or mental characteristics, property status, health status or political affiliation, in addition to other grounds. The Law stipulates the right of pupils with developmental disorders and disabilities to textbooks in a format corresponding to their educational needs. The textbooks are in Serbian and the languages of ethnic minorities. The Law also provides for the establishment of the Fund for the Publication of Low Circulation Textbooks.
- 5.3.4. **The Law on Preschool Education**³³² prioritizes the enrollment of children from vulnerable groups, enabling the execution of special, specialised and alternative curricula. Curricula may be conducted in Serbian and in foreign languages, as well as in the languages of ethnic minorities. The Preparatory Preschool Programme was established as a special component of the preschool programme in order to allow children in the year prior to enrollment in primary school to acquire knowledge, skills and experience relevant to future education. The programme became mandatory on January 1, 2007, and is free of charge for parents whose children attend public institutions. Transportation of children and their companions is ensured by local governments. Preschool education is not mandatory for children under the age of 6. The Law provides for an exemption from a portion of expenditures for guardians of children without parental care and parents of children with developmental disorders. The share of costs for parents of other children is set at the level of local governments.
- 5.3.5. **The Law on Pupil and Student Standards**³³³ stipulates the rights of pupils and students in the domain of standards, the founding of organisations and the operation of related institutions.
- 5.3.6. The Government established the **Council for the Advancement of Vocational and Adult Education** in 2010, chaired by the Chamber of Commerce of the Republic of Serbia.
- 5.3.7. Local governments have executive powers (for instance, they establish networks of preschool institutions and primary schools and take part in the managerial structures of educational institutions, but they are not involved in discussing issues related to the quality, relevance and fairness of education), but are not involved in decision-making processes at the national level (e.g. they are not represented in the National Educational Council). With the exception of salaries of teachers implementing the mandatory preschool programme, preschool education as a whole is within the mandate of local governments. Primary and secondary education, including maintenance, equipment

³³¹ Official Gazette of the Republic of Serbia, No. 72/09.

³³² Official Gazette of the Republic of Serbia, No. 18/10.

³³³ Official Gazette of the Republic of Serbia, No. 18/10.

procurement for institutions founded by local governments, a portion of capital investments, transportation and the costs of vocational education and training are also within the jurisdiction of local governments. Local governments are responsible for the enrollment and regular attendance of children in preparatory preschool programmes, monitoring enrollment in the first year of elementary education, regular attendance, classifying children with special needs and keeping records of illiterate persons, persons without complete education and children with developmental disorders.

STATE OF AFFAIRS IN THE AREA

- 5.3.8. **The educational structure of the population in the Republic of Serbia is unfavourable:** 3.4% of inhabitants aged 10+ are illiterate (5.5 times as many women than men); 21.9% of the population aged 15+ have not completed primary education, 23.9% have only primary education and 41.1% have finished secondary education. A total of 44.2% of women in rural areas have not completed primary school (2002 Census).³³⁴ In 2002, only 11% of the population completed post-secondary and higher education³³⁵. More than 58% of Roma in the Republic of Serbia aged 15+ completed less than eight grades of primary school (see: **Table 28 - Level of education of Roma**, Annex 6.1). As many as 71% of the poorest inhabitants have not completed primary school or completed only primary school.³³⁶
- 5.3.9. Persons with secondary education constitute more than 50% of the educational structure of the labour active population aged 15+.³³⁷ Approximately 30% of persons aged 18-24 have dropped out of schools and do not attend any type of training (see: **Table 29 - Early school leavers discontinuing education, aged 18-24**, Annex 6.1).

Table 5.3.9: Educational level of working age population (15-64)

		No school	Low	Medium	High
Total	4,822,936	42,603	138,0796	2,711,945	687,592
Structure (%)	100	0.88	28.63	56.23	14.26

Source: Labour Force Survey, April 2010

No school – persons without a single grade of primary school, Low – completed several grades or all of primary school, Medium – three-year and four-year secondary education, High – post-secondary, university and post-graduate university education

- 5.3.10. **Demographic decline results in an increasingly fewer number of children in schools,** which calls for the rationalisation of the labour force and the need to adjust the network of educational institutions to demographic changes.
- 5.3.11. **The Republic of Serbia lags behind EU member states in education objectives and indicators.** The main education-related problems in the Republic of Serbia refer to the low quality of education, a lack of acquired functional knowledge, a high percentage of the adult population with only a primary education and a low percentage of the adult population participating in some type of education and training.
- 5.3.12. Compared to EU objectives in education, the performance of the education system in the Republic of Serbia is below:

³³⁴ Data from the 2002 Census. This data is very significant for planning educational policy, particularly the correlation between the education level of mothers and their children, when these indicators are correlated with high levels of drop-out among the rural population.

³³⁵ 4.5% post-secondary and 6.5% higher education.

³³⁶ Living Standards Measurement Survey, 2007.

³³⁷ Labour Force Survey, April 2010.

Table 5.3.12: Performance of the Republic of Serbia relative to EU objectives in education (2008)

	EU 27	EU 2010 objectives	EU 2020 objectives	Serbia 2010	Serbia 2020 objectives
Participation of children in preschool education (from the age of 4 until enrollment in mandatory education)(a) ³³⁸	92.3	85%	95%	46.9% ³³⁹	80%
Early school leavers not in training % of persons aged 18-24 with primary education (ISCED 2) not in education or training (b)	14.9	10%	10%	30%	<15%
% pupils with low levels of reading literacy (below Level 2 on PISA Scale 2009) (v)	24.1	17%	15%	32.8% reading ³⁴⁰ 40.6% mathematical 34.4% scientific	<25%
% of persons aged 30-34 who completed university education (g)	31%		40%	21%	30%
Lifelong learning % of adults aged 25-64 participating in education and training (d)	9.6	12.6%	15%	n/a	n/a

Sources: (a) for EU - European Commission Early Childhood Education and Care: Providing all our children with the best start for the world of tomorrow (2011), for the Republic of Serbia – the data of the Ministry of Education 2010, 6) for EU: Eurostat, Structural Indicators, for Serbia ARS, RZS, 8) for EU -Commission of the European Communities “Progress towards the Lisbon Objectives in Education and Training; Indicators and Benchmarks” 2009; for the Republic of Serbia - PISA 2009 in Serbia, Teach me to think, Teach me to learn – The Institute of Psychology, 2010, 2) for the Republic of Serbia – Survey on labour force, April 2010, presented estimation includes persons with high and postuniversity education 3) for EU - Eurostat, Structural Indicators, for the Republic Serbia ARS, RZS, 8) for EU -Commission of the European Communities “Progress towards the Lisbon Objectives in Education and Training; Indicators and Benchmarks” 2009.

Coverage and Access to Education

- 5.3.13. **The average coverage by preschool education is 38.8%** (Ministry of Education 2009/2010, for children in nurseries, kindergartens and the Preschool Preparatory Programme)³⁴¹. This percentage was raised through introduction of the Preparatory Preschool Programme but remains far below the EU average. The coverage of children of nursery age (0-3) is low – 16.1%³⁴².
- 5.3.14. With preschool education covering 46.9% coverage in 2007/2008, the Republic of Serbia continues to lag behind EU member states, where an average of approximately 85% of four-year olds participate in various forms of preschool education.³⁴³ More children attend preschool institutions in urban areas – Belgrade, Western Serbia and the AP of Vojvodina – while the number of children attending preschool institutions in Eastern Serbia is the lowest. Uneven coverage is partly the consequence of an underdeveloped

³³⁸ PPP in the Republic of Serbia.

³³⁹ Monitoring Social Inclusion in Serbia, Social Inclusion and Poverty Reduction Unit, 2010. According to the data of the Ministry of Education.

³⁴⁰ In the 2006 in the Republic of Serbia, 32.8 % of children were insufficient in the domain of functional literacy, 40.6% in the domain of mathematical literacy and 34.4 % in scientific literacy. Baucal A, Pavlović D, *Teach me to reason, teach me to learn*, Analysis of 2009 PISA, Institute for Psychology, Faculty of Philosophy, Belgrade, Centre for Applied Psychology, 2010.

³⁴¹ Children in nurseries, kindergartens and PPP.

³⁴² Source: Ministry of Education, 2011, Response to the EC Questionnaire, Chapter 26 .

³⁴³ The lowest coverage of children by preschool education in Europe is in FYR Macedonia – approx. 15%, followed by Poland – approx. 38%, Croatia – 44%, Ireland – 45%. In Slovenia, 75% children are covered and in Belgium a 100% (source: EUROSTAT).

network of institutions within the jurisdiction of local governments that depend on local capacities, and partly cultural heritage (preschools are still considered childcare institutions). Children from households where the head has a low level of education are far less included into preschool education (16% relative to the average 43%). The main reasons for non-attendance among poor children, Roma children and children from non-urban settlements are the beliefs of parents and guardians that preschool is unnecessary, and the wish of children to stay at home. The reasons for non-attendance among children from non-urban settlements are distance, the age of children and cost.³⁴⁴ In urban areas, the lack of institutional capacities is the main problem: 14,000 children were on waiting lists in the school year 2009/2010.³⁴⁵

- 5.3.15. **In the school year 2009/2010 the Preparatory Preschool Programme covered 87.82%**³⁴⁶ of children of adequate age. The average coverage of children in Central Serbia was 84.84%, and 96.43% in the AP of Vojvodina. According to data from the Statistical Office of the Republic of Serbia, the lowest coverage by PPP is in Eastern Serbia – approximately 50% on average – and the highest in the AP of Vojvodina, with more than 96% on average.³⁴⁷ Approximately 3,000 children of Roma ethnicity were covered by the Preparatory Preschool Programme in the school year 2008/2009. A total of 3,596 children – members of ethnic minorities – attended PPP in their mother tongue or had a bilingual PPP. Discrepancies are noted between the data of the Ministry of Education and data from the Statistical Office of the Republic of Serbia (see: **Table 30 - Key indicators of coverage and access to education in Serbia**, Annex 6.1).
- 5.3.16. **The number of pupils in primary education is decreasing due to a declining birth rate** (Table 5.3.16). A total of 71,930 pupils were enrolled in the first grade of primary school in the school year 2009/2010.³⁴⁸ The total number of pupils attending primary education in 2008/2009 was 598,108, with a 98.17% coverage rate of children of adequate age. In the school year 2009/2010, 587,147 pupils attended primary schools, which is 98.07% of children of adequate age.³⁴⁹ Primary school completion rates in the past three years exceed 99%.

Table 5.3.16: Total number of children in primary education

2005/2006	2008/2009	2009/2010
639,293	598,108	587,147

- 5.3.17. **Approximately 7.04% of pupils or 5,997 children of one generation leave primary education prematurely** (2000/2001–2007/2008). Children who leave education are most often members of marginalised groups (Roma), who either do not continue education or

³⁴⁴ SORS, LSMS, 2007.

³⁴⁵ According to data of the Statistical Office of the Republic of Serbia. Of that number, 11,712 were in Central Serbia, and 2,079 in Vojvodina. The highest number of children – 6,243 – are on waiting lists of preschool institutions in Belgrade (in Čukarica: 1,855 children, Rakovica: 1,507 children, Zvezdara: 747 children).

³⁴⁶ According to SORS data, it is 69,378 children.

³⁴⁷ According to SORS data, the lowest coverage by PPP is in Eastern Serbia; in the Bor administrative district an average 55.37% are covered; in the south, in the Pčinj administrative district, an average 68.58% of children are covered; in the Braničevo administrative district, the average coverage is 70.97%. The highest coverage of children by PPP in 2009-2010 was recorded in AP Vojvodina (96,43%).

³⁴⁸ SORS, Notice No.80 – LX, 31.03.2010.

³⁴⁹ SORS, Notice No.80 – LX, 31.03.2010.

- continue in schools for adult education. The highest drop-out rate recorded is from 1st to 3rd grade – 2.5% – and 2.1% between the 7th and 8th grades of primary school³⁵⁰
- 5.3.18. **The number of Roma children enrolled in primary education is growing.** According to data for the school year 2010-2011, 38% of primary schools in the Republic of Serbia (463 schools) enrolled 31,417 children in the first grade. Of the total number of enrolled children, Roma children account for 2,136 (7.41%). The percentage of Roma children enrolled in the first grade of primary school increased by approximately 9.87% relative to the previous school year.
- 5.3.19. **The number of children with developmental disorders and disabilities enrolled in primary education is growing.** According to data for the school year 2010-2011, 1,570 (5.44%) children with developmental disorders and disabilities were enrolled in 38% of primary schools in the Republic of Serbia: 258 (0.82%) children with disabilities and 1,312 (4.62%) children with developmental disorders (intellectual and communicative). Relative to the previous school year, the number of children increased by approximately 6.57%.³⁵¹
- 5.3.20. **The net enrollment rate in secondary schools has increased from 76.4% in 2005 to 82.7% in 2009/2010.**³⁵² The drop-out rate prior to the completion of secondary education in three-year educational institutions is 23.5%, and 9.3% in four-year educational institutions. To a considerably lesser extent, the educational system covers youth from households where the head of household has a low level of education (28%), youth from the poorest families (42%), Roma (62%), refugees and internally displaced youth (22%).³⁵³ The Republic of Serbia is one of the few countries where secondary education is not mandatory (see: **Table 30 - Key indicators of coverage and access to education in Serbia**, Annex 6.1).
- 5.3.21. **The total number of students in 2009/2010 was 266,939** in all types and levels of studies in all higher education institutions (universities, faculties and vocational colleges), including those founded by the Republic (state institutions) and those not founded by the Republic (private schools). Of this number, **226,973** students attend **state institutions** (85.03% of which, or 125,444, are female), and **39,966** students attend **private** (14.97 %) institutions of higher education.³⁵⁴ In 2009, 182 Roma (106 of them female) studied at Serbian universities.³⁵⁵ In 2008, there were 10,397 foreign students, the majority of them from Bosnia and Herzegovina (5,777) and the Republic of Montenegro (3,729). Access to university education is ‘traditional’, mostly after the completion of secondary school. Approximately 64% of students of basic academic studies were funded from the budget of the Republic of Serbia. In 2007, 31.21% of students graduated on time (21.69% in 2006).³⁵⁶ The average length of studies in general academic studies ranges from 4 to 7.75 years at state faculties and 3 to 6 years at private faculties.³⁵⁷ The length of studies continues to be one of the key challenges in higher education³⁵⁸.

³⁵⁰ Ministry of Education, 2010 data.

³⁵¹ Source: Ministry of Education, 2010.

³⁵² Source: Ministry of Education, 2010.

³⁵³ Living Standards Measurement Study (2008), pp. 112.

³⁵⁴ Source: Ministry of Education, 2011, Response to the EC Questionnaire, Chapter 26, according to the data of SORS and institutions of high education.

³⁵⁵ Source: SORS.

³⁵⁶ Source: SORS, <http://webzrzs.stat.gov.rs/axd/drugastrana.php?Sifra=0011&izbor=odel&tab=7>, on August 15, 2010.

³⁵⁷ Source: Ministry of Education, January 2011.

³⁵⁸ Source: Ministry of Education, January 2011.

Quality of Education

- 5.3.22. **The educational system in the Republic of Serbia attains lower outcomes in comparison to the international average.** Analysis of educational attainment among 15-year olds in the Republic of Serbia, on the basis of the PISA survey (Programme for International Student Assessment)³⁵⁹, demonstrates that pupils from the Republic of Serbia lag behind their peers in Croatia, Slovenia and the average results of OECD countries by just over one school year in all examined domains, while they fare somewhat better in comparison to Bulgaria, Romania, Montenegro and Albania. Results have improved between tests of 2006 and 2009. The percentage of pupils who did not attain a level of functional literacy dropped from 52% in 2006 to 33% in 2009. The average attainment has increased by approximately 40 points relative to 2006. Both of these results range among the best improvements that any country recorded between two tests to date. Limited progress was achieved in the domain of scientific and mathematical literacy (7 points on the PISA scale). The educational system is more equitable than in 2006, because of the decreased impact of socio-economic status on the educational attainment of pupils.³⁶⁰ Gender differences in educational attainment in the Republic of Serbia are identical to those in the OECD countries – girls do much better in the domain of reading literacy, while boys are somewhat more successful in mathematical literacy. No differences between girls and boys were recorded in the domain of scientific literacy.
- 5.3.23. TIMSS results (Trends in International and Mathematics Study) from 2007 indicate that the Republic of Serbia lags behind European countries in both mathematics and natural sciences. Almost 20% of eighth-grade pupils have not attained even the lowest mathematical (17% of pupils) or natural science knowledge (19% of pupils), and only a small number of pupils, compared to other countries, accomplishes levels considered high attainment. Attainment in mathematics has improved relative to 2003.³⁶¹
- 5.3.24. Additional investments in improving working conditions in educational institutions, as a basis for raising the quality of education, are required. Of the total 4,612 school buildings, 35% were built before 1950, 41% are in need of repairs and 18% of them require sizeable rehabilitation or replacement; 4% of school buildings are not fit for use. The investment should be ensured through the Republic budget, local sources, available projects and loans.
- 5.3.25. According to European Union methodology, in 2008 estimated expenditures for education in the Republic of Serbia were in the range of 5.4% GDP, close to the average allocations in the EU-27 – 5.3% GDP.³⁶² These expenditures include public and out-of-pocket expenditures on education. Public sector consumption on education includes

³⁵⁹ PISA is one of the instruments monitoring progress towards Lisbon objectives at EU level. The results of PISA are an indicator of quality of education planned by the NAP, Poverty Reduction Strategy, and the country-specific indicators of social exclusion. Serbia has participated in PISA since 2003. The level of functional literacy in mathematics, science and reading among 15-year olds is systematically monitored. The survey is conducted by the Institute for Psychology, Faculty of Philosophy, Belgrade.

³⁶⁰ In 2009, the socio-economic status of pupils explains only a 10% variable in educational attainment in the domain of reading literacy, compared to 14% in 2006. The average difference in reading literacy between pupils who differ by one standard deviation on the scale of socio-economic status (average 0, standard deviation 1) in 2009 was 27 points on the PISA scale. It was somewhat higher in 2006 – 36 points.

³⁶¹ The attainment of 8th grade students in natural sciences (chemistry, physics, biology and geography) is monitored since 2003 through the TIMSS survey, conducted by the Institute for Paedagogical Research. The results of TIMSS 2007, attainment in mathematics and natural sciences of the pupils in the final grade of primary school (Serbia and the world) <http://www.ipisr.org.rs/Dokumenta/TIMSSPDF/Rezultati%20TIMSS%202007.pdf>.

³⁶² According to the functional classification of public expenditures based on Government Finance Statistics methodology, 3.9% GDP in 2008 was spent for education. However, expressed in this way, this differs from the above mentioned comparable methodology used in the EU in computing the total expenditures for education.

expenditures at all government levels (central, provincial and local) at all levels of education (preschool, primary, secondary and higher education), as well as education not connected to the formal levels of education. Out-of-pocket education expenditures have been categorised as the revenue of educational institutions. Although this estimate has limitations – it cannot cover partial out-of-pocket expenditures from outside educational institutions, such as textbook expenditures, additional materials, etc. – it is comparable with the statistical coverage of private expenditures at the EU level.³⁶³ Still, it should be noted that allocations are significantly lower in absolute terms due to lower GDP levels.

Table 5.3.25: Expenditures for education, as % of GDP (public and out-of-pocket)

	Total	Primary	Secondary	High	Preschool and not allocated education
Serbia	5.4	2.6	1.2	1.3	0.3
EU-27	5.3	1.2	2.3	1.2	0.6
Slovakia	4.2	0.8	1.9	0.9	0.6
Bulgaria	4.3	0.7	1.6	1.2	0.8
Croatia	4.5	1.7	0.9	1.2	0.7
Norway	5.4	1.7	2.0	1.2	0.5
Hungary	5.6	1.1	2.4	1.1	1.0
Poland	5.7	1.7	2.0	1.3	0.7
USA	7.4	1.9	2.2	2.9	0.4

Data for the Republic of Serbia: Calculated in the Ministry of Finance for the needs of the report hereof, October 2010.

Note 1: Data for EU states refer to 2006 (source: EUROSTAT, data in focus, 36/2009), and data for the Republic of Serbia from 2008.

Note 2: Taken as a % of allocations in GDP by functional classification of public expenditures for 2008, 3.9% of GDP is allocated for education. The figure in this table includes these allocations and partial allocations itemized in the category of social protection in the functional classification of expenditures (social contributions for salaries of employees in education).

- 5.3.26. The major portion of the total public expenditures earmarked for education is covered at the level of the Republic – 83.7%, followed by local governments – 10.0% and the AP of Vojvodina – 6.3%.
- 5.3.27. From the aspect of the level of education, 51.6% of the total public expenditures are earmarked for primary and secondary education, 23.2% for secondary and 18% for higher education. Preschool education is predominantly funded from local government budgets (80%, while 20% of the required funds raised from households whose children attend these institutions). Salaries and social contributions for employees of primary and secondary schools are funded from the state budget. Local governments are responsible for expenditures arising from maintenance, etc. University education is funded both from the budget and from the income of these institutions.

Table 5.3.27: Public expenditures for education in billion RSD, 2008

	Total	Primary and preschool	Secondary	Higher
Serbia, total	126.4	65.5	29.4	22.7

³⁶³ For details see *A short guide to educational expenditure statistics*³⁶³, Pascal Schmidt, European Commission 2003.

Republic	105.7	52.5	23.8	20.7
Local governments	12.6	8.8	3.7	0.1
AP Vojvodina	8.0	4.2	1.8	2.0
Source: Treasury of RS, Final accounts of LSG, 2008 Final Account of the Budget of the Republic. Note: Data for EU states refer to 2006 (source EUROSTAT).				

- 5.3.28. **The ratio of public and private funding sources is at the average of EU member states.** As for the structure of the sources of funding among total expenditures for education, in 2008 the share of public expenditures in the Republic of Serbia totalled 85.6%, and 14.4% of private expenditures. This ratio of public and private funding sources is within the average of EU member states (in the EU-27 it is 87.5% and 12.5% of public/private allocations respectively).³⁶⁴

MEASURES AND PROGRAMMES

Increase in Accessibility and Duration of Schooling

- 5.3.29. **The inclusion of children with developmental disabilities and from marginalised groups is legally regulated.** The Road Map for the Implementation of Inclusive Education was developed on the basis of a functional inclusive education model. An implementation team for inclusive education involving all decision-making structures has also been established at the Ministry of Education. The Rulebook on Detailed Instructions in Defining the Rights to Individual Education Plans, their Implementation and Evaluation was adopted.³⁶⁵ A total of 7,500 representatives of expert teams for inclusive education and all primary and secondary schools in the Republic of Serbia were trained in inclusive education and the implementation of individual education plans. A programme for disbursing grants for the promotion of inclusion in education by 2012 was developed. The plan is now to procure assistive technologies for children with developmental disabilities and vehicles that facilitate access to education for children with developmental disabilities or from rural communities. A special grant will be earmarked for supporting schools in rural communities. The new Law on the Foundations of the Education System, supported through the project Delivery of Improved Local Services (DILS), provides for such practices.³⁶⁶
- 5.3.30. The mechanism of **inter-sector cooperation and coordination at the local level** towards supporting children and pupils from vulnerable groups was set up with a view to full social inclusion and progress. The Rulebook for Additional Educational, Health Care and Social Support to Children and Pupils was adopted³⁶⁷ for children who require additional support in education, health care or social protection due to social deprivation, developmental disorders, disabilities, learning disorders and other reasons. Additional support refers to the rights and services allowing a child to overcome physical and social barriers towards the unimpeded performance of everyday activities relevant for inclusion into the educational process, community life and successful advancement. In line with this Rulebook, municipal and city administrations need to establish committees and appoint coordinators and standing expert members. The Manual on Operation of the

³⁶⁴ Source: for Serbia, the Treasury of the Republic of Serbia; for EU states, EUROSTAT Data in Focus.

³⁶⁵ Official Gazette of the Republic of Serbia, No. 76/10.

³⁶⁶ DILS is a project of the Government funded from proceeds of the International Bank for Reconstruction and Development, IBRD loan no. 7510 (*Official Gazette*, no. 121/08). The project is implemented by three line ministries: Ministry of Education, Ministry of Health and Ministry of Labour and Social Policy

³⁶⁷ Official Gazette of the Republic of Serbia, No. 63/10.

Committees³⁶⁸ and the Guide for Parents of Children Needing Additional Support³⁶⁹ were prepared. Trainings for members of municipal committees will be implemented in early 2011.

- 5.3.31. Survey findings indicate that interventions aimed at increasing enrollment and reducing the drop-out rates of Roma children are showing initial results.³⁷⁰ The interventions are implemented under the Action Plan for Roma Education of the Strategy for Improving the Position of Roma: the Manual for Providing Support to Creating an Anti-discriminatory Environment in Educational Institutions³⁷¹ was developed and staff are being trained in its implementation; preemptive activities and procedures for dealing with violence have been defined in the Protocol for Protection of Children/Pupils from Violence, Abuse and Neglect³⁷², which schools are obliged to implement; the Serbian language teaching curriculum has been developed for children of Roma returnees from abroad; and grants aimed at the systemic inclusion of Roma children into education are being developed for 40 poor municipalities with a high concentration of Roma. The model for the subsequent registration of children into birth registries was developed through a UNICEF project and implemented in 19 municipalities. To date, 500 undocumented children were identified and subsequently enrolled in schools. A total of 178 paedagogical assistants were trained and employed in preschools and primary schools. A training plan for school and kindergarten principals was drawn, along with additional qualifications for paedagogical assistants, employees in institutions and educational advisors as well as activities that should increase understanding among Roma communities about the value of education and learning (project Education for All – Improving the Accessibility and Quality of Education of Children from Marginalized Groups, with a total budget of 1.8 million Euro from IPA 2008, launched in early 2010).
- 5.3.32. **Efforts promoted educational analysis.** A number of important surveys was undertaken recently, and a survey on the drop-out rates of children from the educational system is ongoing.³⁷³ The results should contribute to creating educational incentives to resolve this problem.
- 5.3.33. **The number of preschool institutions increased, but capacities remain insufficient.** The number of preschool institutions³⁷⁴ increased from 1,840 to 2,364 (Millennium Development Goals set the objective of 3,500 preschool institutions by 2015) in the period 2004-2009. The construction and rehabilitation of preschools was funded from the National Investment Plan and implemented by local governments, the Ministry of Education and the Ministry of Labour and Social Policy. The exact capacities of the newly erected preschool institutions are unknown. Over the past two years, the Ministry of Education did not allocate budget funds for expanding preschool capacities. The construction of preschool institutions became a priority in cities with the longest waiting lists (e.g. the City of Belgrade). There are 54 registered private institutions, most of them

³⁶⁸ The manual on the operation of intersectoral committees for assessing the needs for additional educational, health care and social support to children and pupils. Ministry of Education, Ministry of Health and Ministry of Labour and Social Policy (2010).

³⁶⁹ Guide for Parents – Inter-ministerial committees for assessing the needs for additional support in education, health care and social services to children and pupils, Ministry of Education (2010).

³⁷⁰ Data of the Ministry of Education on a sample of 38% of schools, 2010.

³⁷¹ In cooperation with REF, MoE and the Centre for Minority Rights.

³⁷² Official Gazette of RS, No. 30/10.

³⁷³ Support of DILS project.

³⁷⁴ Preschools, founded by local governments, have a developed network of facilities and other spaces (2,364 facilities and other spaces) for working with children; the curricula is also taught in private kindergartens (51) and primary schools (approximately 200).

in the City of Belgrade (29) and Novi Sad (18). The status of private providers is not regulated, and no data are available as to the number of children attending private preschool institutions.

Table 5.3.33: No. of preschools in the Republic of Serbia³⁷⁵

2004	2005	2006	2007	2008	2009
1,840	1,873	1,924	2,159	2,297	2,364

5.3.34. There is high regional disparity in working conditions and didactic materials in preschools. Investments are not being made either in existing facilities or the construction of new ones due to the lack of funds in underdeveloped municipalities and rural areas. Consequently, capacities are insufficient and conditions for children are substandard.

5.3.35. **Most children attending preschool programmes are children of working parents.** The new laws prioritize the enrollment of children from vulnerable groups, but it is too early to discuss their impact. Twenty percent of parents do not pay for the attendance of children at preschool institutions; 32% of parents pay up to 50% of the price; 12% of parents pay more than 50% and 36% of parents pay full price.

Table 5.3.35: Inclusion of children in preschool programmes by the labour status of parents

Labour status of parents	No. of children	Total children in preschools =100 ³⁷⁶
Both parents employed	112,946	61%
Only one parent employed	53,323	29%
Of that, single parents	8,464	5%
Both parents unemployed	11,043	10%

5.3.36. The 2009 IPA-funded project Improvement of Preschool Education is expected to start in early 2011. It will target preschool institutions in poor municipalities, and local communities with a high concentration of Roma in particular. It will deal with capacity building of local governments for monitoring and adjustment of preschool services to the needs of children from vulnerable groups and local communities. Mobile kindergartens, minivans and prefabricated buildings will be procured and rehabilitation/adaptation of existing facilities to the needs of preschool children will be undertaken. The target group is children aged 3+.

5.3.37. **Free textbooks were distributed to pupils of the first and second grades of primary schools.** A total of 74,000 free textbooks were presented to first-grade pupils in the school year 2009/2010, and 74,319 textbook sets were given to first-grade pupils and 74,305 to second-grade pupils in 2010/2011. The City of Belgrade gives free textbooks to the fifth-grade pupils in primary schools located on its territory. Although surveys show that the provision of free textbooks is effective with poor pupils, poor pupils of other grades are not targeted by this programme of the Ministry of Education. A large number

³⁷⁵Source: Statistical Office of the Republic of Serbia, Education and Other Social Activities, Notice No. 105, Institutions for Preschool Children, <http://webzrzs.stat.gov.rs/axd/dokumenti/saopstenja/DD20/dd20122010.pdf>, as at 09.08.2010.

³⁷⁶Source: Ministry of Education, 2011.

of local governments provide additional support to families receiving financial allowance, but no data are available on all types of support and the number of beneficiaries.³⁷⁷

- 5.3.38. Scholarships and loans are disbursed to pupils and students. A total of 11,276 scholarships and 398 loans up to RSD 3,900 were approved to pupils in 2009/10. Similarly, 8,404 scholarships and 17,464 loans up to RSD 6,100 were approved to students.³⁷⁸ Students from vulnerable groups were granted 673 scholarships and 338 loans in the school year 2010/2011. The most important criterion for obtaining scholarships and loans is educational attainment.

Table 5.3.38: Scholarships and loans disbursed to students from vulnerable groups 2010/2011

Students	Scholarships	Loans
Financially vulnerable families and children without parental care	67	10
Single-parent families	237	234
Roma ethnic minority	173	7
Persons with disabilities and chronic illnesses	126	1
Persons whose parents were missing or kidnapped on the territory of KiM and the territories of former SFRY	5	1
Refugees and internally displaced persons	62	85
Returnees under readmission agreements and deported persons	3	-
TOTAL	673	338

- 5.3.39. The 2008 National Investment Plan supported scholarships with mentorship for 1,000 of the poorest secondary school students, but the programme was terminated due to the lack of funds.
- 5.3.40. Affirmative action for the enrollment of Roma children into secondary schools and faculties is ongoing.
- 5.3.41. The Provincial Secretariat for Education is disbursing scholarships to 355 Roma secondary school students. Judging by the results of the project, the percentage of drop-out is 7.32% and the achievement of students improved (47% are excellent and very good). The number of Roma students pursuing education at vocational colleges or faculties increased by 171.87% (from 31 to 87 students).
- 5.3.42. **Not all student hostels are adapted to students with disabilities.** Only the student hostel Mika Mitrović in Belgrade is intended for the accommodation of students with disabilities, and its capacity totals 162 places. Access to facilities in the City of Belgrade is adapted to persons with disabilities in 14 of the 25 existing buildings for student accommodation (44%). Adaptations for students with disabilities are also planned in other student centres.

³⁷⁷ For example, in the City of Belgrade, all families – beneficiaries of family financial allowance – are granted cash grants at the beginning of each school year towards the purchase of textbooks and other materials, on the basis of the Decision on the Rights in Social Protection.

³⁷⁸ Data of the Ministry of Education, 2010.

Improvement of the Quality of Education

- 5.3.43. **Standards for the Completion of Mandatory Education were adopted in 2009** for 10 subjects³⁷⁹, which should contribute to ensuring the quality of education through the continuous improvement of curricula, textbooks and other teaching materials as well as strengthening capacities in education standards in assessment processes. Furthermore, the role of standards in education is reflected in a changed approach to teaching, as teachers are expected to guide the learning process in a way that ensures educational standards at levels above the primary level. It is expected that educational standards for the completion of the first cycle of education in three subjects will be adopted shortly. Standards for the completion of general secondary education in eight subjects are being developed.
- 5.3.44. The National Education Council started to develop the Directions for the Development of Education in the Republic of Serbia and the National Education Indicators in 2010.
- 5.3.45. **Changes to the primary education curriculum are ongoing, and their completion is expected in the school year 2010/2011**, when pupils in the final grade of primary school will begin to study the new curriculum for the eighth grade of primary education. Innovations were launched in the school year 2003/2004 and include the use of active and cooperative teaching methods for minimum 25% of working hours, along with alterations in content.
- 5.3.46. **A final examination at the completion of primary education will be introduced in the school year 2010/11**. The final examination, which will replace the current qualifications examination for secondary schools, will be taken by all pupils. The first final examination will be held in June 2011 and will include Serbian/mother tongue and mathematics. It will be mandatory for all eighth-grade students irrespective of future education. In the years to come, the content and extent of the final examination will change through the introduction of new subjects and more unknown questions.³⁸⁰
- 5.3.47. **Performance Quality Standards of Educational Institutions were adopted**³⁸¹. The framework quality assessment includes 30 standards representing complex statements on high-quality practice or conducive conditions, categorized in seven assessment areas. The standards were operationalized by 158 indicators that measure their fulfillment. This document will serve as an instrument for external assessment and self-assessment of school operations. It is based on the documents and practice of inspection supervision in EU countries and the practice of self-assessment and expert paedagogical supervision conducted in Serbian schools since 2006.
- 5.3.48. The new Law on the Foundations of the Education System sets higher standards with respect to professional knowledge and skills of teaching staff. As education of future teachers and the professional development of education employees represent one of the key areas for raising the quality of education in the Republic of Serbia, all teachers will have to be educated in the area of psychology /paedagogy and teaching methodics with minimum 30 credits and acquire six credits through practical work. Curricula for the professional development of education employees are being aligned with reforms. The Ministry of Education defined mid-term priorities for the professional development of education employees, but no functional mechanism for planning the professional

³⁷⁹ Adopted by the National Education Council in May 2009. Educational Gazette, No. 5/10.

³⁸⁰ The project Support to Quality Insurance – System of Examinations in Primary and Secondary Schools is funded from EU IPA.

³⁸¹ Adopted at a session of the National Education Council, December 7, 2010.

development of teaching staff has been put in place. An overview of attendance at seminars shows that primary school employees are the most numerous in professional development (49.19%), followed by secondary vocational schools employees (24%), employees in preschool institutions and those in grammar schools. Professional development trainings have been organized by various organisations such as civil society organisations, professional associations, foundations, international associations and departments of the Ministry of Education. The number of the submitted and approved trainings is growing: there were 360 programmes in the school year 2007/08, 571 in 2008/09 and 840 in 2009/10.³⁸² The offer and content of trainings are based on the competencies and interests of providers and not on an analysis of the needs of teachers. The Rulebook on Permanent Professional Development and the Promotion of Teachers, Preschool Teachers and Expert Assistants is being developed³⁸³.

- 5.3.49. **Significant funds were allocated from different loans and from the budget for the improvement of working conditions in schools**, as a precondition for improving the quality of education. According to data of the Ministry of Education, approximately RSD 33 million were invested in primary schools in 2008 and 2009, and the same amount was invested in the infrastructure of secondary schools. Funds were spent on procuring classroom furniture and purchasing IT equipment. More than RSD 23 million were earmarked for higher education (medical equipment), approximately RSD 58 million for students hostels and some RSD 60 million for students' standard institutions (furniture, kitchen and dining room needs and IT equipment).
- 5.3.50. **The loan funds were invested in the construction and furnishing of nine new schools and the reconstruction of four schools.** Within the first phase of the European Investment Bank-funded project School Modernisation Programme, completed in 2009, nine new schools (six primary and three secondary) were built and furnished and four were reconstructed³⁸⁴. The first phase of the project cost EUR 50 million: EUR 25 million from the EIB loan and EUR 25 million in co-funding from local governments to cover the costs of electricity, sewage, access roads and heating. A new loan agreement was signed for the second phase of the project amounting to EUR 50 million. In addition to helping to end the practice of a third 'shift' in school schedules, the funds will be used to construct new schools, reconstruct existing facilities and meet other construction and equipment needs. Part of the funds will be earmarked for the development of the national education strategy.
- 5.3.51. **Fast ADSL (Internet) connection was installed in approximately 80% of primary and secondary schools.** The project was realised within the Protocol on Cooperation signed between the Ministry of Education and Telekom Serbia. Internet cannot be installed in the remaining 20% of schools due to the configuration of the terrain. In the school year 2008/2009, the number of primary school pupils using one personal computer was 37, and 15 in secondary schools.³⁸⁵
- 5.3.52. Based on a conclusion of the Government from July 2010, the **Digital School project**, implemented by the Ministry for Telecommunications and Information Society, will equip 2,910 IT classrooms in more than 95% of all primary schools founded by the

³⁸² Source: Institute for Improvement of Education, Centre for Professional Development of the Employed in Education, July 2009.

³⁸³ Official Gazette, Nos 14/04 and 56/05.

³⁸⁴ The schools were built in Smederevo, Veternik, Novi Sad, Zemun, Stara Pazova, Bajmok and Brzi Brod. Three schools were reconstructed in the Students Campus in Užice and the Primary School for Children with Special Needs in Zemun.

³⁸⁵ Source: Ministry of Education.

Republic of Serbia, the Autonomous Province and local government units, out of which 1,589 schools will be equipped with digital classrooms³⁸⁶ and 1,321 with laptop computers and overhead projectors. This project, in the final stage of installation and operationalization, will provide all schools in the Republic of Serbia with the same conditions for instruction and interactive learning. In addition to IT lessons, digital classrooms will enable pupils to attend lessons from other subjects, while teaching staff will have the opportunity to improve the content of their lectures through modern technology. The total value of the project funded from its own sources is EUR 10 million³⁸⁷.

- 5.3.53. **Four IPA projects aimed at improving the quality and accessibility of education are being implemented**, with additional two projects to be launched in early 2011. The Ministry of Education implements the following IPA-funded projects: Modernisation of the System of Vocational Education and Training in Serbia (IPA 2007, totalling EUR 4 million); Education for All – Increasing Accessibility and Quality of Education for Children from Marginalised Groups (IPA 2008, totalling EUR 3 million); Support to Quality Insurance of the System of Final Examinations at the National Level in Primary and Secondary Education (IPA 2008, totalling EUR 2 million); Adult Education – Second Chance (IPA 2008, totalling EUR 4.5 million); Improvement of Preschool Education (IPA 2009, totalling EUR 3 million) and Improvement of Infrastructure in Higher Education (IPA 2009, totalling EUR 24 million). Institutional capacities for implementing European programmes and utilising EU funds in the area of education have been strengthened. In early 2009, the Department for EU projects and Programmes in Education was established at the Ministry of Education to coordinate the programming, implementation and monitoring of IPA projects.
- 5.3.54. **The Republic of Serbia is a successful participant in the Tempus programme.** In the first call for Tempus IV in 2008, 17 out of 66 projects were approved. In 2010, there were 30 projects ongoing in the Republic of Serbia. The implementation of additional 12 projects started in late 2010. Significantly, 20 of these 42 projects are led by institutions of higher education from the Republic of Serbia. Given the three-year timeframe of the majority of these projects and that they began in January 2009, it is too early to appraise their effects. Expectations from the selected projects are especially high with regard to the integration of universities; the development of a lifelong learning framework; continued development of the National Qualifications Plan; the promotion of quality culture; the establishment of the National Framework for a Triangle of Knowledge, Research and Innovation; the capacity building of university libraries; and the retraining and additional training of the unemployed. Two current projects seek to improve the quality of education and teaching staff: post-graduate studies of educational policy and master studies for so-called ‘subject teachers’. The project was launched by the Ministry of Education.
- 5.3.55. A preliminary survey was conducted regarding the next steps that the Republic of Serbia needs to take in order to join the EU Lifelong Learning Programme.

³⁸⁶ The digital classroom includes 30 places for students to study on modern computers, as well as equipment necessary for teachers, appropriate software and computer connection within the classroom.

³⁸⁷ These financial resources make the difference between the income and expenditure established by the annual financial report of the National Agency for Electronic Communications and are used through the Ministry of Telecommunications and Information Society for improving and developing electronic communications.

More Responsive Education System to Labour Market Needs

- 5.3.56. **The reform of secondary vocational education is ongoing.** The reform is based on the Strategy of the Development of Vocational Education (2006) and the corresponding action plan (2009). To date, 65 profiles have been created in 13 areas of work in 184 schools. The new educational profiles introduced in secondary vocational education are showing good effects, but cover only 15% of secondary school students. The key effects of the modern curricula in the secondary vocational education include 1) an increased percentage of students who complete vocational education; 2) a lower percentage of absenteeism, higher average grades, reduced drop-out, a positive attitude to education and completed trainings; 3) employer satisfaction; and 4) increased employability (up to approximately 70-80% of graduates of mechanical and agricultural schools contracted employment in the first quarter since completion of education).³⁸⁸ Six years after the implementation of pilot programmes in nine areas of work, nine pilot programmes in two areas of work were introduced into the educational system in September 2010. Other occupations are taught according to an outdated curriculum and old teaching methods, and take place in an inadequate infrastructure. The involvement of employers in curriculum development and training provision is limited, and teachers do not have the necessary teaching competencies. Some occupations are no longer in demand on the labour market.
- 5.3.57. The **Council for Vocational and Adult Education** was established in 2009 to support links between education and the labour market and develop the national qualifications framework and curricula.
- 5.3.58. Surveys have indicated that in addition to specialised knowledge and skills, **employers are increasingly asking for key competencies**, such as skills related to communication, team work, knowledge of foreign languages, conflict resolution and management.³⁸⁹
- 5.3.59. **The subject of Education for Entrepreneurship** was introduced in the final year of 117 secondary vocational schools to prepare the youth for entering the world of labour. Teaching staff in 15 grammar schools have been trained in entrepreneurial approach and inter-curriculum implementation.
- 5.3.60. Over the past few years, the National Employment Service and the Ministry of Education have organised **professional orientation fairs** aiming to establish direct communication between schools, pupils, parents and employers.
- 5.3.61. The Ministry of Youth and Sports was in charge of developing the **Strategy of Career Management and Counselling in the Republic of Serbia** with an action plan for 2009-2014.³⁹⁰ The Strategy defines mechanisms for establishing Career Management and Counselling in the Republic of Serbia and connects earlier reform documents of ministries dealing with youth, employment and formal education. The Ministry of Youth and Sports founded the Centre for Career Management and Counselling of Young Talents at the Ministry's Fund for Young Talents. The beneficiaries of its services are scholars of

³⁸⁸ Marković, J. Education Policy and Labour Market Needs – Policy Impact Analysis, Poverty Reduction Implementation Team, 2009. Not published.

³⁸⁹ A survey of employers conducted by the Institute for Economic and Social Policy in the municipalities of Belgrade, south Bač and Niš, "ESPI", 2009, showed a lack of middle-managers; employees in insurance, security and business administration; welders; masons; carpenters; bakers and butchers.

³⁹⁰ Adopted on March 4, 2010, Official Gazette of the Republic of Serbia, No. 16/10. The coordination group for drafting involved representatives of the Ministry of Education, Ministry of Economy and Regional Development, National Employment Service and the Chamber of Commerce of the Republic of Serbia.

- the Fund for Young Talents. Of the Fund's 2,575 scholars to date, 85 students availed themselves of career counselling services, 120 had telephone consultations with career counsellors, and 123 students in three university centres attended workshops for professional development. Career counselling services are regularly provided to more than 1,000 students/Fund scholars. Within the framework of cooperation with the Serbian business sector, the scholars of the Fund do traineeships with employers.
- 5.3.62. **The standardisation of higher education with the Bologna Declaration continues.** The reforms are primarily directed at curricula structure and content. The EU system of transferring credits and adding additional credits to diplomas was introduced in all faculties in 2009. Vocational post-secondary schools undertook the accreditation process in 2007, with 48 of them obtaining accreditation and becoming part of the tertiary education system. The Ministerial Conferences graded the level of harmonisation with the Bologna Declaration at 2.28 in 2005, 4.0 in 2007 and 3.8 in 2009. The reform of curriculum and introduction of European Credits Transfer System were not followed up by adequate trainings of teaching staff to a sufficient extent.
- 5.3.63. With respect to higher education, considerable attention over the past few years was paid to **facilitating access of youth with university education to the labour market.** Almost all reformed curricula for professional studies (90%) involve professional traineeships in various institutions and companies.
- 5.3.64. **The funding system for higher education has not been modernised,** and funds continue to be distributed directly to certain faculties as legal entities. This method of funding is neither conducive nor stimulating to internal mobility among faculties within the same university. Also, due to financial reasons, faculties enroll students who are not funded from the budget of the Republic, which results in an excessive supply of professionals in certain occupations. Thorough labour market analyses and projections must be conducted prior to the allocation of quotas for budget funding. Tuition fees are high, twice the amount of the average wage in the Republic of Serbia.³⁹¹
- 5.3.65. In October 2009, bilingual branches of the Faculty of Economy and the Law School were opened in Medveđa with support from the Organisation for Security and Co-operation in Europe Mission to Serbia. Opening several more faculties in the Albanian language is planned in Bujanovac for the school year 2011/12.
- 5.3.66. **The National Qualifications Framework in Higher Education was adopted.**³⁹² It is compatible with the European Higher Education Area (EHEA) and harmonized with the umbrella qualification framework³⁹³ and the European Qualification Network for Lifelong Learning (EQF). The National Qualifications Framework comprises all qualifications in the system of higher education of the Republic of Serbia and defines the general learning outcomes expected from each qualification (what students need to know, comprehend and should be able to do on the basis of qualifications obtained).³⁹⁴ The

³⁹¹ Vukasović M, Babin M, Ivošević, Lazetić P, Miklavić P. (2009), Funding of university education in South East Europe. See: <http://cep.edu.rs/eng/files/FinancingHE.pdf>.

³⁹² Adopted by the National Council for Higher Education on April 23, 2010.

³⁹³ By 2012 all country signatories of the Bologna Declaration are expected to adopt their national qualifications framework harmonised to the umbrella qualifications network.

³⁹⁴ NQF defines only the general learning outcomes. In addition to these outcomes, each specific study curriculum within the higher education system needs to fulfill special requirements related to the scope of knowledge, skills and competencies corresponding to a concrete educational and scientific area. NQF includes academic and vocational studies on all three higher education levels. The expected learning outcomes and descriptions of qualifications were developed for each type and level of studies. In line with Article 29 of the Law on Higher Education, NQF defines the

- National Qualifications Framework (NQF) shows mobility between qualifications and should contribute to quality insurance and curricula development in higher education institutions and facilitate recognition of qualifications and internal mobility, as well as between other countries of the European Higher Education Area. The National Higher Education Council is preparing a strategy for developing higher education with a special section dedicated to the mobility of students and teaching staff.
- 5.3.67. The National Higher Education Council adopted standards for the accreditation of distance learning curricula. The university Singidunum, the Faculty of Organisational Sciences and the Faculty of Economy at the University of Belgrade all possess accreditation certificates. The number of students studying according to this method is still relatively low.
- 5.3.68. **Currently, a modern methodology of adult education is being developed.**³⁹⁵ A new methodology was developed through the project Functional Primary Education of Adult Roma, where participants also acquired an occupation, fundamentals of entrepreneurship and various skills in addition to literacy. An expansion of the project and its mainstreaming into the system will be enabled through implementation of an IPA project entitled The Second Chance³⁹⁶, entailing the development of educational standards for the completion of particular cycles of the primary education for adults, the completion of their primary education and the training of teachers to work with adults. The reforms are implemented in line with the Strategy of Adult Education in the Republic of Serbia (2006) and its action plan (2009), which define educational policy relevant to adults who are outside the formal education system and who do not have primary or vocational education that may lead to employment (illiterate persons, persons who have not completed primary school, the unemployed, redundant workers, women, rural populations, persons with disabilities, vulnerable ethnic groups, etc.). Diversified and very flexible forms of education are planned: mainstream primary education, part-time primary education, initial vocational education, labour market curricula and continuous education curricula. There are no reports as yet on the implementation of the action plan. The draft Law on Adult Education is being developed.
- 5.3.69. In addition to their primary activities, five regular secondary vocational schools from different areas of work and different districts provide education for adults. Currently, there are five regional centres for adult education (Zrenjanin, Bor, Niš, Kragujevac, Belgrade) implementing 40 adult training programmes accredited by the Ministry of Education and recognized by the National Employment Service.
- 5.3.70. **More than 100 projects of associations promoting non-formal learning have been supported.** Measures for developing non-formal education and recognition of their outcomes have been defined in the action plan for implementation of the National Youth Strategy 2009-2014, headed by the Ministry of Youth and Sports.³⁹⁷ The Ministry for

adequate number of ECTS and the necessary previous educational levels for each level of qualifications as well as mobility to the next level.

³⁹⁵ Current adult education programmes are neither adapted to adult participants and nor attractive as they reproduce 50% of the curricula taught to children in primary schools.

³⁹⁶ Launched in October 2010.

³⁹⁷ The measures aim to improve the coverage of young people in secondary and higher education and different types of non-formal education. The plans are to establish mechanisms for youth participation at the Republic, local and institutional levels in education-related decision-making processes; support youth in acquiring higher competencies for inclusion in the labour market and continuing education; establish quality standards in non-formal education curricula; establish a more efficient system of formal and non-formal education in the Republic of Serbia; provide support to the development of social dialogue at the Republic and local level between the representatives of the education sector, NES, SORS, the Chamber of Commerce, employers and trade unions; advance and modernise the system of traineeship

Youth and Sports has disbursed grants in support of civil society organisations which implemented non-formal education programmes on healthy lifestyles, active youth participation, environmental protection, etc. through peer education. Since its foundation in May 2007 and until the end of 2010, the Ministry of Youth and Sports published 39 calls for applications, supporting a total of 257 youth associations and associations working, *inter alia*, with youth. So far, these associations have implemented 496 projects for youth at the local level. The total funds earmarked from the budget of the Republic of Serbia total RSD 677.5 million (approximately EUR 5.5 million). More than 6,000 young people participated in these activities directly, while approximately 10,000 were indirectly involved. More than 4,000 young people attended trainings on youth entrepreneurship, project proposal development, business skills, cultural cohesion and computers. Fifty-five newly established youth organisations also attended training on proposal development and project cycle management in the course of 2008 and 2009. Following the trainings, 45 of these organisations received financial support for implementation of their own projects. An additional 29 youth organisations will attend training in the course of 2011.

Enhanced Efficiency

- 5.3.71. **The optimisation of the school system began in the school year 2008/2009.**³⁹⁸ Measures are primarily directed at consolidating classes and reducing the number of classes in primary and secondary education through increasing the number of pupils per class. This measure has largely targeted classes in urban areas and has resulted in a reduction of 550 classes in one year or 1.35%, which represents RSD 763.4 million in fiscal terms. Implementing this measure in the future and until the introduction of a new financial formula will result in the number of classes in the system dropping by approximately 5%.
- 5.3.72. **The rationalisation of the number of employees in the pre-university education system** pertains to voluntary layoffs with a severance package of EUR 200 per year of service. A total 184 persons gave in their notices by April 2010.
- 5.3.73. The more efficient and equitable funding of education is expected with the introduction of a new education funding model (funding per pupil)³⁹⁹ that will be gradually introduced in 2011/2012 and end in 2014/2015. This should stimulate local governments to optimise the use of resources and ensure a higher level of inclusion and uniformity in education for all beneficiaries within their jurisdiction. In 2010, the Government adopted the Decision on the Criteria for Adopting Instruments on the Network of Primary Schools⁴⁰⁰ at the proposal of the Ministry of Education.
- 5.3.74. **The modernisation and procurement of new equipment for the Integrated Information System in Education is ongoing.** This system is yet not functional. Modern software and hardware is also being procured. Although the number of analytical studies in education has increased since 2008, the introduction of the Integrated Information

for vocational schools students and university students; and support young people, secondary schools and university students to manage their careers actively and efficiently. The action plan stipulated development of a Strategy of Non-Formal Youth Education. *National Youth Strategy*, 2008, at:

http://www.srbija.gov.rs/vesti/dokumenti_sekcija.php?id=45678.

³⁹⁸ An instruction on forming classes and methods of funding in primary and secondary schools, Ministry of Education, April 9, 2010, and July 9, 2009.

³⁹⁹ This method of funding has proved to be successful in many European countries, including the countries in the region and those with similar tradition in education (e.g. Hungary, Bulgaria, Poland).

⁴⁰⁰ Decree on Criteria for Adopting Instruments on the Network of Preschool Institutions and Instruments on the Network of Primary Schools, Official Gazette of RS, No. 80/10.

System in Education should contribute to enhancing the efficiency and continuous progress of analytical practice in the educational sector.

CONCLUSIONS AND CHALLENGES

- 5.3.75. **In its latest report, the European Commission noted that certain progress has been made in the sector of education.** The 2010 Progress Report on the Republic of Serbia states that certain progress has been achieved in the attainment of European standards in education and that reforms are being implemented at all levels of education. According to the European Commission assessment, a general education development strategy should be created, a comprehensive national qualifications framework developed and efforts to improve adult education should be invested in the future. Continuous alignment of the system of education with the labour market requirements is called for.⁴⁰¹
- 5.3.76. **Continuous improvement of human resources in the Republic of Serbia is indispensable.** Relative to EU indicators, the level of education of the entire population in the Republic of Serbia is low, the quality of education is not satisfactory, the coverage of children by early growth and development programmes is small, a low percentage of adults takes part in lifelong learning programmes and drop-out rates are high. In order to maintain continuity in human resources development in the Republic of Serbia, a comprehensive education strategy needs to be defined, developed and implemented in parallel with short and long-term measures strategically planned, budgeted, coordinated and monitored.
- 5.3.77. The adopted set of education-related laws should be efficiently implemented and practiced. Monitoring of their implementation is also needed. More attention should be paid to assessing the impact of by-laws.
- 5.3.78. **Particular attention should be paid to coordinating the work of the established councils:** the National Education Council, the Council for Vocational and Adult Education and the Higher Education Council. This will bring together policy-makers in preschool, primary and secondary school education. These institutions equip pupils and students for university studies with adequate knowledge and competencies, while the universities educate teachers who will competently help prepare children and youth for higher education and the world of labour.
- 5.3.79. **Data on the share of education in GDP in various documents are not harmonised,** with no apparent consensus on whether the State considers education to be an expenditure that must be reduced or an investment in the development of human capital that needs to be increased. In any case, allocations for development programmes need to be increased at the expense of current expenditures, and the effectiveness of spending of available funds needs to be enhanced.
- 5.3.80. Monitoring and planning in education is aggravated by the fact that the current information system in education is not yet operational. The data of the Ministry of Education and the Statistical Office of the Republic of Serbia are not harmonized. There are no official data for Roma children, children with developmental disorders and refugee children. The majority of indicators cannot be compared with European indicators. Efforts should be invested in developing the capacities of the education sector and its institutions and partners towards the more efficient use of data and analyses in decision-

⁴⁰¹ 2010 Progress Report on Serbia, 2010, European Commission, as at December 10 see: http://www.seio.gov.rs/upload/documents/Izvestaji/izestaj_o_napretku_srbije_2010_sa_%20aneksom.pdf.

- making processes. The development of *ex-ante* and *ex-post* analyses would contribute to the assessment of the adoption and planning of new measures in education.
- 5.3.81. **The situation related to the records of children from marginalised groups** (on Roma children, children with developmental disorders, refugee and internally displaced children, children returning on the basis of Readmission Agreements) **has not improved**. Consequently, there is still a lack of reliable data for better targeted education policy measures.
- 5.3.82. **The quality of education in schools is not satisfactory**. Although changed, curricula remain focused on content and not on the development of competencies required for life in a contemporary society.
- 5.3.83. Much has been done to advance teaching staff. Trainings for teachers are organised as part of the professional development of employees in education, but there are no mechanisms for the practical verification of the acquired knowledge. A transparent monitoring system should be introduced to assess the effectiveness and efficiency of teacher education policy. The initial education of teachers has not yet been modernised. Teaching profession needs to be promoted as one of the most important professions in a society, based on high competencies, knowledge, personal and professional integrity and commitment. And perceived as such, it needs to attract adequate remuneration.
- 5.3.84. **Timely specification of examinations in education is required** (what exams are being taken, how and what will be evaluated). The roles of institutions to develop and conduct examinations should be defined.
- 5.3.85. Local governments have neither the capacity nor the necessary resources to implement activities in education for which they have a mandate. Certain progress has been made towards decentralisation but local government capacities for the implementation of the aspects of education for which they have mandate are still unsatisfactory.
- 5.3.86. **The network of schools is not responsive to demographic changes in society**. Data from the Statistical Office of the Republic of Serbia show a total of 1,106 parent primary schools, with 2,434 satellites, of which 2,080 cover fourth grade. The majority of satellites have less than 11 pupils in all four grades. The number of schools who have no pupils due to the birth rate drop is high. At the same time, a large number of local governments request that satellites be opened for only a couple of students in the remote rural areas where, due to poor mountain roads, there is no possibility to transport children to parent schools. There are 30 primary schools in the Republic of Serbia where teaching is conducted in three shifts due to the lack of space. The number of pupils in primary and secondary education has also been decreasing since 2000, while the number of teachers has been increasing, in part due to the introduction of new elective subjects. The experiences of EU countries may be useful in creating measures for network's optimisation.
- 5.3.87. The expansion of the network and capacity of preschool institutions should be adapted to demographic indicators and the needs and interests of children, parents and local communities as a precondition for increasing coverage and expanding the offer of programmes and services in preschool education. Investments must be made in the construction of new and rehabilitation of existing preschool facilities (modular/prefabricated facilities), as well as the adaptation and use of other available potentials in local communities. Since some earlier surveys⁴⁰² indicated that preschool services were used more by wealthier households (64.1% of children from wealthier

⁴⁰² Multiple Index Cluster Survey (MICS), 2005, pp. 185.

- households relative to 7.4% of children from poor households), the structure of beneficiaries should be reviewed and interventions targeted accordingly. The status of private providers needs to be defined.
- 5.3.88. **There is no mechanism in place to prevent early drop-out.** The most frequent causes of the non-inclusion of children in education and the typical models of dropping-out need to be identified and used as a basis for measures to be taken at all levels (from local to central). Inter-sectoral coordination is required.
- 5.3.89. **Systemic measures to support poor children in education are still lacking.** Affirmative actions are being taken but they are not systemic. The programme for distributing free textbooks did not cover all poor children, but only children attending first and second grades. Previous surveys have indicated an increased percentage of poor children who are leaving education (an increase from 6% to 12% in the period 2002-2007).⁴⁰³ Therefore, continuous monitoring of the progress of poor children in education (completion of grades, quality, etc.) is necessary.
- 5.3.90. **No activities for improving the situation of children from rural areas have been taken.** These challenges need to be resolved as part of measures for the optimisation of the network of schools and integrated rural development plans.
- 5.3.91. Transparent mechanisms for monitoring and protecting children from discrimination must be set up with a view to an efficient implementation of the law.
- 5.3.92. In view of the absence of data, the progress made in Roma education cannot yet be objectively assessed. Surveys do indicate headway. Since significant differences in the coverage and length of education persist between Roma and the general population, measures to reduce these continue to be relevant. Economic analyses show that the situation with Roma education represents an enormous loss both at the individual (Roma who have completed secondary school may look forward to 52% higher income than those with primary school) and the national level.⁴⁰⁴
- 5.3.93. **ICT is not sufficiently used in education.** ICT needs to be integrated into all aspects of teaching with a view to its modernisation. This includes the developing digital content, training teachers for ICT use and practical implementation, introducing modern e-learning concepts and distance learning within formal and non-formal education, promoting the concept of lifelong learning, etc. The possibility of distance learning is provided for in the Law on Higher Education, but only a few faculties have an accreditation certificate. The acquisition of ICT skills among the adult population may help their social inclusion, particularly in groups with special needs in education.
- 5.3.94. **The new, reformed educational profiles in secondary vocational education are showing good results** concerning the interest of students, lower absenteeism, higher average grades, reduced drop-out, a positive attitude to education, employer satisfaction and increased employability. Still, the profiles cover only 15% of secondary school students. The teaching of other educational profiles is based on outdated curricula and teaching methods and takes place in inadequate facilities.
- 5.3.95. **The reform of grammar schools has not yet begun.** The secondary education structure has 21.6% grammar schools; 28.2% of all schools have grammar school curricula (including mixed schools).

⁴⁰³ Living Standards Measurement Survey, 2007.

⁴⁰⁴ World Bank: Economic Price of Roma Exclusion, April 2010.

- 5.3.96. **The system for recognising non-formal and informal learning has not yet been established.** The Law on the Foundations of the Education System mandates the Council for Vocational and Adult Education to develop a model for recongising previously acquired knowledge and skills. The new Law on Adult Education, which is currently being drafted, should systemically establish linkages between formal and non-formal education as well as address issues of funding adult education and trainings.
- 5.3.97. **In seeking employment, university graduates are asked for competencies not included in the curriculum,** such as leadership skills, decision-making skills, analytical skills, organisational skills, the ability to work under pressure, teamwork, business communication skills and negotiation skills.
- 5.3.98. The enrollment policy in higher education is not harmonised with the labour market and the funding system has not been redefined.
- 5.3.99. Although defining vulnerable groups, the Law on Pupil and Student Standards bases its measures on student attainment, whereas financial status is insufficiently represented in the criteria i.e. constituting only 30% points in ranking.
- 5.3.100. Several IPA-funded and Tempus-funded projects are underway. It is still too early to assess their effects. The opportunities offered by the Tempus programme should be taken advantage of and a system of support to students from marginalized groups (Roma, persons with special needs, students from poor and rural areas, as well as all those in need of specific additional support to facilitate studies) developed.
- 5.3.101. Prior to the approval of EU candidate status and after the launch of dialogue for the Republic of Serbia's participation in this programme, institutional arrangements and structures for the Lifelong Learning Programme i.e. new programmes for EU education and training need to be defined.

LINES OF ACTION

- 5.3.102. The population's level of education and competencies are crucial to the revival of the economy in the Republic of Serbia. Therefore, a comprehensive **Strategy for the Development of Education 2010-2020** with a focus on increasing the quality, efficiency and competitiveness of the educational system must be defined and implemented. The future strategy should stipulate measures aimed at reducing the number of pupils who leave education early and measures for improving the quality and conditions for including as many children as possible into early development programmes. To that effect, the recommendation of the EU Platform against Poverty and Social Exclusion to launch a broad initiative for promoting effective measures at all levels of education against the exclusion cycle needs to be taken into account. In order for education to become a significant resource for development, continuous efforts are required to raise the level of education of the entire population and increase the responsiveness of the education system to labour market demands.
- 5.3.103. An **information system that would allow data-based planning and monitoring** is the main precondition for planning and monitoring the implementation of measures in education. Reporting of the Statistical Office of the Republic of Serbia must be harmonised with the new laws in education; the system should become operational and monitoring of indicators not previously monitored should begin. Systemic insight into the education of children must be gained in order to implement continuous systemic interventions aimed at achieving equity in education and raising the education level of children from particular groups.

- 5.3.104. Allocations for development programmes in education should be increased at the expense of current expenditures, and the **efficiency of spending available funds should be increased**.
- 5.3.105. A **flexible network of education institutions** should be established that will be readily adaptable to demographic changes and the different needs of beneficiaries.
- 5.3.106. **Capacities of local governments should be built for planning the advancement of the education of local populations**, continuous monitoring of the situation at the local level, registering children who are not in education or have dropped out early and taking appropriate measures. This activity calls for cooperation between schools and school management boards with the systems of health care and social protection, local governments and civil society organisations. Good practices should be identified and shared, financial support (from the budget, project and loans) provided to local governments in their efforts and inter-ministerial and inter-municipal cooperation promoted with respect to planning education services at the local level.
- 5.3.107. **Local governments should be motivated to invest in preschool education** through support from the Republic budget, donor funds, use of EU Pre-Accession Instrument and the approval of loans, with consideration of local needs, conditions and demographic indicators. Local governments should also receive support in their efforts to implement flexible solutions, including stronger use of the potential of private providers (including civil society organisations), requiring more developed monitoring and quality assurance.
- 5.3.108. **Continuous efforts are needed to promote the teaching profession and modernise the competencies of teachers**. In order for teachers to be successful in the implementation of modern teaching concepts, the system of initial teacher education must be reformed, the system of professional teacher development improved and the teaching profession promoted, based on high competencies, knowledge, personal and professional integrity and commitment. Perceived as such, it needs to be stimulated by adequate remuneration.
- 5.3.109. **Efforts should be invested in increasing the level of education of the Roma population**. Significantly higher investments in inclusive and higher quality education for Roma children, including early childhood education, and lifelong learning opportunities for adult Roma are needed.
- 5.3.110. **In order to achieve the full inclusion of children from vulnerable groups** (Roma children, children with developmental disorders, children from rural areas), it is necessary to support and strengthen inclusive practice in schools, increase the competencies of teachers and support the creation of an inclusive environment, introduce compensatory curricula and catch-up classes for children with a mother tongue different from the language of teaching and develop extra-curricular activities. Implemented measures should be monitored, better inter-ministerial cooperation should be established and the roles of stakeholders at the central (various ministries) and the local level (social protection, health care and employment) should be coordinated and defined.
- 5.3.111. **It is necessary to accelerate the reform of secondary vocational education and make it more responsive to labour market demands**. The National Qualifications Framework should be defined, the model for recognising non-formal learning should be developed and the possibility for vertical and horizontal mobility through the system should be created (three-year occupations in secondary vocational education and links to tertiary education, the link between secondary and secondary vocational education). Various flexible modalities of post-secondary vocational education should also be developed.

- 5.3.112. **The enrollment policy in tertiary education should be aligned to labour market needs.** Efforts should be invested to change the system of funding tertiary education and improve the quality of education at faculties.
- 5.3.113. **The social dimension of the Bologna process** should be furthered and measures of support for underrepresented students (poor students, from rural areas, students with disabilities, Roma, etc.) should be improved.
- 5.3.114. It is necessary to work towards **the highest possible inclusion of adults into education**, linking formal and informal education and promoting lifelong learning.
- 5.3.115. Structures should be established to take part in the Lifelong Learning Programme, and in new EU programmes for education and training.

5.4. Social Welfare and Child Protection

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.4.1. The **Law on Social Welfare and Provision of Social Security of Citizens**⁴⁰⁵ and the **Law on Financial Support to Families with Children**⁴⁰⁶ constitute the applicable legal framework in the field of social welfare and child protection, governing the rights to pecuniary benefits (family income support, allowance for care and assistance of other people, child allowance, parental allowance and the like) and social services (placement of beneficiaries in an institution or with another family, day care for children and persons with disabilities, home care assistance and the like). The system of pecuniary benefits was changed considerably through legal provisions, i.e. by amending these laws in the early years of transition.⁴⁰⁷
- 5.4.2. In 2009, the Law on Financial Support to Families with Children was amended to **regulate more precisely the benefits to employed mothers during maternity leave**, thus precluding abuse of the system. Amendments to the Law also foresee the eligibility of a legal guardian or foster parent for child allowance for more than four children.
- 5.4.3. In accordance with the adopted strategic aims of the Social Welfare Development Strategy⁴⁰⁸, in 2009 and 2010 the Ministry of Labour and Social Policy developed the **Draft Law on Social Welfare**, adopted by the Government in November 2010 and introduced before the National Assembly. This law provides for mechanisms to expand assistance to the poor by increasing transfer amounts and the number of beneficiaries, especially among multiple-member households and households consisting entirely of persons unable to work. The Law also sets strategic goals pertaining to social service reform and regulates rights, service types, institutions and service providers, beneficiary

⁴⁰⁵ Official Gazette of RS Nos 36/91, 79/91, 33/93, 53/93, 67/93, 46/94, 48/94, 52/96, 29/01, 84/04, 101/05, 115/05.

⁴⁰⁶ Official Gazette of RS Nos 16/02, 115/05 and 107/09.

⁴⁰⁷ Pursuant to the Law on Financial Support to Families with Children (2002) and the Law Amending the Law on Social Welfare and Provision of Social Security of Citizens (2004), differences among municipalities in the criteria for awarding benefits were abolished and a single administrative poverty line was introduced at the national level, thus ensuring maintenance of benefits at a reasonable level through cost-of-living indexing, as well as continued exercise of rights. Child allowance was defined as a social policy measure only, while parental allowance – a lump-sum benefit payable upon birth of a child – was introduced as a special birth incentive measure. In addition, the amount of allowance for care and assistance of other people was increased considerably for the aged and persons with disabilities, in particular those with the most severe disabilities. (Matković, Gordana i Boško Mijatović, *Analiza uticaja državne finansijske podrške siromašnima*, Government of the Republic of Serbia, Deputy Prime Minister's Poverty Reduction Strategy Implementation Focal Point, Belgrade 2009).

⁴⁰⁸ Official Gazette of RS, No. 108/05.

- groups, quality control mechanisms, competences for establishment and funding. The changes in the institutional and regulatory sphere are particularly thorough – introduction of a social welfare chamber, licensing of professionals and service providers, introduction of public procurement of services, redesign of control, supervision and inspection functions. Furthermore, targeted transfers from the Republic of Serbia budget are foreseen for funding community-based services within the competency of local government units: (a) services funded, pursuant to this Law, by local government units in underdeveloped municipalities; (b) services in municipalities in which residential institutions under transformation are located, including the costs of transformation; (c) innovative services and social services of particular importance for the Republic of Serbia.
- 5.4.4. **The Law on Prevention of Discrimination of Persons with Disabilities**⁴⁰⁹ governs the overall regime of prohibiting discrimination on the grounds of disability, defines specific cases of discrimination of persons with disability, the procedure for the protection of persons exposed to discrimination and measures to be taken with a view to promoting the equality and social inclusion of persons with disability.
- 5.4.5. **The Rulebook on the Organisation, Norms and Standards of Centres for Social Work**⁴¹⁰ regulates a range of issues relevant to the operation of centres for social work in a novel, modern way founded on professional principles. The Rulebook regulates standards and work organisation of centres for social work in their exercise of public authority, staff requirements, contents and modality of record keeping and documentation on professional work.
- 5.4.6. In a number of cities and municipalities in the Republic of Serbia, strategic choices and the goals of national strategic documents in the field of social welfare have been adapted to local community needs **by adopting local strategies and action plans pertaining to social welfare and child protection**. In the past two years, more than 120 local governments have developed local social policy plans and participated in strategic planning processes at the local and province levels.
- 5.4.7. **Local government competences** in social welfare affairs include building, furnishing and modernising the centres for social work established by them. Further, local governments are also responsible for additional social services provided in centres for social work and for social welfare improvement programmes.

STATE OF AFFAIRS IN THE AREA

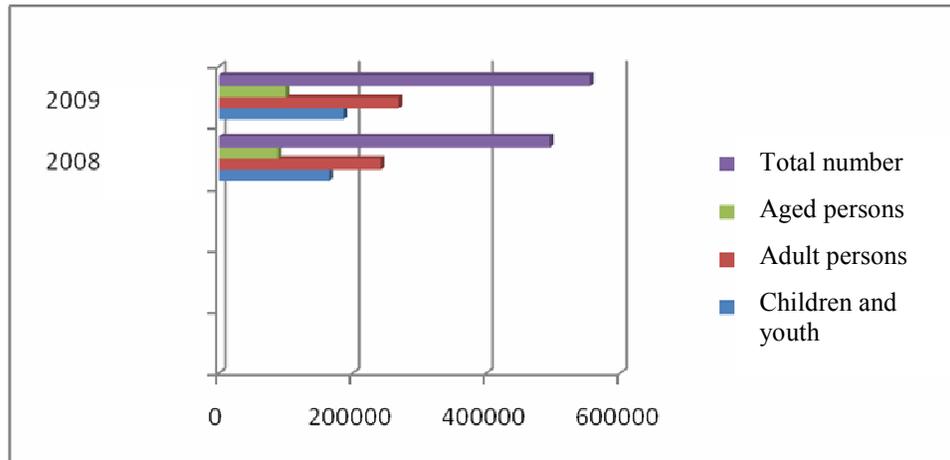
- 5.4.8. Data on individual and family **beneficiaries of social welfare services**⁴¹¹ are important information on social welfare activities carried out in centres for social work, as well as on the number of citizens at risk of social exclusion.
- 5.4.9. With regard to the numbers of beneficiaries of centres for social work, the number of **adult beneficiaries** increased from approximately 250,000 in 2008 to 269,000 in 2009, as did the number of **youth and children** beneficiaries – the headcount in 2009 was 186,600, which is an increase against 2008 (Chart 5.4.9).

⁴⁰⁹ Official Gazette of RS No. 33/2006.

⁴¹⁰ Official Gazette of RS No. 59/08 and 37/08.

⁴¹¹ Republic Institute for Social Protection of Belgrade: Analysis of Reports on Social Work Centers in Serbia in 2009; Belgrade 2010.

Chart 5.4.9: Development of the number of beneficiaries of centres for social work in 2008 and 2009



Source: Data of the Republic Institute for Social Welfare

5.4.10. Financial poverty is the most widespread characteristic among beneficiaries of centres for social work. Among adult and elderly beneficiaries, the next most common characteristic is disability, followed by dysfunctional family relations, behavioural problems, domestic violence (women are ten times more likely to be victims than men, whereas perpetrators are mostly men) and trafficking in human beings. Among children and youth, financial poverty is followed by dysfunctional family relations, behavioural disorders, deprivation of parental care and developmental impairments.

5.4.11. **Family income support**⁴¹² is a pecuniary benefit paid from the national budget and intended for the protection of the poorest strata of the population⁴¹³. This benefit is among the measures aimed at providing a guaranteed minimum income (together with child allowance, one-off assistance and the like); given, however, that its amount is below the absolute poverty line (corresponding to the subsistence minimum), it does not suffice to meet the subsistence needs of a person without any other income. EU minimum income schemes comprise a set of measures differing considerably among member states in terms of coverage, complexity and effectiveness. Income support thresholds and amounts in 2010 ranged between RSD 5,700 for a single-member household and RSD 11,400 for a household of five or more members. In the preceding year, a total of RSD 4.5 billion (only 0.15% of GDP) were earmarked for these purposes in the national budget. According to findings of various research projects, the coverage of beneficiaries and the expenditure on this benefit are low in the Republic of Serbia, lower than in the EU and its new member states. In the first eight months of 2010, an average of 66,664 families, or 168,121 persons, received family income support each month. Chart 5.4.11 shows that the number of families receiving family income support increased during 2009, a year of crisis, in comparison with the previous two years.⁴¹⁴ The upward trend

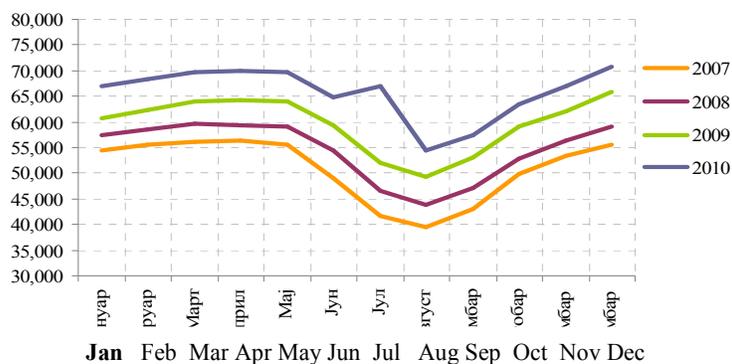
⁴¹² Under the new Draft Law on Social Welfare, the term ‘family income support’ will be replaced by the term ‘pecuniary social assistance’.

⁴¹³ Individuals or families without any income, or with income below the ‘social security minimum’ are eligible for family income support, provided that they fulfil all additional requirements regarding: income, assets, use of assets, possibility of support from relatives who are obliged to contribute under the Family Law, work capacity and work or employment prospects. This right is exercised through a procedure conducted by centres for social work.

⁴¹⁴ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

continued in 2010. In 2009, an average of 85,350 female and 75,206 male beneficiaries received family income support each month.⁴¹⁵

Chart 5.4.11: Development of the number of families receiving family income support, by months, 2007–2010

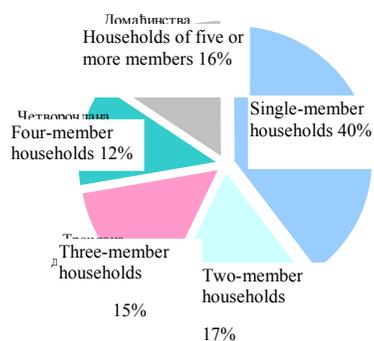


Source: Ministry of Labour and Social Policy

5.4.12. In recent years, along with growing numbers of beneficiaries, the number of applications for family income support grew, as did the number of applications for one-off assistance within the competency of local governments and the number of its beneficiaries in virtually all municipalities of the Republic of Serbia. Research on the impact of the crisis⁴¹⁶ indicates that the decline in employment and wages as a result of a decreasing supply of casual and seasonal jobs had a decisive impact on the deteriorating status of the poorest.

5.4.13. Figure 5.4.13⁴¹⁷ shows that most family income support beneficiaries belong to the single-member household group. The development trend of the number of beneficiaries through the year (see Chart 5.4.11) clearly shows a decrease in the period from May to August, followed by an increase in the second half of the year. These developments are a result of the legal provision whereby families in which a majority of members are capable of work are eligible for family income support for up to nine months per year.⁴¹⁸

Figure 5.4.13: Breakdown of beneficiaries of family income support by number of family members



⁴¹⁵ Source: Ministry of Labour and Social Policy, IT Division.

⁴¹⁶ Matković, Mijatović, Petrović, *Uticaj krize na siromaštvo i zarade*, CLDS, 2010.

⁴¹⁷ Source: Ministry of Labour and Social Policy, IT Division.

⁴¹⁸ Article 10, paragraph 2 of the Law on Social Welfare and Provision of Social Security of Citizens.

Source: Ministry of Labour and Social Policy

5.4.14. Income support thresholds and amounts in 2010 ranged between RSD 5,700 for a single-member household and RSD 11,400 for a household of five or more members.⁴¹⁹ In the preceding year, a total of RSD 4.5 billion (only 0.15% of GDP) were earmarked for these purposes in the national budget. According to findings of various research projects, the coverage of beneficiaries and the expenditure on this benefit are low in the Republic of Serbia.⁴²⁰ In 2010, the monthly average number of family income support beneficiaries was 65,816 families with 167,914 members, with significant monthly fluctuations. The lowest number of family income support beneficiaries of about 142,000 was recorded in August, while the highest figure, higher by over 36,000, was recorded in December.

5.4.15. Between 2007 and 2010, regular payments of family income support were made from the Republic of Serbia budget. The total annual amounts paid on account of family income support were RSD 5.1 billion in 2010, RSD 4.4 billion in 2009 and RSD 3.7 billion in 2008.

Table 5.4.15: Family income support

	Average number of beneficiaries (families)	Average number of persons	Average amount per family, in dinars	Total amount in billion dinars
2008	54,533	140,289	5,712	3.7
2009	59,624	168,347	6,216	4.5
2010	65,816	167,914	6,518	5.1

Source: Ministry of Labour and Social Policy

Note: The table shows average monthly figures for each year and the total amounts for the entire year.

5.4.16. **Allowance for the care and assistance of other people and an increased allowance for the care and assistance of other people** are pecuniary benefits in the sphere of social welfare used by persons who, as a result of disability or the nature or severity of illness, require another person's assistance. Their purpose is to provide beneficiaries with funds to carry out activities and procure services required to meet their essential needs.⁴²¹

Table 5.4.16: Allowance for the care and assistance of other people

	Average number of beneficiaries	Average amount of the basic allowance, in dinars	Average amount of the increased social allowance under the Law on Social Welfare, in dinars	Total amount in billion dinars
2008	41,832	6,152	16,130	5.3
2009	46,948	6,649	17,390	5.9
2010	50,320	7,015	18,275	6.3

Note: The table shows average monthly figures for each year and the total amount for the entire year.

⁴¹⁹ Source: Report on the Work of the Government 2009, section on the work of the Ministry of Labour and Social Policy.

⁴²⁰ World Bank, *Srbija Kako sa manje uraditi više*, 2009; Matković, Gordana i Boško Mijatović, *Analiza uticaja državne finansijske podrške siromašnima*, Government of the Republic of Serbia, Deputy Prime Minister's Poverty Reduction Strategy Implementation Focal Point, Belgrade 2009.

⁴²¹ Persons who, as a result of the nature or severity of an injury or illness, require assistance and care in carrying out activities necessary to meet their essential needs are eligible for the allowance for the care and assistance of other people, provided that they cannot exercise this right on other grounds (article 23 of the Law on Social Welfare and Provision of Social Security of Citizens). Persons referred to in article 23, paragraph 1 of the Law rated as 100% disabled are eligible for the increased allowance for the care and assistance of other people (article 25, paragraph 1 of the same Law).

5.4.17. The number of beneficiaries of the allowance for the care and assistance of other people in the social welfare system was on a constant increase from 2008 to 2010 (Table 5.4.18). In December 2009, there were 27,391 female and 21,817 male beneficiaries. In December 2010, the allowance for the care and assistance of other persons amounted to RSD 7,400, while the increased allowance amounted to RSD 18,624. The total amount of benefits recognised and paid in 2010 within the social welfare system and the supplements within the social welfare system (for pensioners of the Pension and Disability Insurance Fund who received the balance of the increased amount and for children with disability, i.e. the beneficiaries inherited from the previous system who received the balance to the increased amount) was RSD 6.3 billion. In 2009, the expenditure on these benefits totalled RSD 5.9 billion, and in 2008 – RSD 5.3 billion. The right to the allowance for the care and assistance of other persons is also exercised through the pension system by about 70,000 beneficiaries (the allowance amounts to about RSD 13,000) and through the veteran protection system by 700 beneficiaries.

Table 5.4.17: Beneficiaries and amounts of allowances for care and assistance of other people – December 2008, 2009 and 2010⁴²²

	Individual allowance amount in dinars			Number of beneficiaries		
	2008	2009	2010	2008	2009	2010
Basic allowance	6,383	6,760	7,400	18,189	19,783	19,526
Increased allowance	16,675	17,970	18,624	12,043	13,353	13,596
Total social welfare benefit				30,232	33,136	33,122
Supplement for pensioners	3,240–12,913	4,535–14,208	4,921–14,787	11,597	13,413	14,820
Supplement for children with disability	406–14,794	784–16,089	1,304–16,706	2,518	2,659	2,702
Total supplements from the social welfare system				14,115	16,072	17,522
Total				44,347	49,208	50,644

Source: Ministry of Labour and Social Policy

5.4.18. **Child allowance** is a support instrument for families with children, funded from the Republic of Serbia budget. It is paid for the first, second, third and fourth child in a family and targets poor families with children. Children from single-parent and foster families and children with disabilities are eligible for an increased child allowance.

5.4.19. Table 5.4.19⁴²³ shows the average monthly number of child allowance beneficiaries (children and families) and average monthly expenditure for this purposes in the stated years. As a result of the crisis, the number of child allowance beneficiaries grew in line with the number of poor families. A considerable increase occurred in 2010 and the number of children beneficiaries was about 45,000 higher than in the previous two years, while the average monthly expenditure in 2010 was about RSD 200 million higher than in 2008.

Table 5.4.19: Average monthly number of beneficiaries and expenditure on child allowance in million dinars

	Average monthly number of		Average monthly expenditure in million dinars
	Children	Families	

⁴²² Source: Ministry of Labour and Social Policy, IT Division.

⁴²³ Source: Ministry of Labour and Social Policy.

2008	390,412	208,958	677.2
2009	390,533	203,400	751.1
2010*	435,679	227,160	877.7

Source: *Ministry of Labour and Social Policy*

* average monthly expenditure in the first 11 months of 2010

5.4.20. In 2010, basic child allowance amounted to approximately RSD 2,000, while the increased allowance amounted to RSD 2,500.⁴²⁴ The annual budget expenditure for these purposes is low in comparison with EU member states and in 2009 and 2010 it amounted to only 0.3% of GDP.

5.4.21. With regard to **placement in social care institutions**, a total of 800 children without parental care were placed in social care institutions in 2009, which was a considerable decrease in comparison with 995 children in 2008 and is a manifestation of a several years' trend. In the same period, the number of children placed in foster families increased. In December 2009, the number of foster families in the Republic of Serbia totalled 3,470, accommodating 4,704 beneficiaries up to 26 years of age⁴²⁵ and 464 beneficiaries over 26 years of age. In 2009, 121 children were adopted, while 39 children were in the mandatory adjustment period; the selection of potential adoptive families for 48 children and of foreign adoptive families for 25 children was also under way.⁴²⁶

5.4.22. Table 5.4.22 clearly indicates a several years' downward trend in the number of children without parental care placed in social care institutions. This reduction was aided by the development of foster care as the primary non-institutional form of child protection and by specific measures carried out by the Ministry of Labour and Social Policy⁴²⁷, including the more stringent administrative and professional control of the practices of institutional care for children without parental care.

Table 5.4.22: Children and youth without parental care placed in institutions⁴²⁸

Year	Number of children and youth placed in institutions (up to 18 years of age)
2005	2,175
2006	2,104
2007	1,702
2008	995
2009	800

5.4.23. The number of children with developmental impairments placed in foster care did not increase at the same pace as the number of children without parental care placed in foster care. In 2007, 376 children with developmental impairments were placed in foster care, in 2008 – 364 children, and in 2009 – 382 children.⁴²⁹ Children with developmental impairments are still predominantly placed in institutional care, which is indicative of the insufficient development of foster care for this beneficiary group.

⁴²⁴ Source: Ministry of Labour and Social Policy, IT Division.

⁴²⁵ About 30% of the children and youth placed in foster families have moderate developmental impairments.

⁴²⁶ Report on the Work of the Government 2009, section on the work of the Ministry of Labour and Social Policy.

⁴²⁷ For more details, see section *Measures and programmes* – "Measures for remedying deficiencies in the placement of children and youth in residential institutions".

⁴²⁸ Data source: Ministry of Labour and Social Policy of the Republic of Serbia.

⁴²⁹ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

Table 5.4.23: Development trend of the number of provided foster care services⁴³⁰

	Total annual number of beneficiaries up to 26 years of age							
	2002	2003	2004	2005	2006	2007	2008	2009
Number of children and youth placed in foster families	2,237	2,394	2,738	3,264	3,748	4,410	4,832	4,704

5.4.24. In 2007, 1,459 children were placed in social care institutions, in 2008 – 1,392 children, and in 2009 – 1,403 children.⁴³¹ Of all children with developmental impairments in institutional care, almost 100 have moderate developmental impairments.⁴³²

5.4.25. According to indicators shown in Table 5.4.25, the number of adult and elderly persons placed in social care institutions increased in the observed period. At the same time, the number of beneficiaries placed in foster families first increased in 2008 and then decreased in 2009. Underdevelopment of adult and elderly foster care and other community-based services clearly highlights institutional care as the only social care option for a number of people in the Republic of Serbia.

Table 5.4.25: Number of adult and elderly beneficiaries placed in care⁴³³

Type of care	2007	2008	2009
Social care institution ⁴³⁴	14,678	15,348	15,493
Foster family	626	785	546

5.4.26. As regards **social care institutions for adult persons with mental disorders**, the social welfare system has 13 homes for persons with mental impairments and illnesses. These institutions accommodate about 3,750 persons (1,500 adult and elderly beneficiaries with mental impairments and 2,250 adult and elderly beneficiaries with mental illnesses).⁴³⁵

5.4.27. In 2009, 7,393 female and 6,827 male beneficiaries were in institutional care, while 2,618 female and 2,621 male beneficiaries were in foster care.⁴³⁶

5.4.28. **Day care**⁴³⁷ contributes to a better quality of life for individuals and families of children and youth with developmental impairments (psychological and physical developmental disorders, autism, behavioural disorders), adult persons with disabilities and elderly persons highly dependent on care. This non-institutional care service has developed considerably in recent years. Since 2002, the number of day care service beneficiaries has increased 3.3 times; the highest increase has been observed in the AP of Vojvodina. Even after several attempts by different city authorities to provide adult and elderly day care centres, the City of Belgrade still does not have such capacities, while, at the same time, a

⁴³⁰ Data of the Ministry of Labour and Social Policy.

⁴³¹ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

⁴³² Source: Ministry of Labour and Social Policy (2010).

⁴³³ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

⁴³⁴ The stated data include children with developmental impairments placed in these social care institutions

⁴³⁵ Source: Ministry of Labour and Social Policy, 2009 data.

⁴³⁶ Source: Ministry of Labour and Social Policy, IT Division.

⁴³⁷ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

considerable number of adult or even elderly persons uses day care services at child and youth day care centres.

- 5.4.29. Although the number of municipalities providing this service was constantly on the increase in the observed period (Table 5.4.29) and also from 2002 onwards, the capacities are still insufficient and the service is not available in a considerable number of local government units. In 2009, a total of 65 local governments funded day care services; of these, 43 funded child care, 13 – adult care and 9 – elderly care services. In 2008, a total of 53 local governments in the Republic of Serbia funded day care services; of these, 33 funded child care, 12 – adult care and 8 – elderly care services.

Table 5.4.29: Overview of the number of day care service beneficiaries, by areas⁴³⁸

Area	2008	2009
Central Serbia	1,583	2,132
AP of Vojvodina	1,558	2,338
City of Belgrade	344	360
Total	3,485	4,830

- 5.4.30. **Home care assistance⁴³⁹** is a service entailing direct assistance in daily care, but may also be combined with health care. As a rule, the service is provided to elderly persons and enables them to continue with their lives in the community, i.e. it prevents or considerably postpones their placement in institutional care. This service has also developed relatively fast over the past decade, but the development has been insufficient to meet needs. In 2009, home care assistance was provided by 98 local governments, and in 2008, by 78, showing a significant increase in only one year. As shown in Table 5.4.30, the City of Belgrade has the most beneficiaries of home care assistance. This service is more developed in urban areas.

Table 5.4.30: Overview of the number of home care assistance beneficiaries, by areas

Area	Number of beneficiaries	
	2008	2009
Central Serbia	2,719	5,275
AP of Vojvodina	3,908	4,275
City of Belgrade	2,446	2,486
Total	9,183	12,260

- 5.4.31. As regards **social welfare services for persons with disabilities⁴⁴⁰**, these persons account for about 10% of the population of the Republic of Serbia, i.e. an estimated 700,000–800,000 persons with disabilities live in the Republic of Serbia. The exercise of

⁴³⁸ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

⁴³⁹ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

⁴⁴⁰ This section uses data from the research *Servisi socijalne zaštite namenjeni osobama sa invaliditetom, Usklađivanje politike i prakse*, Dinkić, M., Ljubinković, B., Ognjenović, K., Rajkov, G., Milivojević, S., Centre for Independent Living of Persons with Disabilities of Serbia, Belgrade, 2008.

- the rights of persons with disabilities entails providing access to miscellaneous community-based services that should ensure their social inclusion.
- 5.4.32. **The social inclusion of persons with disabilities is at a very low level.** This is reinforced by financial poverty, an inaccessible living environment, rejection and prejudice in the environment and a lack of concern for their needs on the part of local community.
- 5.4.33. The social exclusion of persons with disabilities is also affected by insufficient community-based services. Services are unevenly distributed, as their number and quality are informed by the level of economic development in local government units within greater territorial units. The fewest services are available in rural environments. Both service providers and users are insufficiently familiar with the contents of specific services. Service providers include institutions within the system and associations of persons with disabilities, usually contracted on a project basis, which affects service type, quality and sustainability. The community-based services most frequently used by this beneficiary group are day care and training, sports, recreational and cultural activities and transport in connection with programme activities. The services least used include home care assistance, personal assistant services, supported community housing, therapeutic services and specialised public transport. In a competition organised in 2009 by the Persons with Disability Support Department of the Ministry of Labour and Social Policy to promote the status of persons with disabilities, support was granted for **21 project proposals** addressing intensive day care and **day care centres**. A total of RSD 23 million were earmarked for these purposes. In the 2010 competition, support was granted for **23 day care centres**, with an earmark of RSD 25.5 million.⁴⁴¹
- 5.4.34. **Supported housing for youth who start living independently and persons with disabilities** is a relatively new social service. It has been designed and put into practice in the field of social services, under the alternative title of ‘halfway house’ and through projects supported by the Social Innovation Fund⁴⁴². The service aims to provide adequate assistance and support services to youth who leave the social care system, mainly institutional care, and become involved in community life. The service also addresses youth with disabilities who start living independently.
- 5.4.35. As shown in Table 5.4.35, in 2009, 47 persons – 34 youth without parental care and 13 youth with disabilities – lived in 22 community housing units in 15 cities and municipalities. It is clear that the number of beneficiaries increased in comparison with 2008.

Table 5.4.35: Overview of the numbers of beneficiaries and of community housing units in supported housing services for youth who start living independently in 2009⁴⁴³

Number of municipalities and cities in which service is provided		15
Target group	Number of	Number of

⁴⁴¹ Source: Ministry of Labour and Social Policy, Persons with Disability Support Department.

⁴⁴² The Social Innovation Fund is designed as a transitional mechanism to provide funds for developing new social services and improving the quality of existing ones, focusing on community-based services. The Social Innovation Fund has participated actively in social policy reform in the Republic of Serbia by building capacities and providing financial assistance to the public, non-governmental and profit sectors and systematising and transferring the amassed knowledge and experience.

⁴⁴³ Data of the Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

	beneficiaries	community housing units
Youth without parental care	34	14
Persons with disabilities	13	8
Total	47	22

5.4.36. The supported housing services also cover persons with disabilities not belonging to the group of youth who start living independently, who also receives support for living in a community and social inclusion. This service was also developed as part of social welfare reform, initially on a project basis and in cooperation with civil society.⁴⁴⁴ The number of beneficiaries is still low; in Belgrade, for example, there were 23 beneficiaries in five community housing units in 2007.⁴⁴⁵

5.4.37. As regards the **legal incapacity and guardianship of adult and elderly persons**, the General Assembly of the United Nations adopted the Convention on the Rights of Persons with Disabilities and its Optional Protocol (2006), foreseeing an inclusive approach in the application of legal instruments for legal incapacity and guardianship.⁴⁴⁶ Domestic legislation of the Republic of Serbia governing legal incapacity and guardianship, judicial case law (cases where persons have been declared legally incompetent) and the practice of centres for social work (competent for placing persons declared legally incompetent under guardianship) do not provide sufficient scope to realise the concept of independent living with decision-making support for persons with mental impairments and mental illnesses. In conformity with the Family Law⁴⁴⁷, adults may be declared fully legally incompetent. This legally equates them with children up to 14 years of age, precluding them from making decisions independently or entering into legal transactions. They are assigned a guardian to make decisions in their name and on their behalf. Adult persons under guardianship are thus excluded from legal life and hindered from social inclusion in all spheres of life (for instance, they cannot take employment, enter into marriage, purchase housing and the like).

5.4.38. Data from the observed period (Table 5.4.38) clearly indicate increased numbers of adult and elderly persons under guardianship, which implies increased numbers of legally adult persons declared legally incompetent. In the procedure for declaring legal incapacity, the guardianship authority – the centre for social work – is in a conflict of interest, since it both gives an expert opinion to court and acts as a guardian (direct guardianship) or selects a guardian. This approach fails to ensure the independent and impartial representation of citizens' interests.

Table 5.4.38: Application of guardianship care in respect of adult and elderly persons⁴⁴⁸

Guardianship type	2007	2008	2009

⁴⁴⁴ For example, in the competition organised in 2010 by the Persons with Disability Support Department of the Ministry of Labour and Social Policy, support was granted for an extension of a five-year supported housing project targeting persons with disabilities in Novi Sad.

⁴⁴⁵ Petrović, B., Stojisavljević, D., Novak, J., Lukić, D., Stepen socijalne participacije i socijalna kompetentnost osoba sa intelektualnim teškoćama, Socijalna misao, 2007, vol. 14, issue 4, pp. 105–117.

⁴⁴⁶ The Republic of Serbia is party to the Convention and the Optional Protocol (2009).

⁴⁴⁷ Official Gazette of RS No. 18/2005.

⁴⁴⁸ Source: The Republic Institute for Social Welfare, Belgrade; Analiza izveštaja o radu centara za socijalni rad u Srbiji u 2009. godini, Belgrade, 2010.

Guardianship	9,090	9,579	10,740
Temporary guardianship	4,541	6,084	5,844
Total persons under guardianship	13,631	15,663	16,584

- 5.4.39. As regards **protection from domestic violence**, it is difficult to provide accurate data on the extent of domestic violence in the Republic of Serbia, since a comprehensive system for recording and monitoring has not been established. Institutions addressing domestic violence use different parameters to track and record it, which further hinders data comparison.⁴⁴⁹ Research conducted by certain public institutions and civic associations present a significant source of data on domestic violence. The existing data of the Ministry of Interior, judiciary, centres for social work, certain health and education institutions and associations engaging in protection against violence –incomplete as they may be – indicate that domestic violence has increased in visibility in recent years. This is particularly true of violence against women. According to centres for social work, in 2009, the number of domestic violence victims totalled 3,611 adults and 3,126 children and youth. However, in 2009, centres for social work filed 184 lawsuits seeking protection of violence victims, which covers a mere 3% of violence victims they identified in the same period.⁴⁵⁰
- 5.4.40. The number of refugees in the Republic of Serbia has been reduced considerably and currently totals 74,944.⁴⁵¹ A further reduction in the number of refugees is expected as a result of continued returns to Bosnia and Herzegovina and Croatia and continued integration into local communities in the Republic of Serbia. Employment and housing remain the main challenges to their full integration in society. The refugees' unemployment rate is considerably higher than that of the remainder of the population; average monthly income of a refugee household amounts to USD 123, i.e. USD 39.9 per head, and 61% of refugees have housing issues.⁴⁵² The number of **internally displaced persons** from Kosovo and Metohija totals 210,146.⁴⁵³ According to UNHCR research, the socio-economic status of internally displaced persons remains unstable. This group's unemployment rate is markedly higher than that of the local population. Internally displaced persons also face housing problems; this is especially the case with Roma, who often live in unsanitary settlements.
- 5.4.41. As regards **victims of trafficking in human beings**, the Republic Team to Combat Trafficking in Human Beings plays an important role in the National Referral

⁴⁴⁹ The Secretariat for Labour, Employment and Gender Equality of the AP of Vojvodina and the Autonomous Women's Centre, supported by the Gender Equality Directorate within the Ministry of Labour and Social Policy and UNDP as part of the project Combating Sexual and Gender-Based Violence in Serbia, developed a proposal for central (common) administrative records of violence in a domestic context and single records for eight relevant services. The model is expected to obtain support for pilot operation with a view to finalising the proposal and aligning it with legal requirements for citizens' personal data exchange.

⁴⁵⁰ Source: Analiza izveštaja o radu centara za socijalni rad u Srbiji, The Republic Institute for Social Welfare, Belgrade, 2010.

⁴⁵¹ Source: Commissariat for Refugees, 2010.

⁴⁵² According to research of the Commissariat for Refugees in cooperation with the IOM and UNHCR (2008).

⁴⁵³ Ibid.

Mechanism⁴⁵⁴ as the author of the strategy to protect and assist trafficking victims. The Republic Team to Combat Trafficking in Human Beings was established in 2002 as a multisectoral body comprising representatives of relevant ministries and national and international associations. The Council for Combating Trafficking in Human Beings defines national policies against trafficking in human beings and sets strategic goals within the joint response to the issue of trafficking.⁴⁵⁵ The National Coordinator for Combating Trafficking in Human Beings is tasked with coordinating the work of ministries and national and international associations, attending to international and regional cooperation, monitoring the state of affairs, initiating activities in the anti-trafficking sphere and reporting on these tasks to the Council for Combating Trafficking in Human Beings.

- 5.4.42. In identifying victims of trafficking in human beings, the Agency for Coordination of Protection of Trafficking Victims has the exclusive mandate to identify a person as a victim and integrate him/her into the existing trafficking victim protection and assistance system.

Table 5.4.42: Statistics on the numbers of identified trafficking victims

Year	Total number of victims	Legally adult persons	Juveniles	Females	Males	Serbian citizens	Foreign citizens
2007	60	34	26	51	9	48	12
2008	55	25	30	48	7	49	6
2009	127	68	59	104	23	114	13
2010	89	47	42	80	9	85	4

- 5.4.43. Following identification, the Agency assesses the victim's needs and organises subsequent assistance through specialised programmes carried out mainly by civil society organisations, together with the competent centre for social work in cases of juvenile victims. The Transition House for Victims of Trafficking⁴⁵⁶, funded by donors and the Ministry of Labour and Social Policy⁴⁵⁷ has been in operation since 2004, providing temporary accommodation as part of a comprehensive trafficking victim reintegration programme. Minimum standards for this service have already been defined within the social welfare system.

⁴⁵⁴ The Agency for Coordination of Protection of Trafficking Victims is a central part of the National Referral Mechanism. The Agency is part of the Institute for Child and Youth Care in Belgrade; it has been integrated into the social welfare system since 2005 and operates under the auspices of the Ministry of Labour and Social Policy. The Agency is a coordination centre in the provision and organisation of all forms of help in identifying, assisting and protecting trafficking victims and, at the same time, an information service on available accommodation capacities, medical, psycho-social and legal services relevant to assisting victims domestically and internationally.

⁴⁵⁵ The Council for Combating Trafficking in Human Beings was established by Government Decision in October 2004 and inaugurated in December 2005 as the Government's expert advisory body.

⁴⁵⁶ Coordinated by the non-governmental organisation Atina.

⁴⁵⁷ Funding awarded for the support to the Transition House for Victims of Trafficking in 2010 and 2011 total about RSD 1,800,000.

MEASURES AND PROGRAMMES

- 5.4.44. A number of projects in the domain of social and family protection has been supported by funds from the Instrument for Pre-accession Assistance (IPA) 2007–2011: Further Support to Refugees and Internally Displaced Persons in the Republic of Serbia (IPA 2007); Support to Refugees and Internally Displaced Persons (IPA 2008); Fostering Social Inclusion by Strengthening Institutions that Provide Community-based Social Protection Services (IPA 2008); Support for the Refugees and Internally Displaced Persons' Access to Rights, Employment and Improved Living Conditions (IPA 2009); and Development of Palliative Care Services in the Republic of Serbia (IPA 2010). As part of the CARDS programme, funds were provided for social service development projects through the Social Innovation Fund as well as for the transformation of child residential institutions through the UNICEF Office in Belgrade.
- 5.4.45. The purpose of the project **Building Local Mechanisms for Social Inclusion (2009–2010)**⁴⁵⁸ is to strengthen capacities and mechanisms for combating poverty and social exclusion in the least developed municipalities of the Republic of Serbia. In the first phase, in 2009, 18 municipalities were involved in the project, while in 2010, another five small underdeveloped municipalities became involved. These municipalities received consultative support in the sphere of capacity building for the strategic planning, development and realisation of social services.
- 5.4.46. Funded by the United Kingdom Department for International Development (DfID) and the Ministry of Foreign Affairs of the Kingdom of Norway, the project **Supporting Implementation of the Strategy for the Development of Social Welfare** was realised, aiming to build capacities of the Ministry of Labour and Social Policy, local governments and other key stakeholders at the national and local levels in the social welfare system to implement the Social Welfare Development Strategy. The project was implemented by Oxford Policy Management in cooperation with the Ministry of Labour and Social Policy where it concerned the reorganisation of work, introduction of case management in centres for social work, standardisation of centres' tasks and the development of direct social service standards. Support was also provided to develop a working Draft Law on Social Welfare and selected local governments received support in planning and contracting community social services.
- 5.4.47. As part of the project **Delivery of Improved Local Services**⁴⁵⁹, the activities in the Ministry of Labour and Social Policy are realised in two separate work streams: *activities pertaining to persons with disabilities* (increasing the motivation of local service providers, raising their capacities through the development of new services and transitional funding through grants for organisations working with persons with disabilities, with a view to adapting to new funding mechanisms) and *activities pertaining to information system development* (improving the accessibility and provision of assistance through the development and dissemination of innovations in service delivery through the development of a more advanced information system and networking among different stakeholders).
- 5.4.48. **Draft minimum standards for social services**⁴⁶⁰ were designed to be applicable to all social service providers (in the public, private and civil sectors) as well as achievable and

⁴⁵⁸ Source: Standing Conference of Towns and Municipalities (SCTM), <http://217.169.210.131/projects/56>. The project was funded by the Government of the Kingdom of Norway and implemented by SCTM and Centre for Liberal-Democratic studies.

⁴⁵⁹ For more information, visit www.dils.gov.rs

⁴⁶⁰ For more information, visit the website of the Republic Institute for Social Welfare, www.zavodsz.gov.rs.

measurable. Minimum standards set minimum requirements for the quality of social services. To date, draft minimum standards for a number of services have been developed, for instance, for residential institutional care (for adults and the elderly, children and youth), day care, supported community housing (for persons with disabilities and youth who start living independently), shelters, drop-in centres for children living in the streets, home care and assistance, personal assistance, elderly clubs and the like. Draft standards have been piloted and will be improved in 2011, with a view to being finalised and endorsed in the form of rulebooks, which will be among the bylaws to accompany the new Law on Social Welfare.

- 5.4.49. To improve the status and promote the social inclusion of **persons with disabilities**, the Ministry of Labour and Social Policy provides financial support for the implementation of programmes by social and humanitarian organisations and projects aimed at improving the status of persons with disabilities.
- 5.4.50. As shown in Table 5.4.50⁴⁶¹, a total of RSD 783 million were earmarked for the programme activities of social and humanitarian organisations between 2007 and 2009. Through the Fund for Persons with Disabilities Protection Projects, a total of RSD 132 million were earmarked for project activities aimed at improving the status of persons with disabilities between January 2007 and September 2010. Most projects addressed day care services and supported community housing. In 2010, these organisations were granted funding strictly on a project basis, in conformity with the Law on Associations⁴⁶², while no funding was granted for programmes.

Table 5.4.50: Overview of the execution of budgets of the Fund for Social and Humanitarian Organisations' Programmes and the Fund for Persons with Disabilities Protection Projects between 2007 and 2009⁴⁶³

Year	Programme activities	Project activities
2007	266,163,796	2,858,341
2008	253,780,601	53,664,775
2009	263,334,897	75,446,286

CONCLUSIONS AND CHALLENGES

- 5.4.51. As regards **pecuniary benefits** targeting the poorest, the number of beneficiaries shows a clear upward trend as a result of the crisis. A positive development is that, in spite of financial difficulties, national budget appropriations for these programmes have been executed in conformity with the law and even increased. At the same time, changes in the family income support scheme were foreseen by the new Law on Social Welfare and an opportunity was missed to extend this scheme precisely in the time of crisis.
- 5.4.52. Research carried out to date has shown clearly that the Republic of Serbia's expenditure on pecuniary social benefits is insufficient, that the coverage of the poor is low and that benefit amounts are inadequate. Inadequate equivalence scales, which do not assign an appropriate value to each additional household member and do not take into account age structure differences, are highlighted as the main flaw of this form of social assistance. In these conditions, poor multiple-member households are not adequately protected, either in terms of their size or in terms of the benefit amount.

⁴⁶¹ Source: Ministry of Labour and Social Policy.

⁴⁶² Official Gazette of RS No. 51/2009.

⁴⁶³ Amounts are stated in dinars.

- 5.4.53. In addition to changing equivalence scales, the Law on Social Welfare foresees raising the threshold and benefit amount for households consisting solely of persons incapable of work and increasing the number of household members in awarding the maximum benefit, which should contribute to better protection of the most vulnerable.
- 5.4.54. At a conceptual level, an important new feature is a focus on the proactive role of beneficiaries and providing opportunities for their activation. It is of paramount importance that the design of beneficiary activation programmes be aligned with relevant programmes to be developed for the unemployed, at both the strategic and implementation levels. The roles of and cooperation among local governments, centres for social work and the National Employment Services should also be defined accordingly.
- 5.4.55. The passage of the new Law on Social Welfare is important for enhancing social welfare and social inclusion in cases of material deprivation.
- 5.4.56. The adequacy of the protection of the poorest families with children through the child allowance, which is currently not scheduled for change, remains an outstanding issue. This right should be reviewed, *inter alia*, with regard to low nominal amounts per beneficiary, as well as its effects.
- 5.4.57. Reform in the domain of **social services** has been carried out in recent years by two mechanisms: reform projects and special funds for local-level projects (Social Innovation Fund and Fund for Persons with Disabilities Protection Projects). As a result of programme efforts, since 2002, the number of children and youth without parental care placed in foster care has increased from about 2,200 to 4,700 and the number of children in institutional care has been reduced from 2,200 to 800; children's residential institutions have also embarked on a transformation process.
- 5.4.58. In recent years, the number of beneficiaries of home care assistance and day care for children and adults with disabilities has been on a marked increase; in addition, the development of supported housing, personal assistant services and shelters for domestic violence victims has been initiated. A growing number of municipalities and cities provide these services and a growing number of associations are becoming involved in service provision. In the regulatory sphere, minimum standards for social services have been drafted, the tasks of centres for social work have been standardised and their work reorganised by introducing case management. With considerable donor support, more than two thirds of municipalities and cities of the Republic of Serbia have developed social welfare development plans.
- 5.4.59. **Challenges in this field remain great.** The coverage of the elderly and persons with disabilities by community-based services is still low and unsatisfactory, and support programmes for primary, extended and foster families aimed at the inclusion of children with developmental impairments are still underdeveloped. Community-based service development in many municipalities is only at the beginning.
- 5.4.60. The new Law on Social Welfare is expected to encourage the development of non-institutional care, in particular through targeted transfers to poor municipalities and cities, national funding of supported housing and establishment of regional centres for foster care. Local governments have emphasised that they will require support in the implementation of the new Law on Social Welfare and that continued training of local government staff and other social welfare stakeholders would be desirable. The

involvement of associations in social service delivery should be promoted.⁴⁶⁴ A particular challenge in the forthcoming period will be further improvement of the professional and management capacities for service delivery, especially in small and underdeveloped municipalities, as well as ensuring intersectoral cooperation with respect to:

- Designing health and social care institutions and services, as a prerequisite for deinstitutionalisation and improvement of care for persons with mental illnesses, other persons with disabilities and persons requiring palliative care;
- Liaising with the National Employment Service offices, as a prerequisite for the activation and social inclusion of social assistance beneficiaries;
- Liaising with educational institutions, with a view to providing support for the full inclusion of children with developmental impairments in the educational system.

5.4.61. Finally, the concept of Family Law, where it concerns the declaration of full legal incapacity and guardianship, should be reviewed, towards alignment with the Convention on the Rights of Persons with Disabilities and the Antidiscrimination Law.

LINES OF ACTION

5.4.62. In the sphere of pecuniary benefits, the most important aspects of reform efforts are more adequate protection and better coverage of the poor. Implementation of the new law is expected to yield considerable improvements in this respect through a reviewed right to family income support/pecuniary social assistance.

5.4.63. The amounts and targeted approach of child allowance, as an instrument protecting poor families with children, should be reviewed, in particular concerning the adequacy of allowance amounts and the possibility of their increase.

5.4.64. In the sphere of services, deinstitutionalisation and further development of community-based services remain the main strategic development streams that must be viewed as part of concerted reform efforts. Furthermore, it is important to improve the quality of institutional care for beneficiaries who continue to require it. In the medium term, the aim of reform is to make community-based services the primary form of social care, while residential institutional care should be an interim solution and the last resort.

5.4.65. Essential prerequisites for the further development of social welfare are strengthening regulatory and control mechanisms, upgrading professional capacities and further improving the information system at both the national and local levels.

5.4.66. In the domain of social inclusion, it is of paramount importance to improve intersectoral cooperation through the development of integrated services at the national and local levels, in particular in the spheres of health care, education and employment.

5.4.67. Conditions and programmes for the activation of social welfare beneficiaries should be further developed.

⁴⁶⁴ Source: *Osnaživanje partnerstava između centralne i lokalne vlasti u planiranju i pripremi politika za socijalno uključivanje*, Social Inclusion and Poverty Reduction Team, Office of the Deputy Prime Minister for European Integration, 2010.

5.5. Pensions

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.5.1. The pension system in the Republic of Serbia is regulated by the **Law on Pension and Disability Insurance**, amendments to the law from 2005, and the latest amendments adopted towards the end of 2010⁴⁶⁵. **The Law on Voluntary Pension Funds and Pension Schemes** regulates voluntary pension savings⁴⁶⁶.
- 5.5.2. The pension system had previously been governed by two laws – **the Law on the Foundations of the Pension and Disability Insurance** at the federal level⁴⁶⁷, regulating the rights of the insured and beneficiaries, and **the Law on Pension and Disability Insurance** at the level of the Republic⁴⁶⁸ regulating in more detail the organization and financing of the system. Within the reform of the pension and disability insurance, the federal law was partially changed in December 2001 (amendments to the law were adopted in 2001 and a new law was promulgated in 2003).

STATE OF AFFAIRS IN THE AREA

- 5.5.3. **The pension system in the Republic of Serbia** is mandatory, state-run and financed on a pay-as-you-go (PAYG) basis. It entails insurance from three fundamental types of risks: old age, disability and survivor risks.
- 5.5.4. **The insurance organized into three separate state funds was consolidated administratively** on January 1, 2008, while the complete financial merger is planned for 2011, according to the statutory solutions. The pension and disability insurance of military insured persons has been regulated by the military regulations, while only the issue of indexation of pensions has been regulated in the same manner as civilian pension indexation since 2008. The proposed amendments to the law regulating pension and disability insurance, integrate military insured persons and beneficiaries into the current pension and disability insurance system. Implementation of the pension and disability insurance is integrated from January 1, 2011, and as of January 1, 2012 the qualifying conditions as well.
- 5.5.5. In addition to the mandatory public system there is an **option of voluntary pension savings**, while introduction of mandatory private pension funds was abandoned as an alternative⁴⁶⁹.
- 5.5.6. The mandatory public pension system is designed to link the earnings of employees from their entire career to their future retirement benefits employing **the point-based formula**.
- 5.5.7. **The old-age pension** is calculated by multiplying the personal coefficient, which represents a relation between one's earnings relative to the average, by the number of years of the pensionable service. In this way the personal point is obtained which is multiplied by the general point (in 2010 it totalled RSD 605), and this is the manner of determining a pension.

⁴⁶⁵ Official Gazette of RS, Nos. 34/03, 64/04-AD, 84/04-other law, 85/05, 101/05-other law, 63/06-YC, 5/09, 107/09, 101/10.

⁴⁶⁶ Official Gazette of RS, No. 85/05,

⁴⁶⁷ Official Gazette of FRY, No. 30/96, 70/01, 3/02 and 39/02.

⁴⁶⁸ Official Gazette of RS, Nos. 52/96, 46/98, 29/01 and 80/02.

⁴⁶⁹ Matković *et al.* (2009), *Izazovi uvođenja obaveznog privatnog penzijskog sistema u Srbiji*, CLDS and USAID-SEGA, Belgrade

- 5.5.8. **The method of indexation of the general point and pensions** was modified on a number of occasions over the last years – from the Swiss formula introduced towards the end of 2001, the modified Swiss formula as of 2006, the planned indexation to costs of living only (which did not come into force), extraordinary indexation of 10% in October 2008, to freezing of pensions for the last two years of crisis.
- 5.5.9. Pursuant to the amendments to the Law on Pension and Disability Insurance adopted at the end of 2010, biannual indexation to changes in the consumer prices in the Republic of Serbia for the previous six months is stipulated (April 1 and October 1). In case gross domestic product in the previous calendar year grows more than 4% in real terms, the pensions will be indexed in April to the percentage representing the difference between the real growth rate of gross domestic product and the rate of 4%. This actually means real growth of not more than 1-1.5% per annum.
- 5.5.10. This kind of indexation is envisaged as of the year 2012. The Law on Amendments to the Law on the Budget System determines this manner of indexation until 2015 at least, and probably much longer – “until the share of pension expenditure in GDP attains 10%”⁴⁷⁰.
- 5.5.11. Exceptionally, pensions for December 2010 are adjusted by a 2% increase, and in April 2011 pensions will be indexed to the changes in consumer prices in the previous three months. In October of the year 2011 and April 2012, pensions will be indexed by a percentage representing a sum of the percentage of growth (fall) of consumer prices in the Republic of Serbia for the previous six months and the percentage representing one half of the real growth rate of gross domestic product in the previous calendar year – resembling the Swiss formula, but including GDP instead of wages.⁴⁷¹
- 5.5.12. The instrument for maintaining the absolute standard of living within pension insurance is the **minimum pension**. The minimum pension, defined by the 2005 legislative changes in such a way that in January 2006, it amounted to *25% of average wage* from the previous year. From that moment on, it is indexed as other pension benefits, but under a condition of extraordinary indexation if it falls under 20% of the average wage, by indexing it to a percentage on January 1 of the following year, the percentage that “provides that the lowest amount of pension for the previous year is brought to the level of 20% of the average wage from the previous year”⁴⁷².
- 5.5.13. The latest adopted amendments to the law stipulate extraordinary indexation of the minimum pensions as of January 1, 2011, for “a percentage providing that the share of the lowest pension amount in the average wage net of taxes and contributions of employees in the Republic of Serbia in 2010 is higher for a percentage point relative to the share of the lowest pension amount withdrawn in 2010 in the average wage net of taxes and contributions of employees in the Republic of Serbia in 2010”⁴⁷³. In addition, it is specified that the minimum pension cannot fall under 27% of the average wage net of taxes and contributions from the previous year.
- 5.5.14. Within the system of social assistance, there is no benefit specifically designated for the poor elderly, however they can claim income support (social security benefit), if they meet the general eligibility criteria applied to the entire population.

⁴⁷⁰ Official Gazette of RS, No. 73/10.

⁴⁷¹ The Law on Changes and Amendments to the Law on the Budget System, Official Gazette RS, No. 101/10.

⁴⁷² Official Gazette of RS, Nos. 34/03, 64/04-AD, 84/04-other law, 85/05.

⁴⁷³ Official Gazette of RS, Nos. 34/03, 64/04-AD, 84/04-other law, 85/05, 101/05-other law, 63/06-AD, 5/09, 107/09, 101/10.

- 5.5.15. In addition to the old-age pension, the pension system provides for disability pension benefits in case of a disability of an insured person and survivors' pensions in case of decease of the insured person or pensioner.
- 5.5.16. **The survivors' pension** is calculated as a portion of old age or disability retirement benefit an insured person or beneficiary would be entitled to before death, as a percentage determined according to the number of family members who meet the entitlement conditions for the benefit. a) 70% for one member; b) 80% for two members; v) 90% for three members; g) 100% for four members of the family and more.
- 5.5.17. **The disability pension** is determined by calculating the personal coefficient in the same manner as with the old-age pension. When determining the personal point, those claiming the disability pension because of an accident at work or an occupational disease are credited with 40 year of pensionable service. If the cause of disability is a non-work related injury or illness, 2/3 of years of pensionable service are added to the insured that the person lacks to 53 years of age and 1/2 of pensionable service to the default retirement age.
- 5.5.18. **The contribution rate** for pension and disability insurance equals 22% of wage (where employees bear 11% and employers bear 11%). This rate is expected to finance all types of pensions (old-age, disability and survivors' benefits), health insurance of pensioners and other charges pertaining to insurance from old age and disability⁴⁷⁴. As income generated from contributions is not sufficient, expenditure of the pension fund is subsidized by the Republic's budget, making more than 40% of the total revenues of the Pension and Disability Insurance Fund.

State of Affairs with regard to Relevant Indicators

- 5.5.19. In 2009, the **total number of pensioners** in the Republic of Serbia totalled approximately 1.6 million, representing over 20% of the total population. The highest number of pensioners comes from the employee insurance of the employee fund – 1.3 million, which is somewhat more than 80% of the total number. There were around 224,000 farmers, while the Fund of Self-Employed had slightly more than 50,000 pensioners (see: **Table 31 - The Number of Pensioners per Type of Insurance, 2002-2009**, Annex 6.1).
- 5.5.20. **Pension coverage among the population older than 65 years of age** is 77%, and it is slightly higher when it comes to men than women. Pension coverage for persons older than 75 and 80 years of age is lower, reflecting the situation on the labour market of that period (see **Table 32 - Pension Coverage**, Annex 6.1).
- 5.5.21. **In 2009, the ratio between the number of the insured and the number of pensioners (system support ratio)** fell to just above 1.4, and to approximately 1.3 in the employee fund. It substantially deteriorated over the last 20 years (please see: **Chart 1 - The Ratio of the Number of the Contributors and the Employee Fund Pensioners, 1986-2009.**, Annex 6.1).
- 5.5.22. Such an unfavourable ratio is primarily the result of large-scale economy disturbances and the reduced number of employees, former lax retirement conditions and maturity of the system, and to a lesser extent, aging of the population. However, put in a comparative perspective, even with the extremely high unemployment rates in the Republic of Serbia,

⁴⁷⁴ For further information on types of costs financed by the Pension and Disability Insurance Fund please see Bajec, J. and Stanić, K. (2005) "Koliki je stvarno deficit penzionog sistema u Srbiji?", *Kvartalni monitor ekonomskih trendova i politika u Srbiji*, No.1, 2005, pages 58-64.

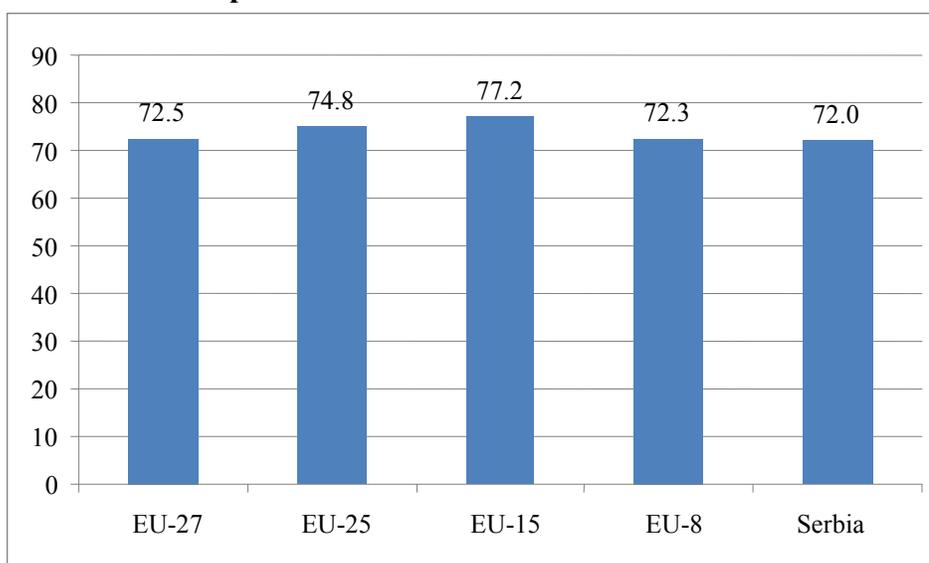
- the ratio in fact is not in marked contrast to the average in EU countries (**Chart 2 - The Ratio of the Contributors and Pensioners, 2007**, Annex 6.1).
- 5.5.23. **The most adverse ratio between the number of the insured and the number of pensioners is with the farmers' insurance**, amounting to 1.1 in 2009. The number of the insured in the fund significantly decreased since its formation – from 650,000 in 1987, when the Fund was established, to 229,000 in April 2009⁴⁷⁵. Even this number is most probably overrated, since records of the Fund are not up-to date, and due to the problem of non-active insured persons. On top of this, payments are often lower than the statutory minimum as there is an option of freezing the payments and falling into arrears with the Fund.⁴⁷⁶
- 5.5.24. In June 2010, **the average pension** in insurance of employees and the self-employed amounted to slightly over RSD 21,000, while it was RSD 8,165 in the farmers' insurance. The average old-age pension, when it comes to the insurance of employees, is slightly more than RSD 25,000. In the previous decade, pensions have recorded a significant rise in real terms and therefore the standard of living of the pensioners as well. Each year the pensions experienced a real growth of at least 5%, and in 2008, not less than 14% due to the extraordinary indexation that took place. And in spite of the freezing of the pensions, the growth was carried over in 2009, while in 2010, for the first time in the last ten years, there was a fall in pensions - the June pension relative to the last year's pension was 5.4% lower in real terms (see: **Table 33 - Average Pension, Average Pension to Average Wage Ratio, Real Growth of Pensions**, Annex 6.1). However, the pension amounts in absolute terms are still low. Moreover, more than 60% of pensioners from the employee insurance receive pensions lower than the average, though these are mostly survivor and disability pensioners.
- 5.5.25. Speaking of the ratio of the average pension in the employee insurance and the average net wage, in June 2010 it amounted to 63.7% and the ratio of the average old-age pension of the employee insurance and the average net wage was 73.7%. It is important to bear in mind that this indicator reflects not only the design of the pension system, but also the working history of the today's beneficiaries – pensionable service and the level of earnings, and in view of the total average pension, it takes into account the level of disability and survivors' pensions which are inherently lower.
- 5.5.26. The indicator of the design of a pension system in terms of old-age income replacement is the **replacement rate**⁴⁷⁷. It shows that a worker in the Republic of Serbia, working full years of service, receiving a pension in 2010, can replace the income at the level of approximately 72% of the pre-retirement earnings. This amount is currently at the acceptable level and it is comparable to EU countries (see: Chart 5.5.26), however in five years' time it will dwindle to three to eight percentage points depending on the growth of GDP and real wages (please see: **Table 35 - Replacement Rate, Projections to 2015**, Annex 6.1).

⁴⁷⁵ The statutory solution from 2003, whereby only one member of a farmer household must be insured and other members are insured on a voluntary basis.

⁴⁷⁶ For further details on problems with the farmer insurance and reasons for the drastic fall in the number of the insured Mijatović, B (2010), "Penzijsko osiguranje poljoprivrednika", CLDS and USAID SEGA.

⁴⁷⁷ For further details on pension system indicators Stanić, K (2008), "Uloga penzijskog sistema u održanju nivoa prihoda u starosti – merenje i međunarodna poređenja", *Kvartalni monitor ekonomskih trendova i politika u Srbiji*, No.13, pages 85 and 86.

Chart 5.5.26: Net Replacement Rates in Serbia and EU*



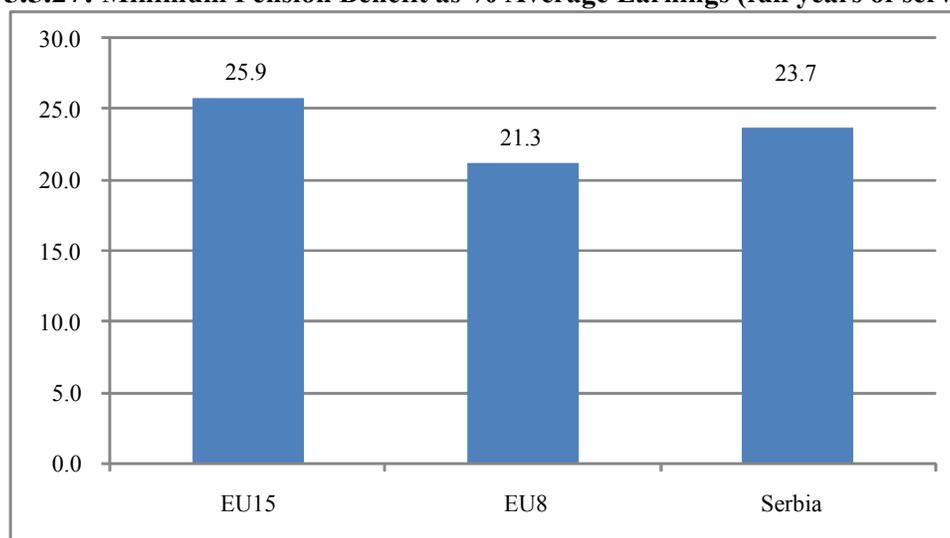
* The first pension (from the mandatory system) as percentage of the pre-retirement wage for earners with constant average income and 40 years of service

NOTE: Including pensions from the occupational schemes in countries where their coverage is more than 90% of workforce (Sweden and the Netherlands)

Source: Author's calculation for Serbia, datum for 2010; European Commission (SPC-ISG report from 2009, data for 2006; it is estimated that there were no changes)

5.5.27. The minimum pension for old-age and disability pensioners in employee insurance in 2010 amounted to RSD 11,088 i.e. around 24% of the average wage. This amount is comparable to EU countries (please see: Chart 5.5.27)⁴⁷⁸.

Chart 5.5.27: Minimum Pension Benefit as % Average Earnings (full years of service)



Source: OECD, Pension at Glance (2009); WB, Pension Panorama (2007) for Lithuania, Latvia and Estonia); for Serbia PDI Fund and Ministry of Labour and Social Policy

⁴⁷⁸ It should be noted that only full service data were available for EU countries, meaning there is a possibility that the minimum pension is lower for the smaller number of years of service.

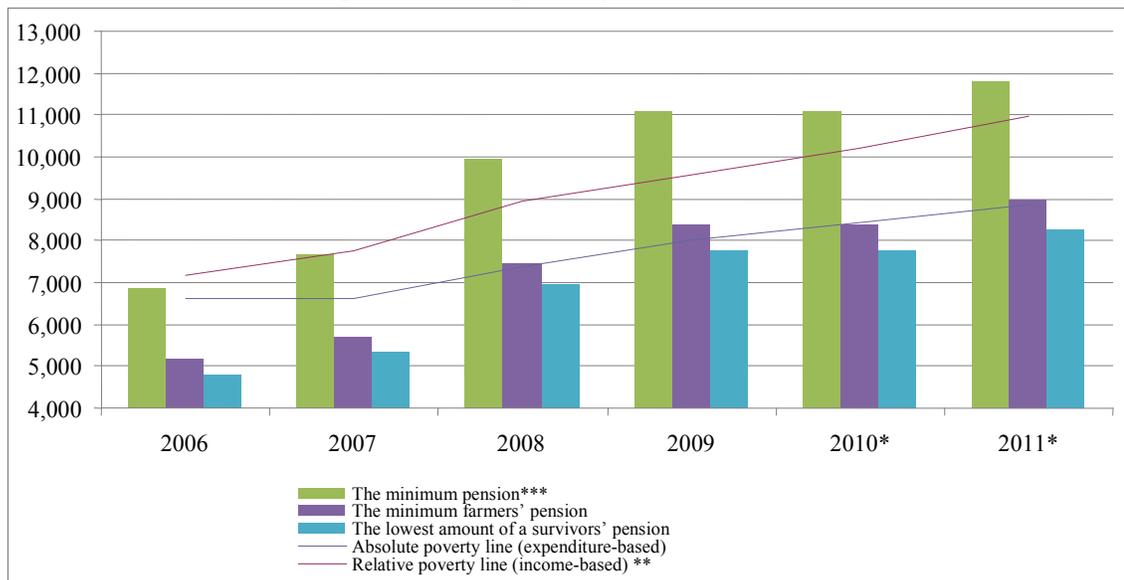
- 5.5.28. In June 2010, approximately 27,000 beneficiaries received the **minimum old-age pension from the employee insurance**, and more than 30,000 beneficiaries the disability pension. This represents around 6% of the two categories of pensioners. It is important to bear in mind the structure of beneficiaries of the minimum old-age pension – these are mainly women with 15-25 years of service (please see: **Chart 3 – The percentage of minimum old-age pension beneficiaries per years of service**, Annex 6.1). Therefore, the minimum pension in most cases is not a consequence of a low wage during one's career, but of a low number of years of service. A short pensionable service might also reflect the bad situation on the labour market (gray economy, payment of minimum contributions etc.). However, as that has been characteristic of the labour market since the 1990s, the effects are yet to be felt in the pension system during the following period.
- 5.5.29. The Article on the minimum (the lowest) pension is not applied to survivors' pensions. If necessary, the Article is applied to the old-age and disability pension benefits used for computation of survivors' benefits, prior to employing a percentage that depends on the number of beneficiaries. Therefore survivors' pensions can be very low (RSD 7,761 for one beneficiary, RSD 8,870 for two beneficiaries, and RSD 9,979 for three beneficiaries). A significant number of beneficiaries of survivors' pensions receive very low pension amounts. According to the data from the Pension and Disability Insurance Fund of Employees for June 2010, approximately 80,000 beneficiaries – almost 30% of survivor pensioners receive pension lower than RSD 11,000, while around 30,000 of them receive up to RSD 8,000⁴⁷⁹.
- 5.5.30. The minimum pension in farmers' insurance totals RSD 8,385 (see: Chart 5.5.30). It is therefore lower than the minimum pension in other two types of insurance. The difference was created in 2005, when the minimum pension in insurance of employees and the self-employed was increased from 20 to 25% of average wage from the previous year, while the minimum pension of farmers was left at the existing level⁴⁸⁰. The other peculiarity is that 99% of farmer pensioners receive in fact the minimum pension. The reason is the level of the minimum base to which contributions are paid, according to which an insured farmer would only after 40 years of pensionable service become vested in an old-age pension which would be equal to the minimum pension. The calculating method for pensions of insured farmers is practically superfluous, as most often the result is the pension lower than the minimum pension⁴⁸¹. Except for the year of 2008, when the minimum pension was at the very poverty line, and for 2009 when it was somewhat more than that, the minimum farmer pension benefit was generally below the absolute poverty line. According to the latest changes in legislation, the minimum farmers' pension was increased on January 1, 2011, from today's RSD 8,385 to RSD 9,000, meaning that the minimum pension of farmers is now above the absolute poverty line (see: **Table 36 - The Minimum Pension and the Poverty Line 2006 - 2011**, Annex 6.1).

⁴⁷⁹ The listed data do not take into account commensurate survivors' pensions, of which there are approximately 10,000. The commensurate survivors' pensions are pensions which a beneficiary earns partly in Serbia and the other part in some other country. This means that a commensurate pension is just one part of the pension income, and that the other part comes from abroad. Often these are pensions from the former SFRY countries.

⁴⁸⁰ Mijatović, B (2010), *Penzijsko osiguranje poljoprivrednika*, CLDS and USAID-SEGA, page 17

⁴⁸¹ Ibid.

Chart 5.5.30: The minimum pension and poverty line



Source: The Statistical Office of the Republic of Serbia and the Pension and Disability Insurance Fund
 * estimate (absolute poverty line increases if the cost of living index increases and the relative slightly less than the growth of wages)
 ** Does not take into account income in kind
 *** Old-age and disability pension from insurance of employees and the self-employed

5.5.31. **Poverty of pensioners** is slightly lower than the average of the general population. According to the Household Budget Survey (HBS), it is lower than poverty of the total population both in absolute terms by expenditure and in relative terms based on income, including income in kind. Pensioners over 75 years of age are in a somewhat worse position compared to other pensioners, however, still not worse than the total population.

Table 5.5.31.a: At-Risk-of-Poverty Rate, % (relative poverty, including income in kind)

	2006	2007	2008	2009
Total population %	20.9	21.0	17.9	17.7
Men	20.1	20.7	17.7	17.7
Women	21.6	21.3	18.1	17.8
Pensioners	15.6	15.4	14.1	12.9
Men	14.5	15.9	14.1	12.6
Women	16.6	15.1	14.1	13.2
<i>Pensioners 75 and over 75</i>	25.1	20.8	19.5	16.0
Men	21.9	19.1	20.2	13.5
Women	27.2	22.3	19.0	18.0

Source: Statistical Office of the Republic of Serbia

Table 5.5.31.b: Poverty Rate, % (absolute poverty, consumption)

	2006	2007	2008	2009
Total population	8.8	8.3	6.1	6.9
Men	8.5	8.0	6.1	7.1
Women	9.1	8.5	6.0	6.8
Pensioners	7.2	6.3	5.4	5.3
Men	7.9	7.7	5.7	6.3
Women	6.6	5.2	5.1	4.6
<i>Pensioners 75 and over 75</i>	9.0	9.1	7.8	6.9
Men	9.3	10.9	8.0	7.1
Women	8.8	7.6	7.6	6.8

Source: Statistical Office of the Republic of Serbia

5.5.32. However, when poverty is viewed in age groups, it is noticeable that poverty of the elderly over 65 is higher relative to the total population and the working population (please see: **Table 37 - Poverty Rate per Age Groups, % (Absolute Poverty, Consumption)**, Annex 6.1). This can be explained by difficult material circumstances of the elderly not entitled to a pension.

5.5.33. A research conducted at the end of 2008 showed in detail the circumstances of the elderly and pensioners based on the Living Standard Measurement Survey (LSMS)⁴⁸². The conclusion of this research is that the poverty rate in 2007 is more pronounced with farmer and survivor pensioners (12% and 8%), while poverty of disability and old-age pensioners from employee insurance is significantly below the average (less than 4%). Pensioner poverty is far more pronounced among less educated pensioners. In view of the age structure, pensioners over 75 years of age are far more vulnerable to poverty (almost 10% living in poverty), and these are most often survivor and farmer pensioners of little education. Likewise, although there is a strong correlation between the level of pension and poverty, not all beneficiaries of the minimum pension are necessarily poor as usually perceived by the public. In specific terms, 10.3% pensioners from the first quintile of the old-age employee insurance pension are poor⁴⁸³. The elderly over 65 years of age without retirement income suffer from significant poverty – almost 20% of the population is poor. There has been a very small decrease in poverty rates since 2002 among these people, in spite of the general alleviation of poverty in the Republic of Serbia.⁴⁸⁴ This finding confirms the important role of pensions in reducing poverty among the elderly.

CONCLUSIONS AND CHALLENGES

5.5.34. The major challenge of the today's pension systems is to **provide both adequate and financially sustainable pensions**. The two goals are practically conflicting – adequate pensions are costly for the system and any saving might question the adequacy of pensions, and this is what actually makes the pension policy complex. In this sense, the basic challenge is to strike the right balance between the two contradictory goals.

⁴⁸² David-Baronian, H. (2008), *Siromaštvo među penzionerima i starim licima sa 65 i više godina*, A research for the Team of the Deputy Prime Minister of the Government for implementation of the Poverty Reduction Strategy, Statistical Office of the Republic of Serbia and Ministry of Science and Technological Development, Belgrade.

⁴⁸³ Ibid, page 14.

⁴⁸⁴ Ibid, page 7.

- 5.5.35. When it comes to the Republic of Serbia, **freezing of pensions and indexation of the general point and pensions in payment** in the manner stipulated by the amendments of the law from 2005, and indexation according to the proposed changes of the law from 2010 are certainly instrumental to considerable savings and therefore supplement the financial stability of the system.
- 5.5.36. At the same time, **this manner of indexation might seriously undermine the adequacy of pensions**. There is a separate constraint set by the Law on Changes and Amendments to the Law on the Budget System, arbitrarily setting the targeted pension spending to GDP to 10%. This kind of a solution might have adverse implications on the adequacy of pensions – not only to the relative standard of living, but to the absolute standard of living as well. Not only will the replacement rate significantly drop to reach the share of pension spending of 10% - probably even 50% approximately, but it will reduce the room for manoeuvre for potential introduction of some additional instruments for alleviation of old-age poverty.
- 5.5.37. **It is necessary to consider poverty reduction instruments for the elderly**, bearing in mind the financial resources and other constraints pertaining to the pension system. Some of the options are the following:
- Introduction of a targeted social pension for the elderly over 65 years of age – the basic shortcomings of this option are financial expenses and the lack of administrative capacities necessary for targeting;
 - Introduction of a targeted pension for the elderly over 75 years of age – the basic shortcomings of this option are again the administrative capacities required for the targeting, however, financially, this option is more realistic;
 - Introduction of a universal pension for the elderly over 75 years of age – this solution does not require special administrative capacities, however, the financial expense is certainly higher; with this solution a number of pensions would go to those not in need of such pension;
 - Setting a minimum survivor pension, for which the top-up would be subsidized from the budget – the main shortcoming in addition to the financial, is the additional strain to the pension fund, which has already been the first institution for cutting expenditures⁴⁸⁵, and as of recently under limitations of the Law on Changes and Amendments to the Law on the Budget System.
- 5.5.38. **Revenues are one of the central problems of the pension system**, first of all because of high unemployment, but also under reporting, that is, payment of contributions to the minimum contribution base only. It is therefore vital that collection be enhanced and control increased of reported and received income. Moreover, it is necessary to put a lot of effort and enhance collection of contributions from farmers.
- 5.5.39. Pension expenditures in GDP are high, the main reason lies in low GDP and irrationalities found in the system of current pensioners, such as with the current disability and privileged pensions. This part of the pension system is reformed to some extent, and in the following period it is necessary to **carry on with better control of new privileged pension entrants and with further savings in pensions calculations**.

⁴⁸⁵ Until now, there has been no precise analysis of cumulative savings covering the period from 2001 to date. However, it is possible to estimate roughly that it amounts to tens of percentage points of GDP. In 2007, the Pension and Disability Insurance Fund did an estimate of the savings, but based it on indexation of pensions only (without the effects of changes in calculation of pensions from 2003) for the period 2002-2006. According to the estimation, the cumulative savings were more than 6% of GDP.

5.6. Health

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.6.1. **The Law on Health Care**⁴⁸⁶ regulates the organisation and implementation of health care measures and activities, societal care for the population's health, public interest in health care, patients' rights and duties, and stakeholders and institutions in the provision of health care services to the population.
- 5.6.2. Article 11 of the Law defines **vulnerable groups of the population**: children up to 15 years of age; school and university students until the completion of foreseen schooling or at the latest by attaining 26 years of age; women, regarding family planning and during pregnancy, childbirth and maternity up to 12 months following childbirth; persons over 65 years of age; persons with disabilities and mentally underdeveloped persons; persons infected with HIV or other communicable disease regulated by a specific law; injured persons, regarding the provision of emergency medical care and health care regarding tissue and organ donation and reception; unemployed persons and other socially disadvantaged groups whose monthly income is below the threshold set in conformity with the law governing health insurance; Roma persons who, owing to their traditional way of life, do not have permanent or temporary residence in the Republic of Serbia.
- 5.6.3. **The Law on Health Insurance**⁴⁸⁷ governs the rights arising from mandatory health insurance, the organisation and funding of mandatory health insurance, voluntary health insurance and other matters relevant to the health insurance system. Pursuant to this Law, the status of insured persons is also granted to socially disadvantaged persons (article 22 of the Law lists the vulnerable groups mentioned above), who thus attain the right to use health care services. Funds for their health care are provided from the Republic of Serbia budget.
- 5.6.4. In 2009 and 2010, **laws governing important areas of health and health care**, proposed with a view to alignment with EU legislation, **were passed**: the Law on Public Health⁴⁸⁸, the Law on Organ Transplantation⁴⁸⁹, the Law on Cell and Tissue Transplantation⁴⁹⁰, the Law on Blood Transfusion Activities⁴⁹¹, the Law on Infertility Treatment by Applying In Vitro Fertilisation Procedures⁴⁹², the Law on Protection of the Population from Exposure to Tobacco Smoke⁴⁹³, the Law on Medicines and Medical Devices⁴⁹⁴, the Law on Psychoactive Controlled Substances⁴⁹⁵, the Law on Ratifying the Convention for the Protection of Human Rights and Dignity of the Human Being with Regard to the Application of Biology and Medicine: Convention on Human Rights and Biomedicine⁴⁹⁶ and the Law on Food Safety⁴⁹⁷ (developed in cooperation with the Ministry of Agriculture, Forestry and Water Management).

⁴⁸⁶ Official Gazette of RS Nos 107/05, 72/09 – another law, 88/10 and 99/10.

⁴⁸⁷ Official Gazette of RS Nos 107/05 and 109/05 – corrigendum.

⁴⁸⁸ Official Gazette of RS No. 72/09.

⁴⁸⁹ Official Gazette of RS No. 72/09.

⁴⁹⁰ Official Gazette of RS No. 72/09.

⁴⁹¹ Official Gazette of RS No. 72/09.

⁴⁹² Official Gazette of RS No. 72/09.

⁴⁹³ Official Gazette of RS No. 30/10.

⁴⁹⁴ Official Gazette of RS No. 30/10.

⁴⁹⁵ Official Gazette of RS No. 99/10.

⁴⁹⁶ Official Gazette of RS – International Agreements, No. 12/10.

⁴⁹⁷ Official Gazette of RS No. 41/09.

STATE OF AFFAIRS IN THE AREA

- 5.6.5. A preliminary list of social inclusion indicators in the health and health care sphere includes three sets of indicators structured by objectives, to be used in the Open Method of Coordination: 1) accessibility of health care (including inequalities in access) and inequality of health outcomes; 2) quality of health care, in particular dimensions of effectiveness, safety and focus on the user or patient; 3) long-term system sustainability – expenditure and efficiency. Within each group, primary and secondary indicators have been identified, while in the last group, context indicators have also been identified.⁴⁹⁸ This chapter provides an overview of indicators in each group that may be computed on the basis of available data.
- 5.6.6. Among the primary indicators in the group relating to **accessibility of health care** is the proportion of the population covered by health insurance. According to the Living Standard Measurement Survey, 6% of the population of the Republic of Serbia do not have health insurance.⁴⁹⁹ Funds for their health care are provided from the Republic of Serbia budget, albeit the amount is insufficient for their health needs. Another indicator in this group, life expectancy at birth, has been on the constant increase in the Republic of Serbia, for both women and men. In 2007, life expectancy of male newborns was 5.1 years lower and that of female newborns – 5.7 years lower than the European Union average (27 member states).⁵⁰⁰ In the same year, life expectancy at exact age of 65 in the Republic of Serbia was 15.8 years for women, i.e. 4.7 years lower than the EU-27 average, and 13.6 years for men, i.e. 3.4 years lower than the EU-27 average.⁵⁰¹ In 2008, life expectancy of male newborns was 5.1 years lower and that of female newborns – 5.8 years lower than the European Union average (27 member states).⁵⁰² In the same year, life expectancy at exact age of 65 in the Republic of Serbia was 16.0 years for women, and 13.8 years for men.⁵⁰³ In 2009 life expectancy in the Republic of Serbia shows a slight tendency of increase, totally 73 years and both for men 71.1 and women 76.4 years⁵⁰⁴.
- 5.6.7. The **overall health status as reported by respondents** is among the secondary indicators in the first group. In 2006, 56% of the population of the Republic of Serbia over 56% years of age assessed their health status as good, while in the same year, this indicator in the European Union was 65.1%.⁵⁰⁵ In 2007, in the bottom quintile of income distribution, almost one in three inhabitants of the Republic of Serbia (32%) assess their health status as poor, while in the top quintile, this was the case with only one in nine (12%).⁵⁰⁶ The value of this indicator is far below that in the European Union, where 16.4% of the people in the bottom quintile and 4.9% in the top quintile of income

⁴⁹⁸ The Government (2010): *Praćenje socijalne uključenosti u Srbiji: Pregled i trenutno stanje socijalne uključenosti u Srbiji na osnovu praćenja evropskih i nacionalnih pokazatelja*, Social Inclusion and Poverty Reduction Unit and the Statistical Office of the Republic of Serbia, Belgrade, 2010.

⁴⁹⁹ Statistical Office of the Republic of Serbia (2008): Living Standard Measurement Study – Serbia 2002–2007.

⁵⁰⁰ Eurostat, downloaded from <http://epp.eurostat.ec.europa.eu>.

⁵⁰¹ Eurostat, downloaded from <http://epp.eurostat.ec.europa.eu>.

⁵⁰² Eurostat, downloaded from <http://epp.eurostat.ec.europa.eu>.

⁵⁰³ Eurostat, downloaded from <http://epp.eurostat.ec.europa.eu>.

⁵⁰⁴ Institute for Public Health of Serbia 'Dr Milan Jovanovic Batut' (2010): Health Statistical Yearbook of the Republic of Serbia 2009, Belgrade 2010.

⁵⁰⁵ The source of data on the Republic of Serbia is the Population Health Survey in Serbia, while the source for EU-27 is EU SILC.

⁵⁰⁶ Statistical Office of the Republic of Serbia (2008): Living Standard Measurement Study – Serbia 2002–2007. Belgrade.

distribution assess their health as poor.⁵⁰⁷ The second indicator in this group, infant mortality rate in the Republic of Serbia was showing a downward trend by 2009, the value of 6.7 infant deaths per 1000 live births⁵⁰⁸ was still above the EU member states' 2008 average of 4.4 infant deaths per 1000 live births⁵⁰⁹ in 2008. In 2009, the value of infant deaths has increased to 7.0.⁵¹⁰ Results of the Serbia Multiple Indicator Cluster Survey⁵¹¹ show that infant mortality rate in Roma settlements is considerably less favourable: in 2005, it was three times higher than the rate for the overall population – 25 versus 8.9 infant deaths per 1000 live births.

- 5.6.8. **In the second group of indicators, on the quality of health care**, five primary indicators are monitored; we, however, have available data on immunisation and user or patient satisfaction with health care services. Coverage of children of the relevant age by vaccination under the Compulsory Immunisation Programme is at a satisfactory level in Serbia. In 2009, 98.3% of newborns received a BCG vaccine, 97.4% of children received diphtheria, tetanus, pertussis and polio (OPV) vaccines in their first year, while revaccinations during the second year and at pre-school and school age covered over 96% of children. The MMR vaccination and revaccination coverage is over 95%. The coverage with hepatitis B vaccine is 95.2%, and with haemophilus influenzae type B vaccine – 96.3%.⁵¹² The stated data pertain to overall population. Children living in Roma settlements are covered by compulsory vaccines to a far lower extent: from 55.6% for DTP to 88.8% for BCG.⁵¹³
- 5.6.9. **Indicators of user or patient satisfaction with health care services provided** in the Republic of Serbia have been monitored since 2004, at the initiative of the Ministry of Health. The 2009 survey results indicate high satisfaction with all aspects of health care provided. The average rating of overall satisfaction with primary health care services was 4.0, without much variation, either among different services (general medicine, pediatrics, gynaecology, stomatology), or among districts. The percentage of patients satisfied with hospital care in 2009 was 91.6%. The average rating of satisfaction with hospital treatment was 4.3, while overall satisfaction of recent mothers with their stay in maternity wards was somewhat lower, with the average rating of 3.8.⁵¹⁴
- 5.6.10. **Perinatal mortality**, a secondary indicator in the second group, in addition to indicating the effects of endogenous factors on foetal health, is also a significant indicator of the quality of health care for mothers and children, since it covers a period of intensive monitoring of their health by the health care service. The value of this indicator in the Republic of Serbia decreased slightly, from 9.3 perinatal deaths per 1,000 births in 2007

⁵⁰⁷ Eurostat (2010): Combating poverty and social exclusion: a statistical portrait of the European Union 2010. Table 4.3: Self-perceived general health, EU-27, 2007, page 79.

⁵⁰⁸ Statistical Office of the Republic of Serbia (2010): Statistical Yearbook of Serbia 2010, Belgrade, 2010.

⁵⁰⁹ World Health Organization, Regional Office for Europe (2010): European Health for All Database (HFA-DB), Updated: July 2010.

⁵¹⁰ Institute for Public Health of Serbia 'Dr Milan Jovanovic Batut' (2010): Health Statistical Yearbook of the Republic of Serbia 2009, Belgrade 2010.

⁵¹¹ UNICEF (2007): Serbia Multiple Indicator Cluster Survey 2005. Monitoring the Situation of Children and Women. UNICEF, Belgrade.

⁵¹² Dr Milan Jovanović Batut Institute for Public Health of Serbia (2010): *Zdravstveno statistički godišnjak Republike Srbije 2009*. Belgrade, 2010.

⁵¹³ UNICEF (2007): Serbia Multiple Indicator Cluster Survey 2005. Monitoring the Situation of Children and Women. UNICEF, Belgrade.

⁵¹⁴ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2010): *Pregled najvažnijih rezultata ispitivanja zadovoljstva korisnika u državnim zdravstvenim ustanovama Republike Srbije 2009. godine*.

- to 8.9 perinatal deaths per 1,000 births in 2009.⁵¹⁵ The value of this indicator in the EU is considerably lower – in 2008, it was 5.8.⁵¹⁶
- 5.6.11. In the third group of indicators, pertaining to **long-term health care system sustainability**, indicators of health care expenditure and consumption are available. According to the World Health Organisation Health for All database, the estimated total expenditure on health care in the Republic of Serbia in 2008 amounted to 9.8% of the GDP, which exceeds the EU member states' average (9.0). However, compared to other European countries, the Republic of Serbia's expenditure on health care, in absolute terms, is low, which is a result of its relatively low GDP. Total per capita expenditure on health care shows a stable increase between 2003 and -2008; the 2008 estimate was 838 ppp\$ per capita, while the EU average was 2877 ppp\$.
- 5.6.12. According to estimates developed within the National Health Accounts project, which is under implementation, expenditure on long-term care and treatment, expressed as a percentage of overall health care expenditure, increased from 0.33% in 2003 to 1% in 2008.⁵¹⁷ In the Republic of Serbia, **long-term care and treatment** are currently provided in the existing health and social care institutions. The health care system provides hospital care and protection of mentally ill patients in specialised psychiatric hospitals and psychiatric wards of general hospitals. Some of these patients are cared for by social care institutions. With the exception of the Medijana pilot centre in Niš, which is functioning with difficulty, there are still no community-based mental health centres that would enable the inclusion of mentally ill persons in the social and economic life of the community, in addition to providing health care.
- 5.6.13. There are no special institutions for providing palliative care and accommodation to patients in the terminal stage of illness. The Strategy for Palliative Care⁵¹⁸ integrates palliative care and treatment in the existing health care system. At the primary health care level, palliative care are provided in primary health centres through home care services and by forming palliative care teams. The total of 476 health workers, health associates and volunteers were educated according to the accredited program in 2010 in the field of palliative care, namely 106 doctors of medicine, 189 nurses, 42 psychologists, 50 social workers and 89 volunteers in 61 health centers. At the secondary health care level, in general hospitals, special palliative care units are foreseen within extended treatment and care wards. It is envisaged that palliative care units with a total of 140 beds will be established in 13 health care institutions in the Republic of Serbia. Many countries are still in search for a sustainable modality of funding long-term care, since the share of private funding sources is relatively high.⁵¹⁹ Local and regional authorities have increasingly become involved in this segment of care and this should be further encouraged.
- 5.6.14. Local governments are holders of founders' rights in primary health centres, pharmacies, primary health care institutes and tertiary clinical centres. The construction, maintenance and furnishing of these institutions and procurement of medical and non-medical equipment for them are within the local governments' sphere of competence. Further, local governments' competences include monitoring the population's health status and

⁵¹⁵ Statistical Office of the Republic of Serbia (2010): Statistical Yearbook of Serbia 2010, Belgrade, 2010.

⁵¹⁶ World Health Organization, Regional Office for Europe (2010): European Health for All Database (HFA-DB), Updated: July 2010.

⁵¹⁷ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2009): National Health Accounts of Serbia.

⁵¹⁸ Official Gazette of RS No. 17/09.

⁵¹⁹ Commission of the European communities (2009): Joint Report on Social Protection and Social Inclusion 2008. Country profiles. Brussels, February 24, 2009.

operation of local-level health service, promoting public health, implementing measures aimed at health improvement and preservation, providing prerequisites for accessibility and balanced use of primary health care, planning and implementing programmes for health improvement and protection from polluted environment, testing foodstuffs and drinking water and the like. On the other hand, prevention activities, which are primarily in the purview of health institutions, are usually carried out without local government involvement.

5.6.15. In 2008, **the number of hospital discharges** per 100 population was lower than the EU average by 1.5. In 2009, inpatient (hospital) care was provided in 128 health care institutions in the Republic of Serbia, namely: inpatient units in primary health centres (21), general hospitals (40), specialised hospitals (37), institutes (2), clinics (6), tertiary clinical centres (4) and secondary clinical centres (4). Hospitals in the Republic of Serbia had a total capacity of 39,572 beds (not including beds in day hospitals) in 2009. This provided 528 beds per 100,000 population, which is slightly lower than the 2008 EU average (530 per 100,000 population), but considerably lower than the European region average of 657 beds per 100,000 population⁵²⁰.

Table 5.6.15: Hospital efficiency indicators in the Republic of Serbia and the EU

Year	Discharges per 100 population		Average length of stay in days		Average daily bed occupancy in %	
	Serbia*	EU**	Serbia*	EU**	Serbia*	EU**
2007	15.3	17.5	9.6	8.8	73.4	77.0
2008	16.2	17.7	9.2	8.7	74.7	77.9
2009	17.3		8.8		74.5	

*Source: Dr Milan Jovanović Batut Institute for Public Health of Serbia, *Zdravstveno statistički godišnjak Republike Srbije 2009*

**Source: European Health for All Database (HFA-DB), downloaded from: <http://data.euro.who.int/hfad/>

5.6.16. **Average length of stay in hospitals** has recorded a downward trend, which contributes to higher hospital efficiency, while average daily bed occupancy has increased (Table 5.6.15). There are, however, great variations among hospitals in terms of length of stay and bed occupancy for the same illnesses and conditions, which indicates differences in efficiency and work productivity and inadequate bed distribution in relation to existing needs. The hospital payment modality applied to date has not left any scope to reward better performers in terms of quality and efficiency.⁵²¹ The EU average daily bed occupancy relates only to acute hospitals; therefore, owing to differences in terms of hospital types present in specific health care systems, caution is required when drawing international comparisons.

5.6.17. In addition to the above indicators, the group relating to long-term system sustainability includes **smoking and alcohol consumption incidence indicators**. Smoking is the most significant individual risk factor in the Republic of Serbia. The number of smokers decreased between 2000 and 2006 by 6.9% among adults and by 7.4% among youth and, according to the most recent available data from the 2006 Population Health Survey in Serbia, 33.6% of persons over 19 years of age and 15.5% of youth between 15 and 19

⁵²⁰ World Health Organization, Regional Office for Europe (2010): European Health for All Database (HFA-DB), Updated: July 2010.

⁵²¹ World Bank document (2009): Serbia. Doing More with Less. Addressing the Fiscal Crisis by Increasing Public Sector Productivity.

years of age were smokers.⁵²² In 2006, 40.3% of the population of the Republic of Serbia consumed alcohol (daily or occasionally), while the number of those who did not consume it had increased by 5% in comparison with 2000. A total of 3.2% of adult population consume alcohol on a daily basis. The average weekly number of alcoholic beverage servings consumed by adults in the Republic of Serbia in 2006 was 6.4 and was considerably lower than in 2000, when it had been 8.3.⁵²³ The data on alcohol consumption among youth reveal that 5.5% of youth in the Republic of Serbia were in the habit of being inebriated at least once per month, while one in four children or adolescents (25.5%) aged between 12 and 19, more specifically, almost one in three boys and one in five girls, had been inebriated at least once in their lifetime.⁵²⁴

- 5.6.18. **Obesity**, as a primary indicator in this group, was recorded among 18.3% of the adult population in 2006. In comparison with 2000, the incidence of obesity had increased by 1%. Moreover, one half of the adult population of the Republic of Serbia (54.5%) are overweight.⁵²⁵ The rates of undernourished and obese children were different between the overall population and vulnerable groups of children: the share of undernourished children under five years of age living in Roma settlements was 7.7%, compared to 1.6% for children in the overall population. At the same time, obesity rates were in an inverse relation: 15.3% of children in the overall population were obese, while this was the case with only 2.8% Roma children in Roma settlements.⁵²⁶
- 5.6.19. The group of context indicators relating to long-term system sustainability includes density of health professional workforce, public and private expenditure expressed as a percentage of the GDP by health care activity or function type. A total of 114,175 staff were employed in the health care system of the Republic of Serbia (health care institutions in the Health Care Institutions Network Plan) in 2009. Nurses had the highest share in the staff. The density of health professional workforce in the Republic of Serbia is below the EU average. In 2008, the density of physicians in the Republic of Serbia was 284 physicians per 100,000 population, while the EU average was 324 physicians per 100,000.⁵²⁷ Staff streamlining measures in the Republic of Serbia health system, implemented in 2005 and 2006, were primarily focused on reducing the headcount of non-medical, i.e. administrative and technical staff, although the number of health professionals was reduced as well.

⁵²² Dr Milan Jovanović Batut Institute for Public Health of Serbia (2008): *Zdravlje stanovnika Srbije. Analitička studija 1997–2007*.

⁵²³ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2010): *Zdravstveno statistički godišnjak Republike Srbije 2009*. Belgrade, 2010.

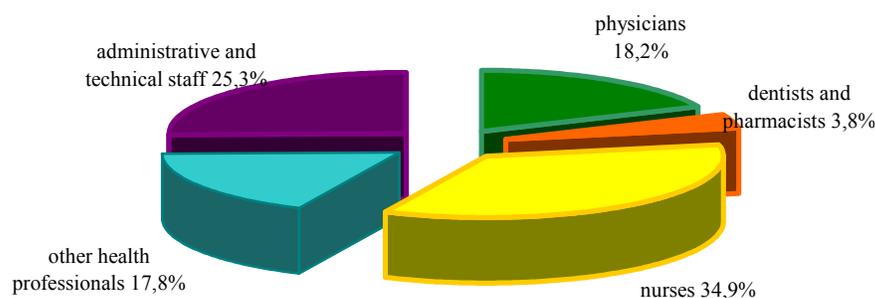
⁵²⁴ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2009): *Evropsko istraživanje o upotrebi alkohola i drugih droga među mladima u Srbiji, 2008. godina*.

⁵²⁵ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2008): *Zdravlje stanovnika Srbije. Analitička studija 1997–2007*.

⁵²⁶ UNICEF (2007): Serbia Multiple Indicator Cluster Survey 2005. Monitoring the Situation of Children and Women. UNICEF, Belgrade.

⁵²⁷ World Health Organization, Regional Office for Europe (2010): European Health for All Database (HFA-DB), Updated: July 2010.

Chart 5.6.19: Breakdown of staff in the Republic of Serbia public health sector in 2009



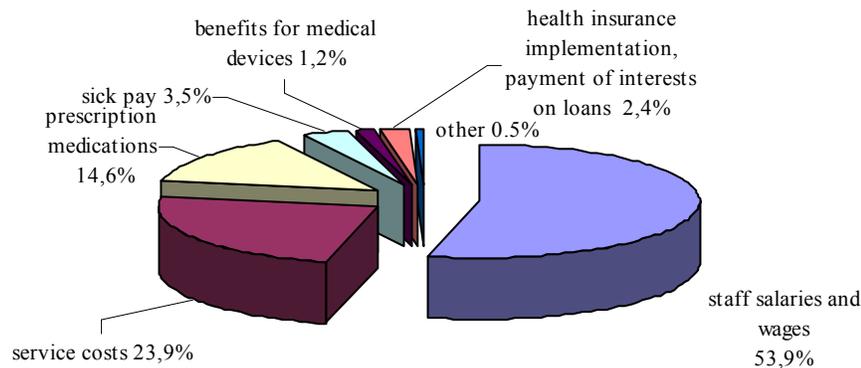
Source: Dr Milan Jovanović Batut Institute for Public Health of Serbia, *Zdravstveno statistički godišnjak Republike Srbije 2009*

- 5.6.20. **The share of public expenditure in total expenditure on health care** in the Republic of Serbia in 2008 was 62.5%, which was below the EU average of 76.6%. Public expenditure on health equalled 6.7% of the GDP.⁵²⁸ The private expenditure, amounting to 34.5% in that year, relates to services in the private sector, out-of-pocket payment for medications, payment for non-standard services and bribes to health professionals. As regards out-of-pocket payment for health care services, the population of the Republic of Serbia spends most on medications and medical supplies, both in hospital care and in primary health care. Out-of-pocket payments are considerably higher among the wealthier compared to the poorer users of health care services, but expenditure on health care presents a higher burden on the budgets of the poorer population strata. The share of persons who cannot afford medications, medical treatment and orthopaedic aids is not known, but it has been found that a considerable proportion of chronic patients living below the poverty line do not follow the prescribe therapy regularly⁵²⁹.
- 5.6.21. **The structure of the Republic Institute of Health Insurance (RIHI) income and expenditure** has been relatively constant in recent years: a mere 3% is spent on prevention activities, 33% on primary health care and 63% on hospital care. The allocation of mandatory social insurance funds, i.e. the disbursements to health care institutions for the health services provided (staff wages and salaries) and for other purposes (costs of transportation, energy consumed, medications, medical supplies and implants, food and other supplies required by users or insured persons) is within the competence of the Republic Institute. The allocation of funds is based on the system for funding health institution capacity. Wages and salaries of health institutions' contracted staff accounted for the highest proportion of expenditure of mandatory health insurance funds in 2009.

⁵²⁸ Dr Milan Jovanović Batut Institute for Public Health of Serbia (2009): National Health Accounts of Serbia.

⁵²⁹ Statistical Office of the Republic of Serbia (2008): Living Standard Measurement Study – Serbia 2002–2007, Belgrade.

Chart 5.6.21: Breakdown of expenditure of mandatory health insurance funds in 2009



Source: Republic Institute of Health Insurance – financial statements. RIHI income and expenditure from January 1 to September 30, 2010. Downloaded from: <http://www.rzso.rs/download/prihodirashodi.pdf>

MEASURES AND PROGRAMMES

- 5.6.22. Between 2008 and -2010, **European Partnership priorities** pertaining to organ, cell and tissue transplants and infertility treatment by in vitro fertilisation procedures were pursued.⁵³⁰ In addition to setting the procedures and requirements for organ harvesting and transplants, as part of the transplant development programme, the Government adopted the Basis for the Conclusion of Preliminary Cooperation Agreement between the Republic of Serbia and the Eurotransplant International Foundation⁵³¹. The Ministry of Health has launched the campaign entitled "Extend Life", aimed at supporting the transplant programme.⁵³² The Biomedicine Administration has been established; its tasks include coordinating the operation of all institutions involved in organ transplants, monitoring application of law in this area, keeping donor registers and organ transplant waiting list, taking part in training of health professionals, information and organ donation promotion campaigns.⁵³³
- 5.6.23. Since 2006, the Ministry of Health has implemented a birth incentive programme by in vitro fertilisation methods, funded from the national budget. By the beginning of 2010, 904 children were born as a result of the programme. The number of in vitro fertilisations carried out by September 2010 totalled 3,873. The in vitro fertilisation programme is carried out at the Institute of Gynaecology and Obstetrics within the Clinical Centre of Serbia, Narodni front Ob/Gyn Clinic in Belgrade, Ob/Gyn Clinic within the Clinical Centre of Vojvodina and the Clinical Centre of Niš; since September 2008, it has also been carried out by six privately-owned health care institutions and waiting lists have been abolished as a result. In late 2009, the City of Belgrade launched an initiative and provided funding for the second attempt of in vitro fertilisation for 215 couples from the

⁵³⁰ The Government (2009): Amended National Programme for Integration of Serbia into the EU. Downloaded from: <http://www.seio.gov.rs/code/navigate.asp as of August 28, 2010>.

⁵³¹ The Government (2010): Report on the Work of the Government from January 1 to December 31, 2009. Belgrade.

⁵³² Ibid.

⁵³³ Official presentation of the Ministry of Health. Downloaded from: www.zdravlje.gov.rs

- Belgrade area whose first attempt had failed. In early 2010, at the proposal of the Republic Institute of Health Insurance and the Ministry of Health, the Government adopted the decision to cover the second in vitro fertilisation attempt by mandatory health insurance funds.
- 5.6.24. **The Serbia against Cancer national programme** has increased the coverage of the population by prevention and early detection of malignant illnesses and health professionals have been trained to implement the programme. As part of the programme, special support is provided to prevention, early detection and treatment of malignant tumors of the cervix, breast and colon. Cervical, breast and colon cancer prevention programmes comprise a set of activities, among which early detection of these illnesses is central. Organised screening programmes aimed at early detection of these malignant illnesses will be introduced in 2011. With the help of an effective media campaign, over 56 thousand women were checked in two mobile mamographs over the last year and a half. The National PET Center was opened in October 2010 within the Serbia against Cancer program, as a segment of the strategic plan of the Ministry of Health for furnishing health institutions with the state-of-the-art diagnostic equipment. The total of 16 scholarships for medical practitioners was approved in terms of introducing new methods of prevention and diagnostics of malign tumors. A free phone line 0800-202-3030 was opened to provide psychological assistance to persons with malign diseases and their families, within the program Serbia against Cancer and in cooperation with the Association for Psycho-oncology of Serbia.
- 5.6.25. Visible progress in improving **health care accessibility to vulnerable groups of population** has been achieved in respect of Roma population. According to Roma activists of the association *Decade Watch*⁵³⁴, the Republic of Serbia ranks second in the region by the Roma integration development index in the past five years. Analysis of the impact of policies designed and implemented by the Ministry of Health in the domain of Roma health care demonstrated that the implemented measures were effective and cost-efficient and it was recommended that they should be continued.⁵³⁵ The Ministry of Health **has a designated budget line for Roma status improvement** within its programme budget. Since 2006, when RSD 60 million were earmarked, allocations have gradually declined, but other funding sources have also been identified (Organisation for Security and Cooperation in Europe – OSCE, World Bank project Delivery of Improved Local Services, project of the Fund for Open Society entitled Introducing 15 Health Mediators in the Health System of Serbia, and others).
- 5.6.26. The Action Plan for Health of Roma Population foresees funding projects implemented by primary health care institutions in collaboration with associations tackling the exercise or advancement of the rights of the Roma ethnic minority and recruitment of Roma health mediators, which commenced in 2008. In 2010, 60 primary health centres' visiting nurse services employed a total of 75 Roma health mediators. Since a database was set up to monitor project results and outcomes of mediators' work, data are available for eight months of 2008, whole of 2009 and until December 2010.⁵³⁶ Health insurance cards and personal identity documents were provided to 9,086 Roma persons, 8,238 Roma children were vaccinated, more than 2,297 expectant mothers underwent health checks, 4,924 women had comprehensive gynaecological examinations, 693 mamograph checks were conducted, 14,924 Roma persons selected their general practitioners and 5,387 women

⁵³⁴ Decade Watch (2009): Results of the survey 2009.

⁵³⁵ Deputy Prime Minister's Poverty Reduction Strategy Implementation Focal Point (2009): *Analiza uticaja mera zdravstvene politike na dostupnost zdravstvene zaštite romskoj populaciji*. Belgrade.

⁵³⁶ Ministry of Health (2010): *Izveštaj o aktivnostima za unapređenje zdravstvene zaštite Roma*.

selected their gynecologists. Various activities covered a total of 36,600 families and 120,708 Roma persons. Health mediators conducted the total of 138,106 visits to Roma families, 34,494 promotional health leaflets were handed out, 5,740 workshops with nurses were organized in Roma settlements. Nurses have thus far collected data on the status of 850 Roma settlements in 50 towns in line with the indicators of the World Health Organizations. Software and lap tops were provided for 45 mediators in cooperation with UNICEF and Telenor. The total of 87,227 Roma and 25,900 Roma families were registered in the database until December 13, 2010. The most frequently occurring illnesses in Roma population were identified: as in the overall population, cardiovascular illnesses, diabetes and malignant illnesses prevail. Addictions and bronchial asthma are also very frequent. A total of 941 persons with disabilities were identified in Roma population. An evaluation of effectiveness and/or efficiency of projects for advancing the health of the Roma in relation to the identified objectives in the Action Plan for the Health of the Roma. It should be mentioned that the issuance of health cards was facilitated as of July 2010 by the Rules of Procedure on the Methodology and the Procedure for Exercising the Rights of Mandatory Health Insurance of the Republic Institute for Health Insurance⁵³⁷, which stipulates in Article 11 the right to mandatory health insurance of Roma citizens based on a personal statement that the person is of Roma nationality and the residence certificate or a personal statement on the place of temporary residence.

- 5.6.27. The project entitled Children Should Remain in the Family, implemented in cooperation with the UNICEF, as prevention of separating newborns with development disorders from the family, covered 23 delivery and 35 special child institutions by accredited programs, tackling education for improving the communication with the parents of children with development disorders. The training covered the members of the counselling team who work with the parents of children with development disorders. The following documents were developed: the Guide for Counselling Families of Children with Development Disorders, the Guide for Medical Practitioners and Nurses with General Principles of Communication with Pregnant Women, Mothers and their Families and the Guide for Newborn Care. According to the Rules of Procedure on Additional Support for Child and Student⁵³⁸, a medical practitioner as a standing member of the Commission nominated by the local government is obliged to, inter alia, comprise an individual plan of support for children or students in the field of health advancement.
- 5.6.28. **Reform of the mandatory health insurance system** included a change in the modality of remuneration of health professionals for their work, on both primary and secondary health care levels. All insured persons are entitled to select their physicians in the territory of their home branch office (on the basis of their place of permanent or temporary residence). As part of the reform project for primary health care payment by capitation, the Republic Institute of Health Insurance initiated the registration of the population with their selected physicians and created a database of insured persons. By February 2010, physician selection statements were signed by 63.8% of the persons insured by the Republic Institute of Health Insurance.⁵³⁹ This process is characterised by considerable regional discrepancies: Valjevo has the highest proportion of citizens who selected their physicians – almost 80%, the proportion in Belgrade is somewhat lower – 77%, while in Bor slightly more than 40% of citizens selected their physicians.

⁵³⁷ Official Gazette of RS, Nos 10/10, 18/10-correction, 46/10, 52/10 and 80/10.

⁵³⁸ Official Gazette of RS, No. 63/10.

⁵³⁹ Republic Institute of Health Insurance – *Izabrani lekar*. Downloaded from: <http://www.rs/index.php/baza-osiguranika-stat-menu/izabrani-lekar> as of October 26, 2010.

- 5.6.29. **Changing primary health care payment modality** entails introducing a performance-based payment system, as opposed to the capacity-based system applied to date. Four components are included in the capitation formula: registration, i.e. the number of users who have selected their physicians, adjusted by the age-group specific adjustment coefficient; streamlining, i.e. the average value of prescribed medication per user; efficiency expressed as the ratio of realised to contracted number of examinations, services and prevention activities, and/or the share of preventive examinations in the total number of examinations. This payment modality offers a possibility of rewarding health care providers for efficiency in their work and, under current plans, its implementation is scheduled for 2011. In hospital care, changing the payment modality entails introducing diagnosis-related groups as a mechanism for payment per episode of patient care, where an episode covers the period from the admission to the discharge of a patient. The purpose of these groups is to define common costs of an episode of care that would apply to the health care system as a whole. This would enable hospitals to improve their efficiency and effectiveness.⁵⁴⁰ This payment modality is being piloted on a sample of hospitals as part of the World Bank Serbia Health Project – Additional Financing.
- 5.6.30. Measures towards **health care quality improvement** have been implemented since 2004 by monitoring quality indicators in health institutions, assessments of user or patient satisfaction and health system staff satisfaction, introduction of good clinical practice guidelines for the most common illnesses and conditions, development of clinical pathways for specific illnesses and establishment of the Agency for Accreditation of Health Care Institutions of Serbia⁵⁴¹, along with development of accreditation standards and provision of training for evaluators⁵⁴². Health care quality improvement is aided by the development of an integrated health information system, as well as the "e-Zdravlje"⁵⁴³ service, which entails the use of information and communication technologies in an active approach to caring for one's health. A component of the World Bank project *Delivery of Improved Local Services* addresses the provision of information technology to all 159 primary health centres in the Republic of Serbia, while the *Serbia Health Project – Additional Financing*, also funded by the World Bank, addresses the provision of information technology to hospitals.
- 5.6.31. The highest proportion of **capital investments** in the health care system is funded from the national budget, followed by the province budget and local government budgets, and also from grants. Major capital investments in 2008 and 2009 included notably: the energy supply system of the Clinical Centre of Serbia, commissioned in September 2008; development of the main designs and surveillance of the performance of works at clinical centres in the Republic of Serbia (Belgrade, Novi Sad, Niš and Kragujevac), urgent refurbishment of 20 hospitals in the Republic of Serbia and procurement of medical equipment required by health centres throughout the Republic of Serbia. Equipment was provided to health centres in underdeveloped municipalities with a view to equalising the operating conditions of these institutions across the health care system of the Republic of Serbia.⁵⁴⁴

⁵⁴⁰ Newsletter *Projekti Ministarstva zdravlja i Svetske banke* (2010). *Projekat Razvoj zdravstva Srbije. Reforma plaćanja zdravstvenih usluga*.

⁵⁴¹ Decision Establishing the Agency for Accreditation of Health Care Institutions of Serbia, Official Gazette of RS No. 94/08.

⁵⁴² Rulebook on the Accreditation of Health Care Institutions, Official Gazette of RS No. 112/09.

⁵⁴³ Government (2010): National Strategy for an Information Society in Serbia until 2020. Official Gazette of RS No. 51/10.

⁵⁴⁴ Government of the Republic of Serbia (2010): Report on the Work of the Government 2009.

- 5.6.32. Decentralisation of the health care system, provided for by the 2005 Law on Health Care, actually started in 2007 by transferring the founders' rights in primary health care institutions to local governments.⁵⁴⁵ In order for local governments to discharge their legal duties and assume responsibility for citizens' health in their respective local communities, the capacities of both primary health care professionals and municipal authorities' staff needed to be strengthened. From May to June 2010, a series of training courses in local government competences in primary health care was held for all key stakeholders in local governments. The training was organised and funded as part of the World Bank project *Delivery of Improved Local Services*.

CONCLUSIONS AND CHALLENGES

- 5.6.33. **The strategic framework for health care is to a great extent aligned with the EU requirements and programmes.** However, activities specified in action plans, which constitute an integral part of any strategic document, are not always implemented at the planned pace, and the issue of sustainability and impact assessment of the implemented measures also arises. Among the challenges are also clashes of laws and bylaws. Health care policy measures aimed at staff streamlining do not allow for recruitment of expert teams foreseen by some strategic documents.
- 5.6.34. The trends to date indicate that **the Republic of Serbia is making considerable progress as regards the indicators** of health care accessibility, population health outcomes, health care quality and health care system sustainability. Yet, the values of the available indicators are still lagging behind the EU average values.
- 5.6.35. There are still great differences in indicators of health status and health-related living between vulnerable groups of population, especially Roma, and the overall population. The issue of providing reliable and comparable data for the computation of indicators is still unresolved, although indicator lists for monitoring the health of vulnerable groups have been established and databases have been developed in various institutions (Statistical Office of the Republic of Serbia, Dr Milan Jovanović Batut Institute for Public Health of Serbia, Ministry of Health, UNICEF, etc.).
- 5.6.36. **Funding health care for particularly vulnerable groups** from the Republic of Serbia budget is regulated by the Law on Health Care and the Law on Health Insurance. However, the funds earmarked in the budget of the Ministry of Health for the health care of these persons, who would thus be equalised in status with other insured persons, are not sufficient. The proportion of out-of-pocket payment for health care services, primarily for medications and medical devices, still present a significant obstacle to vulnerable groups of population in accessing health care.
- 5.6.37. **Progress in health care quality assurance and evaluation** has been achieved through developing the Strategy for Permanent Improvement of Quality in Health Care Protection and Safety of Patients⁵⁴⁶ accompanied by its Action Plan⁵⁴⁷, through formulating and applying modern health care quality indicators, and through establishing the Agency for Accreditation of Health Care Institutions of Serbia, along with developing accreditation standards and introducing tools for service standardisation and reduction of clinical practice variation. Practicing health professionals are still insufficiently involved in the

⁵⁴⁵ The City of Belgrade took over the founders' rights in 27 health care institutions: 16 primary health centres, 6 institutes at the primary health care level, Belgrade Pharmacy and 4 tertiary clinical centres.

⁵⁴⁶ Official Gazette of RS No. 15/09.

⁵⁴⁷ Conclusion on the Adoption of the Action Plan Implementing the Strategy for Permanent Improvement of Quality in Health Care Protection and Safety of Patients 2010–2015, Official Gazette of RS No. 40/10.

culture of ongoing quality improvement, and the challenges of ensuring sustainability of the newly established health care system mechanisms and raising working efficiency still remain.

- 5.6.38. **Progress has been achieved in establishing national health accounts**, which will enable monitoring financial flows in the health care system, identifying costs structure, especially as regards specific groups of illnesses or forms of health care, determining the shares of public and private sectors in health care costs and drawing comparisons with other countries. Precise data for the computation of these costs are still not available owing to an inadequate modality of cost monitoring, incomplete coverage and erratic reporting; hence, only estimates may be made.
- 5.6.39. **The level of allocations for health care** expressed as a percentage of the GDP has been maintained since the onset of the economic crisis and is close to the European Union average. However, as a result of low GDP in absolute terms, the per capita expenditure on health is also low. It is noticeable that its considerable share in the low gross domestic (material) product is not in line with the health system performance and population health outcomes.
- 5.6.40. **As regards long-term care and treatment, there are no palliative care institutions.** The Strategy for Palliative Care does not envisage specific institutions for palliative care, which relies on primary health care and the family, with support of the local community and volunteers, as well as the units for palliative care in families where 300 beds for this purpose have been opened. Based on the recommendations of the European Commission, the project of introducing “care homes” in five towns of the Republic of Serbia in 2011, which shall be a project of the Ministry of Health submitted for IPA funds. The project does not envisage an integration of health care and social protection in this field. Hospitals and hospital wards for long-term care for psychiatric patients, rehabilitation and geriatric wards are also in the domain of long-term care and treatment, but their capacities are insufficient. Care institutions for children and adults with developmental impairments and disabilities, as social welfare institutions with health professionals on staff, offer an opportunity for developing integrated forms of protection and care for these vulnerable groups of population. Deinstitutionalisation is taking root in our region as well; the solutions in everyday practice are, however, insufficient.

LINES OF ACTION

- 5.6.41. The adopted strategies and passed laws should be implemented more consistently, implementation should be monitored at all levels and legislation should be harmonised to facilitate professionals' work in the system and to provide timely and high-quality health care services to users.
- 5.6.42. Adverse demographic trends should be halted by implementing measures and activities defined by the Birth Incentive Strategy⁵⁴⁸. All birth incentive measures that proved effective, including in vitro fertilisation procedures, should continue.
- 5.6.43. As preventable illnesses prevail in the population health status overview in the Republic of Serbia, insufficient knowledge and skills for healthy lifestyles should be addressed. Particular focus should be on illnesses and conditions that pose the highest risk of incapacity or death, such as cardiovascular illnesses, malignant illnesses and epidemics or pandemics of communicable illnesses such as HIV/AIDS or seasonal influenza. Health promotion campaigns aimed at raising awareness of health risks and prevention methods

⁵⁴⁸ Official Gazette of RS No. 13/08.

- should be continued, with increased local focus, i.e. based on needs assessments and specific features of each local community. Services for the prevention, control and early detection of these illnesses should be established, or, where they exist, strengthened, in particular at the primary health care level.
- 5.6.44. To reduce the health status gap between vulnerable groups and the overall population, programmes aimed at increasing health care accessibility to marginalised groups should be further developed, in particular at local government level in response to their specific health and social needs. To that end, the existing good practices, such as Roma health mediators, should be continued.
 - 5.6.45. As vulnerable groups' health is determined by various factors external to the health care system, such as social vulnerability and exclusion, unemployment, low education level or inadequate access to information, it is necessary to develop and enhance intersectoral cooperation with other societal subsystems: education system, social welfare system, employment, media, civil society organisations and other organisations and sectors in the development of programmes and activities aimed at improving and preserving these population groups' health.
 - 5.6.46. It is necessary to identify mechanisms for increasing allocations from the health care funds for preventive health care and for measures aimed at increasing health care accessibility to vulnerable population groups. In addition, more funding should be provided for persons insured under Article 22 of the Law on Health Insurance to equalise their health care level with that of the other insured population. Financial sustainability of the system is among the main challenges, especially in times of crisis; therefore, it is necessary to develop control mechanisms for encouraging rational use of funds while taking account of quality standards and rights to health care as stipulated by laws and bylaws. To this end, the recommendation from the European Platform against Poverty and Social Exclusion to "[u]ndertake an assessment of the efficiency and effectiveness of health expenditure" should be taken into account.
 - 5.6.47. Health care system performance may be improved by better planning of health care staff at the national level and better management at the health care institution level, by developing their knowledge and skills, increasing technical and financial efficiency and improving health care quality on an ongoing basis.
 - 5.6.48. Development of modern community-based service models for caring for vulnerable groups of population should be continued, in particular regarding children with developmental disabilities, persons with mental illnesses, the elderly and persons with disabilities. Strengthening local government capacities for decentralisation, liaising and cooperation with other societal subsystems and community-based services may help in accommodating their complex needs by developing integrated forms of care and protection.
 - 5.6.49. It is necessary to continue with health information system implementation and consolidation and training of health care professionals in using information and communication technologies, in an effort to increase health care accessibility, improve data quality and develop more sensitive indicators for monitoring health system performance. In addition, gender-sensitive social and health statistics should be developed and modern indicators introduced to monitor social exclusion and social cohesion, with a view to responding adequately to EU requirements and monitoring achievements of Europe 2020 Strategy targets.

- 5.6.50. Stimulating population surveys, especially surveys of health, knowledge, attitudes and behaviour of the population with respect to specific health problems and surveys of user or patient satisfaction, health care staff satisfaction and their expectations of the system is a requisite for health system performance monitoring and evaluation in terms of population health outcomes, especially effects on vulnerable groups' health status.

5.7. Housing

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.7.1. Several laws prescribe measures of support to vulnerable groups in provision of adequate housing conditions. According to the **Housing Law**⁵⁴⁹, “the State shall undertake measures to create conditions conducive to housing construction and ensure conditions for resolution of housing needs of socially vulnerable persons in accordance with the Law”⁵⁵⁰. However, the Law does not define specific options for the delivery of this task.
- 5.7.2. **The Law on Social Housing**⁵⁵¹, the implementation of which is in the jurisdiction of the Ministry of Environment and Spatial Planning, provides basis for the establishment of the necessary strategic, institutional, financial and other instruments at the level of the Republic and on the local level. At the level of the Republic these are: the National Social Housing Strategy (development ongoing) and the pertaining Action Plan; the Republic Housing Agency, as well as the appropriate programmes adopted by the Government in line with this strategic framework, such as: economically sustainable methods of housing programmes funding; adequate standards and norms, as well as licensing of non-profit housing organisations. At the local level these are: local housing strategies and programmes; city housing agencies and other non-profit housing organisations; as well as the models of co-funding social housing programmes. The Law defines social housing as “housing of adequate standards ensured with state support (...) to households who are not able to ensure apartments as per market conditions for social, economic and other reasons”. Article 10 sets down the right to resolution of housing needs for “persons who are without apartments or apartments of adequate standards and who cannot ensure apartments as per market conditions from their income”. The criteria for prioritization are: housing status, income, health condition, disability, number of household members and property status, and the additional measures include being member of a vulnerable group. Within the implementation of the Law, the Rules of Procedure were developed setting the conditions for issuance of revocation of licence for operation of a non-profit housing organisation and the content of the required register of non-profit housing organisations⁵⁵². The drafting of the decree on conditions, standards and norms for planning and designing, use and maintenance of social housing apartments is ongoing⁵⁵³.
- 5.7.3. **The Law on Social Protection and Provision of Social Security of Citizens** provides for the opportunity to ensure accommodation in social protection institutions (protected housing) for persons with physical disabilities and hearing impairments, chronically ill

⁵⁴⁹ Official Gazette of the Republic of Serbia No. 50/92, 76/92, 84/92, 33/93, 53/93, 67/93, 46/94, 47/94, 48/94, 44/95, 49/95, 16/97, 46/98, 26/01.

⁵⁵⁰ Article 2, Housing Law.

⁵⁵¹ Official Gazette of the Republic of Serbia No. 72/09.

⁵⁵² Official Gazette of the Republic of Serbia No. 44/10.

⁵⁵³ Source: Ministry of Environment and Spatial Planning, Dept. for Housing Affairs.

persons, mentally disabled persons, pensioners and other elderly persons whose ability to lead self-sufficient lives has been preserved or are only slightly reduced. The Draft Law on Social Welfare⁵⁵⁴ provides also for supportive housing of persons with disabilities, as one of the rights and services of social protection ensured by the Republic of Serbia.

- 5.7.4. The amendments to the **Law on Refugees**⁵⁵⁵ set down the measures of the State taken to resolve the housing needs of refugees and former refugees with a view to their integration. These measures include: giving real estate owned by the State for use for a fixed period of time or lease thereof, as well as the possibility of purchase; allocation of funds for improvement of living conditions, purchase of construction materials for completing ongoing housing construction and purchase of village houses.

STATE OF AFFAIRS IN THE AREA

- 5.7.5. **Approximately 98% of the housing fund in the Republic of Serbia is privately owned**⁵⁵⁶ as a result of the privatisation process in the Republic of Serbia during the 1990s. According to the data of the 2009 Household Budget Survey, the majority of households (97,3%) live in apartments owned by one of the household members or free of charge. The apartments are more frequently rented by households living above the poverty line. Most of the households who rent apartments (15-20%) earn RSD 30 – 40,000. Only 1% of the poorest households, earning up to RSD 10,000 rent entire or parts of apartments⁵⁵⁷.

Table 5.7.5: Housing status of households per type of settlement in the Republic of Serbia, 2009 (%)

	Total	Urban	Other
Owner or lives free of charge	97.3	56.6	43.4
Subtenant (of entire or part of unit)	2.7	87.3	12.7

Source: HBS, 2009

- 5.7.6. The 2007 Living Standards Measurement Survey (LSMS) data indicate that **approximately 85% of households living below the poverty line reside in individual houses**, built mostly on their own, while only 9% live in residential buildings. Some 2% of these households live in facilities not suitable for housing, in extremely poor conditions.
- 5.7.7. **Housing costs** include expenditures directly related to payment of rent (for persons renting apartments) or payment of mortgage installments (for owners of apartments), and maintenance costs such as heating, utilities, etc. The 2007 LSMS showed that housing costs constitute a significant portion of the total costs of households (18.6%). The housing costs of households living in urban areas are somewhat higher (20.4%) relative to the households living in rural areas (15.2%), due to the value of the imputed rent as well as higher maintenance costs. The Household Budget Survey data on financial burden exerted on households by the housing costs indicate that 6.6% of the total number of households in the Republic of Serbia in 2008 and 2009 spent more than a half of their income on housing costs, a somewhat higher percent of these households living in rural areas (approximately 55%).

⁵⁵⁴ Text of the draft Law on Social Protection, December 2009

⁵⁵⁵ Law on Changes and Amendments of the Law on Refugees, see:

http://www.parlament.gov.rs/content/lat/akta/akta_detalji.asp?Id=829&t=Z#. 9. avgust 2010

⁵⁵⁶ Source: 2002 Census

⁵⁵⁷ Source: LFS, 2009.

- 5.7.8. **From the aspect of income intervals**, the housing costs exceed 50% of income of slightly over one third of households with monthly income below RSD 10,000 or within the income range of RSD 10,000 – 20,000. Also, there is a significant percentage of the households (17.4% in 2008) earning between RSD 20,000 and 30,000, as well as the households in the next income interval (10.3% in 2008) with housing costs exceeding 50% of their monthly incomes. A relatively small percentage of those spending substantial sums on housing are to be found among the households earning more than RSD 40,000. Certainly, one should bear in mind the fact that housing costs represent a significant burden on the total household income in the case of households with lower income, while the high housing costs of the households with higher income reflect the readiness of households to spend more money on high quality housing. The 2009 HBS data do not show more significant differences relative to the previous year.
- 5.7.9. **Indicator of density**⁵⁵⁸ is calculated as a proportion of households who have less than 10m² per member and a proportion of households who have more than two persons per room. According to the LSMS (2007) data, the average area of an apartment/house of households who live below the poverty line is 52.7m², the average residential space per household member is 22.4m² and a household has one room for each member. From the regional aspect, the Autonomous Province of Vojvodina differs to some extent as per value of all the parameters, the parameters for the City of Belgrade being the lowest. It is also noteworthy that the area and number of rooms are somewhat higher in rural than in urban areas.

Table 5.7.9: Average area and number of rooms in apartment/house in 2007 (%)

	Poverty line		Type of settlement		Region					
	below	above	urban	rural	Belgrade	Vojvodina	West Serbia	Šumadija	East Serbia	South-East Serbia
Area of unit/house, m ²	52.7	75.5	70.9	78.9	69.4	77.8	72.5	72.7	77.3	74.9
Area per occupant, m ²	22.4	30.9	29.3	31.9	28.5	33.4	29.3	29.6	31.8	27.3
No. of rooms in house/unit	2.3	3.0	2.8	3.2	2.7	3.0	2.7	3.1	3.2	3.2
No. of rooms per occupant	1.0	1.2	1.1	1.3	1.1	1.3	1.1	1.3	1.3	1.2

Source: LSMS, 2007

- 5.7.10. According to the HBS data, almost 40% of the families with six and more members in 2009 disposed by less than 10m² per member, while 30.5% of these households had more than two members per room. The situation is similar in the households with four and five members where 28.5%, and 25% of these households respectively, live in space not exceeding 10m² per member. In 35.8% cases of five-member households, more than two persons inhabit the same room. Of the 4.1% of the total number of households who have

⁵⁵⁸ Indicator of overcrowding monitored by EU corresponds to the country specific indicator *density*.

up to 10m² per member, 66.3% live in urban areas, which is twice the number of households who live in rural areas. The same ratio is noted with the number of households who have more than two persons per room.

Table 5.7.10a: Density per size of household in the Republic of Serbia, 2009 (%)

	1 member	2 members	3 members	4 members	5 members	6+ members
Up to 10m ² per member of household	-	3,2	9,2	28,5	25,0	38,5
More than two persons per room	-	-	17,4	16,3	35,8	30,5
Total	6,9	17,6	17,0	24,3	15,6	18,6

Source: HBS, 2009

Table 5.7.10b: Density per type of settlement in the Republic of Serbia, 2009 (%)

	Total	Urban	Other
Up to 10m ² per member of household	4,1	66,3	33,7
More than two persons per room	8,3	66,2	33,8

Source: HBS, 2009

- 5.7.11. With reference to the **indicators of housing deprivation** (EU indicator), just over one half (51.1%) of the households below the poverty line have toilets, 54.3% of households have a bathroom in the apartment, while 57.7% have a separate kitchen. As opposed to this, a high percentage of other population (approx. 90%) have these housing facilities.
- 5.7.12. Almost all the households in the Republic of Serbia, with the exception of a small number of the poorest have **electricity**. The availability of running water and sewage is considerably higher in the households above the poverty line (more than 94%). Contrary to this, almost two thirds of the poorest households (71.2%) have water supply in their apartments, and just over half of them sewage (58.4%). Telephone is owned by 51.5% of poor households.
- 5.7.13. With respect to **type of heating of apartments**, households using solid or liquid fuel⁵⁵⁹ to heat their apartments face the above-the-average risk of poverty. The highest percentage of households below the poverty line (85.5%) uses solid fuel, while only 3.8% have central heating.
- 5.7.14. The number of refugees living in 54 collective centres on the territory of the Republic of Serbia in 2010 was 4,256: 898 refugees and 3,358 internally displaced persons (IDPs)⁵⁶⁰. Approximately 1,600 persons lived in approximately 40 unofficial collective centres⁵⁶¹. In addition, an estimated 8,500 extremely vulnerable refugees such as chronic patients and persons with disabilities lived in private accommodation⁵⁶². A Study conducted in 2007 shows relative similarity between the housing conditions of IDPs and those of the

⁵⁵⁹ Second National Progress Report on Implementation of the Poverty Reduction Strategy in the Republic of Serbia, 2007, Belgrade

⁵⁶⁰ Source: „Kolektivni Centri”, accessed on <http://www.kirs.gov.rs/articles/centri.php?lang=SER>.

⁵⁶¹ Source: 2009 Report on the Work of the Government – Commissioner for Refugees.

⁵⁶² UNHCR. (2010): Protracted Refugee Situation, *Should I stay or should I go? An Evaluation of the Protracted Situation of Croatian Refugees in Serbia*, (draft report).

general population. The major difference is noted in the housing status with some 77% of IDP households living in their own apartments/houses or free of charge relative to 95.6% of domicile population⁵⁶³. The difference is also reflected in lack of housing – 31.9% IDPs relative to 15.7% domicile households. A big difference in all the aspects of housing (housing status, size of apartment, quality of housing, access to infrastructure, etc.) is noted between IDP Roma and other IDP households.

- 5.7.15. **Significant differences exists between the housing conditions of Roma and those of general population**⁵⁶⁴. According to the 2002 survey⁵⁶⁵, there were 593 Roma settlements of which 285 urban and the others suburban and rural in the Republic of Serbia. The highest number of settlements were located in the City of Belgrade (137 settlements and localities), followed by the AP of Vojvodina and certain districts in South Serbia. Approximately 70% of the settlements had no property and planning status regulated, while some 44% of them displayed characteristics of unhygienic settlements and slums. The infrastructure of settlements is inadequate (there is no water supply network in approximately 30% of settlements, sewage does not exist in more than 60% of them, and electricity in 35% of settlements), as is accessibility to institutions (the nearest school to almost 50% of settlements is more than 1km away, a health care institution for some 60% of them and shops for almost 80% of settlements). Roma are at special risk of return on the basis of readmission agreements, and having so returned, settle mostly in unhygienic settlements⁵⁶⁶.
- 5.7.16. **Homelessness is a problem neither defined nor researched in the Republic of Serbia.** There are no official records on homeless persons. There are three reception centres with extremely low capacity in the Republic of Serbia: Belgrade 104, Novi Sad 35 and Niš 6 places, with an average of some 520 persons passing through them a year. Reception centres for children exist only in Belgrade and Novi Sad, reception points in 14 municipalities, in orphanages for the most part⁵⁶⁷. Data on the number of homeless persons will be collected during the 2011 Census of Population, thus giving a clearer picture about this phenomenon⁵⁶⁸.

MEASURES AND PROGRAMMES

- 5.7.17. At the onset of the preparation of the **National Social Housing Strategy**, the Ministry of Environment and Spatial Planning produced a study “Elements for the National Social Housing Study”⁵⁶⁹ in early 2010. The Study identifies poverty and housing vulnerability as the key criteria for exercising the right to social housing. Social housing programmes should, primarily, target those beneficiaries of family financial allowances (MOP) and child allowances who, based on the above criteria, have neither apartments nor adequate housing solutions. The Study develops and assesses the feasibility of several models of

⁵⁶³ Cvejić S, Babović M. (2007): *Social and Economic Position of IDPs in Serbia – Analysis based on IDP Living Standard Measurement Survey*, Belgrade: UNDP in Serbia.

⁵⁶⁴ Bodewig, C. and A. Sethi, (2005): *Poverty, Social Exclusion and Ethnicity in Serbia and Montenegro: The Case of the Roma*. World Bank, see http://siteresources.worldbank.org/INTROMA/Resources/SAM_Roma_Poverty_Discussion_Paper.pdf.

⁵⁶⁵ Jakšić, B., Bašić, G. (2005): *Umetnost preživljavanja – Gde i kako žive Romi u Srbiji*. Belgrade: Institute for Philosophy and Social Theory.

⁵⁶⁶ Source: *Strategija reintegracije povratnika po osnovu Sporazuma o readmisiji*, Official Gazette of the Republic of Serbia No. 15/09.

⁵⁶⁷ Vujošević, M.(2010): “Predlog prepoznavanju problema beskućništva u Srbiji “, *Aktuelnosti*, No. 3-4, pp. 7-14. Belgrade: Association of Social Protection Experts in the Republic of Serbia.

⁵⁶⁸ Source: Statistical Office of the Republic of Serbia, see: <http://webzrzs.stat.gov.rs/axd/Popis2011/NajcescaPitanja.php>.

⁵⁶⁹ Source: *2009 Report on the Work of the Government – Ministry of Environment and Spatial Planning*

- social housing that could be included in the national strategy: state housing construction and acquisition of the existing apartments/houses; establishment of non-profit housing organisations; subsidizing rents, construction materials and housing loans. Based on this Study, the Ministry is preparing the draft strategy and the analysis of the other aspects relevant to development of social housing.
- 5.7.18. The Ministry of Environment and Spatial Planning prepared a Project “Municipal Social Housing Plans” providing for construction of social housing for low and middle-income households in 12 cities and municipalities in the Republic of Serbia. The Project was approved by the Council of Europe Bank (CEB) and the negotiations on loan terms are ongoing. Building on the basis established in the Law on Social Housing, the execution of this project is to contribute to further development of social housing system in the Republic of Serbia over the next three years⁵⁷⁰.
- 5.7.19. **The National Mortgage Insurance Corporation**⁵⁷¹ ensures that loans approved by banks and other financial institutions to natural persons for purchase, renovation or building of real estate that are secured by mortgage.⁵⁷² In view of the relatively strict conditions for approval, these loans do not readily target the most deprived strata of the population. Also, as of mid-2007, the right to VAT refund was granted to buyers of first apartments up to 40m², and for members of their households up to 15m² per member.
- 5.7.20. Over the past two decades, **10.492 different housing solutions were provided for refugees and internally displaced persons**, namely construction of housing units, construction materials distribution to complete houses and reconstruct old houses, purchase of houses with infield and construction of prefabricated houses, out of which 1.550 were housing solutions in 2010 only. Upon leaving collective centres, one-off assistance aid in goods and money as well as accommodation in adequate institutions of social protection is provided for persons who do not use any of the mentioned housing solutions. Housing problems of a part of refugees and internally displaced persons were solved through construction of housing units within the framework of social housing in supportive environment. In the period 2003 – 2009, 657 housing units for 1.800 persons were built in 43 municipalities⁵⁷³. In 2010 only, refugees and internally displaced persons were settled in 16 facilities and/or 188 housing units - in total 541 persons, as well as 46 housing units planned for socially vulnerable citizens from the local community. The project should continue in 2011 from the IPA funds, *inter alia*, the construction of 250 housing units in facilities for housing under protected conditions and 25 housing units from the National Investment Plan. In the period 2005-2008, 531 housing units in seven municipalities were built through the Housing and Local Integration Programme - SIRP⁵⁷⁴. The units are rented to refugees and domicile population. The Republic of Serbia signed the Framework Agreement on the Loan with the Council of Europe Development Bank and 2 million euros will be spent for construction of 48 housing units in the

⁵⁷⁰ Source: Ministry of Environment and Spatial Planning, Dept. for Housing Issues.

⁵⁷¹ *Zakon o Nacionalnoj korporaciji za osiguranje stambenih kredita*, Official Gazette of the Republic of Serbia No. 55/2004.

⁵⁷² Source: National Mortgage Insurance Corporation, News: <http://www.nkosk.rs/page/view/2-5/o-nama>, 23 August 2010).

⁵⁷³ The programme is implemented by the Ministry of Labour and Social Policy in Cooperation with the Commissioner for Refugees, UNHCR, local governments and non-governmental organisations. (Source: *Social Housing in Supportive Environment*, see: <http://www.minrzs.gov.rs>, 15 August 2010).

⁵⁷⁴ The programme was implemented by UN-HABITAT in cooperation with the Ministry for Capital Investments and funded by the Italian Government. The housing units were built in Čačak, Pančevo, Stara Pazova, Valjevo, Niš, Kragujevac and Kraljevo (See: Ramirez, L., et al. (ed) (2008): *SIRP Book/ Књига о СИРП-у*, Beograd: UNHABITAT SIRP).

municipality of Lazarevac in the first stage of the project. Out of the total number of housing units, 39 are planned for refugees and internally displaced persons, whereas the remaining 9 will be relinquished to the socially vulnerable domicile population. Preparations are ongoing for construction of some 300 units through the CEB-funded Municipal Infrastructure Support Programme (MISP)⁵⁷⁵. The units will be sold to refugees, former refugees and domicile population, to a lesser extent. The amendments of the Law on Refugees (May 2010) allowed for purchase of housing units built with donor support in the past.⁵⁷⁶ Also, for the purpose of strengthening and achieving independence for refugees and internally displaced persons and improving their living conditions, 4,024 aid packages have been provided for starting an own business or economic activities. The Fund for Aid to Refugees, Expellees and Displaced Persons of the AP of Vojvodina has purchased a total of 214 village houses and distributed 399 construction materials packages to persons living on the territory of the AP of Vojvodina since the start of its operation in 2007.⁵⁷⁷

- 5.7.21. Within the **Project of Social Housing for War Veterans**, 125 apartments in 6 municipalities were built 2009. In the course of project, 318 apartments in 17 municipalities have been built, 272 apartments were taken up by beneficiaries. The apartments are rented to the disabled war veterans and families of the war veterans lost in action⁵⁷⁸.
- 5.7.22. The Ministry of Environment and Spatial Planning and the Roma National Strategy Secretariat started, in late 2008, to **develop urban planning designs for informal Roma settlements**. Development of designs for 10 Roma settlements in 8 municipalities in ongoing. Expert instructions for development of designs were set down in the Guidelines for Improvement and Legalisation of Informal Roma Settlements (2007) which are now being harmonized with the new Law on Planning and Construction⁵⁷⁹. The Office for Roma Inclusion of the Government of the AP of Vojvodina has implemented several projects for improvement of housing conditions in Roma settlements such as purchase of village houses, improvement of infrastructure, construction of streets, in the course of 2008 and 2009.⁵⁸⁰
- 5.7.23. **Eight towns in the Republic of Serbia have developed local housing strategies** providing for measures and actions for resolution of housing problems of vulnerable population. Local housing agencies were established in 8 municipalities with a view to implementation of local housing policies, and construction and management of municipal housing funds. The measures related to resolution of housing problems of certain vulnerable groups (Roma, refugees and internally displaced persons) have also been defined in local action plans for improvement of the situation of these groups. Some local

⁵⁷⁵ The European Union Delegation to Serbia, Council of Europe Bank, Ministry of Finance of the Republic of Serbia, Commissioner for Refugees and Building Directorate of Serbia. (Source: www.misp-serbia.rs) are taking part in preparations for implementation of a EUR 10 million loan.

⁵⁷⁶ Law on Changes and Amendments of the Law on Refugees, Official Gazette of RS, No. 30/10, Articles: 18, 19a, 19b, 19c, 19d.

⁵⁷⁷ The Assembly of AP Vojvodina adopted the 2009 Report of the Fund, see: <http://www.fondajinfort.rs/menu/vesti2010/maj2010-2.html>, 23 July 2010

⁵⁷⁸ The construction of housing units was funded with the donation of the Government of Japan (206 housing units) and the National Investment Plan budget (112 housing units). (Source: *2009 Report on the Work of the Government – Ministry of Labour and Social Policy*).

⁵⁷⁹ The plans are being designed in Apatin, Bela Palanka, Soko Banja, Opovo; two settlements in each Mladenovac and Prokuplje. The plans have been adopted in Srbobran and Knjaževac. The Guidelines were developed by the group of experts for the Ministry for Capital Investments in 2007. The Guidelines are now being aligned with the new Law at the Ministry of Environment and Spatial Planning with OSCE Belgrade support

⁵⁸⁰ Source: http://www.vojvodina.gov.rs/index.php?option=com_content&task=view&id=2810.

governments subsidize electricity and housing costs to the poorest categories of population. According to a separate programme from 2003, the City of Belgrade constructed apartments, 237 of which were given for a limited duration use to socially vulnerable persons⁵⁸¹. A public call for additional 80 apartments was launched, with plans to construct 399 more apartments⁵⁸². However, priority is given to length of service and importance of position relative to housing and social vulnerability when establishing priority and scoring of criteria.

CONCLUSIONS AND CHALLENGES

- 5.7.24. The data available on indicators of social exclusion and poverty in the area of housing show the **conditions and quality of socially vulnerable groups to be inadequate**. This situation is a result of both the financial crisis of the recent decades as well as the absence of national policy for almost two decades now.
- 5.7.25. Even though most of the apartments in the Republic of Serbia are privately owned, the **housing fund is inadequate, outdated and poorly maintained**. The poorest households most often live in their own, mostly overcrowded and uninhabitable houses/apartments lacking basic installations, or in premises that are not intended for housing. The housing costs of more than one third of the poorest households exceed 50% of their monthly income.
- 5.7.26. **The housing situation of Roma is particularly difficult**. A high percentage of illegal Roma settlements, their inadequate access to infrastructure and the poor housing fund are but a few of the problems that characterize them.
- 5.7.27. Over the past two decades **a significant number of housing solutions were found for refugees and internally displaced persons** and the number of collective centres has substantially decreased. In the remaining, official and unofficial collective centres, mostly the most vulnerable persons and households remain.
- 5.7.28. Due to the limited data and analysis and the absence of definition, **there is no clear picture and main trends of homelessness** in the Republic of Serbia. The situation is similar with homeless children.
- 5.7.29. **Different, uncoordinated housing programmes have been implemented** in the recent past targeting particular vulnerable groups as well as the high-income population. Consequent to this approach, there is an unbalanced geographic implementation of programmes, uneven treatment of social groups in resolving housing problems, limited construction, lack of attention to institutional building, etc. On the other hand, diversity of programmes and their dissimilar concepts present a broad practical basis for development of a comprehensive national social housing policy.
- 5.7.30. The key challenges are:
- **Absence of national housing policy** represents one of the key challenges in this sector. This notably refers to the social housing strategy that, even a year after the endorsement of the Law on Social Housing, has not been adopted;

⁵⁸¹ *Decision on conditions and method of disposal of housing units built according to the plan for building 1,100 housing units in Belgrade*, Official Gazette of the City of Belgrade, No. 20/03, 9/04, 11/05, 4/07, 29/07, 6/10, 16/10 and 37/10.

⁵⁸² The City of Belgrade continues constructing social housing for vulnerable categories of population, see: <http://www.beograd.rs/cms/view.php?id=1399010>, 23 July 2010

- **Poor harmonization or absence of data relevant to monitoring social inclusion in the housing sector**, as provided for in the documents of the European Commission, and in particular lack of data on the number of apartments secured by mortgage, certain parameters of housing deprivation primarily for the poorest households, etc;
- **Absence of data on the scope of existing subsidies towards covering housing costs**, earmarked by specific local governments, and the extent to which they satisfy the needs of beneficiaries;
- **Lack of regulation of the rental sector**, be it privately or publicly owned apartments, is one of the causes of absence of accurate records on the number of households who rent. Currently, there is a very limited number of registered agreements on lease of apartments as compared to the actual number of rented apartments. Also, differing concepts of the programmes implemented to date in the part related to conditions of use of the built apartments, sometimes lead to deregulated housing status of tenants and difficulties in maintenance and management of this housing fund;
- A distinct challenge is posed by **resettlement of unhygienic settlements in major cities**, sometimes followed by forced evictions. Although the housing conditions of Roma are the worst, the programmes for improvement of this situation are few and the financial investment very modest;
- An obstacle to **final closure of collective centres** is a fact that the most vulnerable persons remain in them: the elderly, chronic patients, persons with disabilities, etc as well as existence of unofficial collective centres.

LINES OF ACTION

- 5.7.31. **Adopt the National Social Housing Strategy and define legislative framework** setting out distinct responsibilities and procedures for its implementation, including improvement of coordination and harmonisation of activities of various actors (ministries, directorates, agencies, provincial institutions, local governments and donors).
- 5.7.32. **Continuous strengthening of capacities of national and local institutions** involved in monitoring and implementation of programmes for resolution of housing problems of vulnerable groups, including development of cooperation and partnership with civil society organisations.
- 5.7.33. **Ensure funds and increase the number of programmes aimed at resolution of the housing problems of Roma**, including measures to resolve property and planning status of settlements and houses, improvement of access to infrastructure in settlements, assistance in self-help construction through distribution of construction materials and increased inclusion of Roma into social housing programmes.
- 5.7.34. Conduct a research and collect quantitative and qualitative data with a view to **obtaining an accurate and clear picture of homelessness** in the Republic of Serbia.
- 5.7.35. Within the framework of defining rental subsidies for privately or publicly owned apartments **adopt measures for establishing the situation of tenants and regulate the right and use of apartments** built to date under the different programmes of provision of housing to vulnerable groups.
- 5.7.36. **Establish mechanisms for disbursement of small grants or self-help construction loans or improvement of the existing houses** (recognizing the needs, potential, financial and other possibilities of households) so as to contribute to improvement of housing

conditions of the poorest households and reduction of housing costs of households through increasing energy efficiency. With respect to that, take into consideration the recommendation of the European Platform for Combating Poverty and Social Exclusion: “Promote and support development and implementation of measures of energy efficiency (rehabilitation of buildings and informing consumers) through targeting of different funding instruments, with an emphasis on vulnerable consumers and marginalised communities.”

- 5.7.37. Implement **regular monitoring of the housing situation of vulnerable groups**. The data used for analysis of housing indicators should be collected in line with the elements defined by EU indicators for monitoring social exclusion in the housing sector.

5.8. Human Rights and Social Participation

LEGAL FRAMEWORK IN THE REPUBLIC OF SERBIA

- 5.8.1. The Republic of Serbia attaches great importance to human and minority rights and invests efforts in observing and applying the highest international and European standards in this field. The Republic of Serbia has accordingly completed the national legislative framework for human and minority rights, acceded to and ratified major global and regional treaties in the domain of human rights and worked on the adoption and national implementation of optional protocols to those treaties.
- 5.8.2. **The Constitution of the Republic of Serbia**⁵⁸³ stipulates that the Republic of Serbia is founded on the rule of law, social justice, civil democracy principles, human and minority rights and freedoms and commitment to European principles and values (Article 1). The Constitution guarantees a range of civil, political, economic, social and cultural rights by stipulating that they serve the purpose of preserving human dignity and achieving full freedom and equality of each individual in just, open and democratic society founded on the principle of rule of law (Article 19). The Constitution foresees that, as regards human and minority rights, generally accepted principles of international law, ratified international treaties and laws are directly applicable, and that provisions on human and minority rights are to be interpreted strictly for the benefit of promoting the values of democratic society, in conformity with the applicable international standards of human and minority rights and the practice of international institutions supervising their application (Article 18). A constitutional provision expressly prohibits lowering the attained level of human and minority rights (Article 20, paragraph 2). Human and minority rights guaranteed by the Constitution may be restricted by law if such restriction is permitted by the Constitution, for the purposes permitted by the Constitution, to the extent required for fulfilling the constitutional purpose of the restriction in democratic society and without encroaching upon the substance of the guaranteed right (Article 20).
- 5.8.3. In conformity with the Constitution of the Republic of Serbia, the generally accepted rules of international law and ratified international treaties form an integral part of the legal order of the Republic of Serbia and are directly applicable. Ratified international treaties must be in conformity with the Constitution (article 16, paragraphs 2 and 3). Ratified international treaties and generally accepted rules of international law form part of the legal order of the Republic of Serbia. Ratified international treaties must not be in

⁵⁸³ Official Gazette of RS No. 98/06.

- contravention of the Constitution. Laws and other general legal instruments adopted in the Republic of Serbia must not be in contravention of ratified international treaties and generally accepted rules of international law (Article 194, paragraphs 4 and 5).
- 5.8.4. The Constitution stipulates that the state safeguards the rights of national minorities and warrants them special protection with a view to attaining full equality and preserving their identity (Article 14). The Constitution also guarantees the equality of women and men and proclaims that the state is to develop equal opportunities policy (Article 15), which entails providing prerequisites for full development and improvement of the status of women, so as to enable them to enjoy human rights and fundamental freedoms in full and on equal terms with men.
- 5.8.5. The Constitution endorses the principle of equality before the Constitution and law and expressly prohibits direct and indirect discrimination on any grounds, including race, sex, ethnic affiliation, social background, birth, religion, political or other conviction, affluence, culture, language, age and mental or physical disability (Article 21). The possibility of taking special measures with a view to achieving full equality of persons or groups of persons who are in an essentially unequal position in relation to other citizens (Article 21, paragraph 4) is foreseen.
- 5.8.6. The Constitution safeguards the right to effective legal remedy by recognising the right to judicial protection, the right to equal protection of rights and to a remedy (article 36). The instrument of constitutional appeal is introduced in the legal order of the Republic of Serbia (Article 170), thus enabling the Constitutional Court to rule on individual violations of human and minority rights when other remedies have been exhausted or no other remedies are foreseen for their protection. To protect citizens' rights and supervise public authorities, the Constitution introduces an independent authority – the Ombudsman for Citizens (Article 138).
- 5.8.7. The Constitution contains a separate chapter on the protection of national minorities. In addition to rights guaranteed to all citizens, additional individual and collective rights are recognised in respect of members of national minorities. By means of collective rights, members of national minorities participate, directly or through their representatives, in decision making or make their own decisions on matters pertaining to their culture, education, information dissemination and official use of language and script; further, in pursuit of the right to self-government in these matters, members of national minorities may elect their national councils (Article 75). The Constitution guarantees equality to national minorities and prohibits discrimination on the grounds of affiliation to a national minority; in this respect, it foresees the possibility of taking affirmative measures aimed at ensuring full equality between members of a national minority and the majority population, with the aim of remedying markedly adverse living conditions that particularly affect them (Article 76). The Constitution stipulates that proportionate representation of national minorities in assemblies is to be ensured in the National Assembly and in assemblies of autonomous provinces and local government units with ethnically diverse populations.⁵⁸⁴
- 5.8.8. The Republic of Serbia has built a consistent and comprehensive body of anti-discrimination legislation. The **Anti-discrimination Law**⁵⁸⁵, fully harmonised with EU directives, has been passed. This framework law against discrimination prohibits all forms of discrimination on any grounds and foresees the Commissioner for Protection of Equality, an independent and autonomous public authority competent for protection

⁵⁸⁴ Articles 100 and 180 of the Constitution of the Republic of Serbia.

⁵⁸⁵ Official Gazette of RS No. 22/09.

- against discrimination and promotion of equality, appointed in 2010. Judicial protection against discrimination is also regulated (Articles 41–46). The right to bring legal proceedings is granted to persons subjected to discrimination, the Commissioner for Protection of Equality and organisations involved in human rights protection, and the case is adjudicated under the accelerated procedure. **The Gender Equality Law**⁵⁸⁶, governing gender equality and expressly prohibiting discrimination based on sex or gender, has been passed. The Law introduces specific measures aimed at achieving gender equality in specific areas of social relations and foresees judicial protection against discrimination based on sex or gender.
- 5.8.9. In 2009, the Republic of Serbia ratified the United Nations Convention on the Rights of Persons with Disabilities and the Optional Protocol thereto. Within the Ministry for Human and Minority Rights, the Task force for the development of the Initial report on the implementation of the Convention on the Rights of Persons with Disabilities has been formed.⁵⁸⁷
- 5.8.10. **The Law on Prevention of Discrimination of Persons with Disabilities**⁵⁸⁸ has been passed; it regulates the overall regime of protection against discrimination on the grounds of disability, specific cases of discrimination against persons with disabilities, the procedure for the protection of persons subjected to discrimination and measures taken by the state with a view to promoting equality and social inclusion of persons with disabilities. Numerous other laws governing specific areas contain anti-discrimination provisions.
- 5.8.11. As regards the protection of national minorities' rights, the **Law on Protection of Rights and Freedoms of National Minorities**⁵⁸⁹, which is a part of specific anti-discrimination legislation, is of paramount importance. The **Law on National Minority Councils**⁵⁹⁰ regulates precisely the competences of national minority councils in the spheres of culture, education, information dissemination and official use of language and script and provides for their democratic election. These laws foresee the establishment of a designated budget fund for national minorities, from which funds are awarded, through public competitions, to programmes and projects in the field of culture, education, information dissemination and official use of national minorities' languages and scripts. Similarly, the national, province and local authorities participate in funding programmes and projects that contribute to the preservation and development of cultural, religious and other rights of members of national minorities. It is foreseen that the Ministry for Human and Minority Rights should also award funding for these purposes through national minority councils. Minority rights are regulated in more detail in the **Statute of the Autonomous Province of Vojvodina**⁵⁹¹ and a range of laws governing specific areas such as the use of language, education, the media and culture. The Statute of the AP of Vojvodina⁵⁹² stipulates that the Serbian language and Cyrillic script and the Hungarian, Slovak, Croat, Romanian and Ruthenian languages and their respective scripts are in official use in the authorities and organisations of the AP of Vojvodina, in conformity

⁵⁸⁶ Official Gazette of RS No. 104/09.

⁵⁸⁷ The Task force consists of representatives of line ministries, relevant state institutions and organisations of persons with disabilities.

⁵⁸⁸ Official Gazette of RS No. 33/06.

⁵⁸⁹ Official Journal of FRY No. 11/02 and Official Gazette of RS No. 72/09 – another law.

⁵⁹⁰ Official Gazette of RS No. 72/09.

⁵⁹¹ Official Gazette of APV No. 17/09.

⁵⁹² The National Assembly passed the Law on the Establishment of Specific Competences of the AP of Vojvodina (Official Gazette of RS No. 99/09) and endorsed the Statute of the AP of Vojvodina adopted by the Assembly of the AP of Vojvodina on November 30, 2009.

- with law and with decision of the Province Assembly. **The Law on the Official Use of Languages and Scripts**⁵⁹³ foresees broad possibilities for the use of national minorities' languages and scripts. **The Law on Local Self-Government**⁵⁹⁴ foresees, as one of its aims, the protection and exercise of personal and collective rights of national minorities and ethnic groups. This Law stipulates that municipalities set the national minorities' languages and scripts in official use in the municipal territory, which is regulated by the municipal or city statute, as appropriate, including the use of national minorities' symbols. Under this Law, councils for interethnic relations, composed of representatives of all national and ethnic communities, are established in ethnically diverse municipalities.
- 5.8.12. **The Criminal Code**⁵⁹⁵ foresees three criminal offences relating to anti-discrimination: violation of equality (Article 128), violation of the right to use language or script (Article 129) and racial or other discrimination (Article 387). Chapter XIV of the Code defines a range of criminal offences against human rights and freedoms, such as: violation of the right to expression of national or ethnic affiliation (Article 130), violation of the freedom of religion and performance of religious service (Article 131), violation of freedom of speech and public appearance (Article 148), prevention of political, trade union or other organisation and activity (Article 152), etc. By the 2009 amendments to the Criminal Code, *inter alia*, Article 387, prohibiting racial and other discrimination, was amended. Two new paragraphs were added, criminalising promotion of and instigation to hatred, violence and discrimination and public threats of criminal acts towards persons or groups of persons on the basis of their personal characteristics.
- 5.8.13. In the domain of civil and political rights, the main laws are the **Law on Associations**⁵⁹⁶ and the **Law on Political Parties**⁵⁹⁷, governing the constitutional freedom of association (Article 55 of the Constitution of the Republic of Serbia) by establishing a registration application system, thus enabling fast and efficient registration of associations and political parties. In conformity with the highest European standards in this area, a ban on the operation of an association or a political party is foreseen only in cases stipulated by law and the decision on the ban is taken by the Constitutional Court.
- 5.8.14. The exercise of the right to vote and to be elected, guaranteed by the Constitution to all legally adult and legally competent citizens of the Republic of Serbia (Article 52), is governed by election legislation: the **Law on the Election of Deputies**⁵⁹⁸, the **Law on Local Elections**⁵⁹⁹, the **Law on the Election of the President of the Republic of Serbia**⁶⁰⁰ and other legal instruments.
- 5.8.15. Constitutional guarantees of the right to fair trial are elaborated in the **Criminal Proceedings Code**⁶⁰¹ and the **Law on Litigation Proceedings**⁶⁰². Relevant to the exercise of the constitutional right to access to justice, including the right to legal aid free of charge, are the Law on Litigation Proceedings, governing the exemption from court

⁵⁹³ Official Gazette of RS Nos 45/91, 53/93 – another law, 67/93 – another law, 48/94 – another law, 101/05 – another law and 30/10.

⁵⁹⁴ Official Gazette of RS No. 129/07.

⁵⁹⁵ Official Gazette of RS Nos 85/05, 88/05 – corrigendum, 107/05 – corrigendum, 72/09 and 111/09.

⁵⁹⁶ Official Gazette of RS No. 51/09.

⁵⁹⁷ Official Gazette of RS No. 36/09.

⁵⁹⁸ Official Gazette of RS Nos 35/00, 57/03 – Constitutional Court, 72/03 – another law, 18/04, 85/05 – another law, 101/05 – another law and 104/09 – another law.

⁵⁹⁹ Official Gazette of RS Nos 129/07 and 34/10 – Constitutional Court.

⁶⁰⁰ Official Gazette of RS Nos 111/07 and 104/09 – another law.

⁶⁰¹ Official Gazette of RS Nos 46/06, 49/07, 122/08 – another law, 20/09 – another law, 72/09 and 76/10.

⁶⁰² Official Gazette of RS Nos 125/04 and 111/09.

- fees payment and appointment of an attorney free of charge; the Criminal Proceedings Code, governing the appointment of an *ex officio* defence counsel; the Law on Local Self-Government, enabling municipalities to establish legal aid services for citizens; the Law on Attorney Practice⁶⁰³, enabling the bar chamber to organise the provision of *pro bono* legal aid to citizens. The existing system of legal aid free of charge fails to meet the needs; the Government adopted the **Strategy for Free Legal Aid System Development in the Republic of Serbia**⁶⁰⁴ in October 2010, under which legislative measures have been initiated to formulate a consistent, functional and effective free legal aid system.
- 5.8.16. **The Law on Churches and Religious Communities**⁶⁰⁵ guarantees the right to freedom of thought, conscience and religion and prohibits religious discrimination. The exercise of these rights is supported by the **Law on the Restitution of Property to Churches and Religious Communities**⁶⁰⁶.
- 5.8.17. The Law Banning Gatherings of Neo-Nazi or Fascist Organisations and Associations and Prohibiting Use of Neo-Nazi or Fascist Symbols and Signs⁶⁰⁷ bans all actions by neo-Nazi or fascist organisations and associations that violate citizens' constitutional rights and freedoms in any manner.
- 5.8.18. Relevant to the exercise and protection of economic and social rights guaranteed by the Constitution are the laws governing labour and employment: the **Labour Law**⁶⁰⁸, the **Law on Employment and Unemployment Insurance**⁶⁰⁹ and the **Law against Harassment at Work**.⁶¹⁰ In addition, the domain of social security is governed by the **Law on Social Welfare and Provision of Social Security of Citizens**⁶¹¹, which foresees that social welfare is provided to those incapable of work and without means of subsistence, and also to those unable to provide sufficient means to meet their essential needs. A new Law on Social Welfare is being developed; it will reform and improve the social welfare system with the aim of responding better to citizens' needs. **The Law on Social Housing**⁶¹² regulates the conditions for sustainable development of social housing and the modality of providing and using funds for its development. **The Law on Pension and Disability Insurance**⁶¹³ regulates rights in case of old age, disability, death, bodily impairment and need for care and assistance of another person. The area of health care and health promotion is regulated by the **Law on Health Insurance**⁶¹⁴, governing rights arising from mandatory health insurance of employees and other citizens. **The Law on Health Care**⁶¹⁵ regulates the health care system based on the right to health care, while **the Law on Public Health**⁶¹⁶ regulates the provision of prerequisites for preserving and promoting population's health. **The Law on the Foundations of the Education**

⁶⁰³ Official Journal of FRY Nos 24/98, 26/98 – corrigendum, 69/00 – Federal Constitutional Court, 11/02, 72/02 – Federal Constitutional Court.

⁶⁰⁴ Official Gazette of RS No. 74/10.

⁶⁰⁵ Official Gazette of RS No. 36/06.

⁶⁰⁶ Official Gazette of RS No. 46/06.

⁶⁰⁷ Official Gazette of RS No. 41/09.

⁶⁰⁸ Official Gazette of RS No. 24/05, 61/05 and 54/09.

⁶⁰⁹ Official Gazette of RS No. 36/09 and 88/10.

⁶¹⁰ Official Gazette of RS No. 36/10.

⁶¹¹ Official Gazette of RS Nos 36/91, 79/91 – another law, 33/93 – another law, 53/93 – another law, 67/93, 67/93 – another law, 46/94, 48/94 – another law, 52/96, 29/01, 84/04, 101/05 – another law and 115/05.

⁶¹² Official Gazette of RS No. 72/09.

⁶¹³ Official Gazette of RS Nos 34/03, 64/04 – Constitutional Court, 84/04 – another law, 85/05, 101/05 – another law, 63/06 – Constitutional Court, 5/09, 107/09 and 101/10.

⁶¹⁴ Official Gazette of RS Nos 107/05 and 109/05 – corrigendum.

⁶¹⁵ Official Gazette of RS Nos 107/05, 72/09 – another law, 88/10 and 99/10.

⁶¹⁶ Official Gazette of RS No. 72/09.

- System**⁶¹⁷ introduced new features in the field of education, especially as regards the inclusion of children with developmental disabilities in the regular education system (article 6).
- 5.8.19. Relevant to the protection of children's rights is the **Family Law**⁶¹⁸, governing children's rights, child protection, relations in marriage or cohabitation and protection against domestic violence. A comprehensive Law on the Rights of the Child is being developed and should be passed during the first half of 2011; furthermore, the Bill on the Ombudsman for Children, which will strengthen children's rights, is underway⁶¹⁹.
- 5.8.20. The rights of persons with disabilities have been considerably advanced by the **Law on Vocational Rehabilitation and Employment of Persons with Disabilities**⁶²⁰, which foresees incentives for employers that recruit persons with disabilities, as well as vocational rehabilitation measures and activities. **The Building and Planning Law**⁶²¹ contains accessibility standards that ensure unhindered movement and access for persons with disabilities, children and the elderly.
- 5.8.21. Human rights of convicts are safeguarded by the **Law on Enforcement of Penal Sanctions**, which has been brought fully in line with international and European standards by the passage of the Law Amending the Law on Enforcement of Penal Sanctions⁶²².
- 5.8.22. **The Law on Free Access to Information of Public Importance**⁶²³ has been passed; it regulates the right of access to information held by public authorities, with a view to achieving and safeguarding the public interest to be informed and attaining free democratic order and open society. **The Law on Personal Data Protection**⁶²⁴ governs the conditions for personal data collection and processing, the rights of persons whose data are collected and processed and the protection of such rights. **The Law on Asylum**⁶²⁵, governing the principles, conditions and procedure for granting and terminating asylum and rights and obligations of asylum seekers, has been passed, as was **the Law on Foreigners**⁶²⁶.

STATE OF AFFAIRS IN THE AREA

Human Rights and Social Participation

- 5.8.23. **Overall, human and minority rights are protected and respected in the Republic of Serbia**; that said, legislation still guarantees a higher level of rights than that attained in practice, in spite of efforts invested. Special difficulties and lack of coordination, prioritisation, information, means and the like with respect to the exercise of human rights have been observed among specific groups of population, such as persons with disabilities, refugees and internally displaced persons, the poor, the elderly, the Roma, members of sexual minorities, persons deprived of their liberty, etc. The level of gender equality is still not satisfactory, although legislative and other measures have considerably improved the situation.

⁶¹⁷ Official Gazette of RS No. 72/09.

⁶¹⁸ Official Gazette of RS No. 18/05.

⁶¹⁹ The Bill was introduced before the National Assembly in 2008.

⁶²⁰ Official Gazette of RS No. 36/09.

⁶²¹ Official Gazette of RS Nos 72/09, 81/09 – corrigendum and 64/10 – Constitutional Court.

⁶²² Official Gazette of RS Nos 85/05 and 72/09.

⁶²³ Official Gazette of RS Nos 120/04, 54/07, 104/09 and 36/10.

⁶²⁴ Official Gazette of RS Nos 97/08 and 104/09 – another law.

⁶²⁵ Official Gazette of RS No. 109/07.

⁶²⁶ Official Gazette of RS No. 97/08.

- 5.8.24. **Many citizens appeal to the Constitutional Court for protection of human rights and freedoms**, but the backlog of cases under review before this court is considerable – 3,129 constitutional appeals were received by the Court by July 1, 2009. The treatment of decisions and recommendations of independent bodies by public authorities and institutions leaves room for improvement.⁶²⁷ According to data from May 2009, the Constitutional Court had resolved 568 appeals, or 23.5%. A total of 92 appeals were decided on merits; of these, 28 were granted and 64 were dismissed. In addition, 1,927 constitutional appeals were filed with the Court.⁶²⁸ The same report shows that the case load increased by 365% in one calendar year. Of all cases under review in 2008, 1,074 cases, including 360 constitutional appeals, had been carried over from previous calendar years. In 2008, 1,787 new cases had been received: 1,567 were constitutional appeals and 220 other cases within the competence of the Constitutional Court.⁶²⁹ However, in the first eight months of 2010 alone, about 5,500 constitutional appeals were filed. According to the President of the Constitutional Court, appellants most frequently allege violation of the right to trial within a reasonable period by courts and these appeals account for one third of all appeals filed.
- 5.8.25. **There are problems regarding the implementation of the Law on Churches and Religious Communities**, manifested in a number of arbitrary decisions on registration of non-traditional communities. Of approximately 170 religious organisations active in the Republic of Serbia, only 13 are registered, with seven traditional religious communities specified in the Law.⁶³⁰ In May 2009, the United Nations Special Rapporteur on Freedom of Religion or Belief concluded that a number of religious communities and groups were aggrieved by this law's discriminatory effects.⁶³¹ The Ombudsman has also pointed to the problems in the implementation of this Law and to inadequacy of its provisions defining confessional communities and churches and regulating the procedures for registration and deletion from the registry.⁶³² According to reports of civil society organisations engaging in this field⁶³³, in 2008 religiously-motivated incidents decreased in number, but the situation was still unsatisfactory (there were reports of assaults on "non-traditional" communities, such as Adventists or Jehovah's Witnesses)⁶³⁴.
- 5.8.26. The accommodation conditions for **persons deprived of their liberty** are pitiful as a result of prison overcrowding.⁶³⁵ Maximum prison capacity in the Republic of Serbia is 9,600 people, and in December 2009 they accommodated over 11,000 convicts.⁶³⁶ Torture is not present as a systemic phenomenon in prisons in the Republic of Serbia, although there are violations of the prohibition of inhuman and degrading treatment in

⁶²⁷ See: Annual Report of the Ombudsman 2009, Report on Implementation of the Law on Free Access to Information of Public Importance and the Law on Personal Data Protection 2009.

⁶²⁸ Review of work of the Constitutional Court 2008.

⁶²⁹ In comparison with the Review of work of the Constitutional Court 2006, according to which 239 cases were received during that year, in 2008 the number of received cases within the Court's competence increased seven and a half times (747%) during one calendar year.

⁶³⁰ 2009 data.

⁶³¹ See: European Commission report 2009.

⁶³² See: Annual Report of the Ombudsman 2009.

⁶³³ *Verske slobode u Srbiji: stanje, prepreke, mogućnosti*, Centre for Development of Civil Society, www.cdcs.org.rs/index.php?option=com_docman&task=doc_download

⁶³⁴ The Lawyers' Committee for Human Rights represents Jehovah's Witnesses in the proceedings brought after an attack on the buildings and congregation members in the town of Bajina Bašta, after the Prosecutor's Office dismissed the charges against the perpetrators.

⁶³⁵ See: Annual Report of the Ombudsman 2009.

⁶³⁶ See: Annual Report of the Ombudsman 2009.

- prisons, which have led to judgments of the European Court of Human Rights against the Republic of Serbia.⁶³⁷
- 5.8.27. In 2009, in four of the 59 conducted procedures, the Ombudsman found violations of the rights of persons deprived of their liberty and addressed relevant recommendations to the competent authorities and institutions (see: **Table 39 - Report of the Ombudsman**, Annex 6.1). In view of the reports by the Council of Europe Committee on the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, the Republic of Serbia has acted upon most of the recommendations made by the Committee: establish a register on the use of means of coercion in prisons, develop a system for appeals by prisoners and enable their contact with the Ombudsman, take disciplinary measures against custodial staff who exceed their powers, develop a system of alternative sanctions, etc. The Commissioner's Service, within the Division for Treatment and Alternative Sanctions of the Administration for the Enforcement of Penal Sanctions, is responsible for the enforcement of sanctions imposed as an alternative to imprisonment, as part of the ongoing process of humanising the penal practices and mitigating the retributive component of the penalty.
- 5.8.28. In 2009, the Ombudsman established a preventive mechanism for supervising the institutions accommodating persons deprived of their liberty, with the aim of advancing the protection and exercise of rights of persons deprived of their liberty, as well as preventing torture and other cruel, inhuman or degrading treatment or punishment.⁶³⁸ Such supervision entails continued and systematic collection, verification and processing of data on the protection of rights of persons deprived of their liberty; in supervising institutions, special focus should be on the status of children, older juveniles, young adults, persons with disabilities, persons with special needs, the sick, the elderly, persons of different sexual orientation, women, members of national minorities, members of religious communities and foreigners. The Ministry for Human and Minority Rights has initiated the establishment of an independent mechanism for the prevention of torture at the national level, in conformity with the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.
- 5.8.29. In May 2010, the National Assembly appointed the **Commissioner for Protection of Equality**⁶³⁹, whose expert unit is still being established. Under the Anti-discrimination Law, the Commissioner for the Protection of Equality has been established as an autonomous public authority, independent in carrying out its tasks stipulated by law. The Commissioner is competent to point to prohibited actions and pronounce warnings as preventive measures. The Commissioner is appointed by the National Assembly for a term of five years at the proposal of the committee competent for constitutional affairs. Between March and December 2010, the number of complaints totalled 119, with another 28 applications that did not result in complaints (but were mainly responded to by advice).⁶⁴⁰
- 5.8.30. The full importance of **free access to information**, as a right regulated in a largely satisfactory manner by the Law on Free Access to Information of Public Importance, has been recognised in recent years, since the implementation of the Law commenced and the Office of the Commissioner for Information of Public Importance and Personal Data

⁶³⁷ See judgment in the case of *Stojanović v. Serbia* (application No. 34425/04) of May 19, 2009. Also, judgment of the European Court of Human Rights is expected in the case concerning the application filed by the Committee for Human Rights of Leskovac on behalf of more than 40 persons battered brutally during a prison mutiny.

⁶³⁸ See: Annual Report of the Ombudsman 2009.

⁶³⁹ Decision Appointing the Commissioner for Protection of Equality, Official Gazette of RS No. 30/10.

⁶⁴⁰ See: Table 38 - Statistics of the Commissioner for Protection of Equality, Annex 6.1.

Protection became operational. Statistical data⁶⁴¹ reveal that in 2009 the highest proportion of complaints was filed with the Commissioner against national authorities and organisations (about 35%), followed by those against local government authorities (about 23%), public enterprises (about 13%), judicial authorities (about 12%) and province authorities (only 1%), while the remainder were complaints against other authorities. The data on outcomes of complaint procedures indicate that in about 50% of the cases, first-instance authorities against which complaint had been filed acted as requested by public information seekers or complainants upon learning about the complaint and prior to the Commissioner's decision, while in another 40% of the cases, the authorities acted accordingly following a decision on the complaint. Through the Commissioner's interventions following complaints in 2009, public information seekers were granted access to information in about 90% of the cases. Some of these cases attracted considerable public attention. The 2009 statistical data indicate that in more than 10% of the cases of well-founded complaints, public authorities did not act as instructed in the Commissioner's decisions; national and local authorities and organisations account for almost equal shares of these cases. This figure increased by 2.5% against 2008.⁶⁴²

- 5.8.31. According to available data from the Supreme Court of Serbia, a total of 37 lawsuits were filed with the Supreme Court pursuant to this Law in 2009; of these, 35 challenged the Commissioner's decisions (a more than threefold increase against 2008) and two were against the Republic Public Prosecutor's Office. Of the 35 lawsuits challenging the Commissioner's decisions in 2009, 18 were filed by first-instance authorities that may not legitimately file lawsuits; the Supreme Court therefore dismissed 10 of these lawsuits as inadmissible.⁶⁴³ Five more lawsuits challenging the Commissioner's decisions, filed by persons whose complaints he had dismissed, were resolved: three were dismissed as ill-founded and the Commissioner's decisions were confirmed, proceedings in response to one lawsuit were stayed, and in one case the Commissioner's decision was annulled. The remaining 20 lawsuits have not been resolved. The Supreme Court of Serbia has reached no decision on the lawsuits against the Republic Public Prosecutor's Office.
- 5.8.32. Further, **reports of relevant civil society organisations**⁶⁴⁴ give rise to the conclusion that visible progress is being made at the local level and that many municipalities have designated a person authorised to respond to requests for free access to information⁶⁴⁵. The Coalition for Free Access to Information and the Service Centre⁶⁴⁶ established in 2008⁶⁴⁷ act at both local and central levels.
- 5.8.33. Problems faced by **members of national minorities** mainly relate to language use in official institutions, in particular at the local level.⁶⁴⁸ In practice, satisfactory conditions

⁶⁴¹ See the Commissioner's 2009 Report and the 2008 Report on Implementation of the Law on Free Access to Information of Public Importance at <http://www.poverenik.org.rs>.

⁶⁴² Cf. 2008 Report on Implementation of the Law on Free Access to Information of Public Importance.

⁶⁴³ Cf. 2008 Report on Implementation of the Law on Free Access to Information of Public Importance.

⁶⁴⁴ See the annual Human Rights Report, Belgrade Centre for Human Rights, Belgrade, 2009, *Izveštaj o radu Kolicentra Koalicije za slobodu pristupa informacijama u Srbiji*, Lawyers' Committee for Human Rights, Belgrade, 2009.

⁶⁴⁵ In August 2010, the Lawyers' Committee for Human Rights surveyed all municipalities and cities in the Republic of Serbia with an identical set of questions on the existence of a designated body for petitions and submissions.

⁶⁴⁶ Telephone No. 0400700400.

⁶⁴⁷ According to the data of the Lawyers' Committee for Human Rights, which coordinates the operation of the Service Centre, the number of citizens who had used its services by August 2010 totalled 950. More than 60% sought assistance in addressing problems unrelated to free access to public information, which indicates insufficient awareness of the Law.

⁶⁴⁸ Since 2008, the Roma National Council's Committee for Official Use of Language and Culture has worked on standardising the Romany language; also, it has been announced that another request for establishing a chair of Roma studies at three faculties – in Belgrade, Niš and Novi Sad – would be filed.

for official use of minority languages are missing owing to staffing and funding issues, in particular in administration and the judiciary.⁶⁴⁹ The elected national minority councils⁶⁵⁰ are expected to contribute to better representation of national minorities and progress in the exercise of cultural, educational and information rights in national minorities' languages. However, the composition and legitimacy of national minority councils is viewed as a great obstacle to full exercise of the powers granted by Law on National Minority Councils. The process of electing national councils has been characterised by problems concerning electoral rolls and inaccurate data entry, as well as problems in assembling the Bosniak Council⁶⁵¹; hence, an evaluation of effects of this Law and of the new national minority councils will be possible only in 2011.

- 5.8.34. A specific law on **free legal aid** is being developed. In this field, the Government has adopted the Strategy for Free Legal Aid System Development in the Republic of Serbia⁶⁵², accompanied by the Action Plan specifying activities on the introduction and development of a free legal aid system in the Republic of Serbia. Of 126 local governments, 57 have free legal aid services, 53 do not have such services, and 16 have other forms of free legal aid unaffiliated to city or municipal services.⁶⁵³
- 5.8.35. One of the apparent problems pertains to inadequate protection of **human rights defenders**, members of the peace movement and journalists, who encounter resistance, derision and threats. Judicial proceedings have even been brought against some.⁶⁵⁴ In line with tightening penal policy by amendments to the Criminal Code, its article 138, paragraph 3 (endangerment of safety) stipulates that whoever endangers the safety of a person discharging affairs of public importance in the field of informing the public (by threat of attack on the life or body of that person or a person close to him/her) will be punished by imprisonment of one to eight years.
- 5.8.36. According to the data of the Ministry of Labour and Social Policy, in 2009 about 70% of **persons with disabilities** were poor and their employment rate was still low. More than 80% did not work, and most lived off social welfare. A total of 22,758 persons with disabilities are registered with the National Employment Service, and few of them find jobs (in the first half of 2009, only 68 persons found employment).
- 5.8.37. The existing legal framework for the protection of **persons with mental disorders** is not satisfactory, although the National Strategy for Mental Health⁶⁵⁵ and its Action Plan have been adopted. A possible solution is to pass the Law on Protection of Rights of Persons with Mental Disorders⁶⁵⁶, but institutions should be transformed simultaneously and the media image of persons living with mental disorders should be changed. To this end, the following recommendation from the European Platform against Poverty and Social Exclusion should be taken into account: "promote the social inclusion of people with

⁶⁴⁹ The problem is particularly pronounced in the AP of Vojvodina: in 38 of the 45 municipalities, one or more national minority languages are in official use – see Communication of the Executive Council of Vojvodina dated July 23, 2008.

⁶⁵⁰ Established in 2010 pursuant to the Law on National Minority Councils.

⁶⁵¹ The Commissioner for Protection of Equality pointed to a discriminatory provision in the assembly of the Bosniak National Minority Council and addressed a recommendation in that regard to the Ministry for Human and Minority Rights to provide the same conditions for assembling the Council as those applicable to other minorities' councils.

⁶⁵² Official Gazette of RS No. 74/10.

⁶⁵³ According to the data of the Standing Conference of Towns and Municipalities.

⁶⁵⁴ See: Amnesty International report Serbia: Human Rights Defenders at Risk, <http://www.amnesty.org/en/library/info/EUR70/014/2009/en>. Report of the Council of Europe Commissioner for Human Rights Thomas Hamarberg, https://wcd.coe.int/ViewDoc.jsp?id=1417013&Site=CommDH&BackColorInternet=FEC65B&BackColorIntranet=FEC65B&BackColorLogged=FFC679#P193_21128.

⁶⁵⁵ Official Gazette of RS No. 8/07.

⁶⁵⁶ A working draft was developed and submitted to the Ministry of Health in 2008.

- mental disorders". The Republic of Serbia has 46 hospital institutions treating persons with mental disorders and average length of stay of of psychiatric patients ranges between 31 and 153 days. Within the social welfare system, there are 13 homes for persons with mental impairments and mental illnesses. According to the Decision on Institutional Social Providers Network⁶⁵⁷, about 3,750 mentally ill and mentally impaired persons (1,500 adult and elderly beneficiaries with developmental impairments and 2,250 adult and elderly mentally ill beneficiaries) are in the care of homes and institutes.
- 5.8.38. Towards the end of 2010, 74,944 persons from Bosnia and Herzegovina and the Republic of Croatia resided in the Republic of Serbia **with the status of refugees**, as well as 210,146 **internally displaced persons** from Kosovo and Metohija. The 54 collective centres house 4,256 persons: 898 refugees and 3,358 internally displaced persons. Of these, 657 persons are housed in 17 collective centres in Kosovo and Metohija.⁶⁵⁸ Their position is not quite satisfactory in spite of considerable improvements. The European Commission Progress Report on Serbia 2009 found that the number of refugees living in collective centres had decreased, but that 4,256 people still lived in these centres, in appalling conditions. These refugees' housing situation has not improved materially and poverty is still widespread.
- 5.8.39. The draft revised National Strategy for Refugees and Internally Displaced Persons has been circulated to line ministries for opinions. In May 2009, the Law on Refugees was amended.⁶⁵⁹ By this Law, the state committed to providing for refugees by meeting their essential needs and assisting them with their integration. The legislative framework for addressing refugees' housing needs has been improved to a certain extent and funding sources have been enlarged.
- 5.8.40. Between 2008 and 2010, the cooperation between national and local authorities in solving problems of refugees and internally displaced persons was intensified and improved. Local communities assumed a more active role in addressing these problems – 142 municipalities and cities became involved in a project for providing training and developing local actions plans, and 102 municipalities and cities adopted local action plans for addressing problems of refugees and internally displaced persons; as a result, over 5,500 families of refugees and internally displaced persons were covered by housing, economic independence and empowerment programmes.
- 5.8.41. The Republic of Serbia presided over the Decade of Roma inclusion from July 1, 2008 to June 30, 2009. This period was marked by various activities aimed at **improving the status of the Roma**, mostly in the field of education. Yet, problems with relocation of the Roma living in slums persist, as do problems with entry of the Roma in vital records for the purpose of issuing them personal identity documents, which is a prerequisite for the exercise of legally recognised rights. Cases of intolerance of the Roma have been recorded and some have been prosecuted.⁶⁶⁰ Local Roma coordinators have been introduced in 55 municipalities as part of municipal administrations to work on improving the status of the Roma in their respective municipalities, with a view to more efficient use of the possibilities of improving the status of the Roma offered by the central level, donors and the like.

⁶⁵⁷ Official Gazette of RS No. 98/10.

⁶⁵⁸ Data of the Commissariat for Refugees

⁶⁵⁹ Law Amending the Law on Refugees, Official Gazette of RS No. 30/10.

⁶⁶⁰ Organised attacks were carried out in the community of Jabuka, outside Pančevo, which resulted in criminal proceedings, while in 2008 and 2009, in some municipalities on the outskirts of Belgrade, protests were organised against city authorities' decision to relocate the Roma living in the slum under Gazela bridge.

- 5.8.42. The issue of **legally "invisible" persons** concerns in particular the Roma national minority; according to estimates, about 2,000 persons have not been entered in vital records, do not have personal identity documents and, without the personal identification number, do not have access to certain rights.⁶⁶¹ The Republic of Serbia has regulations providing for entering birth-related information into the birth register and exercising the rights in this field. The total of 9,876 requests for additional entering in the birth register were settled in 2009, and 8,172 request were settled in 2010 before the institutions which perform the activities of keeping birth records and deciding in the first instance administrative procedure in the field of birth registries.⁶⁶² In the previous period, a model for entry of children in the register of births at a later date⁶⁶³ has been developed and implemented in 19 municipalities; through those activities, about 500 children without documents were identified and subsequently enrolled in schools. In the Report on the Progress of the Republic of Serbia 2010, the European Commission estimated that there are still problems with issuing personal identifications to the Roma living in illegal settlements without registered residence or who are homeless. Also, it is estimated that a simplified procedure for acknowledging the legal personality of the Roma and additional entry into the birth register has not been introduced, which affects adversely their exercising social and economical rights. In the Action Plan for Meeting the Recommendations of the Annual Progress Report of the European Commission (as of December 2010), in order to accelerate the acquisition of candidate status, the Government committed to conducting the following measures for the purpose of solving the issue: amending the Law on Permanent and Temporary Residence by which the citizens will be able to report their permanent residence in a simplified way; involvement of all competent institutions for the purpose of additional entry into the birth register; engaging Roma mediators; education and logistic support for all persons who are not in the birth register. Also, for the purpose of solving this problem, a team of experts of associations⁶⁶⁴ has prepared a draft law on legal personality which envisages the simplification of the procedure for additional entry in the birth register.
- 5.8.43. **Returnees from EU member states under the readmission scheme**, most of them being Roma, face numerous administrative and other difficulties on returning to the Republic of Serbia.⁶⁶⁵ According to the data of the Commissariat for Refugees, an average of one thousand people return to the Republic of Serbia each year. As most of these people return via Nikola Tesla Airport, a Readmission Office was established there in 2006; it is still operational and nowadays is part of the Ministry for Human and Minority Rights.

⁶⁶¹ See reports by UNHCR, non-governmental organisation Praxis and others.

⁶⁶² The number of settled request for additional entering into the birth register in case of the members of the Roma nationality are not available, due to the fact that expressing ethnicity is free and that no one is obliged to make a statement on one's nationality (Article 47 of the Constitution of the Republic of Serbia) and according to which the Law on the Register (Official Gazzette of RS, No. 20/09) does not stipulate that the data on one's nationality should be entered into the birth register.

⁶⁶³ Through an EU-funded project of UNICEF and UNHCR in 2008.

⁶⁶⁴ Center for Advanced Legal Studies was leading the expert team.

⁶⁶⁵ Praxis report on readmission 2009 – in the same year, this organisation provided direct legal aid to 119 returnees under the readmission scheme from Sweden, Germany, Switzerland, Austria, Italy, Norway and the Netherlands. A total of 251 requests for birth certificates (through the Ministry of Foreign Affairs, administration authorities and various consulates in the Republic of Serbia), citizenship certificates, granting of citizenship status, entry into the register of births and re-entry into vital records were filed.

Table 5.8.43: Number of returnees under the readmission scheme⁶⁶⁶

Year	Total number of deported persons	Number of persons deported through the Readmission Office (at Nikola Tesla Airport)	Number of members of the Roma national minority returning under the readmission scheme
2008	568	355	149
2009	814	552	378
2010	1711	1064	632

5.8.44. Although **protection of children** against abuse and neglect has been improved considerably by the adoption of special protocols for the actions of the police, health, educational and judiciary institutions, intersectoral cooperation is not satisfactory. The Ministry of Health established the Special Working Group for Implementing the Special Protocol for Protecting Children against Neglect and Abuse in 2010, and is establishing four multidisciplinary teams in Belgrade, Novi Sad, Niš and Kragujevac with the help of the UNICEF, linking all the sectors in the community. The accreditation of the education program targeting health workers and associates for implementing the Special Protocol is under way. In addition to the adopted National Strategy for the Prevention and Protection of Children against Violence⁶⁶⁷, the Model National Strategy for the Prevention and Protection of Children against Trafficking and Exploitation in Pornography and Prostitution is under preparation⁶⁶⁸.

5.8.45. **Persons living with HIV/AIDS** rely on Ministry of Health programmes and also on civil society organisations' support programmes⁶⁶⁹. The Draft National Strategy for Response to HIV/AIDS until 2015 is being adopted. From 1985 to the end of 2009, 2,414 HIV-positive people were officially registered in the Republic of Serbia; 1,472 of these developed AIDS and 962 died. Every year, 100 new HIV-positive persons are registered in the Republic of Serbia and youth between 15 and 29 years of age account for 47% of those infected. Last year, 114 new cases of HIV infection were identified; one in three of these are between 20 and 29 years old. However, in spite of numerous successful programmes⁶⁷⁰, discrimination of persons living with HIV/AIDS is widespread.

5.8.46. **Sexual minorities** face marginalisation and are largely discriminated against in the Republic of Serbia.⁶⁷¹ The cancellation of "2009 Belgrade Pride" contributed to the feeling of insecurity. The European Commission Progress Report on Serbia 2009 stated that the organisation of this event was jeopardised by threats to organisers and participants by extremist and right-wing groups and by the atmosphere charged with prejudice against sexual minorities. Public sentiment to this minority group somewhat improved in 2010, after the President of the State and other high-ranking public officials expressed clear support for Belgrade Pride. However, the actual situation is obvious from the numerous threats received by those who advocate rights of sexual minorities.⁶⁷² Reports of organisations for protecting rights of persons of different sexual orientation

⁶⁶⁶ According to annual reports of the Ministry of Human and Minority Rights.

1.1.1. ⁶⁶⁷ Official Gazette of RS No. 122/08.

⁶⁶⁸ The Model is being developed by the Child Rights Centre and the document drafting group.

⁶⁶⁹ Programmes of non-governmental organisations Youth of JAZAS, JAZAS, Q club, National Office for HIV/AIDS and others.

⁶⁷⁰ Programmes of the National Office for HIV/AIDS and relevant civil society organisations (Youth of JAZAS, JAZAS, Q club and others).

⁶⁷¹ See: *Diskriminacija u Srbiji 2008* and *Diskriminacija u Srbiji 2009*, reports by the Coalition against Discrimination, the Centre for Advancement of Legal Studies.

⁶⁷² Lists of signatories to the petition for Belgrade Pride were published on web sites of far-right-wing groups, which is considered to constitute strong pressure and invitation to a lynching.

- offer data on the number of incidents and assaults on persons of different sexual orientation.⁶⁷³
- 5.8.47. In spite of efforts made towards **improving the human rights of women**, problems in providing protection against domestic violence and other forms of gender-based violence are still widely present, as well as in the exercise of women's economic and social rights. Complaints against institutions filed with the Office of the Ombudsman regarding gender equality concern mainly problems of long-term domestic violence. The number of such complaints supports the view that a range of legal and procedural changes are required in the area of protecting women against violence, as well as more efficient investigation of competent authorities' responsibility for any omissions in their operation.⁶⁷⁴ The Republic of Serbia still lacks sufficiently developed gender-sensitive statistics, and the use of the feminine gender is not officially recognised, as the Office of the Ombudsman has repeatedly pointed out.
- 5.8.48. The **gender equality** concept has yet to be fully accepted, in particular in public administration and local government structures. Men account for 48.7% and women for 51.3% of the population of the Republic of Serbia.⁶⁷⁵ Gender inequality still prevails in a vast majority of forms of social life, in particular in various areas of interest to gender equality (mobbing⁶⁷⁶, discrimination, labour relations) and domestic violence. Yet, although women doubled their share in the National Assembly following the 2007 general elections, they are still in an unequal position and the issue of achieving gender equality has yet to be addressed in its different manifestations. Institutional disregard for equality of opportunities in economic and social relations is still prominent and the unemployment rate of women is still considerably higher. According to data available to the Gender Equality Directorate⁶⁷⁷, 50 local-level gender equality committees have been established in the Republic of Serbia.
- 5.8.49. A survey of **family case law**⁶⁷⁸ included litigation proceedings seeking protection against domestic violence between the second half of 2006 and first half of 2008 before 26 courts in the Republic of Serbia. A total of 287 litigation cases were reviewed. The proceedings provided legal protection to female family members in 253 cases (88.2%). Males prevail among the defendants in the survey sample (90.6%). At the time of bringing the proceedings, the relationship between the perpetrator and victim of violence was marriage (35.2%), cohabitation (16%), or former spouses (27.9%), which corroborates the view that the dominant form of domestic violence is relationship violence.
- 5.8.50. Underage children witnessed violence in 48.4% of the cases, while in cases from municipal courts in Belgrade children witnessed violence in as many as 63.4% of the cases. In all these cases, children were indirect victims of violence. According to prosecution statements, psychological violence occurs most frequently (120 cases or 41.4%), followed by concurrent physical and psychological violence (97 cases or 33.5%), physical only (60 cases or 20.7%), concurrent physical and economic (7 cases or 2.4%), concurrent psychological and economic (5 cases or 1.7%) and sexual (1 case or 0.4%).

⁶⁷³ Gay Straight Alliance and a report by the Coalition against Discrimination.

⁶⁷⁴ See: Report from a UNDP project implemented by the Ministry of Labour and Social Policy.

⁶⁷⁵ Statistical Office of the Republic of Serbia, 2008.

⁶⁷⁶ The Law on Mobbing was passed in August 2010 (Official Gazette of RS No. 36/10) and is expected to produce effects in 2011 at the earliest.

⁶⁷⁷ Established within the Ministry of Labour and Social Policy.

⁶⁷⁸ N. Petrušić and S. Konstantinović-Vilić (2010), *Porodičnopravna zaštita od nasilja u porodici u pravosudnoj praksi Srbije*, Autonomous Women's Centre and Women's Research Centre;

Available at: http://www.womenngo.org.rs/images/publikacije-dp/Porodicnopravna_zastita_od_nasilja_u_porodici_u_pravosudnoj_praksi_Srbije.pdf

- 5.8.51. The litigation proceedings seeking protection against domestic violence were mainly brought by victims themselves. Other empowered prosecutors brought proceedings in a significantly lower number of cases: victims' legal representatives (3.4%), authorities competent for guardianship (10 cases or 3.4%) and public prosecutors (only 3 cases or 1%).⁶⁷⁹ Although litigation proceedings seeking protection against domestic violence were in many cases preceded by criminal proceedings, public prosecutors, as a rule, missed opportunities to bring litigation proceedings seeking protection of the aggrieved person against domestic violence on the grounds of facts found during the preliminary criminal proceedings and the criminal proceedings, which would have enabled protecting the victim from further violence. It must be emphasised that such practice is harmful on multiple levels and does not contribute to achieving the purpose of the law as regards providing legal protection against domestic violence.
- 5.8.52. A survey of **penal protection against violence in a domestic context**⁶⁸⁰ included prosecuted criminal cases of domestic violence referred to in article 194 of the Criminal Code between January 2006 and May 2007. A total of 529 cases were reviewed and analysed, as follows: 280 cases of municipal public prosecutors' offices in Belgrade, 50 cases of the Municipal Public Prosecutor's Office in Niš, 140 court cases in Belgrade and 59 cases of the Municipal Court in Niš. Most crime reports were filed by authorised officials of interior affairs authorities (77.91%), followed by aggrieved parties (12.50%) and centres for social work (2.30%) In most cases (76.25%), prosecutors did not interview the persons specified in the crime reports or the aggrieved parties; instead, they either requested gathering the required information from interior affairs authorities or an investigation. In 201 cases, prosecutors brought indictments or motions to indict or requested investigations. In 6 cases, proceedings were discontinued as a result of public prosecutors' withdrawal, and in 74 cases, crime reports were dismissed; this means that 28.60% of the cases before public prosecutors' offices were closed by discontinuance of proceedings or by withdrawal of the public prosecutors.
- 5.8.53. Data on relationships between perpetrators and victims of the crime of domestic violence indicate that the prevailing form is partner violence (by spouse in 48.90%, cohabiting partner in 18.20% and former or separated spouse in 7.90% of the cases). In the survey sample, physical violence was the most frequent form of violence (48.59%), followed by concurrent physical and psychological violence (36.10%), while in remaining cases only psychological violence had been committed. By reviewing proceedings closed in the first instance, it was found that the following penalties were imposed on the perpetrators: imprisonment (13 defendants or 21.60%), fine (2 cases or 3.30%), suspended sentence (40 defendants or 66.60%), security measures of compulsory psychiatric treatment and confinement to a health care institution, and compulsory treatment of alcoholics and drug addicts (6.90%) and judicial admonition (1.60%). As regards the duration of imposed sentences of imprisonment, they ranged from 2 to 36 months. The greatest number of convicted perpetrators were imposed sentences of imprisonment of up to four months.

⁶⁷⁹ The data collected indicate that many cases of domestic violence are recorded by centres for social work on the basis of victims' reports. However, centres for social work, in their capacity as authorities competent for guardianship, rarely use their power to act as parties in proceedings and to bring litigation seeking protection against family violence in their own name and in the interest of violence victims.

⁶⁸⁰ S. Konstantinović-Vilić and N. Petrušić (2008), *Krivično delo nasilje u porodici – aktuelna pravosudna praksa u Beogradu i Nišu*, Autonomous Women's Centre and Women's Research Centre; available at: http://www.womenggo.org.rs/images/publikacije-dp/istrazivanje_istrazivanje.pdf

5.8.54. In 2009, the Ombudsman received 21 complaints concerning gender equality and instituted procedures at his own initiative in 30 cases, having identified grounds to do so. In addition to acting in these 51 cases, the Ombudsman continued the procedures in response to five complaints received in 2007 and 2008. Therefore, in 2009, the Ombudsman acted in a total of 56 cases concerning gender equality. Of these, the Ombudsman closed 23 cases by dismissing 12 complaints for lack of grounds to initiate procedures and by initiating procedures in 11 cases, with the following outcomes: one recommendation was issued, seven procedures were discontinued, one complaint was dismissed as ill-founded and two complainants withdrew. The Ombudsman continues to act in the remaining cases (full data are presented in: **Table 39 - Report of the Ombudsman**, Annex 6.1)

Social Participation

5.8.55. The **Office for Cooperation with Civil Society**⁶⁸¹ was established by the Government in April 2010, and is expected to start working during 2011. Pursuant to the Law on Associations (Article 38), funds for stimulating programs or the lacking segments of funds for financing programs implemented by associations, which are of public interest, are provided from the budget of the Republic of Serbia. The analysis of the administration of 2009 budgetary "grants for non-governmental organisations" in the budgets of the Republic of Serbia, the AP of Vojvodina and the budgets of 167 municipalities and cities in the Republic of Serbia showed that the state had spent more than EUR 93 million (RSD 8,737,664,007) on "grants for non-governmental organisations", namely RSD 4,067,034,383 from the state budget, RSD 613,923,184 from the budget of the AP of Vojvodina, and RSD 4,056,706,439 from the budgets of 138 cities and municipalities in the Republic of Serbia. Besides citizen associations, sports and youth organisations, religious communities and political parties are financed from these resources. The Serbian Orthodox Church is the single major beneficiary of the budgetary resources from line 481 "grants for non-governmental organisations"; the next biggest beneficiary is the Red Cross, which receives half as much funding.⁶⁸² Preparation of the text of the Draft Decree on Criteria, Conditions, Scope, Methodology and Procedure for Granting and Returning Funds for Stimulating Programs or the Lacking Portion of Funds for Financing Programs of Public Interest which Are Implemented by Associations has started, which shall be adopted by the Government pursuant to Article 38, paragraph 4 of the Law on Associations.

5.8.56. Another conclusion is that there is still not enough consultation with the local authorities in the process of making decisions as to the drafting of new laws or amending the existing ones which have a local-level impact.⁶⁸³

5.8.57. To support activities of civil society organisations on the provincial level, there is the Fund for the Development of Non-profit Sector of the AP of Vojvodina⁶⁸⁴, providing support to the development of associations with a view to creating a civil society based on the rule of law, social solidarity, respect for diversity and peaceful resolution of conflicts in society. In an open call in 2008, RSD 13.5 million was foreseen to be allocated to 65 civil society organisations, while in 2009 and 2010 there were no resources set aside for the support to the activities of civil society organisations.

⁶⁸¹ Regulation on the Office for Cooperation with Civil Society, Official Gazette of RS No. 26/10.

⁶⁸² The Center for Non-Profit Sector, *Finansijska održivost organizacija civilnog društva u Srbiji: Rezultati analize izdavanja za dotacije za nevladine organizacije u budžetu republike Srbije u periodu od 2007. do 2009. godine i pravni osnov za dodelu sredstava iz republičkog budžeta u 2010. godini.*

⁶⁸³ The European Commission Progress Report on Serbia 2010.

⁶⁸⁴ For more information, visit <http://www.fondmpps.org.rs>

- 5.8.58. The National Assembly has developed a common practice of public debates within committees in the form of public listening sessions, which have been successfully carried out over the past years thanks to the assistance of international partners. In 2009, a new initiative was launched with the aim of institutionalising public listening sessions, which was achieved through the Law on the National Assembly⁶⁸⁵ and its Rules of Procedure⁶⁸⁶. However, there still has not been enough public debate on the contents and impact of draft laws⁶⁸⁷.
- 5.8.59. The Committee on the Rights of the Child was formed in 2010 by the newly adopted Rules of Procedure of the National Assembly; the Committee is chaired by the Speaker of the National Assembly, and its members are six deputy speakers and members of parliament coming from all parliamentary groups. The Committee's mandate is to analyse laws from the perspective of the rights of the child before their passage and to check the alignment of the national legislation with international standards; to monitor the implementation and enforcement of pertinent laws and other legal instruments in order to ascertain what effects they have on children and their families; to upgrade social responsibility for children through monitoring the operation of independent institutions (e.g. Deputy Ombudsman for the Rights of the Child); to analyse the budget from the perspective of the rights of the child before its adoption.
- 5.8.60. Under the auspices of the Social-Economic Council, serving as an institutional platform for the tripartite dialogue between the Government, trade unions and employers, an Agreement on Further Development of Social Dialogue was concluded on January 30, 2009; its application has been monitored and analysed continuously by the standing bodies of the Council. When it comes to social dialogue⁶⁸⁸, amendments to the Law on Peaceful Resolution of Labour Disputes⁶⁸⁹ have been passed. This has expanded the list of disputes which may be resolved in accordance with this Law and outlined conditions for the appointment of the arbitrator. The National Assembly has passed amendments to the law regulating the work of the Agency for Peaceful Resolution of Labour Disputes.

MEASURES AND PROGRAMMES

- 5.8.61. In the past few years, numerous projects and programmes of importance for the advancement of human and minority rights have been implemented in the Republic of Serbia with the support of the European Union, international organisations, governments of foreign countries and international foundations.
- 5.8.62. From December 2009 to mid-2011, the Ministry for Human and Minority Rights supported by IPA (Instrument for Pre-Accession Assistance) 2007 has implemented the project *Implementation of Priorities within the Sector of Human Rights and Protection of National Minorities*. The aim of the project is building national and local institutional capacities for coordination, monitoring and evaluation of the ways in which protection of human and minority rights in the Republic of Serbia is provided and promoted, thus fulfilling commitments stemming from the membership of the United Nations and the Council of Europe.

⁶⁸⁵ Official Gazette of RS, No. 9/10

⁶⁸⁶ More on the contents of the Rules of Procedure at

http://www.parlament.gov.rs/content/lat/akta/poslovnik/poslovnik_ceo.asp

⁶⁸⁷ The European Commission Annual Report for 2010 on the Progress of the Republic of Serbia

⁶⁸⁸ More on social dialogue in the chapter entitled *Employment and the Labour Market*.

⁶⁸⁹ Official Gazette of RS, No. 125/04 104/09

- 5.8.63. The Ministry for Human and Minority Rights has concluded a memorandum of understanding with Save the Children Norway – South-East Europe Regional Office in Sarajevo with the aim of implementing the project *Institutional Response to Online Child Sexual Abuse and Exploitation in Serbia*⁶⁹⁰.
- 5.8.64. The realisation of the project *Support to the Judicial Academy in the Republic of Serbia*, supported by the EU, is underway; its aim is to reinforce the rule of law and promote the judiciary by way of upgrading professional qualifications of judges, prosecutors and other professionals employed in the judiciary.
- 5.8.65. Support to the Ombudsman and the improvement of working methods and techniques is provided as part of the Twinning project *Support to the Strengthening of the Serbian Ombudsman 2009–2011*, the aim of which is to build capacities of this body. The staff at the Office of the Ombudsman have attended training in the modality and procedures of acting upon complaints and writing annual and special reports; moreover, a Communications Unit has been set up, responsible for cooperation, organisation and communication in the institution, including international relations.⁶⁹¹
- 5.8.66. In the period of 2007–2008 the Ministry of Justice realised the project *Creating an Effective and Sustainable System of Providing Free Legal Aid*, during which models of free legal aid in municipalities were put to the test and the Strategy for Free Legal Aid System Development was prepared.
- 5.8.67. The Ministry of Labour and Social Policy, more specifically the Gender Equality Directorate implements the project *Combating Sexual and Gender-based Violence*. The aim of the Project is strengthening the capacities of the Gender Equality Directorate, the capacities of facilities and institutions dealing with the protection of victims of violence, as well as setting up and implementing mechanism which will ensure acting in conformity with international commitments regarding human rights in the area of sexual and gender-based violence.
- 5.8.68. As part of the project *Enhancing Social Cohesion through Strengthening Mental Health Services in South-Eastern Europe* of the Stability Pact for South-Eastern Europe, the Draft Law on Protection of Rights of Persons with Mental Disorders was prepared and the National Strategy for Mental Health was developed, as well as the Action Plan for its implementation, which were adopted in 2007.⁶⁹²
- 5.8.69. The Ministry of Health has provided financial support to primary health centres' projects for better accessibility of health care services to vulnerable groups; thanks to the assistance of these projects, additional services are provided to the elderly, persons with limited mobility, persons with disability, youth and children. The realisation of the project *Employment of Roma Health Mediators* is underway in 15 cities; their work should contribute to a better exercise of the right to health protection of the female Roma population.
- 5.8.70. The project *Support to the Institutions of the Government of the Republic of Serbia Dealing with Refugees and Internally Displaced Persons* was realised with success in the period of 2007–2008; the aim of the Project was to find solutions at the state level to providing efficient and sustainable responses to the needs of refugees and internally displaced persons.

⁶⁹⁰ On May 3, 2010.

⁶⁹¹ <http://www.ombudsman.rs/index.php/lang-sr/aktivnosti/twinning>

⁶⁹² http://www.imh.org.rs/index.php?option=com_content&task=view&id=38&Itemid=42

- 5.8.71. Activities regarding public listening sessions in the National Assembly started in 2006,⁶⁹³ with about 20 public listening sessions carried out until 2009.⁶⁹⁴ Until 2010, there were a total of nine public listening sessions in the National Assembly, and on the local level.⁶⁹⁵
- 5.8.72. Furthermore, in the period of 2008–2010, members of the National Assembly significantly improved their knowledge in the field of the protection of children’s rights, by participating in and organising numerous seminars and conferences, public listening sessions and analyses of laws from the perspective of children’s rights. Their work was recognised as an example of good practice by other European countries, as well as by the Inter-Parliamentary Union.

CONCLUSIONS AND CHALLENGES

- 5.8.73. As for the international framework, the Republic of Serbia has a **proactive policy when it comes to acceding to the conventions** of the United Nations, Council of Europe, etc.; moreover, a series of bilateral agreements with the countries in the region have been concluded. However, there still remains a question of the speed of acceding to certain documents, as well as the non-existence of bilateral agreements with some countries.
- 5.8.74. By provisions that correspond to modern standards in the protection of minority rights, the Constitution of the Republic of Serbia has set up a sound framework for further development and protection of guaranteed human and minority rights. In the section on the protection of minority rights, the Constitution of the Republic of Serbia still contains minor ambiguities that need to be removed, but one has to mention the fact that it is classified as a “rigid” constitution, i.e. one that is hard to change and which assumes a hefty and demanding procedure, in other words, a great deal of consensus in the National Assembly.
- 5.8.75. Although the state of the judiciary in this area has been evaluated as satisfactory, it is **necessary to round up the legislative framework of the protection of human and minority rights** by passing the missing relevant laws⁶⁹⁶ and reviewing the existing legislative framework based on the results of monitoring the effects of implementing legislation in the field of human and minority rights.
- 5.8.76. In the field of statistics, there is still a deficiency in specific indicators for monitoring and analysis of the effects of adopted measures, as well as in data for systemic monitoring of the conditions and improvement of the status of minorities and vulnerable social groups.
- 5.8.77. Apart from the mechanism of setting up independent bodies, one of the challenges is setting up an adequate system for providing support and assistance to victims of human rights violation, including compensation for damages. In this regard, it is necessary to further support the improvement of the operation of independent bodies and ensure that their decisions and recommendations are implemented.
- 5.8.78. It is necessary to ensure timely response of the institutions in the system and adequate protection for human rights defenders in cases when they are attacked and their integrity and safety jeopardised.

⁶⁹³ With the support of OSCE and UNDP (within certain components of the CARDS projects for supporting civil society).

⁶⁹⁴ Resources spent amounting at approximately EUR 75,000

⁶⁹⁵ Allocated resources amounting at approximately USD 21,000.

⁶⁹⁶ Law on the Ombudsman for Children, Law on Legal Subjectivity, Law on Protection of Rights of Persons with Mental Disorders, etc.

5.8.79. As for social participation, progress has been made in cooperating with the public and private sectors through consultations at the executive and legislative levels. However, involvement of the public in decision-making processes still remains a challenge in the forthcoming period. In that respect, the recommendation from the European Platform for Combating Poverty and Social Exclusion should be taken into account: “support the involvement of local actors in the decision-making process at local levels”.

LINES OF ACTION

- 5.8.80. It is necessary to provide **continuous training and awareness-raising of all relevant stakeholders** in the field of enforcement of law on the protection of and respect for human and minority rights (incumbents of judiciary positions, the police, public prosecutors and judges, and the staff in public administration, province and local government authorities) with special focus on citizen education about discrimination and mechanisms for combating it.
- 5.8.81. It is necessary to **start a debate on the needs and priorities** in the event of a possible amendment to the Constitution of the Republic of Serbia where it concerns human and minority rights.
- 5.8.82. With respect to the international framework, **coordination and consultation with experts** is needed in the areas addressed in this chapter, as well as with civil society in order to identify documents to which the Republic of Serbia should accede as soon as possible. It is necessary to conclude a bilateral agreement with Albania modelled on the existing agreements with other neighbouring countries so as to regulate minority rights in the fields of education, culture and information dissemination.
- 5.8.83. It is necessary to **develop indicators for vulnerable groups**, continue working on improving gender-sensitive statistics, generally build capacities of the National Statistical Office for monitoring these data and increase budgetary resources earmarked for these purposes.
- 5.8.84. It is necessary to **conduct a consultation process in order to identify the needs for adopting legislation** in the areas addressed in this chapter, as well as for amending the existing laws and regulations⁶⁹⁷. In addition to that, it is necessary to take into account the following recommendations from the European Platform for Combating Poverty and Social Exclusion: “[e]laborate voluntary guidelines on stakeholders’ involvement in the definition and the implementation of policy actions and programmes to address poverty and exclusion, and promote their implementation at national, regional and local level” and “[o]rganise regular exchanges with stakeholders on key thematic priorities and in particular: active inclusion, child poverty, Roma inclusion, homelessness and housing exclusion, financial inclusion”.
- 5.8.85. It is necessary to **proceed with the prison system reform** so as to provide adequate conditions for housing persons deprived of their liberty through setting up one or more independent national mechanisms for the prevention of torture and introduction of dual supervision system, by international and domestic bodies, of facilities housing persons deprived of their liberty.
- 5.8.86. It is necessary to **review the Law on Churches and Religious Communities**, especially in terms of clarification of registration criteria.

⁶⁹⁷ Amendments to the Law on Free Access to Information of Public Importance.

- 5.8.87. It is necessary to **provide conditions for more efficient policing and operation of judicial institutions** in cases of violation of human and minority rights, discrimination, instigation of intolerance and expression of hatred towards members of national, religious, sexual or other minorities.
- 5.8.88. It is necessary to further improve the status of vulnerable groups of population through:
- Setting up an effective and functional system of free legal aid;
 - Programmes for the improvement of the status of vulnerable groups;
 - Resolving the status of and integrating refugees and internally displaced persons;
 - Mainstreaming the gender equality concept in all policies and all fields of activity;
 - Establishing a system of collecting and monitoring data referring to vulnerable groups of population.
- 5.8.89. It is necessary that line ministries and other competent authorities, within their respective competences, **focus more on acting upon recommendations of United Nations treaty bodies**. It is necessary to establish a mechanism for enforcing decisions of United Nations treaty bodies taken in response to individual petitions by citizens of the Republic of Serbia.
- 5.8.90. It is necessary to **build capacities of national minority councils**, establish interethnic relations councils within local communities and build their capacities.
- 5.8.91. It is necessary to **implement the United Nations Declaration on Human Rights Defenders in its entirety**, determine the status of defenders and problems they face in everyday activities, and based on these, draw up an action plan for the improvement of defenders' status.

6. Annexes

6.1. Tables, Charts and Pictures

Table 1 - International environment, real rise in GDP, %

	2008	2009	2010	2011
<i>Spring projections of the EC</i>	Realization	Forecast		
World	2.9	-0.9	4.0	4.0
EU	0.7	-4.2	1.0	1.7
Euro area	0.6	-4.1	0.9	1.5
<i>July projections of the IMF</i>	Realization		Forecast	
World	3.0	-0.6	4.6	4.3
EU	0.9	-4.1	1.0	1.8
Euro area	0.6	-4.1	1.0	1.3
Central and Eastern Europe	3.1	-3.6	3.2	3.4
Serbia	5.5	-2.9	2.0	3.0

Source: European Commission, *European Economic Forecast - Spring 2010* and IMF, *World Economic Outlook: Restoring Confidence without Harming Recovery*, July 2010, except for the EU and Serbia, for which the source is: *Regional Economic Outlook, Europe Fostering Sustainability*, May 2010.

Table 2 - Obligations in the field of regional policy in the EU integration process

As a potential candidate country	As an EU candidate country	As an EU Member State
Introduction of NUTS classification (statistical regions)		
Non-obligatory ⁶⁹⁸	Introduction of NUTS classification during the negotiations for EU accession	Ratification of NUTS classification by the EC after EU accession
EU funds⁶⁹⁹		
The first two IPA components (2007–2013)	All five IPA components (2007–2013)	Structural funds and the Cohesion Fund (2007–2013) ⁷⁰⁰
Strategic and legislative framework⁷⁰¹		
No particular strategic document regarding regional development. Annual project planning	Development of the Strategic Coherence Framework and multi-annual operational programmes	Development of the National Strategic Reference Framework and multi-annual operational programmes
No obligation for a special law on regional development	No obligation for a special law on regional development	No obligation for a special law on regional development
Institutional framework and management of EU funds		
Centralised management of EU funds	Decentralised management of EU funds with ex-ante control by the EC	Common management of EU funds with ex-post control by the EC
Establishment of the institutional	Establishment of the so-called	Management and intermediation

⁶⁹⁸ By adopting the Law on Regional Development, the Republic of Serbia introduced the NUTS classification with five NUTS II regions.

⁶⁹⁹ The new financial cycle covers the period of 2014–2020, meaning that the structure of EU funds, the principles of planning and their implementation are subject to changes.

⁷⁰⁰ The amount of funds available after admission to the EU is 5 to 10 times larger compared to the period prior to EU accession.

⁷⁰¹ The operational programmes may be sectoral or regional. Most countries opted for sectoral ones. Accordingly, during 2010, the EC commenced the promotion of the Sector Wide Approach (SWAp).

framework for utilisation of EU funds	Operational Structure, which includes a limited number of institutions	bodies (similar to Operational Structures) ⁷⁰² continue the work and a larger number of institutions are included to ensure higher amounts of funds
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Table 3 - Debt by bank loans, in RSD million

Loan beneficiary	31.12.2008	31.12.2009	31.12.2010	Nominal growth rates	
				<u>31.12.2009</u> 31.12.2008	<u>31.12.2010</u> 31.12.2009
Legal entities	806,375	959,620	1,165,489	119.0	121.5
Entrepreneurs	45,896	43,986	51,768	95.8	117.7
Households	380,693	397,105	514,890	104.3	129.7
Total	1,232,946	1,400,711	1,732,147	113.6	123.7

Source: Credit Bureau, Association of Serbian Banks

Table 4 - Share of non-performing loans in total extended loans, %

Loan beneficiary	31.12.2008	31.12.2009	31.12.2010
Legal entities	6.3	8.8	13.4
Entrepreneurs	2.4	8.0	11.6
Households	1.5	3.2	3.3
Total	4.7	7.2	10.3

Source: Credit Bureau, Association of Serbian Banks

Table 5 - Average indebtedness per capita stemming from banking services and leasing contracts, in euros

Loan beneficiary	31.12.2008	31.12.2009	31.12.2010
Loans	584	565	668
Current account debt of citizens	26	22	24
Credit cards	65	61	49
Leasing contracts	14	10	8
Total	689	661	749

Source: Credit Bureau, Association of Serbian Banks

Table 6 - Results of privatization of companies

		2008	2009	I-V 2010
Number of sold companies	Tenders	14	5	0
	Auctions	158	49	25
	Capital market	105	40	9
	<i>Total</i>	<i>277</i>	<i>94</i>	<i>34</i>
Number of employees	Tenders	7,421	2,304	0
	Auctions	5,143	2,438	689
	Capital market	14,623	2,377	945
	<i>Total</i>	<i>27,187</i>	<i>9,119</i>	<i>1,634</i>
Sales revenues,	Tenders	51.2	3.8	0.0

⁷⁰² In only 36% of the cases were the institutions for the management of funds established at the level of regions.

<i>EUR m</i>	Auctions	110.2	34.5	6.9
	Capital market	91.7	10.5	6.4
	<i>Total</i>	253.2	48.8	13.3

Source: Ministry of Finance

Table 7 - Sector share in gross value added (GVA)

	Share of activity			Real growth rates		
	2008	2009	Q1 2010	<u>2008</u> 2007	<u>2009</u> 2010	<u>Q1 2010</u> Q1 2009
Agriculture, hunting and forestry; fishery	12.0	12.6	10.6	8.6	2.2	0.0
Industry	21.0	18.9	18.8	1.5	-12.2	1.0
Mining and quarrying	1.6	1.5	1.8	4.5	-4.9	4.0
Manufacturing industry	16.3	14.1	13.4	1.2	-15.3	2.0
Electricity, gas and water supply	3.1	3.2	3.7	1.5	0.2	-4.1
Construction	3.8	3.2	3.1	4.6	-17.1	-12.0
Services	66.2	68.6	70.9	7.2	1.0	1.5
Wholesale and retail trade, repairs	14.0	13.1	12.4	6.8	-8.7	-6.8
Hotels and restaurants	0.8	0.7	0.6	1.0	-10.3	-14.1
Transport, storage and communications	16.9	18.5	19.1	12.5	7.2	8.6
Financial intermediation	4.8	5.2	5.4	13.5	5.1	6.3
Real estate activities, renting	14.7	15.3	16.4	5.6	2.0	1.4
Other services	15.1	15.7	17.1	2.3	1.5	-0.2
Gross value added, base prices	100.0	100.0	100.0	5.9	-2.4	0.6

Source: SORS

Table 8 - Indicators of price rise, growth rates in %

	<u>Ø2008</u> Ø2007	<u>Ø2009</u> Ø2008	<u>Ø2010</u> Ø2009	<u>12</u> 2008	<u>12</u> 2009	<u>1</u> 2010	<u>2</u> 2010	<u>3</u> 2010	<u>4</u> 2010	<u>5</u> 2010	<u>6</u> 2010	<u>7</u> 2010	<u>8</u> 2010	<u>9</u> 2010	<u>10</u> 2010	<u>11</u> 2010	<u>12</u> 2010
Consumer prices	11.7	8.4	6.5	8.6	6.6	4.8	3.9	4.7	4.3	3.7	4.2	5.1	6.6	7.7	8.9	9.6	10.3
Retail prices	10.9	10.1	8.6	6.8	10.4	8.0	6.3	7.4	7.4	6.8	6.4	7.0	7.9	8.7	9.9	10.8	11.5
Cost of living	13.5	8.6	6.8	7.9	6.6	4.8	3.6	4.4	4.0	3.8	3.7	4.4	6.3	7.2	8.6	9.5	10.4
Industrial producer prices	12.4	5.6		9.0	7.4	10.4	9.5	11.7	13.0	12.2	11.3	11.6	12.1	14.0	15.0	15.1	-
Agricultural producer prices (agriculture and fishery)	26.3	-4.4		13.5	-4.8	-7.2	-9.4	-7.3	-5.3	-9.2	-3.3	1.0	18.7	22.8	23.5	-	-

Source: SORS

Table 9 - Mean exchange rate of the dinar against the euro and the dollar

Mean exchange rate	2008	2009	01.01 - 24.08.2010
The dinar against the euro, average of the period	81.44	93.95	101.22
The dinar against the euro, end of the period	88.60	95.89	105.06
The dinar against the dollar, average of the period	55.76	67.47	77.13
The dinar against the dollar, end of the period	62.90	66.73	83.10

Source: NBS

Table 10 - External debt of the Republic of Serbia

	EUR m			% GDP	
	2008	2009	5.2010	2008	2009
Total external debt	21,800.5	22,786.9	23,625.1	65.2	72.3
Public external debt	6,386.5	7,231.4	8,203.8	19.1	22.9
Private external debt	15,414.0	15,555.5	15,421.3	46.1	49.4

Source: NBS

Note: External debt of the public sector comprises the debt of the government and local self-government, as well as the state-guaranteed debt. External debt of the private sector comprises the debt of economy for which the state did not issue a guarantee.

Note: Data for 2008 and 2009 refer to the debt on the last day of the year of reference, and for 2010 to the debt on the last day of May. Shares in GDP have been calculated on the basis of GDP values derived from MFIN data.

Table 11 - Public debt of the Republic of Serbia

	2008	2009	July 2010
Total public debt, EUR m	8,781.5	9,849.4	10,740.5
Internal debt	3,161.6	4,185.6	4,474.5
External debt	5,619.9	5,663.8	6,266.0
Public debt/GDP, %	25.6	31.3	32.5

Source: Ministry of Finance

Note: Data for 2008 and 2009 refer to the debt on the last day of the year of reference, and for 2010 to the debt on the last day of June.

Table 12 - Consolidated balance of the general government sector in 2008-2010

	RSD bn				rise in real terms		% GDP			Structure of revenues and expenditure			
	Realization			Plan	2009 2008	I-V 2010 I-V 2009	Realization		Plan	Realization			Plan
	2008	2009	I-V 2010	2010			2008	2009	2010	2008	2009	I-V 2010	2010
PUBLIC REVENUES	1,143.4	1,146.5	460.2	1,201.3	92.5	101.7	42.0	39.8	39.1	100	100	100	100
1. Current revenues	1,140.4	1,139.8	459.6	1,195.0	92.2	101.7	41.9	39.6	38.9	99.7	99.4	99.9	99.5
1.1. Tax revenues	1,000.4	1,000.3	404.9	1,043.3	92.2	100.8	36.7	34.7	33.9	87.5	87.2	88.0	86.8
Personal income tax	136.5	133.5	53.7	136.6	90.2	97.5	5.0	4.6	4.4	11.9	11.6	11.7	11.4
Corporate profit tax	39.0	31.2	15.6	31.7	73.8	91.1	1.4	1.1	1.0	3.4	2.7	3.4	2.6
Value added tax	301.7	296.9	123.0	324.5	90.8	103.6	11.1	10.3	10.6	26.4	25.9	26.7	27.0
Excise duties	110.1	134.8	50.2	141.9	112.9	111.0	4.0	4.7	4.6	9.6	11.8	10.9	11.8
Customs duties	64.8	48.0	16.7	42.6	68.3	83.2	2.4	1.7	1.4	5.7	4.2	3.6	3.5
Other tax revenues	35.6	37.1	17.5	45.8	96.1	129.8	1.3	1.3	1.5	3.1	3.2	3.8	3.8
Contributions	312.7	318.8	128.1	320.3	94.1	97.1	11.5	11.1	10.4	27.3	27.8	27.8	26.7
1.2. Non-tax revenues	140.0	139.5	54.7	151.7	91.9	109.0	5.1	4.8	4.9	12.2	12.2	11.9	12.6
2. Capital revenues	1.5	0.2	0.2	0.0	12.3	242.4	0.1	0.0	0.0	0.1	0.0	0.1	0.0
3. Grants	1.5	6.5	0.4	6.3	399.8	101.9	0.1	0.2	0.2	0.1	0.6	0.1	0.5
PUBLIC	1,213.9	1,267.9	506.6	1,351.3	96.4	101.3	44.6	44.0	44.0	100	100	100	100

EXPENDITURE													
1. Current expenditure	1,088.8	1,154.2	472.5	1,209.5	97.8	100.9	40.0	40.1	39.4	89.7	91.0	93.3	89.5
1.1. Expenditure on employees	293.1	301.8	121.3	309.7	95.0	96.4	10.8	10.5	10.1	24.1	23.8	23.9	22.9
1.2. Purchase of goods and services	181.1	186.4	74.0	206.4	95.0	106.1	6.7	6.5	6.7	14.9	14.7	14.6	15.3
1.3. Interest repayment	16.3	22.4	13.2	35.0	126.8	137.1	0.6	0.8	1.1	1.3	1.8	2.6	2.6
1.4. Subsidies	78.0	63.1	22.4	72.3	74.6	108.2	2.9	2.2	2.4	6.4	5.0	4.4	5.4
1.5. Social assistance and transfers	496.8	555.6	233.4	577.3	103.2	99.5	18.2	19.3	18.8	40.9	43.8	46.1	42.7
1.5.1. Pensions	331.0	387.3	161.5	398.0	107.9	97.4	12.2	13.4	12.9	27.3	30.5	31.9	29.5
1.5.2. Sickness benefit	6.1	6.8	2.6	6.8	102.8	93.3	0.2	0.2	0.2	0.5	0.5	0.5	0.5
1.5.3. Unemployment benefit	16.7	19.3	8.6	25.0	106.6	111.7	0.6	0.7	0.8	1.4	1.5	1.7	1.9
1.5.4. Social welfare	99.6	99.0	43.1	107.1	91.7	-	3.7	3.4	3.5	8.2	7.8	8.5	7.9
Transition fund*	7.3	4.9	4.3	6.0	61.9	-	0.3	0.2	0.2	0.6	0.4	0.8	0.4
Child welfare*	25.8	31.1	14.2	32.4	111.2	-	0.9	1.1	1.1	2.1	2.5	2.8	2.4
War veteran and invalid care*	15.0	13.7	5.6	13.3	84.3	-	0.4	0.5	0.4	1.2	1.1	1.1	1.0
Budget social welfare*	11.5	13.1	6.1	15.6	105.1	-		0.5	0.5	0.9	1.0	1.2	1.2
Other**	40.0	36.2	12.9	39.9	83.5	-	1.5	1.3	1.3	3.3	2.9	2.5	3.0
1.5.5. Budget transfers for army pensions	20.1	22.9	9.6	22.9	105.1	-	0.7	0.8	0.7	1.7	1.8	1.9	1.7
1.5.6. Other transfers to citizens	23.4	20.2	8.1	17.5	79.6	-	0.9	0.7	0.6	1.9	1.6	1.6	1.3
1.6. Other current expenditure	21.2	24.8	8.2	8.7	107.9	106.3	0.8	0.9	0.3	1.7	2.0	1.6	0.6
2. Capital expenditure	105.8	93.3	24.6	113.9	81.4	93.7	3.9	3.2	3.7	8.7	7.4	4.9	8.4
3. Net budget loans	19.3	20.5	9.6	27.9	98.0	168.7	0.7	0.7	0.9	1.6	1.6	1.9	2.1
CONSOLIDATED BALANCE	-70.5	-121.4	-46.4	-149.9	-	-	-2.6	-4.2	-4.9	-	-	-	-

Source: Ministry of Finance, * from the republic budget; ** local level, AP Vojvodina, other social welfare from the republic budget

Table 13 - Comparison of performances and plans defined by the Memorandum on the Budget and Economic and Fiscal Policy

SHARE OF PUBLIC REVENUES AND PUBLIC EXPENDITURE IN GDP 2006-2013									
REALIZATION									
	2006	2007	2008	2009					
	44.2	43.5	42.0	39.8					
	45.8	45.5	44.6	44.0					
ESTIMATES AND PROJECTIONS PRESENTED IN THE MEMORANDA SINCE 2007									
Memorandum on the Budget and Economic and Fiscal Policy for 2007 with Projections for 2008 and 2009	2006	2007	2008	2009	2010	2011	2012	2013	
Share of public revenues in GDP	39.7	38.3	36.8	36.7					
Share of public expenditure in	38.4	37.5	36.7	35.9					

	GDP								
Memorandum on the Budget and Economic and Fiscal Policy for 2008 with Projections for 2009 and 2010	2006	2007	2008	2009	2010	2011	2012	2013	
Share of public revenues in GDP		40.9	39.6	39.6	39.8				
Share of public expenditure in GDP		41.4	39.7	39.2	39.2				
Memorandum on the Budget and Economic and Fiscal Policy for 2009 with Projections for 2010 and 2011	2006	2007	2008	2009	2010	2011	2012	2013	
Share of public revenues in GDP			41.5	41.3	41.3	41.1			
Share of public expenditure in GDP			43.3	41.7	40.3	40			
Memorandum on the Budget and Economic and Fiscal Policy for 2010 with Projections for 2011 and 2012	2006	2007	2008	2009	2010	2011	2012	2013	
Share of public revenues in GDP				39.5	38.3	37.9	37.6		
Share of public expenditure in GDP				42.5	40.9	39.6	38.8		
Memorandum on the Budget and Economic and Fiscal Policy for 2011 with Projections for 2012 and 2013	2006	2007	2008	2009	2010	2011	2012	2013	
Share of public revenues in GDP					38.9	38.3	37.7	37.5	
Share of public expenditure in GDP					43.7	42.3	41.2	39.3	

Source: Memoranda on the Budget and Economic and Fiscal Policy adopted during the period 2007-2011

Key: Realization
 Estimate
 Forecast

Table 14 - Absolute poverty line by regions

	2006	2007	2008	2009
Poverty line, RSD per month per consumer unit	6,221	6,625	7,401	8,022
% poor in the RS	8.8	8.3	6.1	6.9
% poor by regions				
Belgrade	4.3	2.4	2.9	3.8
Central Serbia	10.7	9.0	7.0	9.3
Vojvodina	8.6	11.9	6.8	4.9

Data source: Statistical Office of the Republic of Serbia

Table 15 - Poverty by regions and by population education levels

Region	Year	Education level			
		No education	Primary education	Secondary education	Tertiary education
Belgrade	2008	7.6	4.8	2.3	1.1
	2009	14.8	8.1	2.2	0.6
Vojvodina	2008	12.7	9.5	5.1	0.7
	2009	14.4	7.2	1.5	1.3
Central Serbia	2008	11.0	9.0	5.2	2.5
	2009	17.7	11.1	6.0	0.8

Data source: Statistical Office of the Republic of Serbia

Table 16 - Agroinvest activities 2008–2010

	Number of loans granted	Total amount of loans (in EUR)	Total number of active clients	Percentage of returning clients	Average loan amount (in EUR)	Percentage of women clients
Jul 2010	5,681	971,842.50	15,758	42%	1,157.89	56.73%
Dec 2009	9,152	11,816,948.79	14,928	35%	1,291.19	55.14%
Dec 2008	9,302	14,833,392.13	14,747	37%	1,594.65	62.33%

Data source: Statistical Office of the Republic of Serbia

Table 17 - Relative at-risk-of-poverty gap by age and sex, %

	2006	2007	2008	2009
Total				
total	28.5	28.5	23.6	22.0
male	28.5	28.1	24.4	24.0
female	28.5	28.7	22.8	20.9
0 - 17				
total	29.7	29.9	23.1	21.8
male	30.1	27.9	25.3	26.5
female	29.3	30.9	22.2	19.8
18 - 64				
total	28.5	29.2	24.8	22.0
male	28.5	29.7	25.3	22.9
female	28.5	28.2	23.5	21.5
65+				
total	26.7	24.7	21.9	22.0
male	25.2	21.4	20.7	22.0
female	28.5	27.6	22.3	21.9

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

Table 18 - Share of social transfers (pensions excluded) in household income by income decile

	Total	1	2	3	4	5	6	7	8	9	10
2006	2.4	10.1	6.6	3.4	3.8	2.6	2.0	2.0	1.4	1.2	1.7
2007	2.2	10.6	5.8	3.9	3.1	2.7	1.7	1.8	1.3	1.2	1.0
2008	1.8	8.7	6.9	2.8	2.5	2.2	1.3	1.6	1.1	0.7	0.5
2009	1.9	12.1	4.7	2.6	3.7	1.7	1.9	0.9	1.4	0.8	0.6

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

Table 19 - Relative poverty line based on consumption *

	2006	2007	2008	2009
poverty line, RSD/month/consumer unit	7,171	7,747	8,923	9,583

% of the poor in the Republic of Serbia	14.4	13.4	13.2	13.6
% of the poor by type of settlement:				
urban area	9.5	10.1	10.9	9.1
other area	20.6	17.6	16.1	19.5

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

**Relative poverty line* defines poverty relative to the national living standards level and has been established at 60% median average consumption per consumer unit.

Table 20 - Mean household income

	2006	2007	2008	2009
Mean in RSD	13,980	16,500	19,200	21,379
Index 2006=100	100.0	118.0	137.3	152.9
Chain index	-	118.0	116.4	111.4

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

Table 21 - Absolute poverty profile

	2006	2007	2008	2009
% of the poor in the Republic of Serbia	8.8	8.3	6.1	6.9
% of the poor by region				
Belgrade	4.3	2.4	2.9	3.8
Central Serbia	10.7	9.0	7.0	9.3
Vojvodina	8.6	11.9	6.8	4.9
% of the poor by type of settlement				
urban area	5.3	6.0	5.0	4.9
other area	13.3	11.2	7.5	9.6
% of the poor by type of household				
single-member	8.6	8.8	6.6	5.7
two-member	8.7	9.2	5.5	5.6
three-member	5.2	4.9	5.1	5.0
four-member	5.7	5.3	4.7	4.7
five-member	8.3	8.1	5.2	5.7
six-member+	17.3	14.4	10.0	14.2
% of the poor by ge				
children up to the age of 13	11.6	11.2	7.3	9.8
children 14–18	11.7	8.8	6.9	8.4
adults 19–24	7.2	6.6	5.9	7.5
adults 25–45	8.4	7.4	5.0	6.4
adults 46–64	7.0	6.6	5.4	5.3
elderly 65 +	10.0	10.3	7.5	7.5
% of the poor by education of the head of household				
incomplete primary school	21.0	18.1	9.0	14.8
primary school	13.7	13.2	10.5	9.2
secondary school	5.5	5.4	4.8	3.0

post-secondary school	0.6	0.1	2.7	1.8
university	1.8	0.4	1.9	0.6
% of the poor by socio-economic status of the head of household				
self-employed	10.2	10.9	5.1	6.0
employed	5.2	5.3	3.9	4.6
unemployed	14.7	10.9	16.9	17.5
pensioners	8.8	7.6	5.7	6.1
other inactive	28.2	24.2	15.5	29.3

Source: HBS, SORS. Taken from the report "Monitoring Social Inclusion in Serbia" Government of the Republic of Serbia, 2010

Table 22 - Quality of food by level of vulnerability, 2006

	Percentage of persons who....			
	use animal fat for preparation of meals	eat wholewheat, rye and similar types of bread	eat fresh food every day	eat fish less than once a week
the poorest	58.3	5.4	32.6	64.4
the poor	44.7	9.2	39.9	62.4
middle class	34.0	12.7	45.3	51.6
the rich	22.3	19.1	50.0	39.6
the richest	9.0	27.9	52.6	35.0

Source: Health-Statistical Almanach of the Republic of Serbia, 2008, Public Health Institute of the Republic of Serbia "Dr Milan Jovanović Batut"

Table 23 - Quality of food, 2006

We are hungry often and cannot afford minimum food	3
We are not hungry, but our meals are meagre	12
We mostly eat cheap food	20
We have enough but cannot afford expensive food	51
We can afford any food we want	14
Total	100

Source: "Social Exclusion in Serbia – intensity, causes and types "

Table 24 - Quality of clothing, 2006

We wear old clothes, mend and lend from others	6
We buy second hand clothes and footwear	3
We buy on the market, flee market, in Chinese shopping mall	29
We buy in shops, boutiques	42
We buy branded clothes and footwear	20
Total	100

Source: "Social Exclusion in Serbia – intensity, causes and types "

Table 25 - Quality of hygiene, 2006

I have neither the habit, nor money to do all that should be done	26
I do not have the habit to do all that should be done	8
I cannot afford to do all that should be done	8
I do all I think necessary	45
Others	13

Total	100
-------	-----

Source: "Social Exclusion in Serbia – intensity, causes and types "

Table 26 - Hygiene habits of adult inhabitants in Serbia, 2006

Washes hands regularly	73,8
Brushes teeth regularly	40,7
Takes shower /bath regularly	56,7

Source: Public Health Institute of the Republic of Serbia "Dr Milan Jovanović Batut", Health-Statistical Almanach of the Republic of Serbia, 2008

Table 27 - Active programmes and services implemented by NES by type and no. of beneficiaries 2008-2010

		2008	2009	2010 plan	2010 implement. January-June
1	Career management and counselling	746,952	923,657	555,360	387,753
1.1	Raising awareness on career development opportunities	7,986	1,152	4,000	1,030
1.2	Assesment of employability and individual employment plans	347,756	471,653	443,520	319,473
1.3	Counselling and FEP	9,575	9,621	10,000	4,368
1.4	Selection and classification	11,202	18,911	11,000	11,267
1.5	Job fairs	63,027	52,301	51,460	33,400
1.6	Active job search measures	42,738	41,076	35,380	18,215
1.6.1	Jub clubs	2,614	3,190	3,380	1,522
1.6.2	Training for active job search ATP1	38,037	35,911	30,000	15,901
1.6.3	Self-efficiency training ATP2	2,087	1,975	2,000	792
2	Additional education and training programmes	10,298	20,515	20,000	7,066
2.1	Trainees	5,962	17,150	16,000	7,009
2.2	Trainings	3,976	3,365	4,000	57
3	Enterpreneurship development and employment programmes	58,563	62,029	28,575	22,253
3.1	Information services, counselling and educaton services in business centres	24,860	26,584	22,500	17,032
3.1.1	Education in business centres	11,187	13,274	10,500	9,822
3.2	Self-employment subsidies	3,386	5,303	2,232	1,498
3.2.1	Self-employment subsidies	3,386	4,932	2,2,32	1,498
3.2.2	Subsidies for the unemployed for registration of agricultural farms		371		
3.3	Self employment one-off cash grants	454	667		286

3.4	Subsidies for new job creation and equipping	8,668	6,429	4,200	1,647
3.5	New employment of persons with disabilities		0		
3.6	Subsidies for contributions of mandatory social insurance	10,008	4,469	0	1,790
3.6.1	Subsidies for contributions for persons 50+		1,372		640
3.6.2	Subsidies for contributions for persons 45 +	3,509	570		244
3.6.3	Subsidies for contributions for persons under 30	5,370	2,052		708
3.6.4	Subsidies for contributions for trainees, under 30	1,016	382		106
3.6.5	Subsidies for contributions for persons with disabilities	113	93		92
4	Public works	10,184	10,160	5,600	5,483
5	Severance to Job project	1,120	437		

Source: reports on operation of NES for 2008, 2009 and January -June 2010

Table 28 - Level of education of Roma

Level of education /years in education	Percentage of Roma aged 15 +		
	1991 Census		1991 Census
Less than 4 years	34.8	Less than 4 years	34.8
Less than 8 years	78.7	Less than 8 years	78.7
Primary school completed	17	Primary school completed	17
Secondary school completed	4	Secondary school completed	4
Post-secondary or university	0.3	Post-secondary or university	0.3

Table 29 - Early school leavers discontinuing education, aged 18-24

	April 2008	October 2008	April 2009.	October 2009
men	38.5	39.0	33.7	35.9
women	23.9	26.3	23.8	23.3
total	31.3	32.7	28.8	30.0
Source: LFS				

Table 30 - Key indicators of coverage and access to education in Serbia

	2007/2008	2008/2009	2009/2010
Capture of children by preschool education	46.9% (196,531 children)		

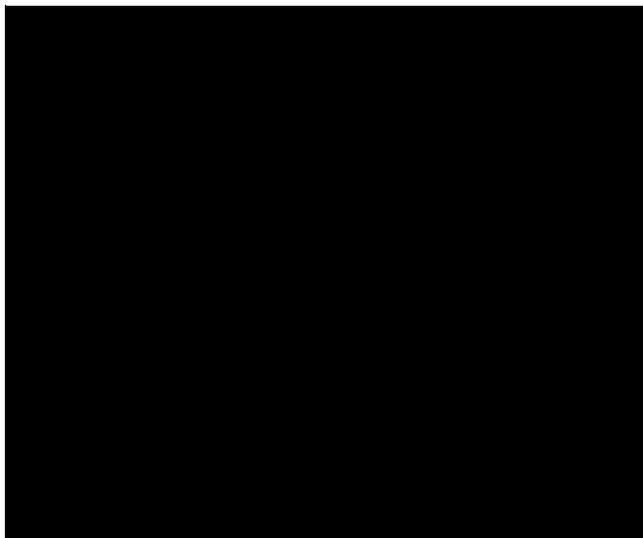
Capture of children by PPP	88.85% (SORS) 99.07% (MoE)	91.8% (SORS) 95.75, (MoE)	87.82% ⁷⁰³ (SORS) 97.58% (MoE)
Net primary school enrollment rate		98.5%	
Capture of children aged 7 by primary education		98.5%	
Capture of children aged 7-14 by primary education		98.17%	98.07%
Drop-out rate from primary education at the generation level	5.7%	n/a	n/a
Primary education completion level	99.46%	99.24%	
Net first grade of secondary school enrollment rate		82.7% (SORS)	
Coverage of children aged 15-18 by secondary school		82.08% (SORS)	

Table 31 - The Number of Pensioners per Type of Insurance, 2002-2009



Source: The Pension and Disability Insurance Fund

Table 32 - Pension Coverage



⁷⁰³ SORS, Notice No. 105 – year LX, April 28.,2010, table No. 3.

Source: The Statistical Office of the Republic of Serbia and the Pension and Disability Insurance Fund

Table 33 - Average Pension, Average Pension to Average Wage Ratio, Real Growth of Pensions

	просечна пензија							просечна нето зарада**	однос старосне пензије (1a) у заради	однос укупне пензије (1e) у заради	реални раст (e)
	1			2		3					
	а	б	ц	д	е	фонд самосталаца (укупна)	фонд пољопривредни ка (укупна)				
старосна	инвалидска	породична	укупно (по закону)	укупно (у исплати)							
2002	8.038	6.248	4.894	6.722	6.546	6.469	2.603	9.208	87,3%	71,1%	36,7%
2003	9.696	7.543	5.892	8.102	7.844	7.918	3.119	11.500	84,3%	68,2%	9,0%
2004	11.465	8.910	6.977	9.578	9.244	9.360	3.665	14.108	81,3%	65,5%	6,1%
2005	13.896	10.812	8.494	11.643	11.484	11.357	4.429	17.443	79,7%	65,8%	6,9%
2006	15.885	12.425	9.776	13.406	13.150	13.002	5.039	21.707	73,2%	60,6%	2,5%
2007	17.635	13.869	10.498	14.996	14.852	14.533	5.613	27.759	63,5%	53,5%	6,0%
2008	22.634	17.916	14.199	19.385	18.910	18.969	7.250	29.174	77,6%	64,8%	14,0%
2009	25.224	20.045	15.964	21.714	21.714	21.283	8.140	31.733	79,5%	68,4%	5,9%
Jun-10	25.170	20.021	16.014	21.753	21.753	21.304	8.164	34.161	73,7%	63,7%	-5,4%

* законски одређена пензија; до 2006 она се разликовала од стварно исплаћене, али је та разлика од 2006 године занемарљива

**промена методологије у јануару 2009. Зарада за 2008 је прерачуната по новој методологији

Table 34 - Replacement Rates, 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010
General point	231.8	272.6	329.5	375.0	418.0	539.8	604.5	604.5
Pension benefit (coefficient 1, years-of-service 40)	9,272	10,904	13,180	15,000	16,720	21,592	24,180	24,180
Average wage	11,500	14,108	17,443	21,707	27,759	29,160	31,733	34,000
Cost of living index	109.9	111.1	116.1	111.7	106.5	111.7	108.4	105.1
GDP real growth (%)	2.4	8.3	5.6	5.2	6.9	5.5	-3	1.5
Replacement rate	88.6%	85.3%	80.5%	77.0%	72.3%	69.6%	76.5%	72.5%

Table 35 - Replacement Rate, Projections to 2015

	2011	2012	2013	2014	2015
<i>Version 1</i>					
GDP real growth	3	5	5.5	5.0	5.0
Real growth of wages (GDP-1%)	2	4	4.5	4	4
Replacement rate	72.2%	72.5%	70.8%	68.4%	66.4%
<i>Version 2</i>					
GDP real growth	3	5	5.5	5.0	5.0
Real growth of wages (GDP-2%)	1	3	3.5	3	3
Replacement rate	72.2%	73.3%	72.2%	70.4%	69.1%
<i>Version 3</i>					
GDP real growth	3	5	5.5	5.0	5.0
Real growth of wages (GDP%)	3	5	5.5	5.0	5.0
Replacement rate	72.2%	71.8%	69.4%	66.5%	63.9%

Source: Author's calculation for Serbia, data for 2010; European Commission (SPC-ISG report from 2009, data for 2006; the estimation is that there was no change)

Table 36 - The Minimum Pension and the Poverty Line 2006 - 2011

	2006	2007	2008	2009	2010*	2011*
Absolute poverty line (per consumption unit)	6,621	6,625	7,401	8,022	8431	8,853
Relative poverty line (income-based)**	7,171	7,747	8,923	9,583	10,206	10,971
Minimum pension***	6,878	7,667	9,946	11,088	11,088	11,809
The lowest amount of the minimum survivor pensions	4,815	5,367	6,962	7,762	7,762	8,266
The minimum farmer pension	5,171	5,700	7,446	8,385	8,385	9,000

** Does not include income in kind

*** Old-age and disability pension from the insurance of employees and the self-employed

* Estimate (absolute poverty line somewhat less than the growth of wages)

Table 37 - Poverty Rate per Age Groups, % (Absolute Poverty, Consumption)

	2006	2007	2008	2009
0 - 59 years of age	8.5	7.8	5.8	7.0
Men	8.5	7.7	6.0	7.2
Women	8.6	8.0	5.6	6.7
60 +	9.5	9.4	6.7	6.8
Men	8.6	9.2	6.5	6.5
Women	10.3	9.6	6.9	7.0
0 - 64 years of age	8.5	7.7	5.3	6.8
Men	8.4	7.7	5.5	7.0
Women	8.7	7.8	5.1	6.6
65 +	10.0	10.3	7.1	7.5
Men	9.2	9.7	6.6	7.5
Women	10.6	10.8	7.5	7.6
0 - 74 years of age	8.6	7.9	5.7	6.7
Men	8.4	7.7	5.9	6.9
Women	8.8	8.1	5.6	6.6
75 +	10.8	12.1	9.7	8.8
Men	9.3	12.3	9.1	9.1
Women	11.9	12.0	10.1	8.6

Source: the Statistical Office of the Republic of Serbia

Table 38 - Statistics of the Commissioner for Protection of Equality

No	Sex	Place of residence/ seat	Grounds for complaint	Type of relationship	Filing date	Type of decision
1	M	Novi Pazar	Discrimination on the grounds of ethnic affiliation	Employment relationship	March 28, 2010	Procedure discontinued upon bringing judicial proceedings
2	M	Novi Pazar	Unlawful action by the	Education		Procedure

3	M	Aleksandrovac	Unlawful denial of priority purchase right	Ownership relations	July 3, 2010	Procedure discontinued – judicial proceedings in progress
4	M	Novi Sad	Different views of the court in two litigations concerning the same legal matters	Ownership relations	June 16, 2010	Procedure discontinued – no discrimination was involved
5	M	Loznica	Crime report for failure to issue a health insurance card	Health	May 8, 2010	Procedure discontinued – no discrimination was involved
6	M	Belgrade	Unlawful change to car parking scheme	Transportation	August 14, 2010	Procedure discontinued – no discrimination was involved
7	M	Bela Palanka	Failure of an enterprise to act in conformity with the Law on Vocational Rehabilitation and Employment of Persons with Disabilities	Employment relationship	August 17, 2010	No violation of the Anti-discrimination Law – no job advertisement was announced, the person in question requested to be employed as a person with disability by the enterprise
8		Novi Pazar	Ethnic affiliation	Collective minority rights		A view that there was an unjustified distinction between the Bosniak national minority and other national minorities in terms of conditions for assembling the Bosniak National Minority Council Recommendation – provide the same conditions
9	M	Subotica	Rejection of a public works project proposal – elderly carers and cleaners	Public works	August 16, 2010	No violation of the Anti-discrimination Law
10	M	Kragujevac	Discrimination on the grounds of place of birth	The judiciary – appointment of deputy public prosecutor	July 7, 2010	No violation of the Anti-discrimination Law
11	M	Bogoštica village Municipality of Krupanj	Unlawful action in judicial proceedings	Criminal law	June 24, 2010	No violation of the Anti-discrimination Law
12	M	Požarevac	Unlawful action in the assembly of the Macedonian National Minority Council	Collective minority rights	July 27, 2010	No violation of the Anti-discrimination Law
13	M	Knjaževac	Discrimination on the grounds of political conviction	Employment relationship	July 20, 2010	Complainant was requested to supplement his claim
14	F	Prokuplje	Discrimination of the unemployed	Employment		No violation of the Anti-discrimination Law

15	M		Violation of rights of a group of pensioners	Pension insurance	August 6, 2010	No violation of the Anti-discrimination Law
16	F		Discrimination on the grounds of membership in a trade union	Employment relationship	August 29, 2010	Procedure discontinued – judicial proceedings in progress
17	F		Mobbing	Employment relationship	September 5, 2010	No violation of the Anti-discrimination Law
18	F		Discrimination on the grounds of sex and disability	Employment relationship	September 17, 2010	
19	M		Discrimination against a group of workers on the grounds of membership in a trade union	Employment relationship	September 6, 2010	Proposal for mediation
20	F		Violations of various rights arising from employment relationship	Employment relationship	September 5, 2010	No violation of the Anti-discrimination Law
21	M		Redress for damages arising from technical improvements	Employment relationship	September 5, 2010	No violation of the Anti-discrimination Law
22	F		Discrimination in employment	Employment relationship	July 7, 2010	Party seeks amicable resolution; therefore, mediation proposed; procedure in progress
23	M	Brezovica – Štrpce	Unlawful warning for breach of work duty Refusal to grant a loan	Employment relationship Service provision		Complainant was requested to supplement his claim
24	M	Svrljig	Discrimination on the grounds of political conviction – unlawful discharge from the position of the head of municipal administration – dismissal	Employment relationship	July 23, 2010	The other party was requested to respond
25	M	Priboj	Problems concerning entry into employment relationship of criminology graduates of the Sarajevo Faculty of Security	Employment	September 2, 2010	
	F	Novi Pazar			August 17, 2010	

26	M	Priboj	Discrimination regarding the use of the Bosniak language and Roman script – alignment of the municipal Statute with law – official use of the Bosniak language and Roman script	Use of national minority languages and scripts	September 2, 2010	
	M				September 15, 2010	
27	F	Novi Sad	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 13, 2010	The Government was requested to respond
28	M	Belgrade	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal		The Government was requested to respond
29	F	Niš	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	July 1, 2010	The Government was requested to respond
30	F	Sremska Mitrovica	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	July 1, 2010	The Government was requested to respond
31	F	Kragujevac	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 12, 2010	The Government was requested to respond
32	M	Belgrade	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 3, 2010	The Government was requested to respond
33	F	Šabac	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 14, 2010	The Government was requested to respond
34	M	Kragujevac	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 10, 2010	The Government was requested to respond
35	F	Šabac	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit arising from employment relationship	August 14, 2010	The Government was requested to respond
36	M	Šabac	Discrimination of misdemeanour judges concerning the extended payment of benefits	Benefit on the grounds of dismissal	August 24, 2010	The Government was requested to respond

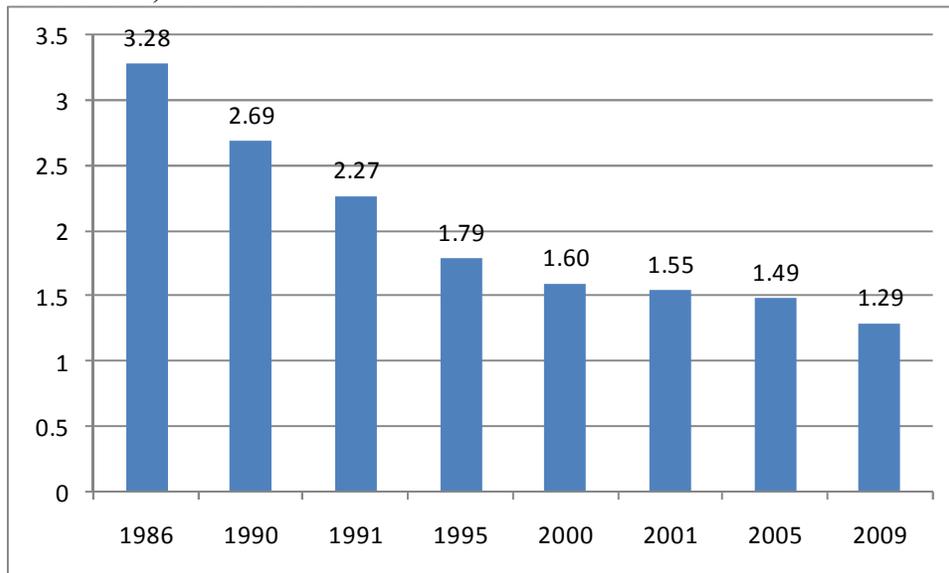
37	F	Belgrade	Complaints regarding the operation of Belgrade Electric Power Distribution – relocation of a transforming station	Service provision	July 19, 2010	No violation of the Anti-discrimination Law
38	M	Kragujevac	Discrimination on the grounds of place of birth	Appointment of a public prosecutor	September 6, 2010	No violation of the Anti-discrimination Law
39	M	Brzi Brod, Niš	Reviewing the operations of the Niš City Organisation of Occupationally Disabled Persons and the Serbian Association of Occupationally Disabled Persons	Right of association	August 19, 2010	No violation of the Anti-discrimination Law
40	M	Priluzje	Unlawful action concerning the recognition of the right to severance pay	Employment relationship	September 7, 2010	No violation of the Anti-discrimination Law
41	F	Vrbas	Discrimination against Vrbas attorneys in comparison with attorneys in other cities in terms of setting amounts of local tax	Operation of local administration	September 17, 2010	The other party was requested to respond
42	M	Niš	Complaint regarding operation of court Discrimination on the grounds of ethnic affiliation	The judiciary	September 6, 2010	Complainant was requested to supplement his claim
43	M	Novi Sad	Complaint regarding operation of the City Urban Planning Authority	Operation of local administration	September 15, 2010	Complainant was requested to supplement his claim
44	M	Novi Sad	Complaint regarding operation of the City Urban Planning Authority	Operation of local administration	September 15, 2010	Complainant was requested to supplement his claim
45	F	Belgrade	Discrimination on the grounds of sexual orientation	The media – publication of a text	September 16, 2010	
46	F	Belgrade	Discrimination on the grounds of sexual orientation	Actions of a non-governmental organisation	September 21, 2010	
47	M	Čačak	Discrimination on the grounds of ethnic affiliation	Private relations	September 23, 2010	Complainant was requested to supplement his claim

Table 39 - Report of the Ombudsman

No	CONTACTS OF THE OMBUDSMAN WITH CITIZENS	August 1, 2007 – December 31, 2007	January 1, 2008 – December 31, 2008	January 1, 2009 – December 31, 2009	January 1, 2010 – December 31, 2010
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1	Complaints	407	1.03	1,774	2,649
2	Number of citizens received for an interview		1,395	1,741	2,861
3	Telephone contacts with citizens		2,232	5,044	5,056
No	CONTACTS OF THE OMBUDSMAN WITH CITIZENS	August 1, 2007 - December 31, 2007	January 1, 2008 - December 31, 2008	January 1, 2009 - December 31, 2009	January 1, 2010 - December 31, 2010
1	Complaints	407	1.03	1,774	2,649

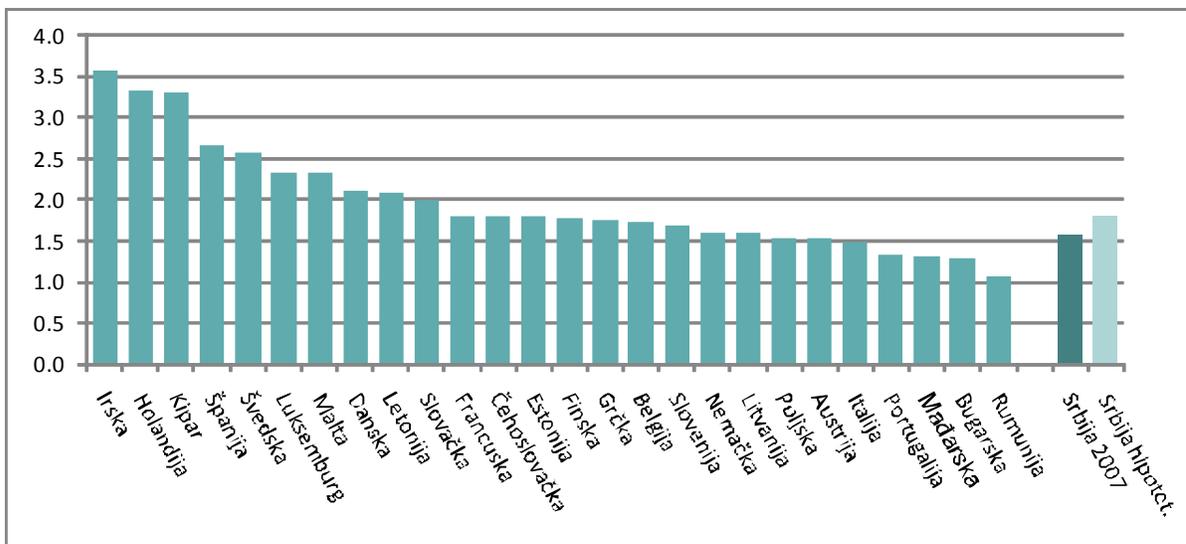
Chart 1 - The Ratio of the Number of the Contributors and the Employee Fund Pensioners, 1986-2009.



Source: The Pension and Disability Insurance Fund and the Statistical Office of the Republic of Serbia

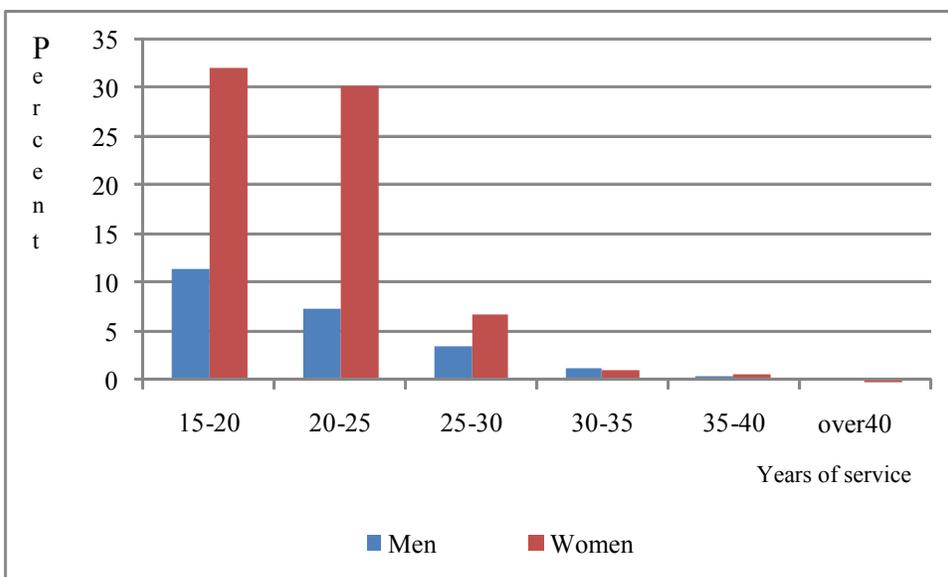
Note: There are issues with the original data for the pensioners and the insured, the data are adjusted according to the author's estimation.

Chart 2 - The Ratio of the Contributors and Pensioners, 2007



Source: Stanić, K.(2010) “Penzijski sistem u Srbiji – dizajn, karakteristike, preporuke”, USAID and CLDS

Chart 3 - The Percentage of Minimum Old-Age Pension Beneficiaries per Years of Service



Source: The Pension and Disability Insurance Fund

Picture 1 - Inflation and targeted ranges



Source: Data of the National Bank of Serbia

Picture 2 - The dinar exchange rate against the euro and the dollar



Source: Data of the National Bank of Serbia

6.2. Analysis of International Assistance

National IPA social inclusion-related projects for Serbia 2007-2010

Project title	Year	Project beneficiary(ies)	Project budget
Further Support to Refugees and IDPs in Serbia	2007	Commissariat for Refugees of the Republic of Serbia	10,000,000.00 EUR
Supporting the	2007	Energy Regulatory	6,000,000.00 EUR

Implementation of the Energy Community Treaty		Agency	
Implementing the National Strategy to Fight Drug Abuse	2007	Ministry of Health	1,500,000.00 EUR
Support to the Health Care Accreditation Agency	2007	Ministry of Health	1,500,000.00 EUR
Municipal Support Programme (MSP) Serbia	2007		23,000,000.00 EUR
Health Sector Reform Emergency Medical Services (EMS)	2007	The Ministry of Health	10,000,000.00 EUR
Regional Socio-Economic Development Programme	2007	Ministry of Economy and Regional Development	21,000,000.00 EUR
Implementation of priorities in the area of human rights and protection of national minority groups	2007	Agency for Human and Minority Rights	1,500,000.00 EUR
Education for All - Increasing the Availability and Quality of Education for Children from Marginalised Groups	2008	Ministry of Education of the Republic of Serbia	3,000,000.00 EUR
Fostering social inclusion through strengthening institutions that provide community-based social protection services (Social Inclusion)	2008	Ministry of Labour and Social Policy	5,800,000.00 EUR
Support to Refugees and Internally Displaced persons (IDPs)	2008	- Commissariat for Refugees of the Republic of Serbia - Ministry for Kosovo and Metohija of the Republic of Serbia	6,210,000.00 EUR
National Employment Service's (NES) forecasting and data management	2008	Ministry of Economy and Regional Development	1,500,000.00 EUR
Systemic Development of Elementary, Practice Based Adult Education in Serbia (second chance)	2008	Ministry of Education	7,500,000.00 EUR
Supporting access to rights, employment and livelihood enhancement of refugees and IDPs in Serbia	2009	- Commissariat for Refugees of the Republic of Serbia - Ministry for Kosovo	13,541,000.00 EUR

		and Metohija of the Republic of Serbia - Ministry of Labour and Social Policy of the Republic of Serbia	
Improvement of preschool education in Serbia (IMPRES project)	2009	Ministry of Education	5,000,000.00 EUR
European South and South West Serbia Support Programme - ESSWeSP	2010	Direct beneficiaries of this project are municipalities of Zlatiborski, Raški, Moravički and Rasinjski, Jablanicki Pčinjski Districts	15,000,000.00 EUR
Capacity building of institutions involved in migration management and reintegration of returnees in the Republic of Serbia	2010	Commissariat for Refugees of the Republic of Serbia	2,000,000.00 EUR

6.3. List of Laws Relevant for Social Inclusion and Poverty Reduction

List of adopted laws relevant for the process of social inclusion in the period 2008 – mid 2010	Published in
Budget Law of the Republic of Serbia for 2011	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on the Budget System	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Pension and Disability Insurance Law	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on the Execution of the Prison Sentences for Criminal Offences of Organised Crime	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Property Tax Law	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Excise Tax Law	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on Taxes for the Use, Keeping and Holding Goods	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on the State Prosecutors Council	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on the Organization of Courts	“Official Gazette of RS”, No. 101/10

Law on the Amendments to the Law on Judges	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on Public Prosecution	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Law on the High Judicial Council	“Official Gazette of RS”, No. 101/10
Law on the Amendments to the Healthcare Law	“Official Gazette of RS”, No. 99/10
Law on the Amendments to the Law on Healthcare Worker Chambers	“Official Gazette of RS”, No. 99/10
Law on the Amendments to the Law on Civil Servant and Government Employee Salaries	“Official Gazette of RS”, No. 99/10
Law on Psychoactive and Controlled Substances	“Official Gazette of RS”, No. 99/10
Law on the Amendments to the Law on State Administration	“Official Gazette of RS”, No. 95/10
Law on the Amendments to the Games of Chance Act	“Official Gazette of RS”, No. 95/10
Law on the Amendments to the Law on Tobacco	“Official Gazette of RS”, No. 95/10
Law on the Amendments to the Law on the Military, Labour and Material Obligation	“Official Gazette of RS”, No. 95/10
Law on the Amendments to the Budget Law of the Republic of Serbia 2010	“Official Gazette of RS”, No. 91/10
Law on the Amendments to the Law on Deposit Insurance	“Official Gazette of RS”, No. 91/10
Law on the Amendments to the Law on Banks	“Official Gazette of RS”, No. 91/10
Law on the Amendments to the Law on Employment and Unemployment Insurance	“Official Gazette of RS”, No. 88/10
Law on Legacies and Foundations	“Official Gazette of RS”, No. 88/10
Law on the Spatial Plan of the Republic of Serbia 2010-2020	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on the Agency for the Insurance and Financing of Exports of the Republic of Serbia	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Healthcare Law	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on the Development Fund of the Republic of Serbia	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on the Strategic Assessment of the Environmental Impact	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on Protection against Environmental Noise	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on Environmental Protection	“Official Gazette of RS”,

	No. 88/10
Law on the Amendments to the Law on Waste Management	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Law on Tourism	“Official Gazette of RS”, No. 88/10
Law on the Amendments to the Criminal Proceedings Code	“Official Gazette of RS”, No. 76/10
Law on the Amendments to the Law on Travel Documents	“Official Gazette of RS”, No. 76/10
Accreditation Law	“Official Gazette of RS”, No. 73/10
Air Transport Law	“Official Gazette of RS”, No. 73/10
Law on the Amendments to the Law on the Budgetary System	“Official Gazette of RS”, No. 73/10
Consumer Protection Law	“Official Gazette of RS”, No. 73/10
Law on Navigation and Ports on Inland Waters	“Official Gazette of RS”, No. 73/10
Law on the Amendments to the Law on Tax Proceedings and Tax Administration	“Official Gazette of RS”, No. 53/10
Trade Law	“Official Gazette of RS”, No. 53/10
Law on the Amendments to the Law on the Agency for Combating Corruption	“Official Gazette of RS”, No. 53/10
Law on the Amendments to the Road Traffic Safety Law	“Official Gazette of RS”, No. 53/10
Law Confirming the Financial Contract (School Modernization Programme) between the Republic of Serbia and the European Investment Bank	“Official Gazette of RS”, No. 8/10
Law Confirming the Agreement on Founding the Regional School of Public Administration (RESPA)	“Official Gazette of RS”, No. MY 7/10
Electronic Communications Act	“Official Gazette of RS”, No. 44/10
Law on the Amendments to the Higher Education Law	“Official Gazette of RS”, No. 44/10
Law on Stimulating the Construction Industry of the Republic of Serbia during the Economic Crisis	“Official Gazette of RS”, No. 45/10
Law against Abuse in the Workplace	“Official Gazette of RS”, No. 36/10
Law on the Amendments to the Law on Unrestricted Access to Information of Public Importance	“Official Gazette of RS”, No. 36/10
Law on the Amendments to the Law on the State Audit Institution	“Official Gazette of RS”, No. 36/10
Law on Volunteering	“Official Gazette of RS”,

	No. 36/10
Law Confirming the Free Trade Agreement between the Republic of Serbia and EFTA countries	“Official Gazette of RS”, No. MY 6/10
Law on the Amendments to the General Administrative Procedure Law	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on the Privatization Agency	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on the Right to Free Shares and Financial Remuneration Effected by the Citizens during the Privatization Process	“Official Gazette of RS”, No. 30/10
Law on Forests	“Official Gazette of RS”, No. 30/10
Law on Medications and Medical Aids	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on Refugees	“Official Gazette of RS”, No. 30/10
Law on the Central Registry of Mandatory Social Insurance	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Regional Development Law	“Official Gazette of RS”, No. 30/10
Law on Waters	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on Postal Services	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on the Official Use of Languages and Scripts	“Official Gazette of RS”, No. 30/10
Law on the Provision of Consulting and Expert Services in the Field of Agriculture	“Official Gazette of RS”, No. 30/10
Law on Organic Production	“Official Gazette of RS”, No. 30/10
Law on the Protection of the Population against Tobacco Smoke	“Official Gazette of RS”, No. 30/10
Law on the Amendments to the Law on Scientific Research Activities	“Official Gazette of RS”, No. 18/10
Law on the Amendments to the Law on Innovation Activities	“Official Gazette of RS”, No. 18/10
Customs Law	“Official Gazette of RS”, No. 18/10
Law on Preschool Instruction and Education	“Official Gazette of RS”, No. 18/10
Law on Pupil and Student Standards	“Official Gazette of RS”, No. 18/10
Amnesty Law	“Official Gazette of RS”, No. 18/10

Law on the Amendments to the Law on Citizen Income Tax	“Official Gazette of RS”, No. 18/10
Law on the Amendments to the Law on Enterprise Profit Taxes	“Official Gazette of RS”, No. 18/10
Law Confirming the Agreement between the Republic of Serbia and the Swiss Confederation on the Readmission of Persons Illegally Present, with the Protocol on the Agreement Implementation	“Official Gazette of RS”, No. 19/10
Law Confirming the Agreement between the Republic of Serbia and the Kingdom of Norway on the Readmission of Persons Illegally Present	“Official Gazette of RS”, No. 19/10
Law Confirming the Protocol Between the Government of the Republic of Serbia and the Government of the Republic of Italy on Implementing the Agreement between the Republic of Serbia and the European Union on the Readmission of Persons Illegally Present	“Official Gazette of RS”, No. 19/10
Law on National Assembly	“Official Gazette of RS”, No. 9/10
Law on the Amendments to the Law on the Security – Information Agency	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Criminal Code	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Law on Preventing Violence and Unbecoming Conduct at Sporting Events	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Infraction Law	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Real Estate Sales Law	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Law on Civil Action Proceedings	“Official Gazette of RS”, No. 111/09
Law on States of Emergency	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Budget Law of the Republic of Serbia for 2009	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Law on the Business Registry Agency	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Law on Accounting and Auditing	“Official Gazette of RS”, No. 111/09
Law on Administrative Disputes	“Official Gazette of RS”, No. 111/09
Law on the Amendments to the Insurance Law	“Official Gazette of RS”, No. 107/09
Law on the Amendments to the Law on Public Debt	“Official Gazette of RS”, No. 107/09
Law on the Amendments to the Law on the Takeover of Joint Stock Companies	“Official Gazette of RS”, No. 107/09
Law on the Amendments to the Law on Pension and Disability	“Official Gazette of RS”,

Insurance	No. 107/09
Law on the Amendments to the Law on Financial Support to Families with Children	“Official Gazette of RS”, No. 107/09
Law on the Budget of the Republic of Serbia for 2010, with Decisions on Approving the Financial Plans for 2010 of the Republic Fund for Pension and Disability Insurance, the National Healthcare Institute, the National Employment Service	“Official Gazette of RS”, No. 107/09
Law Confirming the Loan Agreement between the Republic of Serbia and the International Bank for Reconstruction and Development (programme loan for the development of public finance)	“Official Gazette of RS”, No. 108/09
Law Confirming the Financial Agreement between the Republic of Serbia and the European Investment Bank “Loan for the Municipal and Regional Infrastructure B”	“Official Gazette of RS”, No. 108/09
Law Confirming the Loan Agreement between the Republic of Serbia and the International Bank for Reconstruction and Development (second programme loan for the development of the private and financial sector)	“Official Gazette of RS”, No. 108/09
Law on the Amendments to the Law on Unrestricted Access to Information of Public Importance	“Official Gazette of RS”, No. 104/09
Law on Gender Equality	“Official Gazette of RS”, No. 104/09
Law on the Unified List of Voters	“Official Gazette of RS”, No. 104/09
Law Confirming the Economic Cooperation Agreement between the Government of the Republic of Serbia and the Government of the Republic of Croatia	“Official Gazette of RS”, No. 105/09
Law Confirming the Economic Cooperation Agreement between the Government of the Republic of Serbia and the Government of the Republic of Macedonia	“Official Gazette of RS”, No. 105/09
Law on the Amendments to the Law on Civil Servants	“Official Gazette of RS”, No. 104/09
Law on the Census of Citizens, Households and Residences in 2011	“Official Gazette of RS”, No. 104/09
Law on Official Statistics	“Official Gazette of RS”, No. 104/09
Law on Determining the Maximum Number of Employees in Local Administration	“Official Gazette of RS”, No. 104/09
Judicial Academy Law	“Official Gazette of RS”, No. 104/09
Law on the Amendments to the Law on Court Organization	“Official Gazette of RS”, No. 104/09
Law on Agricultural Census in 2011	“Official Gazette of RS”, No. 104/09
Law on Determining the Maximum Number of Employees in Public Administration	“Official Gazette of RS”, No. 104/09
Bankruptcy Law	“Official Gazette of RS”,

	No. 104/09
Law on the Amendments to the Law on Judges	“Official Gazette of RS”, No. 104/09
Law on the Amendments to the Public Prosecutor’s Office	“Official Gazette of RS”, No. 104/09
Law on the Amendments to the Law on Travel Documents	“Official Gazette of RS”, No. 104/09
Law on the Amendments to the Law on the Peaceful Resolution of Work Disputes	“Official Gazette of RS”, No. 104/09
Law on the Amendments to the Mining Law	“Official Gazette of RS”, No. 104/09
Law on Determining the Competency of the Autonomous Province of Vojvodina	“Official Gazette of RS”, No. 99/09
Law on Military, Labour and Material Obligations	“Official Gazette of RS”, No. 88/09
Law on Civil Service	“Official Gazette of RS”, No. 88/09
Law on Diaspora and Serbs in the Region	“Official Gazette of RS”, No. 88/09
Law on the Amendments to the Law on Public Information	“Official Gazette of RS”, No. 71/09
Social Housing Law	“Official Gazette of RS”, No. 72/09
Culture Law	“Official Gazette of RS”, No. 72/09
Law on the Environmental Protection Fund	“Official Gazette of RS”, No. 72/09
Law on the Foundations of the Education System	“Official Gazette of RS”, No. 72/09
Law on Textbooks and Other Teaching Tools	“Official Gazette of RS”, No. 72/09
Law on the Amendments to the Criminal Proceedings Code	“Official Gazette of RS”, No. 72/09
Law on the National Councils of National Minorities	“Official Gazette of RS”, No. 72/09
Public Health Law	“Official Gazette of RS”, No. 72/09
Law on the Amendments to the Criminal Code	“Official Gazette of RS”, No. 72/09
Law on the Amendments to the Labour Law	“Official Gazette of RS”, No. 54/09
Law on the Amendments to the Law on Republic Administrative Stamp Duties	“Official Gazette of RS”, No. 54/09
Law on the Budget System	“Official Gazette of RS”, No. 54/09

Law on Preserving Competition	“Official Gazette of RS”, No. 51/09
Law on the Amendments to the Law on Investment Funds	“Official Gazette of RS”, No. 51/09
Law on Electronic Documents	“Official Gazette of RS”, No. 51/09
Association Law	“Official Gazette of RS”, No. 51/09
Regional Development Law	“Official Gazette of RS”, No. 51/09
Law on the Control of State Aid	“Official Gazette of RS”, No. 51/09
Law on the Amendments to the Law on Individual Income Tax	“Official Gazette of RS”, No. 44/09
Law on the Amendments to the Law on Agricultural Land	“Official Gazette of RS”, No. 41/09
Law on the Amendments to the Law on Radio Emissions	“Official Gazette of RS”, No. 41/09
General Product Safety Law	“Official Gazette of RS”, No. 41/09
Electronic Trade Law	“Official Gazette of RS”, No. 41/09
Law on the Prohibition of Events by Neo-Nazi or Fascist Organizations and Associations and the Prohibition of the Use of Neo-Nazi or Fascist Symbols and Emblems	“Official Gazette of RS”, No. 41/09
Food Safety Law	“Official Gazette of RS”, No. 41/09
Animal Husbandry Law	“Official Gazette of RS”, No. 41/09
Law on Agriculture and Rural Development	“Official Gazette of RS”, No. 41/09
Law Confirming the Optional Protocol to the Convention on the Rights of Persons with Disabilities	“Official Gazette of RS”, No. 42/09
Law Confirming the Convention on the Rights of Persons with Disabilities	“Official Gazette of RS”, No. 42/09
Law Confirming the Memorandum of Understanding between the Republic of Serbia and the European Community on the Association of the Republic of Serbia to the Seventh Framework Programme of the European Community for Research, Technological Development, and Experimental Activities (2007-2013)	“Official Gazette of RS”, No. 42/09
Law Confirming the Revised European Social Charter	“Official Gazette of RS”, No. 42/09
Law on Employment and Unemployment Insurance	“Official Gazette of RS”, No. 36/09
Law on the Amendments to the Law on Chambers of Industry and	“Official Gazette of RS”,

Commerce	No. 36/09
Law on the Professional Rehabilitation and Employment of Persons with Disabilities	“Official Gazette of RS”, No. 36/09
Tourism Law	“Official Gazette of RS”, No. 36/09
Law on Foreign Trade	“Official Gazette of RS”, No. 36/09
Law Confirming the International Convention against Doping in Sports	“Official Gazette of RS”, No. 38/09
Law on the Amendments to the Law on Assessing Environmental Impact	“Official Gazette of RS”, No. 36/09
Law on the Amendments to the Law on Environmental Protection	“Official Gazette of RS”, No. 36/09
Law on the Protection and Sustainable Use of Fish Stock	“Official Gazette of RS”, No. 36/09
Nature Protection Law	“Official Gazette of RS”, No. 36/09
Air Protection Law	“Official Gazette of RS”, No. 36/09
Law on the Development Fund of the Republic of Serbia	“Official Gazette of RS”, No. 36/09
Law on Environmental Noise Protection	“Official Gazette of RS”, No. 36/09
Law on Protection from Ionizing Radiation and Nuclear Safety	“Official Gazette of RS”, No. 36/09
Waste Management Law	“Official Gazette of RS”, No. 36/09
Law on Protection from Non-ionizing Radiation	“Official Gazette of RS”, No. 36/09
Law on Political Parties	“Official Gazette of RS”, No. 36/09
Law on the Amendments to the Excise Tax Law	“Official Gazette of RS”, No. 31/09
Law on the Amendments to the Law on Court Fees	“Official Gazette of RS”, No. 31/09
Law on the Amendments to the Law on the Budget of the Republic of Serbia for 2009	“Official Gazette of RS”, No. 31/09
Law on the Amendments to the Law on the Adjourment and Writing Off of Debts Based on Mandatory Health Insurance	“Official Gazette of RS”, No. 31/09
Law on the Temporary Reduction of Salaries, i.e. Profits, Net Reimbursements and Other Income in Public Administration and the Public Sector	“Official Gazette of RS”, No. 31/09
Law on the Amendments to the Law on Individual Income Tax	“Official Gazette of RS”, No. 31/09
Anti-discrimination Law	“Official Gazette of RS”,

	No. 22/09
Law Confirming the Council of Europe Convention on Combating Human Trafficking	“Official Gazette of RS”, No. 19/09
Law on Registers	“Official Gazette of RS”, No. 20/09
Law on the Amendments to the Law on Taxation Procedures and Tax Administration	“Official Gazette of RS”, No. 20/09
Law on the Amendments to the Expropriation Law	“Official Gazette of RS”, No. 20/09
Law on the Amendments to the Law on Contributions for Mandatory Social Insurance	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Excise Law	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Property Tax Law	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Law on State Administrative Fees	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Law on Pension and Disability Insurance	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Law on Customs Tariffs	“Official Gazette of RS”, No. 5/09
Law on the Amendments to the Law on Criminal Proceedings	“Official Gazette of RS”, No. 122/08
Budget Law of the Republic of Serbia for 2009	“Official Gazette of RS”, No. 120/08
Law Confirming the Loan Agreement (project “Providing Improved Services at the Local Level”) between the Republic of Serbia and the International Bank for Reconstruction and Development	“Official Gazette of RS”, No. 121/08
Public Procurement Law	“Official Gazette of RS”, No. 116/08
Law on the Amendments to the Law on Civil Servants	“Official Gazette of RS”, No. 116/08
Law on Judges	“Official Gazette of RS”, No. 116/08
Law on the Judicial High Council	“Official Gazette of RS”, No. 116/08
Law on Public Prosecution	“Official Gazette of RS”, No. 116/08
Law on the State Council of Prosecutors	“Official Gazette of RS”, No. 116/08
Law on Seats and Territories Covered by Courts and Public Prosecutors Offices	“Official Gazette of RS”, No. 116/08
Law on the Amendments to the Law on Infractions	“Official Gazette of RS”, No. 116/08
Court Structure Law	“Official Gazette of RS”,

	No. 116/08
Law on the Adjournment and Writing Off of Debts based on Mandatory Health Insurance Contributions	“Official Gazette of RS”, No. 102/08
Law on Writing Off Interest for Mature Debts Based on Certain Taxes and Contributions for Mandatory Social Insurance	“Official Gazette of RS”, No. 102/08
Law on the Amendments to the Budget Law of the Republic of Serbia for 2008 with Decisions of Agreement to the Decisions on Amendments to the Financial Plans for 2008, by: Republic Fund for Pension and Disability Insurance, National Employment Service, Republic Institute for Health Insurance	“Official Gazette of RS”, No. 102/08
Law on the Protection of Personal Information	“Official Gazette of RS”, No. 97/08
Law on Foreign Citizens	“Official Gazette of RS”, No. 97/08
Law on the Anti-corruption Agency	“Official Gazette of RS”, No. 97/08
Law on the Amendments to the Law on Financing Political Parties	“Official Gazette of RS”, No. 97/08
Law on the Amendments to the Higher Education Law	“Official Gazette of RS”, No. 97/08
Law Confirming the Stabilization and Association Agreement between the European Communities and their members state on one hand, and the Republic of Serbia on the other	“Official Gazette of RS”, No. 83/08
Law Confirming the Transitional Agreement on Trade and Trade No.s between the European Community on one hand, and the Republic of Serbia on the other	“Official Gazette of RS”, No. 83/08
Law on the Amendments to the Law on the Government	“Official Gazette of RS”, No. 65/08
Law on Ministries	“Official Gazette of RS”, No. 65/08, 36/09 and 73/10

Draft laws currently undergoing Assembly procedures, relevant for the social inclusion process	Date of entering into Assembly procedures
Draft Law on the Defender of the Rights of the Child	9.10.2008
Draft Law on Property Return and Damages	5.3.2009
Draft Law on Amendments to the Law on Ministries	14.4.2009
Draft Law on Amendments to the Law on the National Bank of Serbia	13.11.2008
Draft Law on Amendments to the Law on Individual Income Tax	6.11.2008
Draft Law on Amendments to the Law on the Public Debt	16.4.2009
Draft Law on Amendments to the Law on Higher Education	30.10.2008
Draft Law on the National Assembly of the Republic of Serbia	6.3.2009
Draft Law on Amendments to the Law on Value Added Tax	16.1.2009

Draft Law on Ministries	24.4.2009
Draft Law on the Prohibition of Smoking in Closed Public and Work Spaces	16.4.2009
Draft Law on Public Property, Property and Other Property rights of the Republic of Serbia, the Autonomous Province and local self-government units	4.1.2010
Draft Law on Amendments to the Law on Voluntary Pension Funds and Pension Plans	21.4.2010
Draft Law on Amendments to the Law on Responsibilities for Human Rights Violations	9.11.2010

6.4. Glossary

Active Population

An economically active population, whether employed, or seeking employment in the labour market. Represents the available workforce.

Absolute Deprivation

Lack of opportunities or capacities for individuals, households or social groups to access certain resources, institutions or to become involved with the basic processes of their society.

Absolute Poverty

The level of income or spending of families and individuals below the defined minimum of living requirements, such as food, clothes, footwear, housing, heating, etc. The basic living requirements are comprised of specified amounts and structures of consumptions for these requirements.

Dimensions of Exclusion

Represent specific forms of exclusion, i.e. areas wherefrom individuals and groups are excluded, such as income distribution, financial markets, labour markets, goods and services markets, the systems of education, healthcare and social security, social networks, local or wider social communities, culture, etc.

Discrimination

Unequal treatment of individuals or social groups solely based on their affiliation to a certain category defined using any socio-demographic feature (race, sex, age, political orientation, religion, ethnicity, etc.)

Social Inequalities

Represent inequalities in the social standing of individuals, households and groups stemming from unequal levels of income and other economic resources, social power and social reputation.

Economic Exclusion

Represents exclusion from the labour market, whether in the form of unemployment, inactivity, or exclusion from the division of economic resources, or in the form of poverty.

Economic Inequalities

Represent inequalities of income or other economic resources between individuals, households or groups within a population.

Extreme Poverty

Poverty representing danger to basic biological survival. According to World Bank methodologies, it is defined in practice as income amounts below 1.25 UDS per day.

Indicator

Indicator to a property of an occurrence that should precisely, uniformly and reliably show the property of the occurrence in the given aspect.

Leaken Indicators

Instrument for the standardized measurement of social inclusion at the EU level. The basic set of common Leaken indicators is open for re-examination and improvement, while data on social inclusion is collected using a SILC survey (Statistics on Income and Living Conditions) standardized for all EU members.

Material Deprivation

The inability of individuals or households to satisfy the needs and obtain the goods considered typical in their society.

Income Mean

Income located precisely at the mid-point of the distribution of all incomes in a society, where half the society earns more than the amount, while the other half less.

Open Coordination Method

This is a voluntary process of political cooperation based on the agreed joint objectives and indicators which provide for measuring the progress in achieving the set goals. Involves a joint process of planning, monitoring, comparing and adjusting national policies towards the common goals of EU members.

Purchasing Power Parity

Purchasing power parity is the principle wherein the rate of nominal depreciation is equal to the difference between the domestic and foreign inflation; the steeper (and less likely) version of absolute PPP leads to the total equalization of prices in all countries, when expressed in a common currency.

Political Exclusion

Exclusion from the process of selecting representatives for political decision-making in a community, exclusion from political decision-making and the inability to influence in any way (directly through participation in decision-making bodies, or indirectly through elections) political decisions.

Consumption Unit

Represents the consumption of a household member, with calculated differences for the consumption levels of adults and children and the ascribed joint consumption of the household.

Prejudices

Unfounded beliefs and attitudes causing individuals or groups to be valued positively or negatively, most frequently based on stereotypes.

Vulnerable Groups

Groups excluded from individual or multiple aspects of social life, living in poverty conditions or exposed to risks of being excluded and ending up in a state of poverty.

Relative Deprivation

Reduced chances for individuals, households or social groups (as compared to others in the same society) of being included in quality service, resources, or development processes of their society.

Relative Poverty

The minimum acceptable living standards of a society. Not expressed through an absolute financial amount (unlike absolute poverty), but as a percentage of the mean income or mean consumption.

Social Exclusion

The state of individuals or groups excluded from the economic, political, cultural or social system, thereby being unable to take part to their full abilities in the social relations and flows due to their poverty or lack of basic knowledge and opportunities for lifelong learning, or as a result of discrimination. Such occurrences distance individuals or groups from employment opportunities, income and educational opportunities, as well as from inclusion and participation in social networks and community activities. Excluded individuals and groups have insufficient or inadequate access to institutions, authorities and decision-making processes.

Social Risks

Factors increasing the chances of individuals and families to arrive at a state of poverty or be socially excluded (such as outdated qualifications, sickness, disability, unemployment, etc.)

Social Inclusion

The process enabling those at risk of poverty and social exclusion to have the opportunities and funds required for full participation in the economic, social and cultural life and achieving a living standard and wellbeing considered normal in the society they live in. Social inclusion ensures greater citizen participation in decision making, impacting their lives and ensuring basic rights.

Activity Rate

Ratio of active population (employed and unemployed) relative to the population of a working age.

Inactivity Rate

Ratio of inactive population relative to the population of a working age.

Structural Poverty

Mostly long-term poverty caused by structural factors such as economic growth, the structure of the economy, available workplaces, adequacy and availability of education, etc.

Subjective Poverty

The feeling of deprivation people experience comparing themselves with others and comparing their income with what they consider to be the minimum for an acceptable standard of living.

Living Standard

Living standards are the degree of satisfaction for certain needs or living conditions, such as income, housing, clothing, nutrition, etc. whereas the way the needs are met represents the *lifestyle*.