

Study on Options for the Establishment of the Social Inclusion Fund in the Republic of Serbia

This Study is conducted on behalf of the Social Inclusion and Poverty Reduction Unit (SIPRU) of the Government of the Republic of Serbia.

This Study does not represent the official position of the Government of the Republic of Serbia.

*European Project Center - EPC*

*July 2012*

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# Key Findings and Recommendations

**The aim of this exercise is to identify the most suitable model for the support of implementation of the programmes for social inclusion of vulnerable groups in the Republic of Serbia and to contribute to more efficient and successful utilisation of the available national funds, as well as future EU funds earmarked for social inclusion**.

**Findings relating to the National framework:**

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. In the last few years of the integration process the numerous laws which have been enacted reflect the need to integrate policy areas, coordinate and conceive social risks in a wider social exclusion framework. However, few laws do contain specific measures to foster social inclusion policies.

At the same time, the Serbian institutional environment is overpopulated by various public bodies in charge of social inclusion issues. Their cooperation, especially at the local level, is not fully institutionalized and sometimes lacks a coherent strategic direction. Moreover, there is a lack of requests and incentives for cross-sector cooperation due to a number of factors. The successful implementation of social inclusion policy in Serbia calls for stronger **inter-sector cooperation**, as well as a higher level of collaboration between the public, civil and private sectors at the national and local level alike. In order to magnify the impact of social inclusion measures, the **implementation of activities funded through the national and local budgets, as well as external sources** should be streamlined.

Due to a fragmented legal and institutional environment, **the establishment of the Social Inclusion Fund should not be the responsibility of a single ministry** which is responsible for only one aspect of the social inclusion policy. Instead, a consensus about the overall social inclusion coordination should be reached among all the relevant stakeholders. Consensus is also needed on a more efficient implementation of social inclusion policies and, specifically, on the establishment of an implementing body – the Social Inclusion Fund. Therefore, a central Government structure might be a better position for the establishment of the Social Inclusion Fund.

In order to be able to efficiently and effectively manage the national budget and, potentially, EU resources and serve as a grant-management mechanism, the Social Inclusion Fund would need to **have a legal status and close ties with relevant stakeholders** (ministries, civil society organisations, etc).

The Fund should not present additional administrative burden if it **absorbs some of the employees from the existing structures (e.g. existing budgetary funds).**

This Research indicates that the most desirable and sustainable option for the **establishment of a Social Inclusion Fund is by means of a separate law**, although this is the most challenging option from the perspective of consensus among decision-makers.

**Findings Relevant to the Absorption of EU Funds**:

In the long-term, the *Instrument for Pre-Accession Assistance* (IPA) serves as preparation for EU’s Structural Funds, by mirroring the institutional setup and implementing provisions required for the absorption of EU funds. In the short-to-medium-term period, IPA provides an opportunity to use the available funds to implement social inclusion policies and **achieve tangible results in terms of combating social exclusion**.

Principle of **segregation of duties** of thedecentralised management of EU fundsstipulates that different tasks are delegated to different staff, to ensure there is no conflict of interest. This particularly applies to programming and implementation (tendering and contracting). Therefore, the introduction of **a body which would solely focus on the implementation aspect of the policy cycle,** in line with the option offered under IPA Implementing Regulation, **represents a strategic option strengthening the implementation of the EU funds management.**

The administrative capacities required for EU funds management become more complex when timing constraints for the implementation of IPA programmes are taken into account (**N+3 rule**). These aspects are even more critical when authorities have to manage a larger portfolio of smaller projects over a limited period.

The Social Inclusion Fund would be well placed to meet both **co-financing and pre-financing obligations**: for future IPA policy area “employment, social policies and human resources development”, it might be able to provide a more expeditious co-financing for multi-annual EU programmes in comparison to other Government bodies that have annual budgets and are limited in terms of allocating funds years in advance (especially if programming of the new IPA extends from 3 to 7 years).

Initial research hereof has indicated the need for the establishment of the Social Inclusion Fund which could also perform the role of a Delegated (Intermediate) Body for implementing social inclusion programmes within IPA.

**Recommendations regarding the key functions of the Social Inclusion Fund**:

* Verification of tender documents/guidelines for calls for proposals received from line ministries dealing with social inclusion and preparation of complete **tender dossier/application packages**;
* Preparation of **tendering** and **contract award** procedures;
* Acting as the **contracting authority** and overseeing contract implementation (including payments and payments recovery);
* Carrying out **verifications** to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approved decision, and the payment requests by the final beneficiary are correct. These verifications cover administrative, financial, technical and physical aspects of operations, as appropriate;
* **Monitoring and evaluation** by: supporting the development of documents on progress made towards achieving targets of relevant measures defined on policy level;
* Keeping of all documents and ensuring that all the relevant information is available to provide for a sufficiently detailed **audit trail**;
* **Reporting of irregularities**;
* **Acting as a resource centre and discussion partner for policy makers and the Fund’s potential beneficiaries,** in particular by (co)organizing activities such as: development of policy standards, promotion of best practices, fundraising, trainings on project and financial management, preparation of publications, help desk activities, etc.

# Introduction

The Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia selected the European Project Centre (EPC)[[1]](#footnote-1) to conduct a study on the **most effective options for establishing the Social Inclusion Fund in the Republic of Serbia**.

**The aim of this exercise is to identify the most suitable model for the support of implementation of the programmes for social inclusion of vulnerable groups in the Republic of Serbia and to contribute to more efficient and successful utilisation of the available national and future EU funds earmarked for social inclusion**.

## Background

The First National Report on Social Inclusion and Poverty Reduction, adopted by the Government of the Republic of Serbia in March 2011[[2]](#footnote-2), identified the following challenge (p. 31): "*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*”.

In addition, the European Commission’s Analytical Paper (p. 95)[[3]](#footnote-3), also states that: “*In general, building capacity for policymaking, implementation and monitoring is still a major challenge, also in the shorter term with a view to preparing for decentralised management of IPA component IV. […]* ***It will also need to prepare itself further for participation in the cooperation processes developed at European level in the fields of employment, social inclusion and social protection***”.

In addition to the identified needs to step up the efforts to promote social inclusion and reduce poverty, this Study also addresses the framework for utilisation of the EU funds under the pre-accession assistance, as well as for setting the ground for future absorption of structural funds**.** The importance of timely establishment of adequate capacities is supported by the example of a number of new Member States which have failed to absorb the available funds due to the poorly organised systems and absence of strong institutional arrangements.

## Research Methods

The research was conducted in three stages:

***Stage 1: Initiation and mobilisation***

This stage focused on a literature review and a series of meetings with the SIPRU to confirm of the scope of the research, as well as the methodology and stakeholders to be interviewed for the study. The research team organised team meetings to develop the outline of the study and the key elements which need to be incorporated in the overall output.

***Stage 2: Presentation of the research targets and interviews***

The first broad consultative meeting - at which the idea of establishing a Social Inclusion Fund was presented – was convened by SIPRU on 9 April 2012 with selected civil society organisations active in the field of social inclusion (*See Annex 1*).

Consultative meetings with relevant Government institutions and civil society organisations were organised in the last week of April 2012. The interviewees were selected on the basis of their roles and involvement in social inclusion initiatives in the Republic of Serbia. (*See Annex 2*). The purpose of the meetings was to obtain opinion from reputable experts about the initiative to establish a Social Inclusion Fund.

With respect to social inclusion initiatives, all interviewees stressed the need for stronger coordination. In addition, the majority noted the fragmented implementation of social inclusion policy, calling for a coherent approach, including improved monitoring systems and feedback about the effects and impact of the implemented actions..

***Stage 3: Fine-tuning and drawing conclusions***

Taking into account the results of the consultative process with the relevant stakeholders, especially SIPRU as the driver of the process, a draft study was fine-tuned and finalised incorporating all relevant suggestions. Thus, the recommendations were formulated on the basis of the relevant feedback.

This Research is divided into three chapters:

* **Chapter 1** covers the Serbian regulatory and institutional context, providing details about the current social inclusion policy design and implementation funded from national funds and development assistance, drawing from experiences of related projects and initiatives.
* **Chapter 2** provides relevant information on the management of EU funds, key challenges and experiences of other countries.
* **Chapter 3** provides recommendations for the organisational and legal setup of the SIF, and tables the issue of the financial planning and budget allocation for the SIF. This is followed by a *roadmap* for the establishment of the Social Inclusion Fund.

# National Framework And Lessons Learnt

The idea of this Research is to provide an initial analysis for the establishment of the Social Inclusion Fund, taking into accounts both national and EU regulatory framework and financial perspective.

It will provide early ideas with regards to the **governance structure** and **fields of intervention**. The governance structure depends on the scope of work, mission of the Fund and legal and institutional environment in which it will operate. Therefore, we will present the analysis based on the following assumptions:

- The Social Inclusion Fund will tackle a cross-cutting (multi-sectoral) field of social inclusion, to be further elaborated having in mind the specific Serbian context, and

- The Social Inclusion Fund will respect the present legal and institutional environment.

This Research will also draw on the lessons learnt from the previous similar interventions and existing structures relating to social inclusion policy in the Republic of Serbia.

## **1.1. Key Aspects and Principles**

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. In the last few years of the integration process the numerous laws which have been enacted reflect the need to integrate policy areas, coordinate and conceive social risks in a wider social exclusion framework. However, few laws do contain specific measures to foster social inclusion policies.

A specific analysis of local services also indicates weak cross-sectoral cooperation[[4]](#footnote-4). Furthermore, it is important to mention that the implementation of certain strategies requires the existence of complex implementation frameworks, due to the nature of innovative new cross-sectoral services targeting vulnerable groups (e.g. the Strategy for the Improvement of the Position of Roma).

Due to a fragmented legal and institutional environment, it will be difficult to rely on a single line ministry in establishing the Social Inclusion Fund. Therefore, a central position in the Government structure might be a better framework for the establishment of the Social Inclusion Fund.

***A consensus amongst all stakeholders responsible for social inclusion policy has to be reached on the establishment of a single, overarching body in charge of implementing social inclusion policies.***

Mission of the Fund for Social Inclusion

The structure of the organization should follow its mission. Each grant making effort can have various dimensions: development of services; innovation, testing and application through the system; capacity development, transparent spending of resources etc. Since the precise mission of the future Social Fund Inclusion is yet to be determined, there are some issues that entail serious thought and analysis. These include but are not limited to the following aspects:

1. **Learning from project and local initiatives**. Learning takes place only when the agents are interested in learning and have systemic incentives to engage in the process. In that sense, a particular attention is to be paid to programs that design methodologies, approaches, services etc. within the public sector. Learning potential of *ad hoc* projects is highly limited, particularly short term project implemented by consulting companies.
2. **Type of projects funded**. Projects to be funded by the future Social Inclusion Fund might be directed at providing services and/or influencing policies. Projects influence policies insofar as they are designed to test innovation and policies, implemented by public institutions and other stakeholders, monitored and evaluated for the future system-wide application etc. In that sense, they require governance structure in which directions for policy change might be represented as well.
3. **Sustainability**. If local projects are designed to secure sustainability from the beginning, there is a high probability they will do so. If they are requested to secure sustainability later on in the implementation process, they will probably fail. Sustainability will depend on the involvement of local self-government and relevant national actors. Here one needs caution, since widening governance structure does not lead to more efficient work.
4. **Coordination**. The future Social Inclusion Fund will face coordination issues. Coordination with long term activities of line ministries (e.g. budget funds) will be a particular challenge. These funds are in the same line of accountability as the Fund and have the potential for policy change that line ministries have (as opposed to externally funded projects)..
5. **Partnerships**. Partnership between public and private sector are often perceived as a tool for increasing quality and availability of services. However, partnerships increase quality of services insofar they are based on the expertise and not geographical or organizational-structure criteria (to have NGOs, public bodies, local self-governments etc.).

## **1.2. Ministries and Public Bodies**

The scope of work of the Serbian ministries is defined by the Law on Ministries[[5]](#footnote-5). Several ministries are currently in charge of specific fields of social inclusion[[6]](#footnote-6): the Ministry of Labour and Social Policy (MLSP), the Ministry of Education and Science (MESS), the Ministry of Economy and Regional Development (MERD), the Ministry of Health (MH), the Ministry of Human and Minority Rights, Public Administration and Local Self-Government (MHMR).

The main responsibilities of respective ministries include but are not limited to:

1. **Ministry of Labour and Social Policy**:

* Labour related issues, occupational health and safety,
* Antidiscrimination,
* Social protection, family and child care, population policy,
* Integration of refugees and internally displace persons, Roma, asylum seekers etc.
* War veterans,
* Gender equality (through Gender Equality Directorate);

2. **Ministry of Education and Science**:

* Pre-school, elementary, secondary and higher education,
* Pupils’ and students’ standard,
* Adult Education,
* Talents,
* Inclusive education;

3. **Ministry of Economy and Regional Development**:

* Unemployment, active and passive labour market measures, unemployment insurance,
* Labour market migrations;

4. **Ministry of Health**:

* Health care system, health insurance;

5. **Ministry of Human and Minority Rights, Public Admin. and Local Self-Government**:

* National minorities, human and minority rights,
* Position of Roma population.

Evidently, various aspects of social inclusion policies are within the mandate of a number of different ministries. The crowded playground of social inclusion in Serbia consists of a list of additional relevant stakeholders. These include but are not limited to:

* **Specialised bodies** in charge of analysis and/or implementation of relevant sectoral policies, such as: the Republic Institute for Social Protection, the Provincial Social Protection Institute and National Employment Service;
* **Independent bodies** such as the Commissioner for Protection of Equality, the Commissioner for Information of Public Importance and Personal Data Protection, the Ombudsman Office etc;
* **Other relevant bodies** such as: the Socio-economic Council, the Gender Equality Council, the Department for the Implementation of the Strategy for the Improvement of the Status of the Roma Population (within the Ministry of Human and Minority Rights);
* **The Social Inclusion and Poverty Reduction Unit** in the Office of the Deputy Prime Minister for European Integration.[[7]](#footnote-7) The coordination between ministries and other Government bodies regarding the implementation of social inclusion policies is assigned to the Deputy Prime Minister and/or the Social Inclusion and Poverty Reduction Unit by the Government decision. In 2010, the Social Inclusion Working Group was formed at the level of the Government of Serbia.

## **1.3. Coordination across Sectors**

Serbian ministries are established by the Law on Ministries and their structure and authorities may vary. However, they always **have strictly divided fields of responsibilities which make managing muiltisectoral and crosscutting issues extremely difficult**. This is a consequence of (a) legal and institutional environment characterised by the divided lines of responsibilities, (b) political system in which predominantly a single party controls a single ministry and (c) organizational culture that does not foster mobility of bureaucrats across ministries[[8]](#footnote-8).

Additionally, the Serbian institutional scene is overpopulated with a number of ministries and public bodies covering the field of social inclusion. According to various analyses mentioned in this Study there is still room for improving cooperation among them. Moreover, there is a lack of requests and incentives for cross-sector cooperation due to a number of factors leading to fragmented and insufficiently efficient sector measures dealing with social inclusion. Majority of social inclusion measures (e.g. improvement of the status of Roma population, inclusive education, active aging, diversified community-based social services, etc.) by its nature require tight cooperation between line ministries and more importantly day-to-day mutual work in the implementation phase.

**One strategy often employed by Serbian ministries is to create multisectoral coordination bodies or councils**. These bodies have often proved inefficient due to various reasons: lack of decision-making authority of lower ranked civil servants, legal and political obstacles etc. Similarly, a series of programs have attempted to bypass the lack of coordination at the national level by creating various coordination mechanisms at the local level. Available data suggest that *ad hoc* coordination bodies fail to affect policy coordination when legal and institutional framework has remained unchanged[[9]](#footnote-9).

As stated in the SIGMA 2011 Assessment Serbia[[10]](#footnote-10), limited amount of coordination is carried out at Deputy Prime Minister (DPM) level. At present, this activity is confined to the Social Inclusion and Poverty Reduction Unit (SIPRU) within the Office of the Prime Minister. On behalf of the Office, the SIPRU fosters coordination between ministries on certain issues. The SIPRU does play a limited strategic role within the social sector. The offices of other deputy prime ministers do not. There is neither a strategic planning system nor any capacity to provide policy or strategic advice at the centre of the government. However, there are plans to develop a strategic planning system and such a system is under discussion within the General Secretariat, although the government has not yet approved them[[11]](#footnote-11).

In addition to this, the Serbian Government needs to take into account the need for coordination amongst projects. Coordination issues need to be resolved having in mind the EU budget planning timeframe, as well as IFIs and other relevant donors. Coordination with projects could pose a challenge (as they are implemented by different ministries and contracted agencies, have different lines of accountability etc).

Finally, the need for closer cooperation will be seen in near future once Serbia signs Joint Inclusion Memorandum[[12]](#footnote-12) with the European Commission, as it was the case with other new EU member states. These documents are drafted to support candidate countries reform their social welfare systems. They provide a solid foundation for future participation in the social Open Method of Coordination[[13]](#footnote-13) and assist countries in harmonising national policies with EU common objectives. Main work however starts once countries sign on to JIM, the so-called "follow-up" process begins. This involves implementing and monitoring policies, with the aim of promoting social inclusion and social protection.

***Cooperation among ministries and public bodies covering the field of social inclusion and policy coordination in implementation phase is a burning issue for the Serbian government.***

## **1.4. Social Inclusion on the Local Self-Government Level**

Local self-governments are also relevant equal partners in the field of social inclusion. Their scope of activities is defined by a number of legal instruments. These include but are not limited to:

*Law on Social Protection*

This law stipulates that local self-governments are to develop their respective programs for advancing social protection and that they need to establish measures and actions for encouragement and development of existing and new social services. Funds for these measures are secured within the budget of local governments. In case these municipalities are below average development level of the Republic, funding is secured from “earmarked” transfers. According to Article 207 of this Law the Government determines the amount and criteria for the allocation of these transfers.

*Law on Employment and Unemployment Insurance*

The financing of active employment policy is defined by Articles 59 and 60 of this Law, stipulating that active labour measures on the municipal level financed from local budgets through specifically established budgetary funds. Those municipalities which secure more than half of funding for active labour measures can apply for co-financing from national budget in accordance with the National Employment Action Plan.

*Law on the Fundamentals of the Education System*

According to Article 28 of this Law, the Republic of Serbia, an autonomous province, a local self-government, another legal entity or a private entity may establish an education institution. This law determines procedures of the work of inter-sectoral commissions and details concerning the Individual Education Plan, Individual Program and Individualized Manner of Delivery (Article 77) for child or student in need of additional educational and pedagogical support due to social deprivation, developmental impairment and physical disability or for other reasons. These aspects of social inclusion in education, however, require additional capacity building and financing which are often financed externally. The establishment of the Social Inclusion Fund can provide opportunities for education institutions for effective implementation of these provisions of the Law.

According to the recommendations from the First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia, the priority in the forthcoming period should be to fully assume the already transferred powers and to establish partnerships at the local level, including the intersectoral and intermunicipal cooperation. Also, according to this Report, it is necessary to further harmonise the policy of funding local governments, develop the information systems (which entails the collection and exchange of information), strengthen their capacities, ensure a more thorough involvement in the reforms related to the process of social inclusion and poverty reduction and the like.

**The Social Inclusion Fund can play a significant role in the future in strengthening the competences of local self-governments in designing effective social inclusion measures.**

## **1.5. Financial Instruments at the Central Government Level**

As a consequence of insufficiently developed level of cooperation on the side of policy creation, implementation of the policies targeting social exclusion is also fragmented and not entirely synchronized. Overpopulation of bodies and ministries dealing with social inclusion has resulted to the same overpopulation of funds or other initiatives established to represent an extended arm of social inclusion policy. Certainly that these funds are creating results and contributing to social inclusion, but simple logic of synergy implies rethinking of the existing structures and funds. Additional weakness reiterated by the interviewees in this study is that the system of indicators and monitoring of the effects of the existing measures implemented through these funds is not present or not sufficiently developed.

According to the Law on Amendments of the Law of the Budget of the Republic of Serbia for 2011, following selected funds have been allocated for social inclusion measures:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budget year**  (appropriation) | **RSD** | **EUR\*** |
| **Ministry of Labour and Social Policy** | | | |
| Fund for programs of protection and improvement of status of persons with disabilities | 2011 | 336,009,000 | 3,290,469 |
| Fund for programs of social and humanitarian organizations | 382,022,000 | 3,741,065 |
| Fund for social welfare institutions | 676,428,000 | 6,624,113 |
| **Ministry of Economy and Regional Development** | | | |
| Fund for vocational rehabilitation and promotion of employment of people with disabilities | 2011 | 2,260,174,000 | 22,133,397 |
| **Ministry of Health** | | | |
| Program for improvement of health of specific population groups (children, youth, women, Roma) | 2011 | 20,039,000 | 196,237 |
| **Ministry of Education and Science** | | | |
| Programme for the inclusive education funded by the loan of the Council of Europe Development Bank | 2011 | 4,608,000,000 | 45,000,000 |
| \*Average InforEuro rate for 2011 | | | |

**Box 1: Former Federal Funds**

There are also two relevant institutions - former federal funds that were transferred under the authority of the Republic of Serbia. These are **Federal Fund for Providing Loans for More Rapid Development of Economically Underdeveloped Republics and Autonomous Provinces** and the **Fund for Financing Increased Employment in the Economically Underdeveloped and Distinctly Migrant Regions** and both exist and are operational. These funds have their own budgetary and extra-budgetary funds for operations, office space and 9 employees in total, with a joint secretariat and director. They are servicing various loans and development projects and as such they are experienced in dealing with international institutions (e.g. Council of Europe Development Bank). They are also already implementing some projects in the field of social inclusion (e.g. training and employment, i.e. reintegration of workers coming from the temporary work in Germany). Their role relating to the establishment of the Social Inclusion Fund requires additional analysis based on their institutional and legal background, capacities and commitments.

In addition to these funds and programmes, there are other opportunities for funding of social inclusion measures, for example the one stipulated in the Law on seizure of property acquired through crime. Article 49 of this Law envisages that the funds acquired through selling of the seized property can be utilised for the financing of the social, health, educational and other institutions, in accordance with the regulation of the Government.

In conclusion, existing budgetary funds and programmes in the field of social inclusion at central level do not represent mechanisms of effective and efficient public expenditure. There is a clear need of merging at least some of them into a joint mechanism. Integrating funds from various ministries has proved to be a difficult task, even when it comes to funds from a same ministry. However, this challenge is achievable with strong political will and support from EU in terms of setting environment for clearer role in the policy design and policy implementation in the field of social inclusion.

## **1.6. Relevant Projects**

Another problem can be observed in the management of externally financed measures for social inclusion. Various donor and credit financed programmes have been implemented, but the main challenge for all of them was the issue of institutional memory, since majority of them have been financed and implemented through specially established project implementation units, which were closed, once the projects were completed. More reasonable and efficient approach would be to build capacities of single body which will be able to absorb and more importantly implement funds in line with strict criteria imposed by development partners.

**DILS (Delivery of Improved Local Services)** is funded from a EUR 32 million World Bank loan. This project is implemented by the project implementation unit and three ministries (the Ministry of Education and Science, the Ministry of Labour and Social Policy and the Ministry of Health). The aim of the project is to strengthen capacities of health care, education and social welfare institutions on the local level to deliver efficient, accessible, high quality services, financed by the principle “money follows the client”, in a decentralised environment that cares for vulnerable service beneficiaries. The main activities include grants, setting information systems, training, innovation etc.

The Ministry of Education and Science developed and tested an efficient model of inclusive education in nine pilot schools in 2009 and 2010. Later on it was scaled up throughout the education system. Particular attention is paid to the issues of Roma inclusion and a sub-project entitled “Roma Educational Inclusion” has been designed for this purpose.

Within this framework, 56 local self-governments with a high share of Roma population have received grants aiming to increase quality and accessibility of education for Roma pupils. The average amount of grant was EUR 35,000. Data on activities related to pupils from poor families and rural areas are not available at the moment.

On the other hand, the Ministry of Labour and Social Policy is awarding grants for the organizations of persons with disabilities. Two rounds of grants have been implemented. The applicants are non-governmental organizations dealing with disability issues. In 2010 a total of 48 projects were approved.

The overall budget for local projects was EUR 400.000. In 2011 a total of 36 projects were approved. The 2011 call for proposals was conceived to support “service packages” that will in 2012 become part of the regular activities of 34 associations of organizations and 500 local organizations.

At present a **series of EU funded programs are under implementation**. These include but are not limited to:

* *“Support to Civil Society”* is an EU funded program with EUR 4 million for grants to civil society organizations. A total of 48 projects are being implemented in the period 2011-2012. A next round of projects will be selected for financing by the end of 2012.
* *“Supporting Access to Rights, Employment and Livelihood Enhancement of Refugees and IDPs in Serbia”* is and EU funded project implemented by the Ministry of Labour and Social Policy. In 2012 a total of EUR 2.6 million was awarded to 25 local self-governments for projects improving social inclusion of refugees and internally displaced persons.
* *“Developing Community-based Services for Children with Disabilities and their Families“ is* a project implemented by UNICEF and Ministry of Labour and Social Policy and financed by the EU. Various local social services are financed in 41 municipalities.
* *“Second Chance”* is a EUR 4 million project funded by the EU. It provides adult education programs in 80 elementary schools throughout Serbia. The project will result in training packages and will provide training to a total of 4000 beneficiaries.

**The Social Innovation Fund** (SIF) was a program of the Ministry of Labour and Social Policy, which was supported by the UNDP and the EU. It was established to:

* Support the development of innovative services,
* Support the development and integration of best practices in the social protection system,
* Support the development of services where they do not exist,
* Develop the capacity of service providers and
* Enable the introduction of new actors in the system (profit and non-profit sector).

The Fund organised public calls for proposals. The projects were applied by NGOs in partnership with public institutions and they had to respond to local priorities (in later stages, the funded projects reflected priorities of local strategies for social protection).

The issue of the legal status of the Social Innovation Fund was never resolved, although on several occasions attempts were made to define it and make an agreement within the government and line ministry. Several solutions were considered: the establishment of the Fund as part of the line ministry, the establishment of a public agency, a project center within the ministry or joining the Social Protection Institute. The majority of reviews consider this as a key shortcoming. However, the Social Innovation Fund was built on the assumption that it will be a temporary (transitional) mechanism. The SIF Operational Manual implies the possibility of the Fund to be a transitional mechanism that will be closed down when the need for it disappears.

Key measures that have led to relatively good results in the integration of projects in the local social protection systems are smaller budgets (less than EUR 20,000 if the average does not include major projects of transformation of institutions), co-financing with local governments, the funding priorities identified through local planning and verified in local strategies for social protection, gradual reduction of the share of SIF funding in the total cost of services in the period of two to three years.

Evaluation also *emphasises field work as a precondition* for successful development of services. The SIF team extensively worked on the ground in the preparation of project proposals, training and consultations, support in project implementation, monitoring and evaluation. Over time, the *administrative and financial control of grants grew more complex*. This was identified as one of the major drawbacks in the evaluation, and it is necessary to keep in mind a number of limitations stemming from the administrative rules of the EU.

The *integration of best practices* into the system is one of the strategic objectives of SIF that were not fully realised. There was a lack of professional capacity within the SIF team and the authorities (within or outside the ministry) to support research on innovation and their evaluation. Such tasks are complex (as shown by the evaluation of the EU EQUAL program[[14]](#footnote-14)) and such a function must be pre-planned and adequately budgeted.

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| **Box 2: Social Innovation Fund in numbers**  The annual amount of funds disbursed by the Social Innovation Fund ranged from 0.7 to 1.7 million EUR in the first five years of its work (2003-2008). Between 19 and 88 grants were awarded each year totalling 23,000 EUR on average. For example, in 2005, as a typical year undisturbed by elections and with straightforward political support, a total of 51 projects were financed totalling 1.5 million EUR. This was managed with 7 staff members of the project management unit and 12 persons engaged on a part-time basis to monitor the projects. As documented by the final evaluation of the Social Innovation Fund, this workload resulted in a huge bureaucracy and demanding financial monitoring, as well as the lack of lobbying support to local projects. The SIF staff reported low administrative, professional and management capacity of grantees (small local NGOs and public sector units) and demanding administrative and management rules related to the EU funds as a key obstacle in their work. |

**The “Youth Employment and Migration” (YEM)** was a United Nations Joint Programme 2009-2012, funded through the Spanish Millennium Development Goals Achievement Fund. YEM addressed youth employment and migration challenges, through a multi-sector approach - combining employment and social policy objectives. This project contributed to training and employment of over 2,830 disadvantaged young people in Serbia, but also strengthened the capacities of national institutions to reach out to vulnerable young people and employ more youth **(through established Youth Employment Fund within NES structure)**. Over 50 municipalities participated in this programme in five districts, including South Backa, Belgrade, Pcinjski, Nisavski and Pomoravski regions.

An important aspect of YEM was the piloting of integrated service delivery, designed to respond to the real, ‘on the ground’ needs. This required multiple national institutions to deliver enhanced services to disadvantaged people with complex needs.

On the level of direct support to individual institutions, YEM focused on Social Work Centres, the National Employment Service, the municipal youth offices, and the local employment councils. YEM supported the introduction of case management and annual operational planning in selected Social Work Centres, supported youth offices to better understand and reach out to disadvantaged youth through info-points (which have already been used by over 5.000 youth), and to deliver employment related projects which will reach at least 700 youth. This Joint Programme also supported employment councils to include youth employment targets into youth employment interventions, and resulted in 22 employment councils completing local action plans.

In order to enable public institutions to provide better integrated services, YEM coordinated an inter-ministerial working group, with all relevant ministries having to provide technical input, but also piloted this approach through already mentioned integrated service delivery. At the policy level, the integrated service delivery working group has been successful in influencing the new Law on Social Protection with the aim to ensure firm cooperation between Social Work Centers and the National Employment Service.

# 2. Management of EU Funds and Key Challenges

## 2.1. EU Framework

### 2.1.1. European Social Fund (ESF) and other EU funds and programmes

In addition to the identified needs to step up the efforts financed from the national budget to promote social inclusion and reduce poverty, this Study addresses the framework for utilisation of the EU funds under the pre-accession assistance, as well as for setting the ground for future absorption of structural funds**.** The importance of timely establishment of adequate capacities is supported by the example of a number of new Member States which have failed to absorb the available funds due to the poorly organised systems and absence of strong institutional arrangements.

Social cohesion is one of the key goals of the EU and a major element in the set of European values. The key financial instrument for achieving the objectives related to social cohesion at the EU level is the European Social Fund (ESF)[[15]](#footnote-15). Although the ESF was originally set up to promote employment, it has evolved into a highly effective tool for reducing the risk of poverty and social exclusion. It supports sustainable integration of the disadvantaged and people with disabilities into the workforce. The activities to achieve this include:

* Counselling and training tailored to the specific needs of the disadvantaged and disabled people;
* Providing pathways for integration and entry into employment, and job creation for the disadvantaged and disabled people in the social economy;
* Support for the entrepreneurship of the disadvantaged and disabled people;
* Awareness raising campaigns to fight discrimination, change attitudes and promote diversity in the workplace.

Some 18% of the ESF’s budget of more than €10 billion a year[[16]](#footnote-16) is earmarked for projects that combat social exclusion: helping migrants into the workforce, integrating disadvantaged people and improving equal access to employment.



Graph 1: Spending on Social Inclusion as a % of total spending of ESF[[17]](#footnote-17)

Candidate countries prepare for future programming, management and implementation of the ESF and other EU Structural Funds through pre-accession assistance, namely IPA Component IV (Human Resource Development). IPA Component IV provides funds to boost the quality of human resources within these countries. Based on the European Employment Strategy, it requires that they focus their IPA-financed projects on the three major priorities:

1. Attracting and retaining more people in employment;
2. Improving the adaptability and flexibility of workers and enterprises through education; and
3. Strengthening social inclusion through the integration of disadvantaged people into the workforce.

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| **Box 3: ESF under the new financial perspective 2014-2020**  On 6 October 2011, the Commission proposed the rules of functioning of ESF in the period 2014-2020.[[18]](#footnote-18) The proposal is part of an overall legislative package for the Union's future cohesion policy.  The aim of the European Social Fund is to improve employment opportunities, promote education and life-long learning, enhance social inclusion, contribute to combating poverty and develop institutional capacity of public administration. The new proposal reinforces the role of the ESF:   * Increase of the ESF budget to €84 billion, compared to the current €75 billion; * Member States will have to focus the ESF on a limited number of objectives and investment priorities in line with the Europe 2020 Strategy, in order to increase impact and reach a critical mass; * A minimum of 20% of the ESF will be dedicated to social inclusion actions; * Greater emphasis will be placed on combating youth unemployment, promoting active and healthy ageing, and supporting the most disadvantaged groups and marginalised communities such as Roma; * Greater support will be provided for social innovation, i.e. testing and scaling up innovative solutions to address social needs, for instance to support social inclusion.   *Source: European Commission's DG for Employment, Social Affairs & Inclusion: “What are the proposed changes for the ESF”* [*http://ec.europa.eu/esf/main.jsp?catId=62&langId=en*](http://ec.europa.eu/esf/main.jsp?catId=62&langId=en) |

In addition to the **European Social Fund**, which is expected to make the largest financial contribution to investments in human resources from the EU budget, the EC proposed other instruments which will deliver on HRD objectives under the new Multi-annual Financial Framework (MFF), such as the new **EU Programme for Social Change and Innovation (PSCI), which** will be managed directly by the Commission by combining the three existing programmes and extending their coverage: the Programme for Employment and Social Solidarity (Progress); European Employment Services (EURES); and the European Progress Microfinance Facility. The programme will support policy coordination, exchange of best practices, capacity-building and testing of innovative policies, with a view to up-scaling the most successful measures with ESF support, thus contributing to the Europe 2020 Strategy. The proposed allocation is €850 million.

*Table 1: Related Funds in the new EU financial Perspective*

|  |  |
| --- | --- |
| **Instrument (in descending order of budget)** | **Proposed budget (constant prices)** |
| European Social Fund (based on the 25/40/52 formula per category of regions) | €84.0 billion |
| ‘Education Europe’ | €15.21 billion |
| European Globalisation Adjustment Fund | €3.0 billion |
| Integrated programme for employment, social policy and inclusion | €0.85 billion |
| Autonomous budget lines | €0.4 billion |

### 2.1.2. Instrument for Pre-Accession Assistance (IPA)

While the EU membership, which will bring access to EU structural funds (including the ESF), is the ultimate objective, the Republic of Serbia – as a pre-accession country is benefiting from the EU funds under the framework of pre-accession assistance. Therefore, it is important to focus on the implementation of the social inclusion programmes in the context of the Instrument for Pre-accession Assistance (IPA).

EU has re-designed financial support to candidate and potential candidate countries, including Serbia, since 2007, most notably through the establishment of a single instrument replacing all the previous ones - the Instrument for Pre-Accession Assistance (IPA). Two main legal instruments govern IPA[[19]](#footnote-19) and both regulations have been transposed into the Serbian national legislation[[20]](#footnote-20).

IPA has **five components** providing targeted and effective assistance for each country according to its needs and pace of development: transition assistance and institution building; cross-border cooperation; regional development; human resources development; and rural development. **The field of Social Inclusion in the existing IPA regulation (valid until 2013) is covered within the component IV – Human Resources Development**.

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| **Box 4: Eligible areas and forms of assistance for IPA Component IV – Human Resources Development[[21]](#footnote-21)**  1. The human resources development component shall contribute to strengthening economic and social cohesion as well as to the priorities of the European Employment Strategy in the field of employment, education and training, and social inclusion.  2. In particular, the scope of this component shall cover assistance to persons and focus on the following priorities, the precise mix and concentration of which shall depend on the economic and social specificities of each beneficiary country:   * Increase adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change, * Enhance access to employment and sustainable inclusion in the labour market of job seekers and inactive people, prevent unemployment, in particular long term and youth unemployment, encourage active aging and prolong working lives, increase participation in the labour market, * Reinforce social inclusion and integration of people at a disadvantage, with a view to their sustainable integration in employment, and combat all forms of discrimination in the labour market, * Promote partnerships, pacts and initiatives through networking of relevant stakeholders, such as social partners and non-governmental organisations, at national, regional, local level, in order to mobilise for reforms in the field of employment and labour market inclusiveness, * Expand and enhance investment in human capital, * Strengthen institutional capacity and the efficiency of public administrations and public services at national, regional and local level and, where relevant, the social partners and non-governmental organisations with a view to reforms and good governance in the employment, education and training, as well as social fields. |

Thus far, Serbia has had access to IPA Components I and II only, since the preconditions for accessing all five components included both candidate country status and conferral of management powers from EC to national bodies. The latter implies having an accredited decentralised management of EU Funds.

In order to respond to its obligations in the process of management of IPA funds, the Government of the Republic of Serbia adopted the Action Plan for Accreditation for Decentralised Implementation System in June 2008. This Action Plan also foresees the establishment of structures related to IPA Component IV.

The structures for the IPA Component IV have been designed in much the same way as the structures for management of the Structural/Cohesion funds. While the IPA Implementing Regulation uses the generic term “Operating Structure” to mean a body or a collection of bodies responsible for management and implementation, the regulation governing the use of Structural/Cohesion funds refers to these structures as “managing authorities”, “intermediate bodies” and “final beneficiaries”.

In order to accelerate the preparation for Structural Funds, the implementation mechanisms for IPA Component IV are designed on the basis of the structures that exist for EU Structural Funds, but in line with IPA Implementing Regulation (IPA IR).

Those structures are in line with Article 21 of IPA IR and include the following:

|  |  |
| --- | --- |
| **IPA Implementing Regulation** | **Position in the Government of Republic of Serbia** |
| National IPA coordinator (NIPAC) | Director of the Serbian European Integration Office |
| Strategic coordinator (SC) for the regional development component and the human resources development component | Deputy Director of the Serbian European Integration Office |
| Competent accrediting officer (CAO) | Minister of Finance |
| National authorising officer (NAO) | State Secretary of Finance |
| National fund (NF) | Department within the Ministry of Finance |
| Operating structure by IPA component or programme |  |
| HRD | Head of the Operating structure – Assistant Minister of Economy and Regional Development |
| Economic Development | Head of the Operating structure – Assistant Minister of Finance |
| Audit authority (AA) | Audit office of system of management of EU funds |

In order to fully prepare for the process of absorption of EU funds under the Components III and IV, Serbia developed a Strategic Coherence Framework (SCF) and the corresponding Operational Programmes (OPs). This process was initiated by IPA Steering Committee in accordance with IPA Regulation. In order to ensure alignment with the national policy goals and full ownership of IPA Components III and IV by the responsible line ministries, the Strategic Coordinator has been supported in this process by the SCF Joint Body (SCFJB). The SCFBJ was formally created through the inter-ministerial agreement adopted on 28 August 2009. The SCFJB facilitated inter-ministerial coordination and operated as a forum for discussing inputs to the SCF and reviewing draft documents, in line with agreed protocols, as well as for ensuring coordination, complementarity and synergy between OPs.

However, these documents were not officially adopted by the Government due to the fact that the candidate country status was given at a late stage of the existing EU Financial Perspective (2007-2013). Nevertheless, most projects programmed within this process will be implemented under the procedures and rules designated for IPA Component I for 2012 and 2013.

**Serbian Government has drafted the Strategic Coherence Framework and Operational Programme for Human Resources Development and designed Operating Structures. The preparations for the establishment of decentralized management of EU funds have been initiated – the accreditation package has been submitted and the conferral of management for four IPA components is planned by mid-2013.**

**The Draft Operational Programme for Human Resources Development 2012 – 2013**, envisages two measures directly targeting social inclusion (although other measures are targeting social inclusion indirectly):

* Support to social inclusion through more diversified community-based social services aimed at strengthening the capacity of local self-governments in leading partnership-based social inclusion policies, and improving the range and the quality of community-based social services providing cross-sectoral solutions to vulnerable and disadvantaged groups.
* Supporting the transition from welfare to work through active inclusion aimed at increasing the coverage of the guaranteed minimum income among the socially excluded groups, and promoting the transition from welfare to work through active inclusion and better integrated social and employment services.

Other priority axes and measures under IPA Component IV are presented in Annex 3.

|  |
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| **Box 5: IPA under the new financial perspective 2014-2020**  The Proposal for a Regulation on the Instrument for Pre-accession Assistance (IPA II) of the European Parliament and of the Council (7.12.2011) (hereinafter “the Proposal”) is a strong indication that the European Union will continue to offer technical and financial assistance to the candidate countries and potential candidates to align their institutions and economies with the standards and policies of the EU under the new Financial Perspective 2014-2020.  While the objective of the new IPA will remain the same: delivering on the Enlargement Policy by supporting candidate countries and potential candidates in their preparations for EU membership, it is still unclear what form the new IPA will take. Nevertheless, it is already apparent that certain changes will take place. Some of the key new trends that emerge from the Proposal may be summed up as follows:   * **Strengthening the sector(-wide) approach (SWAp),** * **Focusing on innovative financing instruments,** * **Accessing various types of assistance no longer subject to candidate/potential candidate status,** * **Introducing multi-annual planning to cover the duration of the next multi-annual financial framework.**   Possible implications for social inclusion:   * Social inclusion will likely remain within Human Resource Development (HRD), which will probably be a sector – within the SWAp; * Policy coordination/programming and implementation of social inclusion policies will have to be strengthened due to longer programming intervals (from 3 to 7 years – covering the entire EU budget cycle), emphasis on SWAp and the proposed increase in mergers of different sources of funding. |

### 2.1.3. Decentralised management of EU funds

Conferral of management powers from the EU to national structures required setting up and resourcing the Serbian institutions for IPA Components III and IV, outlining systems and control plans; conducting consultations on the proposed system design, setup and risk management, inter-institutional agreements and written procedures.

In the current institutional setup related to IPA Component IV, all the social inclusion measures are to be implemented by the established Operating Structure (OS) consisting of:

* Ministry of Economy and Regional Development
* Ministry of Education and Science
* Ministry of Labour and Social Policy
* Ministry of Finance – Department for Contracting and Financing of EU Funded Projects

The below organogram of the Operating Structure presents the division of responsibilities for Operating Programme, Priority Axes, Measures, and Contracting and Implementation. Each body also contains an internal audit unit which will be responsible for regular independent reviews of the functioning of the IPA IV management and control systems within the ministries, in accordance with Article 28 (IPA Implementing Regulation, and Accreditation Criteria).

Graph 2: Organisational responsibility in the Draft Operational Programme Human Resources Development

Conferral of management powers has not yet taken place, but it is planned for mid-2013, since the accreditation package has been submitted to the EC. Serbia is now between the third and the fourth out of five phases of the accreditation process.

## 2.2. Key Challenges

### 2.2.1. Administrative Capacity for EU Funds Management

Experiences of other countries which underwent the process of establishment of decentralised management of EU funds and were conferred management powers show they had difficulties in adopting new rules and procedures. This led to lower levels of funds absorption compared to the period in which these tasks were “centralised” under the EU Delegations.[[22]](#footnote-22) Furthermore, lower levels of spending have continued once former candidate countries became full-fledged members of the EU. This situation is primarily caused by the inadequate administrative absorption capacity under the new spending regime.

In relation to the funds absorption, issues can be summarised around three specific definitions of absorption capacity[[23]](#footnote-23):

1. Macroeconomic absorption capacity, which can be defined and measured in terms of GDP levels to Structural Funds allocated.
2. Administrative absorption capacity, which can be defined as the ability and skills of central, regional and local authorities to develop acceptable plans, programmes, and projects in due time, to decide on programmes and projects, to organise coordination among the principal partners, to cope with the vast amount of administrative and reporting work required by the Commission, and to finance and supervise implementation properly, avoiding fraud in as much as possible.
3. Financial absorption capacity, which means the ability to co-finance the EU-supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners (public and private), interested in a programme or project.

Currently, the most critical element is the administrative absorption capacity, which in practice means that Serbia needs highly experienced, skilled and motivated civil servants. So far, significant efforts were invested in producing these resources, but **in the social inclusion policies these efforts were scattered on a vast number of donor projects, which led to loss of institutional memory and basically unsatisfactory return on investment**. This situation calls for a more systematic and coordinated approach to the development of human resources in EU funds management, especially having in mind the introduction of decentralised management. In addition, it is worth noting that the administrative capacity requirements vary depending on the stage of the policy life cycle.

Together, management, programming, implementation, monitoring and evaluation, financial management and control constitute the policy life cycle. In Serbia, social inclusion policies are developed by various institutions, line ministries, departments within these ministries, working groups, permanent and provisional bodies and external stakeholders, depending on their respective mandates. Having in mind the diversity, mandate and the number of institutions involved, the policy coordination mechanisms are insufficiently developed in Serbia, the consequence being lack of coordination. More importantly, monitoring and evaluation are inherent weaknesses of the policy cycle in Serbia. These statements are frequently reiterated both in the national and the external (primary EU) assessments of public administration in Serbia[[24]](#footnote-24).

One of the strategic options for strengthening the implementation side of the EU funds management is to introduce a body which would solely focus on the implementation aspect of the policy cycle in line with the option offered under IPA IR, defined in Article 31.

This Article allows for functions to be grouped and assigned to specific bodies within or outside the designated Operating Structures. This needs to fully respect the appropriate segregation of duties imposed by Regulation (EC, Euratom) No 1605/2002 and ensure that the final responsibility for the functions described remains with designated OS.

***IPA Implementing Regulation allows for functions of the Operating Structure to be grouped and assigned to designated bodies.***

The relationship between these specific bodies and the OS is formalised by written agreements. It is then subject to accreditation by the National Authorising Officer and “conferral of management” is approved by the Commission. Under IPA terminology, these bodies are called “Designated Bodies”. Under the structural funds terminology, this is a general term for “Intermediate Bodies”.

### 2.2.2. Timely Management of EU Funds

The implementing arrangements for the EU funds management gain in complexity when different aspects such as time constraints imposed by IPA Implementing Regulation and co-financing requirements are taken into consideration. These aspects are even more critical when authorities have to manage larger portfolios of smaller projects in a limited time.

In order to highlight the importance of coordinated programming and implementation of programmes for IPA - under decentralised management, it is important to understand the imposed time constraints for the implementation of those programmes under IPA rules.

According to the current set of IPA regulations, the ‘N+3 rule’ is defined in key documents setting down the basic rules of EU and IPA budget planning and expenditure:

* Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities[[25]](#footnote-25) - (hereinafter, the Financial Regulation),
* Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities-*and corresponding amendments and corrections* (hereinafter Financial Implementing Regulation),
* IPA Implementing Regulation.

Pursuant to Article 166 of the Financial Regulation, the European Commission shall automatically decommit any portion of a budget commitment for a programme where, by 31 December of the third year following year ’N’ being the one in which the budget commitment was made if the programme has not been completed.

In other words, if the N year is 2013, the beneficiary needs to complete the implementation of the programme by the end of 2016 and effect all the final payments (10% of all payments - the rest of the payments have to be made before, including 30% ‘advance payment’ made in year N) by the end of 2017.

*Table 2: Payments within the N+3 rule*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2013 | 2014 | 2015 | 2016 | 2017 |
| **N**  (30% advance payment) | **N+1** | **N+2** | **N+3** | 10% final payment (programme) |
| In 2018 Decommitment of funds that have not been contracted | | | | |

The N+3 rule clearly demonstrates that careful planning and coordination have a direct impact on the successful implementation of IPA programmes.

N+3 spending targets refer to EC budget programme level commitments (one commitment per year, per programme) - and not to individual projects. Nevertheless, in order for the allocated funds to be absorbed within the given timeframe (contracting begins in the ‘N’ year and final payments made in accordance with the N+3 rule), projects need to be fully prepared with all the necessary accompanying documentation in time the N+3 rules kicks in.

Additionally, it is also important to bear in mind that N+3 period covers not only the implementation of individual projects, but also their tendering/contracting which takes a substantial amount of time. In other words, if the Financing Agreement is signed in the N year, it important to factor in the time it takes to contract projects[[26]](#footnote-26), which in effect leaves even less time for project implementation.

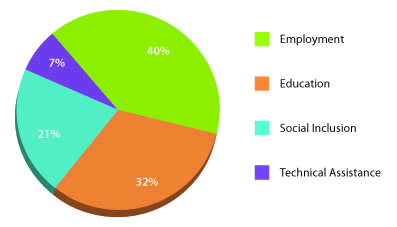
***Rigid time constrains under IPA implementation rules (N+3) demand sufficient pipeline of projects in social inclusion and adequate institutional capacities.***

Furthermore, due to a range of topics potentially eligible under the social inclusion axis of future Human Resource Development Operational Programmes under IPA Component IV (and future European Social Fund), and the fragmented implementation of the social inclusion policies in Serbia (various national and local bodies, state and non-governmental), it is extremely important that programming of EU and national assistance be done in a coordinated manner.

### 2.2.3. Co-financing and Pre-financing

As a candidate country, Serbia will have to co-finance the EU-funded programmes and projects. Co-financing of eligible expenditure means that the EU does not pay 100% of a project. Instead, a part has to be covered by public funds supplied by the beneficiary. This is implied by one of the underlying principles of the EU funds – additionality (complementarity). This principle says that actions financed from EU funds are not aimed at driving out or replacing the actions undertaken by national authorities, but they should enrich and reinforce them. For IPA, the default EU co-financing rates, sometimes referred to as “aid intensities” or “intervention rates”, vary between Components (85% for I to IV, 75% for V). In certain cases, however, exceptions can be made and the EU co-financing rate raised up to 100%. Details per Component are to be found in Articles 38, 67, 90, 149, 153 and 173 of the IPA Implementing Regulation. The term “co-financing” obviously applies not only to funds supplied by the EU, but also to the remainder provided by a beneficiary (in most cases national public funds provided from state, regional or local budgets). EU, national public and non-public funds can be delivered via joint co-financing or parallel co-financing.[[27]](#footnote-27)

The pie chart illustrates the distribution of funding provided under IPA Component IV (for candidate countries benefiting from IPA component IV) for employment, education, social inclusion, and technical assistance. Overall, EUR 250,914,151 has been allocated for Human Resources Development under IPA for the 2007-2009 period. Under a co-financing arrangement, EUR 37,637,151 (or 15% of the total amount) has been provided by national governments, while the remaining EUR 213,277,000 EUR is provided by the European Union.[[28]](#footnote-28)



*Graph 3: Distribution of IPA Component IV funding, per priority in %, 2007-2009*

Besides co-financing, as a candidate country, the problem of pre-financing certain programmes/projects will also become even greater upon the opening of funds for human resources development, especially for projects funded under grant call for proposals such as those listed under social inclusion priority (see Table 3).

In practice, pre-financing is when grantees receive an “advance payment” for start-up of the activities envisaged by projects. However, the difficulty is that certain programmes (such as IPA Cross-border Co-operation, for Programmes implemented with Member States) operate in a ‘post-financing system’ meaning that projects awarded subsidies cannot receive an advance grants, while the first 'regular' reimbursement of eligible costs can occur only after the first reporting period. This causes significant problems for civil society organisations which predominantly rely on external sources of financing, and have difficulties to obtain their own funds for project initiation.

Bearing in mind the pre-financing rule and the level of contribution, the possibilities for participation in certain programmes and effective usage of EU Funds are often quite limited for civil society organisations, municipalities and other non-profit applicants.

The Social Inclusion Fund would be well placed to meet both co-financing and pre-financing obligations for IPA funds for social inclusion – it would be able to provide co-financing for multi-annual EU programmes more expeditiously compared to other government bodies that have annual budgets and are limited in terms of allocating funds years in advance (especially if the programming of the new IPA Component IV switches from 3 to 7 years).

***Social Inclusion Fund allows for flexibility in bridging co-financing and pre-financing requirements arising from pre-accession assistance and other EU programmes earmarked for social inclusion.***

## 2.3. Intermediate Bodies as Part of the Operating Structure

The Operating Structure in the context of the IPA Components III and IV usually comprises a minimum of two bodies: one taking charge of programming, monitoring and evaluation, and the other being responsible for procurement, grant awards, payment and verification of expenditure. The overall responsibility for a programme is assumed by one of the bodies in the OS. This lead body is designated as the Head of the Operating Structure (HOS). Operational Agreements are concluded between each HOS and the other bodies in the relevant OS.

In order for an institution within the Serbian administrative structure to become part of the OS under IPA (or Managing Authority under Structural Funds) - it needs to go through the process of accreditation, whereby it is confirmed that it possesses the adequate capacity (number of staff) and expertise (knowledge of the field and procedures - for example, procurement and grant award procedures). In other words, accreditation is a formal acknowledgement that a body meets the requirements contained in the IPA Implementing Regulation for the administration of IPA components or IPA financed programmes under decentralised management. It is issued to a body by a superior institution, at the national level first – either by the National Authorising Officer or the Competent Accreditation Officer (in which case, it is termed a “national accreditation”), and then by the EC (at which point, it becomes part of the wider 'Conferral of Management'). The issuing institutions may suspend or withdraw the accreditation during the programme implementation, if ascertained that the relevant body no longer meets the requirements of the IPA Implementing Regulation.

When deciding on the design of the Operating Structure, one should bear in mind the underlying principle of ‘segregation of duties’. This is a principle applied to the EU funds management and control systems according to which different tasks are allocated to different staff, thus ensuring avoidance of the conflict of interest. It applies especially to the following pairs of tasks:

* Programming and implementation (tendering and contracting);
* Contract or payment authorisation and payment execution;
* Maintaining accounting records and payment execution;
* Maintaining accounting records and reconciling those records;
* Certifying/audit tasks and management tasks.

The current setup of the Operating Structure for IPA Component IV puts pressure on the existing body in charge of implementation – the Department for Contracting and Financing of EU Funded Projects (CFCU). The majority of measures designed under the draft HRD OP envisage individual and smaller projects (typical for social inclusion projects) which will be implemented through Grant Call systems. Whatsmore, Call systems require additional tasks, such mobilisation of beneficiaries, direct assistance to target groups of potential beneficiaries, raising awareness about certain initiatives and provision of the timely feedback essential for corrective actions in policy and programme design.

On the other hand, more strategic level/complex projects are, in most cases, pre-selected at the programme level or developed through a negotiation process, or, by grouping projects. In allocating substantial funding to such projects, the programme authorities may, to a certain extent, improve their control over the course of the programme. These are usually channelled by the Head of the Operating Structure.

*Table 3: Comparison between large scale and small scale projects in Serbian Draft Operational Programme for Human Resources Development 2012 – 2013 and Draft Operational Programme for Economic Development 2012 – 2013*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Body responsible for measure | Implementing body | Number of projects | Number of contracts |
| **Measure 3.1: Support to social inclusion through more diversified community-based social services** | Ministry of Labour and Social Policy | Central Financing and Contracting Unit-Ministry of Finance | 1 | Up to 30 |
| **Measure 2.1 – Development of waste management infrastructure** | Ministry of Environment, Mining and Spatial Planning | Central Financing and Contracting Unit-Ministry of Finance | 1 | 2 |

In the above case of the Environment measure, it is apparent that there is one major (pre-programmed) project, requiring signature of two contracts that would be implemented according to prepared project documents and tender dossiers. The end result of the project itself is a prescribed physical object, fully in line with project design.

On the other hand, the social inclusion projects, which would be implemented through a grant scheme, require signature and implementation of up to 30 contracts. Each of these contracts would cover a wide spectrum of objectives and types of beneficiaries. For a measure to be implemented successfully, it would be desirable that the project implementation design (defining Grant calls), monitoring and evaluation - at the project level - is performed by social inclusion experts. According to the existing structure, financial assessment of the projects will be implemented by the CFCU, located at the Ministry of Finance, but assessment of the quality of the implemented projects will be performed by line ministry experts. **The fact that there is a high dependence on inter-institutional coordination increases the risk of delays in the process, and may result in a reduced impact of funds.**

This approach would represent a scenario where the sustainability principle is not fully addressed. This means that, once again, as with other externally financed projects, people in different institutions or bodies will be trained, gain experience in this specific topic. This approach lacks potential synergic effect which could be achieved if these experts were located ‘under the same roof’.

**Having in mind the issues of absorption and administrative capacities, coordination, timely management of EU funds, and flexibility in terms of co-financing, the Study proposes an option whereby functions related to the implementation of social inclusion measures funded from future EU funds are located within one institution – the Social Inclusion Fund.**

The proposed Social Inclusion Fund would perform the role of Delegated (Intermediate) body of respective line ministries for implementation of social inclusion programmes within IPA and would be a part of the operating structure.

## 2.4. Experiences of Other Countries

Mechanisms for the delivery of social inclusion policies in the EU vary, from fragmented to consolidated, and from centralised to regional. In some cases, it is the government departments that are in charge of defining social inclusion policy, which are also bodies responsible for administering EU funds. Some countries select ‘intermediate bodies’ that are responsible for delivering EU-funded social inclusion programmes. Intermediate bodies issue calls for proposals and allocate EU funds according to EU public procurement rules and pre-defined programme criteria.

### 2.4.1. Slovak Republic

The allocation from the European Social Fund for the Operational Programme “Employment and Social Inclusion” totals 882 mln EUR in the current programming period (2007-2013). The Ministry of Employment, Social Affairs and Family serves as the Managing Authority for the Operational Programme. There are two OP Intermediate bodies.

|  |  |
| --- | --- |
| **Operational Programme “Employment and Social Inclusion”** | **Intermediate Body** |
| **Priority axis: “Supporting employment growth”**  *Measures:*   * Promoting programmes in the area of supporting employment and solving unemployment and long-term unemployment * Promoting the creation and sustainability of jobs through increasing the adaptability of workers, businesses and the promotion of entrepreneurship | The **Social Implementation Agency** (SIA) is delegated some authority from Managing Authority |
| **Priority axis: “Supporting social inclusion”**  *Measures:*   * Supporting the social inclusion of persons at risk of social exclusion or the socially excluded through the development of care services with special regard to marginalised Roma communities * Promoting equal opportunities in access to the labour market and supporting the integration of disadvantaged groups into the labour market with special regard to marginalised Roma communities * Promoting the reconciliation of work and family life and care of small children | The **Social Development Fund** (SDF) is delegated some authority from Managing Authority |
| **Priority axis: “Supporting employment, social inclusion, and capacity building in the Bratislava Self-governing Region (BSR)”**  *Measures:*   * Promoting employment growth and improving employability, with special regard to knowledge-based society * Promoting social inclusion, gender equality, and the reconciliation of work and family life in the BSR | The **Social Development Fund** (SDF) is delegated some authority from Managing Authority |

### 2.4.2. Bulgaria

The allocation from the European Social Fund for the Operational Programme “Human Resources Development” totals 1,031 mln EUR in the current programming period (2007-2013).TheMinistry of Labour and Social Policy serves as the Managing Authority for the Operational Programme. There are three Intermediate bodies for the purposes of the OP.

|  |  |
| --- | --- |
| **Operational Programme “Human Resources Development”** | **Intermediate Body** |
| **Priority axis:** “Promotion of economic activity and development of inclusive labour market”  **Priority axis:** “Raising the productivity and adaptability of the employed persons” | **National Employment Agency** |
| **Priority axis: “**Improving the quality of education and training in correspondence with the labour market needs for building a knowledge-based economy”  **Priority axis:** “Improving the access to education and training” | **Ministry of Education, Youth and Science** |
| **Priority axis:** “Social inclusion and promotion of social economy”  **Priority axis:** “Improving the effectiveness of labour market institutions and of social and healthcare services” | **Social Assistance Agency** |

### 2.4.3. Croatia

The allocation from the IPA component IV for the Operational Programme “Human Resources Development” totals 69.97 mln EUR for the programming period (2007-2013). The State Secretary from the Ministry of Economy, Labour and Entrepreneurship is head of the Operating Structure. There are two Intermediate bodies for the purposes of the OP.

|  |  |
| --- | --- |
| OP Human Resources Development | Intermediate Body |
| **Priority axis: “Enhancing access to employment and sustainable inclusion in the labour market”**  *Measures*   * Supporting the design and implementation of active and preventative labour market policy * Supporting the effectiveness and quality of Croatia's public employment services | **Croatian Employment service (CES)** |
| **Priority axis: “Reinforcing social inclusion and integration of people at a disadvantage”**  *Measures*   * Supporting access to employment by disadvantaged groups * Supporting access to education by disadvantaged groups | **Croatian Employment service (CES)**  **Agency for Vocational Education and Training (AVET)** |
| **Priority axis: “Enhancing human capital and employability”**  *Measures*   * Further development of the Croatian Qualifications Framework * Supporting the development of institutions and their partners responsible for the provision of vocational education and training, and adult education | **Agency for Vocational Education and Training (AVET**) |

# 3. Steps towards the Establishment of the Social Inclusion Fund

*In order for the Social Inclusion Fund to be established, it is important to address its organisational structure, as well as the legal steps that need to be taken.* ***This section therefore provides recommendations on the governance structure and legal grounding for the Social Inclusion Fund****. It also raises the issue of budget allocations for the Social Inclusion Fund, however, this should be explored in further detail once the new government is formed and ministry portfolios designated.*

## **3.1. Governance Structure for the Future Social Inclusion Fund**

Within the presented framework, the establishment of the Social Inclusion Fund requires **efficient governance structures** that would enable its adequate functioning. Social inclusion policies are multisectoral and include public policies in the areas of education, employment and social welfare. These policies are underlined and given priority over other policies for the following logic:

* Education system provides basic preconditions for social integration;
* Employment and/or integration into the labour market is a key channel for social integration; and
* Social welfare policies provide mechanisms to support persons who have failed in an attempt to integrate into wider society.

Other policies are important as well, e.g. housing, migrations, human rights, minority rights etc. but these are the crucial ones especially having in mind the context of social exclusion in the Republic of Serbia: low education achievements, high unemployment, high discrepancies among regions and urban/rural population etc[[29]](#footnote-29).

In order to achieve an integration of sector policies, the governance structure of the Social Inclusion Fund would need to include high level representatives of at least:

* Ministry of Labour and Social Policy,
* Ministry of Education and Science,
* Ministry of Economy and Regional Development,
* Ministry of Human and Minority Rights, Public Administration and Local Self Government,
* Ministry of Health and
* Standing Conference of Towns and Municipalities.

This is a means for integration of policies in the areas of education, welfare, employment and possibly health. Details on the organisational structure, internal procedures, staffing etc. would require previous decisions relating to these aspects of the work of future Social Inclusion Fund.

## **3.2. Possible Legal Grounding of the Fund**

In order to be able to manage the national budget and potentially EU resources and serve as a grant-management mechanism, the Social Inclusion Fund would need to have **a legal status** (Serbian: *pravno lice*) and **to maintain close ties to relevant stakeholders** (ministries, civil society organisations etc.).

This approach is selected due to the need for a flexibility of the system and characteristics relevant for the management of EU funds:

* **The Fund would have its separate record account** – This enables adequate traceability,
* **It is defined for the purpose to co-finance EU assistance** – It is not related to a single project, as it is the case in current system established in the Instruction for budget preparation,
* **Line ministers are appointed to manage it through the steering committee** – This gives the possibility to clearly define procedures in accordance with EU regulations,
* **It is established by a separate law** – This provides flexibility necessary for fine-tuning of the established system,
* **At the end of current year, unused resources from its account shall be carried over to the next year** – Again, this provides for flexibility in project financing and enabling prompt respond to eventual changes in the project implementation.

Therefore, the most suitable institutional structure for the future Social Inclusion Fund is to establish an independent organization with a strong legal background. In order to utilise existing resources, the underlying principle for the establishment of the Fund should be to embrace existing structures (e.g. budgetary funds), under one strong and well positioned umbrella institution and consequently absorb some of the employees from the existing structures.

***In order to manage national budget and potentially EU resources and serve as a grant-providing mechanism, the Social Inclusion Fund would need to have a legal status and have close ties to relevant stakeholders (ministries, civil society organisations etc). Aiming to reduce administrative burden, the Fund could absorb some of the employees from the existing structures, including other active Funds.***

There are three legal options for establishing a future Social Inclusion Fund:

(1) Amendments to a sector-specific law,

(2) A specific law on the Social Inclusion Fund, and

(3) The Law on Public Agencies, which would establish the Social Inclusion Fund as a public agency.

The analysis summarises the pros and cons of each solution in the following key areas: administrative and political costs, governance structure and multisectoral issues.

**Option 1. Establishment of the Social Inclusion Fund through amendments to a sector-specific law (e.g. Law on Social Protection).**

|  |  |
| --- | --- |
| **Pros** | **Cons** |
| Fairly simple and quick administrative procedure | Affiliation and dependence on a single sector |
| Politically simple solution as the Fund remains within the line of responsibility of a single ministry | Inadequate governance structure, since the Fund is accountable to a single ministry |
|  | Questionable ability to step beyond sectoral boundaries and tackle multisectoral issues |

**Option 2. Establishment of the Social Inclusion Fund by means of a separate law.**

|  |  |
| --- | --- |
| **Pros** | **Cons** |
| Strong legal grounding | Long and demanding administrative procedure |
| Opportunity to design an appropriate governance structure | Politically costly solution as it requires coordination across various sectors in the phase of establishing |
| Better prospects in tackling multisectoral issues once the fund is established |  |

**Option 3. Establishment of the Social Inclusion Fund as a public agency by the Law on Public Agencies**

|  |  |
| --- | --- |
| **Pros** | **Cons** |
| Opportunity to design an appropriate governance structure | Longer administrative procedure and possible higher political costs in present circumstances |
|  | Weak legal grounding |
|  | Questionable ability to step beyond sectoral boundaries and tackle multisectoral issues |

## 3.3. Policy Options and Recommendations Regarding the Key Functions of the Social Inclusion Fund

**Since the Serbian Government will have to tackle the issue of public policy coordination and implementation in the field of social inclusion,** two solutions concerning the core functions of the Social Inclusion Fund and their pros and cons are explored in brief:

1. **Placing the policy coordination and implementation function in the Social Inclusion Fund and using the new-born mechanism to bridge the existing gap in coordinating public policies.**

Key positive sides of this solution are short-term, while negative ones are longer-term.

|  |  |
| --- | --- |
| **Pros** | **Cons** |
| Easy to achieve in terms of management, administration and politics | Long-term unsustainability due to the lack of incentives for coordination on the level of ministries and agencies |
| Easy to link financing of local projects with policies and *vice versa* | Danger of creating a cumbersome social inclusion ministry[[30]](#footnote-30) that can hardly fit the government structure and cooperate with other ministries |
|  | Putting different missions into a single organization requires resources: financial, human, time etc. |

1. **Insisting on strengthening the policy coordination function on the central level while fund disbursement remains a key function of the Social Inclusion Fund.**

|  |  |
| --- | --- |
| **Pros** | **Cons** |
| Sustainable solution in a longer run, meaning creating an efficient and effective government structure that links various ministries, funding mechanisms and central government office | Time consuming and requires significant workload. |
| Each organization keeps focus and a simple mission | Requires political commitment |
|  | Requires a clear division of competencies and lines of coordination |

Taking into account previously analysed experiences in Serbia, national and EU legislative framework, the key functions of the Social Inclusion Fund may include and are not limited to:

* Verification of tender documents/guidelines for calls for proposals received from line ministries dealing with social inclusion and preparation of complete **tender dossier/application packages**;
* Preparation of **tendering** and **contract award** procedures;
* Acting as the **contracting authority** and overseeing contract implementation (including payments and payments recovery);
* Carrying out **verifications** to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approved decision, and the payment requests by the final beneficiary are correct. These verifications cover administrative, financial, technical and physical aspects of operations, as appropriate;
* **Monitoring and evaluation** by: supporting the development of documents on progress made towards achieving targets of relevant measures defined on policy level;
* Keeping of all documents and ensuring that all the relevant information is available to provide for a sufficiently detailed **audit trail**;
* **Reporting of irregularities**;
* **Acting as a resource centre and discussion partner for policy makers and the Fund’s potential beneficiaries,** in particular by (co)organizing activities such as: development of policy standards, promotion of best practices, fundraising, trainings on project and financial management, preparation of publications, help desk activities, etc.

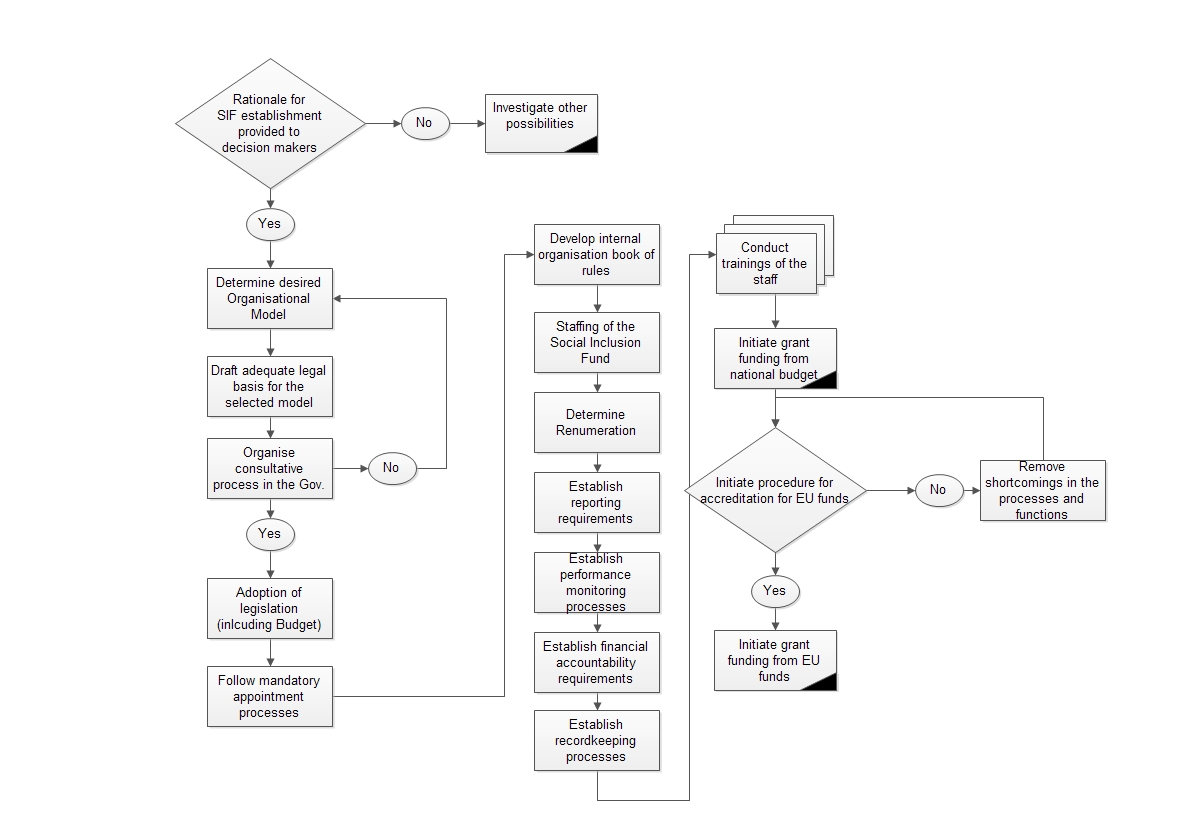
## **3.4. Financial Aspects of the Social Inclusion Fund**

While this paper addresses a clear need and provides argumentation for the establishment of a new body within the Government[[31]](#footnote-31) tackling the implementation of social inclusion programmes – **the Social Inclusion Fund**, it is difficult to provide a precise forecast on the size of funds that such a body would administer. Firstly, the consensus over this topic is still to be reached among key decision makers and, secondly, the scope of activities of the future SIF is yet to be determined. However, at present, an initial estimation can be made based on the following budget amounts - combining existing national funds and factoring in the ‘complementarity principle’ required for EU funds.

In addition to the national budget resources, the funds which the Social Inclusion Fund could tackle in the future are those which will be allocated to social inclusion actions within the framework of pre-accession assistance in the period of new EU financial perspective (2014-2020). The allocation of these funds must follow the principle of complementarity integrated in the IPA Implementing Regulation. Measures proposed for funding under future Operational Programmes need to complement other on-going national and international interventions in Serbia. **The aim of this principle is to maximise coordination, synergy and consistency, while concentrating limited resources to achieve the maximum impact from the programme’s implementation**.

## 3.5. Roadmap for the Establishment of the Social Inclusion Fund

1. **Reach consensus among stakeholders and decision makers** (political establishment) that the Fund is necessary for a more effective, rational and transparent implementation of social inclusion policies in Serbia. A wider public discussion and a workshop should be organized where relevant findings are presented to key line ministries and representatives from the EU Delegation/DG for Employment, Social Affairs and Inclusion, as well as civil society organisations.
2. **Conduct a feasibility study** for the establishment of the Social Inclusion Fund, which would provide additional data concerning the necessary steps, e.g.: further analysis of different options for the establishment (in particular by merging of existing budgetary funds) including their impact assessment, legal grounding, mandate, structure, budget and financial plan of the Fund, workload analysis and training of staff, etc.
3. **A working group consisting of the representatives from key ministries and, most importantly, the Ministry of Finance, should draft relevant legal instruments** (this Research proposes that a new law should be drafted). It is important to keep in mind that the drafting process should go in parallel with drafting the annual budget (or amendments to the existing Law on Budget).
4. **Conduct a Government adoption procedure** in accordance with the Law on the Government of the Republic of Serbia and the Rules of Procedure of the Government of the Republic of Serbia.
5. **The legal instrument enters the Parliament procedure** and is adopted by the Parliament.
6. **Mandatory appointment process is conducted** in line with regular administrative procedure.
7. **The Social Inclusion Fund’s rulebook on internal organisation and systematization is developed and adopted.** The staffing is conducted in line with relevant procedures.
8. **Specify reporting and monitoring requirements** taking into account EU and national aspects related to social inclusion.
9. **Develop financial accountability rules**, but also record keeping processes, taking into account national legislation, as well as requirements linked to the decentralised implementation system of EU funds.
10. **Conduct training of the staff** through utilisation of the on-going donor-funded projects, or a specially designed project established to support the function of the Social Inclusion Fund.
11. **Implement grant funding from the national budget** as an important phase which would test the capacities of the newly established body to perform its functions, which is a prerequisite for the initiation of the next phase.
12. **Obtain accreditation of the Social Inclusion Fund** within the decentralised management of EU funds as the final phase prior to granting resources from EU funds.



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# Annexes

### Annex 1. List of participants from the consultative meeting with civil society organisations concerning the initiative on the establishment of the Social Inclusion Fund

1. Aleksandra Galonja, Institut za održive zajednice
2. Slobodanka Macanović, Autonomni ženski centar
3. Tanja Ignjatović, Autonomni ženski centar
4. Momčilo Stanojević, Centar za samostalni život osoba sa invaliditetom
5. Saša Stefanović, Otvoreni klub Niš
6. Tamara Simonović , Otvoreni klub Niš
7. Nadežda Satarić , Amity
8. Jasna Filipović, Centar za razvoj neprofitnog sektora
9. Gordan Velev, Grupa 484
10. Marko Stojanović, Građanske inicijative
11. Bojana Jevtović, Građanske inicijative
12. Maša Dimitrijević, Građanske inicijative
13. Žarko Šunderić, SIPRU
14. Irina Ljubić, SIPRU
15. Andrija Pejović, Evropski projektni centar

### Annex 2. List of interviewees

1. Ljiljana Džuver, Ministry of Economy and Regional Development
2. Silvija Gajin, Ministry of Economy and Regional Development
3. Dragana Radovanović, Ministry of Labour and Social Policy
4. Aleksandra Miletić, Ministry of Labour and Social Policy
5. Gordana Matković, Center for Liberal-Democratic studies
6. Vera Kovačević, Center for Liberal-Democratic studies
7. Milica Stranjaković, Center for Liberal-Democratic studies

### Annex 3. Priority axes and measure of the Draft Operational Programme HRD



1. [www.project-center.org](http://www.project-center.org) [↑](#footnote-ref-1)
2. <http://www.inkluzija.gov.rs/wp-content/uploads/2010/03/First-National-Report-on-Social-Inclusion-and-Poverty-Reduction.pdf> [↑](#footnote-ref-2)
3. Accompanying the “Commission Opinion on Serbia’s application for membership of the European Union, COM (2011) 668 final” [↑](#footnote-ref-3)
4. Marina Petrović, Socijalna pomoć i aktivacija u Srbiji: u potrazi za inkluzivnim rešenjem, Beograd, CLDS, 2011; Marina Petrović, Međusektorska saradnja u pružanju usluga korisnicima socijalne pomoći, *Fokus*, Oktobar 2010. [↑](#footnote-ref-4)
5. Law on Ministries, Official Gazette of the Republic of Serbia, no. 16/2011 [↑](#footnote-ref-5)
6. Here, we do not refer to issues of trade, environment, infrastructure, telecommunications etc. although public policies in these areas have significant impact on social inclusion. The reasons are that wide policy coordination and investments would introduce additional complexities that my harm the new-born institution. Furthermore, the institutional analysis covers what is generally perceived as the nature of social exclusion in Serbia (compare: First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia, Belgrade, 2011) so that housing, digital gap and similar policy issues are not listed as top priorities. [↑](#footnote-ref-6)
7. Established in 2009. In December 2011, following the resignation of the Deputy Prime Minister, SIPRU was transferred to the Office of the Prime Minister where it has been operating since. [↑](#footnote-ref-7)
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10. Report produced within the framework of joint OECD and EU program Support for Improvement in Governance and Management, available at <http://www.oecd.org/dataoecd/40/27/48970654.pdf> [↑](#footnote-ref-10)
11. SIGMA, Assessment Serbia 2011. [p.174-175] [↑](#footnote-ref-11)
12. Or another adequate strategic document which represents a plan for the enhancement of social inclusion and poverty reduction in the accession process. [↑](#footnote-ref-12)
13. Through the Open method of coordination on social protection and social inclusion, the EU provides a framework for national strategy development, as well as for coordinating policies between EU countries on issues relating to poverty and social exclusion, health care and long-term care as well as pensions. [↑](#footnote-ref-13)
14. MEL, *Equal – Community Initiative Programme. Hungary 2004-2006*, Budapest, Ministry of Employment and Labour, 2003; MLSA, *First phase evaluation of Community Initiative EQUAL - 2nd round in Czech Republic,* Praha, Ministry of Labour and Social Affairs, 2005; MLSA, *Second phase evaluation of Community Initiative EQUAL,* Praha, Ministry of Labour and Social Affairs, 2006; MLSA, *Third Phase of the Ongoing Evaluation of the Community Initiative Programme EQUAL,* Praha, Ministry of Labour and Social Affairs, 2007. [↑](#footnote-ref-14)
15. <http://ec.europa.eu/social/main.jsp?catId=370&langId=en&featuresId=106&furtherFeatures=yes> [↑](#footnote-ref-15)
16. ESF spending amounts to around 10% of the EU’s total budget - between 2007 and 2013, approximately €76 billion has been allocated to the ESF. [↑](#footnote-ref-16)
17. European Commission, DG for Employment, Social Affairs & Inclusion. “The European Social Fund: a cornerstone in the fight against poverty and social exclusion”. 2010. [↑](#footnote-ref-17)
18. European Commission Proposal (COM(2011) 607) for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 [↑](#footnote-ref-18)
19. Council Regulation (EC) No 1085/2006 of 17 July 2006 – ‘IPA Establishing Regulation’, and Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 – ‘IPA Implementing Regulation’. [↑](#footnote-ref-19)
20. Through the endorsement of the “Law Confirming the Framework Agreement between the Government of the Republic of Serbia and the Commission of European Communities about the rules for cooperation in connection with financial assistance of the European Community to the Republic of Serbia in implementation of assistance within the framework of Instrument of Pre-accession Assistance (IPA)” (Official Gazette – International Agreements 124/07). [↑](#footnote-ref-20)
21. IPA Implementing Regulation. [↑](#footnote-ref-21)
22. European Court of Auditors, “Has EU assistance improved Croatia's capacity to manage post-accession funding?”, Special Report No 14/2011, 2011; World Bank, EU-8 Administrative Capacity in the New Member States: The Limits of Innovation?, 2006 [↑](#footnote-ref-22)
23. The Netherlands Economic Institute, Absorption capacity for Structural Funds in the regions of Slovenia, Ljubljana, 2002. [↑](#footnote-ref-23)
24. European Commission, Commission Opinion on Serbia's application for membership of the European Union-Analytical Report, COM(2011) 668, October 2011. [↑](#footnote-ref-24)
25. and corresponding amendments and corrections [↑](#footnote-ref-25)
26. Based on the steps in PRAG and assumptions about how long it takes various contracting bodies and evaluation committees, it takes some 10 months to contract service contracts, 8 months for supplies and 10 months for works. [↑](#footnote-ref-26)
27. IPA Glossary; December 2010. [↑](#footnote-ref-27)
28. European Commission, DG for Employment, Social Affairs & Inclusion, “European Social Fund”. <http://ec.europa.eu/esf/main.jsp?catId=32&langId=en> [↑](#footnote-ref-28)
29. Government of the Republic of Serbia, First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia, Belgrade, 2011. [↑](#footnote-ref-29)
30. This proved to be a trap in which the World Bank financed and managed the Social Investment Funds. Compare the following reviews: de Silva, Samantha and June-wei Sum (2008), *Social Funds as an Instrument of Social Protection: An Analysis of Lending Trends*, Washington D.C.: The World Bank; Tendler, Judith with Rodrigo Serrano (1999), *The Rise of Social Funds: What Are They A Model Of?*, New York: MIT and UNDP ; Tendler, Judith (2000), “Why are Social Funds so Popular?”, in Simon J. Evenett, Weiping Wu and Shahid Yusuf (eds), Local Dynamics in an Era of Globalization: 21st Century Catalysts for Development, Washington: World Bank/Oxford University Press; WB (2002), *Social Funds – Assessing Effectiveness,* Washington, D.C.: The World Bank; Govaertes, Piet (1998), Employment and Social Investment Funds in Central and Eastern Europe and CIS, Geneve: ILO. [↑](#footnote-ref-30)
31. Following the principle of consolidation, SIF should not entail more funds from the national budget, but contribute to a more effective redistribution and efficient utilisation of existing funds. [↑](#footnote-ref-31)