

2. More Efficient Social Protection⁸³

2.1. Current status and problems

2.1.1. Current status

There are two main programmes of social protection dealing with the alleviation of poverty in Serbia. They are: social assistance ('material support to families' - MOP); and child allowances. Their purpose is to ensure a minimum income to the families in need, and particularly to families with children.

Table 1 Number of beneficiaries of social transfers (in 000)

Year	2000	2001	2002
Social assistance (MOP)	67	115	125
Child allowances	494	665	497

Note: all the data are from December of the relevant year.

Source: the Ministry of Social Affairs

The number of citizens who receive **social assistance** is modest. During the nineties, it was reduced to 67 000 (December 2000), and this variation in the number of beneficiaries of social assistance was not the consequence of a reduction in poverty in Serbia, but of the restrictive policies in the system of social protection and of failure to finance even such modest support. In the past two years, the number of those entitled to social assistance has grown: from 115 000 in December 2001 to 125 000 in December 2002. The growth was partly the consequence of a supplementary programme of social assistance financed from donations (28 000 beneficiaries in December 2002), and partly of the regularity of transfers, which increased the formerly lost interest of the poor. The overall allocation for social assistance amounts to 117 million Dinars per month (December 2002).

The amount of social assistance is modest. In December 2002, an average amount per individual amounted to 1,092 Dinars (EUR 17). Such transfers can only to a limited extent improve the financial status of the poor.

Social assistance is based on the overall income available to an individual and a family and supplementing such income up to the poverty line, provided that additional criteria are fulfilled (small property, involvement in the labour market). The income test for an individual for entitlement to benefits is relatively low (at the same time it is the maximum amount of social assistance) and, in March 2003, it amounted to 2,447 Dinars (EUR 38) in more developed parts of Serbia; in municipalities with low average salaries, the income test

⁸³ Social protection includes assistance to poor individuals or families to reach a minimum income level, care for the members of vulnerable groups (children without parental care, elderly persons who cannot look after themselves, diseased persons, etc.) and support the creation of young families, including encouragement of child-birth.

is even lower. The difficulties lie in the sensitivity of the methods to the grey economy, which is very widespread in Serbia, and the assumption of very high economies of scale within households, which discriminates against larger families.⁸⁴ The weakness of this programme also lies in establishing separate poverty lines in each municipality on the basis of average salaries, which means that the principle of the equality of the citizens of Serbia has been compromised and that the poverty line is relative. The latter weakness will be corrected by amendments to the Law on social protection which are currently in the parliamentary procedure - they set the single absolute poverty line (in Dinars) for the whole territory of Serbia, indexed to the cost of living.

Social assistance targets the poorest citizens relatively well. The analysis has shown that social assistance is the best targeted social transfer in Serbia and that the efficiency of targeting is higher than in some other countries in the region.⁸⁵

Among those entitled to social assistance three categories are dominant: the unemployed, persons with disabilities, and their children. The other categories (employees, pensioners, farmers, etc.) have negligible representation among those entitled to social assistance. More than half of the beneficiaries have not completed elementary school. Examined by family size, single persons dominate (about half the total number), which is the result of excessively assumed economies of scale within households.

Basically, social assistance in Serbia has a small coverage, it is restrictive in terms of regulatory policy, pretty well targeting the poorest people, it favours small families and mainly covers those with poor educational backgrounds, the unemployed, and persons with disabilities.

In the Law or "Krmčija" of Saint Sava dating from the 13th century, great attention was paid to the poor and their protection within various regulations which treat social issues of men's life in detail (family law, obligations of the society towards the individual etc.)
In close cooperation with the civil authorities, the church was in charge of the creation of "honourable homes" for: the elderly, the poor, children deprived of parental care, foreigners etc. These homes had their administrative and managerial staff, as well as real estate and other assets that were bestowed upon them. The operation of these charitable institutions was closely monitored by the overseers, who were in charge of advocating for the poor, comforting the mourners, defending the abused etc. Among the vulnerable were also those with physical disabilities: the blind, deaf, mute, lame, etc.
It is characteristic of the Law of Saint Sava that, apart from the material aspects of poverty, equal attention was paid to the legal protection and equality of all before the courts, regardless of their material status. This principle of universal legal equity was also included in the Law book of Tsar Dušan from 14th century, which states: "Every washerwoman must be as free as the priest"; "a poor soul who cannot represent herself at court, may send a representative to speak in her name".

Child allowances represent the largest programme of assistance to the poor, financially 3-4 times as large as the programme of social assistance. Its purpose is assistance to poor

⁸⁴ However, there is compensation for the families with children in the form of child allowances.

⁸⁵ B. Bogicevic, G. Krstic, B. Mijatovic and B. Milanovic – *Poverty and the reform of financial support to the poor*, CLDS, 2003.

families with children, i.e. creation of equal conditions for the normal development of children.

Table 2 Poverty among children

	Total	Belgrade	Vojvodina	Western Serbia	Central Serbia	Eastern Serbia	Southeast Serbia
Poverty rate in %	10.4	6.8	7.6	14.5	11.2	9.7	16.8

Source: SLSP

Examined by region, the lowest number of poor children are in Belgrade and in Vojvodina, while the highest number are in western and southeast Serbia, while central and eastern Serbia are somewhere around the average. Children in families with several children are also in a less favourable position in Serbia. Thus children in households with one child have a poverty rate of 7.5%, children in households with two children – 8.7%, and children in households with three children – 18.9%. However, inequality among children is not particularly prominent – the Gini coefficient is 28.8, somewhat lower than for the whole population.

The new Law on Financial Support to Families with Children enacted in March 2002, allows a much more accurate targeting of poor families. This is accomplished through universal income testing as well as some moderate asset-testing. Similarly, differences in income thresholds between the communities in the poorer parts of Serbia have been eliminated. Finally, both child allowances and income thresholds were indexed to the cost of living in order to preserve their real value.

The child allowance is awarded on the basis of the income threshold that is set at a level of 3,030 Dinars per household member (March 2003), which is higher than for social assistance. This programme does not use an economy of scale, but applies the same threshold for all members of the household, which increases the number of families eligible for child allowance. This is a result of the view that this programme should cover wider strata of the population, i.e. include families with lower medium incomes as well. Child allowance for all children amounts to 990 Dinars (December 2002), i.e.16 Euros. For single-parent children and children with special needs, this amount and the threshold are increased by 30%.

The number of children entitled to child allowance has grown from 494 000, at the end of 2000, to 665 000 in December 2001, i.e. by 35%, owing to the increased interest which was caused by regular payment and accelerated payment of the two year overdue child allowances. In the second half of 2002 there was a significant reduction in the number of children covered, which was due to the adoption of a moderate asset test and to the growth of incomes in real terms, which has placed numerous beneficiaries above the income test. In Serbia currently, every third child is receiving child benefits.

To the poor with new born children even the childbirth allowance is helpful, although it represents an almost universal transfer, except for the richest stratum. It has been paid since

the summer of 2002 to the amounts of 55 000, 98 000 and 130 000 Dinars for the second, third, and fourth child in a family.

Outstanding debts in the field of social protection were inherited from the period before October 2000. Starting with the assumption that the first years of transition will be the most difficult for the poor and that as high as possible an amount of assistance should be directed to them, avoiding large dependence on donor resources, first the regular payment of social protection benefits was secured from the Republic Budget, and for additional payments a One-off Fund was established. Donor resources were directed through this Fund and inherited arrears were paid off: 26-32 months arrears in payment of child allowance, social assistance and carer's allowance, as well as one-off benefits to all beneficiaries of child allowances, single parents whose children are entitled to child allowance, and two one-off benefits to beneficiaries' social assistance and carer's allowance. Besides, the One-off Fund has for a whole year regularly supported 12 thousand poor families who could not become eligible for social assistance only because of the decentralisation of the income testing by municipalities. From the budget resources, 46 thousand poorest families were additionally supported to cover the rise in electricity prices, while donor resources were used to cover several years arrears in electricity bills of beneficiaries of social assistance.

The decision of Electric power company of Serbia on additional help to MOP users remains valid. They are entitled to a 30% discount to the value of spent electric energy up to 450 kw/h a month, on condition they pay their bills regularly.

The decision of EPS Managing board, with the consent of the republic Government, has approved another benefit. The households which were spending 70 – 300 kw/h a month in July, August and September, and which receive child allowance or whose total monthly income is under 6,000 dinars i.e. up to 2,500 dinars per household member did not pay the fixed part of the bill.

Social protection services An important part of social protection in Serbia is to assist children without parental care and to enable elderly persons and persons with disabilities to look after their own needs. The existing system of providing support to these vulnerable groups is predominantly concentrated on institutional (residential) accommodation. In the network of homes in Serbia there are 77 institutions, which accommodate 17 thousand elderly persons, children without parental care, and persons with disabilities. As an alternative to institutional accommodation, within the system there is also accommodation in another (foster) family, as well as day care centres and allowances for home care. These alternative forms of social protection are, however, insufficiently developed. Among them, the most common is foster care as a form of protection for children without parental care. Out of approximately 10 thousand children without parental care, almost 6 thousand are accommodated in extended families, 2 thousand in Institutions for children without parental care, and 2 thousand in foster families. The network of day care centres and advanced home help exists, first of all, in big cities; their capacities are insufficient and they do not represent the appropriate option that would ensure that the most vulnerable are supported primarily within their families and in their own homes.

The services in the domain of social protection, apart from the programmes of protection of persons who cannot look after their own needs, also imply the establishment of of

entitlements to different forms of cash compensations (material assistance to families, allowance for providing assistance and care to another person), as well as providing assistance in the sphere of legal and family protection. In the past, a major part of the services were provided within the network of the Centres for Social Work, which cover all the municipalities in Serbia.

During the nineties, a large number of NGOs were providing care, but they were mostly engaged in the distribution of humanitarian aid targeting, first of all, refugees and internally displaced persons.

As with all other parts of the system, the system of service provision in social protection has been seriously damaged in the past period. The capacities of numerous institutions were destroyed, while the living conditions of beneficiaries were at an unacceptably low level. Social protection institutions dealt with their own problems, and being poorly paid, the employees were not in a position to provide adequate assistance to anyone. Development alternatives, new methods of work, and professional training were completely unavailable for the majority of the employees.

Progress has been made since 2000; the first steps were primarily aimed at the improvement of the living/material conditions in the social welfare institutions. With the assistance of the donors, just in 2001, much more was invested in facilities and equipment than in the previous decade. Even after three years, however, the situation is unsatisfactory in some social institutions for persons with disabilities (the mentally affected), which accommodate far more beneficiaries than they have capacity for.. At the same time, the paying back of debts and the beginning of regular payments of all social entitlements, as well as a slight, and yet evident improvement in the material status of the employees, have consolidated the system and created favourable conditions for simultaneous activities on the reforms in social protection.

The problem of incomplete coverage. Despite the fact that there are social protection programmes specifically intended for the poor, a not insignificant number of the poor are reluctant to use them even if they are entitled to them. The reasons for such reluctance vary and they include insufficient information about the entitlements, refusal of public welfare for psychological reasons (stigma), no permanent address (especially in the case of some Roma groups and the homeless), lack of skills to cope with the red tape, geographic inaccessibility (in the case of institutional forms of social protection), resignation to poverty, and the like.

A very special problem is poverty among refugees, who are not entitled to basic social transfers. This issue will have to be tackled through a comprehensive government policy for refugees, including the policy of granting citizenship.

2.1.2. Main problems and constraints

Social welfare is caught between the growing demands for the provision of provision and support to vulnerable individuals and groups, on the one hand, and material and financial

constraints, on the other. The present status shows that the challenge exists and that it is a serious one. On the one hand, social welfare has deteriorated during the past decade, both with respect to the number of beneficiaries of social transfers and to the quality of the services in the institutions, and with respect to the available financial resources, despite the fact that the number of poor grew, that the wars and sanctions intensified the need for social protection of a growing number of people pertaining to the vulnerable groups. Additionally, the economic crisis limited the abilities of the state to finance those increasing needs, and therefore there appeared a great gap between what is necessary and what can be done. In other words, the legacy of the past is very unfavourable.

On the other hand, Serbia, which has not as yet recovered, is faced with the beginning of transition, which carries new risks and demands solutions to them. A wide economic liberalization, both internal and external, and privatisation are going to bring about restructuring of the economy, which will, at least in the short run, jeopardize the employment and incomes of a part of the population. The relative rise in the prices of the utility services have the same effect. Therefore, the social safety net gains importance, as a mechanism whose purpose is to provide basic living conditions to the citizens, as well as to those temporarily affected by the transition.

The major constraint is the financial incapability of Serbia to round off the financing of the required level of social protection. In the previous two years, the external funding (donations) represented supplementary financing of the local funds, but it is scaling down. The country's financial status directly affects the financing of basic social protection institutions – residential institutions. Their rehabilitation and modernization, especially reconstruction and equipping, was to a great extent financed from foreign grants.

2.2. Goals and Strategic Options

2.2.1. Goals

The goal of the Poverty Reduction Strategy in the area of social protection is to alleviate the consequences of poverty in the entire population and, in particular, among certain vulnerable groups. The programmes of social protection certainly cannot eradicate poverty, but they can and must be a support for the most vulnerable, for those who are not in a position to provide basic living conditions for themselves. So, social protection cannot influence the causes of poverty – this needs to be done in the area of other economic and social policies – but it can, to a certain extent, cope with the consequences of the prevailing poverty.

Children are the most important among the vulnerable groups. Although they do not have an above average risk of poverty, by the nature of things children are entitled to greater protection than others. Therefore, the policy of additional protection of children through social transfers should continue to be conducted in the future, with careful targeting.

The goal in the forthcoming period must also be the widening of the coverage of social protection to include other vulnerable groups, such as children without parental care, the elderly and the diseased who are unable to look after themselves, and the like.

2.2.2. Strategic Options, Measures and Activities

The struggle against poverty in Serbia certainly cannot rest predominantly on social protection; instead it must be based on economic progress as the soundest and most efficient means to reduce the number of poor and the depth of poverty. Economic growth usually yields increased earnings of all social strata, even of the poor, and by employment of the unemployed it leads to increases in the wages of employees, and increased government support to the poor from the increased tax base. Reduction of poverty with economic progress is inevitable if the distribution of income, i.e. inequality of that distribution, remains unchanged or if it is changed a little.

Although necessary and most important, economic growth is still not a sufficient condition for the elimination of poverty. Despite the growth of income, it is necessary, on the one hand, to pursue different policies that will support or, at least partially, enable growth and, on the other hand, to help those individuals who are still unfortunate or unable to participate in the results of the progress. Therefore, the state will pursue a stimulating policy in the entire social sector, including education and health care and the pension system and social protection in a narrow sense. While education and health care contribute to the growth through development of human resources (human capital), the pension system and social welfare should represent the mechanisms of provision of income to those who, for various reasons, do not directly participate in economic activities.

Transition certainly does not include only the changes in the economy and in policy, but also in the social sector as a whole. A society founded on limited opportunities, but also on low risks, is turning into a new society in which the risks are higher, but the opportunities are also greater, and consequently, so is the responsibility of individuals towards themselves and their families. The old socialist concept of social policy, according to which the paternalistic state regulates, finances, and provides social services, requires a thorough reform. Therefore the overall social policy concept will change, and the new one could be as follows:

- **Extended sovereignty of individuals**, who are not only payers and service beneficiaries, but also individuals who have the right to choose, to make their own decisions that very much concern them, but also to bear the responsibility for the consequences of their choices. In Serbia, the widespread habit of expecting the state to provide protection from all risks is not realistic.
- **Assistance to those who suffer and who are in need**. The principle of solidarity means that everyone should satisfy his/her basic needs, but also to look after himself/herself as much as he/she can. Solidarity must be expressed by targeted assistance directed exclusively towards the poorest and those who are not in a position to look after themselves and their families.
- **Competition** must exist between different forms of ownership and different mechanisms of coordination, and it is good for two important reasons: the first is exercising of the individual's right to choose, and the second is increased efficiency.

- **New role of the state.** The state would no longer organize, keep in possession and collect all the moneys for the operation of the social sector, but would instead predominantly have a role of developing legislative frameworks, oversight, and ultimately provision of ultimate insurance and assistance.
- **Greater role of local communities.** While the government would continue to manage the main programmes for the purpose of maintaining equal status of citizens, other programmes should be assigned to local communities and organized, if possible, on a partnership basis with humanitarian, donor and non-governmental organisations, churches and others.
- **Sound financing** should go without saying, but it was often sacrificed under the pressure of social rights, which were untouchable. Serbia must not go back to the inflationary financing of the budget and, therefore, it must design a social sector within budgetary constraints and not based on a wish list.

In line with such principles it would be necessary to work out the changes in the entire social sector, but also in the social protection in the narrow sense, particularly in times of transition.

The very limited resources for social protection must be used in the most efficient way, so that society, and particularly the vulnerable groups, could get the most possible. The existing system of social protection – based, as far as the struggle against poverty is concerned, predominantly on child allowances and social assistance – is basically a good and a modern one. All of its major elements should be retained in future as well: 1) the poverty line, which represents the basic landmark for definition of the entitlements to certain transfers, 2) establishment of household means test, by which the vulnerability level and entitlement to transfer are determined, 3) topping up of funds to cover the difference between the poverty line and available resources,⁸⁶ if it is positive, and 4) regulation of the entitlements and financing on the republic level.⁸⁷

Since social assistance is far more successful in reaching the poor than other programmes, it would be good to earmark more public funds for social assistance in the future. This would help achieve the best possible ratio between the costs of the programme and the benefits to the poor.

⁸⁶ This applies to social assistance only, and not to the child's allowances, in which case the amount is fixed.

⁸⁷ Local communities can additionally finance these transfers, which some of them actually do.

And yet, the system of social transfers aimed to alleviate poverty suffers from numerous flaws, which are less the result of conceptual weaknesses, and more of the operational control and implementation. Therefore, reform is needed, particularly in the area of the targeting of social transfers.

The required changes in the area of social assistance are as follows:

- **Absolute “poverty line”**, expressed in Dinars. The absolute poverty line would enable the number of poor who are entitled to social assistance to move inversely from the economic activities – the higher the economic activity and the higher the incomes are, the number of the poor would be smaller, and vice versa, the number of poor would grow with the decline of economic activity and reduction of income. The absolute poverty line must be based on the required level of consumption of individuals, and/or families, indispensable for basic needs, but also in accordance with the constraints of the budget of the Republic of Serbia, as the limiting factor which thwarts possible generosity. This would replace the existing relative poverty line in case of social assistance, which is linked to salaries in the economy and which, therefore, basically maintains the fixed number of the poor irrespective of the trends of the economic activities and incomes.
- **The new “poverty line” would be equal throughout the territory of Serbia.** Thereby, the existing differences between the municipalities would be eliminated and all the citizens of Serbia would be put in an equal position. The existing different poverty lines in different municipalities have no justification, because they cause discrimination against poor citizens who live in the poorer parts of Serbia.
- **Indexation** of the poverty line should be done with the cost-of-living index, which would preserve its real value, i.e. preserve the purchasing power at the time of inflation. This is already the case with the child allowances.
- **“The poverty line” should be raised with respect to the present one in the case of social assistance**, so that a larger number of citizens could be covered by the programme of state support to the poor. In that way larger number of the poor would be covered by social assistance programme.
- **Better respect of sustenance expenses of multi-member households** (coefficients of the economy of scale) is needed in order to relieve the current deprivation of those families; in other words, it is necessary to increase the current particularly low coefficients for the other members of a household when calculating the required funds for minimum living requirements.
- **For the working-age population, support by the state can only be a temporary means of survival.** Therefore, it should be necessary to specify that working-age

individuals are entitled to allowance/support only for a limited time period. The discouragement of employment of working-age persons, brought by any social assistance to a certain extent, should be avoided as much as possible. Serbia is not in a position to grant generous transfers to those who calculate whether it is better for them to work or to live on social welfare.

- **Reconsideration of the existing restrictive policies regarding the means test;** this means test should certainly be retained, but it should also be tied to the possibility of using property to earn income, because the existing policy thwarts entitlement to the rights to those who possess real estate, but cannot use it either for sale or lease (in mountain or depressed regions).
- **Strengthening field monitoring,** in order to be able to assess the actual poverty level by a closer, first-hand insight into the state of a family. This is required because of a considerable share of the grey economy in the income of citizens, which makes it impossible to evaluate income on the basis of formal records only.

Further advancement of the social protection of the poor will be enabled by the amendments to the Law on Social Assistance and Social Protection, currently in the parliamentary procedure. The suggested changes will include the 90% increase in the carer's allowance and assistance to persons with the gravest disabilities, as well as the introduction of the absolute "poverty line" and unique eligibility criteria for the whole territory of Serbia and their indexation based on the costs of living, restraint of entitlements of working-age people and the increase of the coefficient of the economy of scale.

In the reform of child allowances, the basic dilemmas are always of conceptual nature: 1) whether to put a stress on the population or social goals, 2) whether the desired goals are more easily achieved by the means of (almost) universal child allowance (with the same amount for all) or by targeting the poor (with a differentiated amount). In Serbia, child allowance was previously conceptualised as wide in coverage, emphasising the population policy component, but the reform in 2002 has shifted the emphasis from the population to social goals and to some extent narrowed the coverage of children to the poorer population strata, providing the same amount of child allowance regardless of family income.⁸⁸

A more consistent policy for child allowance with the emphasized social function would be as follows:

- **Keeping the existing targeting of the poorer strata,** with the income and asset test; coverage with child allowances should still be wider than the coverage with social assistance, i.e. the citizens who do not belong to the poorest strata would also be

⁸⁸ The exception are single parents, who are entitled to the amount increased by 30%

included; therefore, the eligibility criteria would be set higher than for social assistance, the same as now;

- **The amount of child allowance should be differentiated** depending on family characteristics and characteristics of a child; differentiation could be based on the family income level and/or the child's age; differentiation by family income would respect the social component of the programme, so the poorer would receive more than the less poor, while the differentiation by child's age (for example, 0-6 and 7-15) would respect the real difference in costs of raising children of different age.

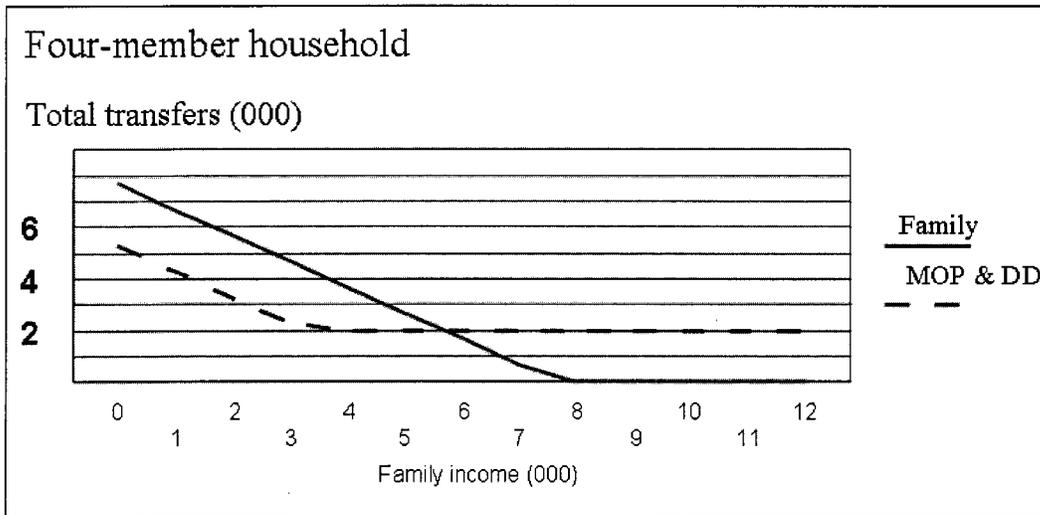
In addition, the existing policies regarding eligibility criteria (in Dinars), which are unique for the whole territory of Serbia, and indexation based on the costs of living, should be kept. As for social assistance, the means test should be linked to the possibility of selling or leasing of property, in order to enable those whose property, though exceeding eligibility criteria, cannot be commercialised, to become eligible for child allowance.

One of the options for further basic conceptual improvement in the area of transfers aimed at poverty reduction should be the *integration of the social assistance and child allowances* into a single unique transfer that could be called *family allowance*.

The main reasons for the integration are the need to increase the sensitivity (elasticity) of the system to the income of the poor,⁸⁹ so that those less poor would get less, and those more poor would get more, and improved targeting of the transfers.

On the following chart there is an illustrative comparison of the existing basic transfers to the poor – child allowances (DD) and social assistance (MOP) - with the family allowance, based on the presupposition of the equal level of transfers in both cases.

⁸⁹ According to the existing policies, these two transfers are, considered together, very inflexible with regard to the movement of income of the poor, owing to the fixed (flat rate) child allowances.



The family allowance would allocate more transfers to the poorest, i.e. to those families with an income up to 6 thousand Dinars per month, while to those with a higher income it would allocate less or nothing. In other words, the coverage of the poor with the family allowance would be narrower than in the present system, and the resources saved would be distributed to the poorest.

The potential introduction of the family allowance requires additional research of different conceptual issues and the impact of this system change, as well as new complex technical policies that cannot be introduced in the short term.⁹⁰

Reform of social services

As early as 2001, the work on the reform was initiated in the domain of social services, particularly those provided within the Social Welfare Centres, and especially the ones provided in institutions (residential homes) and through alternative forms of protection. The main goals of the reforms are deinstitutionalization and development of alternative forms of social protection, definition of the role of different sectors and their inter-linking (health care, education, employment, police, judiciary), involvement of different stakeholders in the sphere of service provision, first of all those from the NGO sector and greater reliance on day care, organised within local communities, instead of institutional placement with the categories of beneficiaries where that is possible.

⁹⁰ For some issues see B.Bogićević, G.Krstić, B.Mijatović, B.Milanović, A. Pošarac - Poverty and financial Support to the Poor, CLDS 2003 (currently being prepared for editing)

The reforms of social services are directed at putting the user and his/her needs in the focus of the social protection system. Basic guidelines in the reform process are deinstitutionalisation and development of open, i.e. alternative forms of protection

- decentralisation;
- abolishing discrimination which exists with particular categories of users;
- development of professional standards, procedures, protocols and norms;
- establishing partnership between governmental and non-governmental sector;
- creating an environment for the involvement of the private sector;
- introduction of permanent education principles for the service providers.

As the result of this effort, by the end of 2001, 7 reform projects had been formulated, which deal with the development of an integral social protection on the local level, organization and standards of work in the Social Welfare Centres, promotion of foster care and adoption, transformation of the institutions, and screening of children with special needs. A number of these projects are under way, in concrete local communities, with the idea of, after the initial phase, of transforming the piloted experiences into the models that would be applied at the national level. Although they are more widely based, in the first stage the projects are mostly targeted on children without parental care, juvenile offenders, child victims of violence, as well as protection of children in families at risk.

A special mechanism that should contribute to the reforms in the area of social services is the Social Innovation Fund. The Fund will finance on the local level those projects that are in compliance with the strategy and whose expenses are transitional in their nature. Projects that enable deinstitutionalization, either by offering support to the natural families or by way of the development of alternative services, will be given priority. A number of projects will be clearly defined in advance, while others will be the result of the innovation/inventiveness of the local stakeholders and based on local specific features and problems. Preference will be given to those local projects that require funds in the initial phase only, while the continuation of their financing can be provided from local sources. Additionally, this Fund would not only be concentrated on NGOs but all social welfare institutions would also have access to it, which would help to stimulate the reform of the system from »within«. Thus the Fund will at the same time be a mechanism for reforms and a mechanism for decentralization and of partnership (between governmental and non-governmental organisations). In the course of 2002, the idea of the Fund was piloted by way of allocation of funds to organizations of the persons with disabilities. There were 97 projects that were supported, including the opening of day care centres, the development of daily activities and the inclusion of persons with disabilities. The Fund started operating in 2003, and the financing of the initial projects is expected in mid 2003.

In parallel with the reform projects, the amendment of the legislation is also expected in the course of 2003. By the end of 2002, the Government had adopted a draft of the amendments of the Law on Social Welfare. Within the framework of the proposed amendments a smaller number of them are related to the changes in the area of services (the possibility of formalizing foster care, inclusion of the beneficiaries in the management boards of the social welfare institutions, delegation of the authorities to set up shelters to the local level and so on). However, it should be pointed out that the specified change of the transfers for the care of the persons with disabilities by almost 90% should contribute to the provision of material support to the families, and thereby to deinstitutionalization as well. Apart from that, the

drafting of the Family Law is in the final stage; it should eliminate obstacles to the adoption of children without parental care, change the role of guardianship authority, introduce for the first time regulations related to violence in families, and harmonize the Law with the Convention on the Rights of the Child.

There is also a need to reconsider and improve the overall system of social protection of persons with disabilities, which would involve issues such as: allowances and social assistance (due to higher personal and family expenses), institutionalized care, technical aids, providers rendering services to persons with disabilities, and so on.

3. Improved Status of Pensioners and Elderly

3.1. Current status and problems

3.1.1. Current status

The majority of the elderly in Serbia receive pensions because the pension insurance of the majority of the working population is compulsory. The remaining number of the elderly either depend on informal, family arrangements or they are forced to work until an advanced age in order to be able to ensure for themselves the means of sustenance (particularly in rural areas, in elderly households).

Therefore the pension system of Serbia represents the basic method of ensuring income for old age, at the time when the capacity for work of an individual is significantly reduced. It has wide coverage: it covers not only those employed, but also the employers, self-employed (including the freelance professions) and farmers. It consists of three separate funds: of the employees, self-employed, and farmers. That ambitious approach that was intended to encompass all those who work has also resulted in the expected and worldwide known difficulties due to incomplete coverage of the self-employed and, in particular, farmers.

The 'maturity' of individual funds also varies: the fund of self-employed is still relatively 'young', with 5:1 ratio between the number of the active insured persons and pensioners and it easily finances the pensions of its pensioners despite the fact that the contributions are not so regularly collected; the fund of the employees is very, very 'mature', with a low 1.58:1 ratio (in 2002) between the number of the active insured persons and pensioners and suffers inevitable deficits; the farmers' fund has been in great difficulties since the beginning, so that the budget finances about one half of the farmers' pensions. The farmers have not accepted the compulsory old-age pension insurance in the best way and they pay their contributions very irregularly.

During the past decade, in times of numerous crises and hyperinflation, the pension system played a very positive role in provision of income to the elderly population and preventing it from falling into complete poverty. There were also political calculations by the former regime involved in this, which relied on the decisive votes of the pensioners in the elections. An average old-age pension was quite close to the average wage of employees and even reached it at times. The entitlements were granted very generously, starting from the low criteria for entitlement to old-age, disability or survivorship pension, a generous indexation mechanism, to a relaxed implementation of the system. However, it was too expensive, and the pensions became a great burden on GDP, reaching as much as 15%. On the other hand, the pensions were not paid up quite regularly or they were reduced by illegal tricks, which was the manifestation of the policy 'maximize the rights, and we shall see about the financing' at the time, not only with regard to the pension system, but also regarding medical care, social affairs, and education. For a long time the pension system had served as a solution to numerous and various social problems, unrelated to pension insurance in the usual sense. Thus it was used as a means to stimulate employment, by too early retirement of the elderly; or as insurance against the consequences of injuries outside the workplace, etc.

Pension system reform has been initiated. First (in June 2001) the pension contribution rate was reduced from 32% to 19.6%, for the purpose of lowering labour costs; it was the Serbian Budget that bore the burden of the decrease. In December 2001, the retirement age limit was raised by three years, so now it is set at 63 years for men and 58 years for women; indexation with wages was replaced by the so-called Swiss formula, i.e. by a combined index of wage growth and costs of living (with equal weight); a unique minimal (net) pension amounting to 20% of the average gross salary was also introduced. The purpose of these changes was to achieve the fiscal sustainability of the system. In March 2003, a new Law on Pensions and Disability Insurance was adopted by the Republic Parliament. Instead of the best ten years, the pension is now based on the earnings from the whole working career; the possibility of voluntary insurance was introduced; the mandatory pension obligations of farmers have been reduced, by narrowing the mandatory pension insurance to only one household member; certain benefits that do not belong in the pension system have been excluded; the eligibility criteria for disability insurance, which have previously generated one third of the total number of pensioners, have been tightened (now they are based on the principle of general disability), and a strict inspection of medical committees was also established, together with mandatory revision of disability pensions. The main data on the pensioners and their pensions are given in Table 1.

Table 1

Nov. 2002

	No. of pensioners, in 000	Average pension in Dinars
Fund of the employees	1,254.0	6,676
Fund of the self-employed	42.9	6,833
Farmers' Fund	212.2	1,801
TOTAL	1,509.1	6,078

The total number of pensioners in Serbia⁹¹, in November 2002, amounted to 1.509 million, which means that every fifth inhabitant of Serbia is a pensioner. The growth in the total number of pensioners in the period November 2000-November 2002 is 1.8%, and particularly owing to a considerable increase of the number of farmer pensioners – by 15.1%. The number of pensioners formerly self-employed was increased in the same period by 9.2%, while the number of pensioners of the fund of the employees has stagnated, i.e. it was reduced by 0.4%.

In the course of 2001 and 2002, pensions were considerably increased in real terms and the standard of living of pensioners significantly improved. Now the pensions are paid up regularly, and the former major delay in paying up of the farmers' pensions has been reduced. An average pension in Serbia has been increased in real terms by as much as 88.2%

⁹¹ Without army retirees (53000 persons) whose pensions were financed from the federal budget.

in the past two years and, in November 2002, it reached 6,078 Dinars, i.e. USD 98.⁹²

Table 2. Poverty among the elderly persons

	Poverty rates						
	Total	Belgrade	Vojvodina	Western Serbia	Central Serbia	Eastern Serbia	South-east Serbia
Pensioners	10.9	8.3	9.6	12.6	8.5	13.2	19.2
Elderly persons, 65+, without pension	19.8	23.0	20.2	13.7	18.7	9.4	32.7
All the elderly, 65+	14.8	12.7	13.7	12.1	13.6	12.0	26.1

Source: SLSP

Among the pensioners there are somewhat more poorer persons compared to the entire population (10.9% as opposed to 10.6%). On the other hand, among them there are considerably fewer poor persons than among the elderly persons (65+) who are not pensioners (10.9% as opposed to 19.8%), which confirms that the pension system is a strong obstacle to poverty. Among all the elderly persons of over 65 years of age, the poverty rate amounts to 14.8%.

Examined regionally, elderly persons have the lowest standard of living in southeast Serbia, and every fifth pensioner and every third elderly person without a pension are poor. It is unexpected to a certain extent that the poverty among elderly persons who do not receive a pension is higher in Belgrade and in Vojvodina, in the most developed regions, than in the wide stretch of the western, central, and eastern Serbia. The cause of this is probably the security the rural environment still offers in basic living conditions compared to urban environments.

Table 3. Poverty among pensioners by the type of household

Type of household	Poverty rate
Single-person pensioner's household	10.4
Two-member pensioners' household	9.0
Mixed households without employees, with pensioners as the main breadwinners	16.7
Other mixed households	8.1
Average	11.0

Source: SLSP

The analysis of poverty among pensioners subject to the type of household in which they live indicates that pensioners living in the single person or two-member pensioner households are in a somewhat more favourable position, measured by a lower poverty level, as well as in mixed households in which someone else also brings in some income. The most vulnerable

⁹² Calculated by the estimated parity of the purchasing power, this is around USD 300 per month.

are the mixed households in which the pensioners are the main breadwinners (16.7% of the poor).

However, the consumption of the entire population of pensioners is moderately uneven: the Gini coefficient is 29.0 and it is insignificantly lower compared to the entire population. Of the elderly who do not receive a pension, the highest proportion are housewives (55.5%), and followed by farmers (21.5%) and the persons with disabilities (11.2%).

Table 4. Poverty among elderly persons (65+) by type of household

Type of household	Poverty rate
Single-person elderly household	13.7
Two-member elderly household	16.9
Mixed households*	13.8
Average	14.1

* with at least one household member over 65 years of age

Source: SLSP

Among all the elderly persons those who live in two-member elderly households are in greater need compared to those who live in single-person and in mixed households. The cause of the lower risk of single-person compared to the two-member households is the predominance of pensioners (83%), who have an income and thus a lower poverty rate, in the first type of households. In the two-member households, there are fewer pensioners (64%) and more supported persons, which causes the higher poverty rate.

Considerably more vulnerable than the average of the elderly persons are certain narrow groups, such as two-member elderly households or mixed households in which the elderly person is the provider of the basic income.

Apart from them, there are groups of the elderly persons who need assistance from the state. Those are either elderly persons who have no one to look after them or diseased elderly persons who require constant care. State support for these persons does exist, and the most important forms are accommodation in institutions (homes for the elderly, gerontology centres) and financing of advanced home help. Home help is an insufficiently developed form of assistance and it should be developed further as a more favourable form of social service.

Around 9,000 elderly persons are accommodated in state-owned homes for the elderly, of whom as many as 60% are bed-ridden. Among them there are poor persons for whom accommodation expenses are paid by the state, relatives, or humanitarian organizations, but there are also citizens who are better off and who bear their own expenses. In the past two years, the homes for elderly have been equipped and generally refurbished with donor assistance. There have also appeared the first private, commercial homes for elderly. The programmes of funding of advanced home help cover around 60 thousand of the elderly, two thirds of them from employees' the pension fund, and one third from the

Republic budget. Payment of the allowances for advanced home help is not tied to the level of income, which results in poor targeting.

3.1.2. Main problems and constraints

The main obstacle to more thorough and extensive government support to the poor pensioners and other elderly persons is certainly financial. At the present stage of development of Serbia, as a country with a low income, it is hard, even impossible, to allocate more. Now the share of pensions in the Gross Domestic Product (GDP) is already 11-12%,⁹³ and the very funds of pension insurance (except for the fund of the self-employed) to a great degree depend on budget donations. Thus the budget covers around 40% of the pensions from the employees' fund of the employees and about one half from the farmers' fund. More generally speaking, the existing budget deficit is not sustainable in the long run, because servicing of foreign debts will increase considerably in the years to come, while revenues from the privatisation and donations and favourable foreign credits will be reduced. Therefore it will most probably be necessary to reduce the share of public spending in GDP.

The second obstacle is the drawbacks of the existing pension system. The inherited system was too generous in granting rights and it was also badly managed, both with regard to the collection of contributions, and with respect to its relaxed method of granting rights. The result was too many young pensioners, particularly those with a disability, poor collection of pension contributions, too high a replacement ratio (ratio between the last salary and first pension), a high ratio between an average pension and an average wage on the macro level, high deficits of the pension system, and so on.

In the past two years a reform of the public pension system, based on the pay-as-you-go system, was initiated. The problem is, naturally, that the effects of the reform, due to a great inertia, are seen only in the long run, so that neither the reforms to date nor the forthcoming reforms will consolidate the pension system of Serbia in the near future. Therefore, neither can the goal – a smaller, but better financed public pension system – be achieved in the following years. For the next stage of the pension reform – introduction of voluntary and, probably, mandatory pension insurance based on capital funding – the initial preparations are only now being made.

The main problem still is the ageing of the population. Serbia is a country in which the fertility rate has been insufficient since the sixties (the fertility rate now ranges from around 1.5 to 1.6), so that the number of elderly persons also continually grows. The number of the elderly over 65 is, according to the 2002 census, 16.6%, with the trend of further growth. Rapid ageing of the population, expressed in the aggravated ratio between the number of the elderly and working persons, will certainly make the problems of the elderly and the obligations the government has towards them more acute in the future, but also the

⁹³ Without other transfers to the pensioners, expenses of administering of the funds and health care of the pensioners.

possibility for the government to finance them in the conditions of a decreasing number of the younger generations of working persons.

3.2. Goals and Strategic Options

3.2.1. Goals

The primary goals of government policy with regard to the elderly should be:

- Raising of the standard of living of pensioners and other elderly persons, in accordance with the growth of standard of the other citizens,
- Reduction of poverty among pensioners and other elderly persons, both with regard to the share of the number of the poor in the overall number of this population, and with respect to the absolute number of the poor,
- Reduction of the poverty depth among the remainder of the poor elderly persons, and
- Strengthening of the non-institutional and service protection of particularly vulnerable elderly persons.

The position of the older categories of citizen does not depend only, or does not even predominantly depend, on direct government policy in the given field (pension policy, protection of the vulnerable elderly persons), but also on other factors and policies (economic development, health care policy, support by an extended family, cooperation of different stakeholders, such as local communities, the Church, humanitarian organizations and NGOs and so on).

3.2.2. Strategic Options, Measures and Activities

Given that the pension system is the prime source of income of the elderly generations, the financial status of that part of the population to a large extent depends on the future features and performance of the pension system. The latest changes (dated December 2001 and March 2003) have to a considerable extent improved the pension system and made it not only more efficient and equitable, but also more financially sustainable. Yet, the process of its reformation has not been completed and there is a need for its further structural upgrading.

The main **goals of the structural reform of the pension system** should be:

- Providing of stable and sufficiently high pensions for all,
- Creating of a financially viable pension system,
- Increase of the local saving and acceleration of the economic development,

- Improving the equity of the pension system, and
- Extending the options for choice by the pension insured persons.

The above goals imply a thorough reform of the pension system, which would include both the government and private insurance, both compulsory and voluntary insurance, and the pay-as-you-go system and the system of capital funding. Such a combination would also bring a possibility of choice, and different answers to the different risks, and efficiency and equity, and higher pensions.

The pension reform of the public system should yield to the financial consolidation of the existing pension funds, primarily the fund of the employees, while setting up of the private pension insurance should ensure additional pensions and savings for a more rapid economic growth, as well as a long-term viability of the pension system in the unfavourable demographic conditions and better security in the old age than an “pay-as-you-go-system” can provide in the unfavourable demographic conditions.

From the standpoint of poverty reduction, there are two characteristics of the pension system that are important. The first is the redistributive component within the pension insurance, and the other is the mechanism of relatedness of trends of pensions and economic progress of a country.

The existing pension system carries out the basic redistribution in favour of the poor through the institute of the minimum guaranteed pension. Net minimal pension currently amounts to 20% of the average gross salary in Serbia.

The main issue of the redistribution nowadays is whether to introduce the minimum social pension also for those elderly persons who are not pensioners, as it is done in a number of developed countries. If a social pension were instituted for all the elderly persons of over, for example, 65 years of age who do not have a sufficient income from other sources, then the redistribution within the pension system would not be required, because this social pension would play that role in a more general and wider aspect than does a minimum pension. However, it is probable that in Serbia on such a low development level it is not possible to introduce a social pension owing to the serious budgetary constraints, so that the elderly persons who are not pensioners will still rely on the family arrangements, their own property and, ultimately, on a modest social assistance. Therefore, the redistribution through a minimum pension is for the time being going to remain the solution within the pension system.

The relationship between the pensions and the overall economic development depends on indexation mechanism for determination of the pensions. In Serbia the so-called Swiss formula is applied, where changes in pension amounts depend on changes in wages and inflation. The pensioners thus share the benefits of the development, but to a lesser degree

than the employees.⁹⁴ This indexation mechanism yields positive and balanced results and they should not be changed at least in the foreseeable future.

Extending the retirement age limit. Early retirement burdens the pension funds very much, because it thus reduces the number of those who pay contributions and increases the number of those who receive pensions. Therefore, in the long term, entitlements to full pensions should be given to both men and women of 65 years of age. This extension sometimes creates opposition from the older workers, since earlier retirement suits them more, and also of the young persons, because they believe that postponement of retirement affects the reduced opportunities for their employment. Some arguments in favour of raising of the age limit are:

Currently employed retire too early; average retirement years was 58 in 2001, which means that a large number of relatively young people retire. Raising the retirement age limit by three years by the end of 2001 will raise the average retirement age to around 60, but even that is a too early age, bearing in mind extended average life expectancy, the health status of the population, decreasing share of hard physical work, and the like. *In the whole world the retirement age limit is being extended;* in the developed part of the world it is minimum 65 years of age for men and 65 years of age or a year or so less for women and in some countries (the USA, Norway) it is being further extended; similarly, in the countries in transition there is the same tendency.

Increasing of the productive capacity of the country; later retirement means more labour and increased potential GDP.

Financial unsustainability of the present pension system. The system in which about 40% of the expenditures for the pensions are allocated from the budget of Serbia, even despite the high contribution rate of 20.6%, obviously requires a thorough reform; further increase of the pension contribution is not a good alternative, because it would additionally burden both the employers and the employees and it would endanger the competitiveness of Serbian enterprises in all markets.

The concept of unemployment reduction through early retirement has proven out to be a bad solution, both for fiscal and for economic reasons. In addition to that, annually, only about 2 percent of the overall number of the employees retire every year (some thirty thousand in the period of 1990-2000), which means that the problem of high unemployment (over 900 000 of unemployed) cannot be solved through early retirement.

⁹⁴ Same as their pension is more slowly reduced at the time of reduction of the wages of the employees.

Equalizing the position of men and women, which means that the retirement criteria for men and women should be equalized both with respect to the retirement age and the years of service, as well as when determining the amount of pensions.

A compromise solution that would take into account the number of children (borne and/or raised), and that would thereby be stimulating from the standpoint of child-birth and increase of the fertility rate, should specify some kind of differentiation of the position of women, i.e. exercising of their right to retirement subject to the number of the children borne.⁹⁵ Thus it would be a combination of abolishment of a general privilege for women and adoption of a wide privilege for mothers, subject to the number of children.

Equalizing the position of men and women in the pension system should be carried out gradually, over a longer time period.

Abolishment of the preferential status of certain categories of pension insurance. So far, a significant number of insured persons were entitled to some form of accelerated retirement scheme, which has caused early retirement of insured persons in their middle years and increase of the expenditures of the pension insurance. The beneficiary (accelerated) retirement scheme should be retained only in special justified cases, i.e. only for those employees who are not practically capable of doing *any* job (for example, miner), but not for those who are no longer capable of doing *their* job. For certain categories of employees, mandatory supplementary pension insurance should be introduced, instead of the previous system of accelerated retirement scheme.

Review of the farmers' pension fund operation, which has been in great financial difficulties ever since it was established. The main problem with this pension fund is massive non-payment of the pension contributions by the farmers, despite their legal obligation. The cause is 1) belief of numerous farmers that they do not need the pension insurance because they possess the immovable property and produce their own food, confidence in traditional family, but also due to the delays in the payment of pensions, and 2) constant absence of will and attempts of the state authorities to ensure a more regular payment of the pension contributions, which directly stimulates further non-payment.

The new Pension Law from March 2003, introduced significant changes into the pension insurance of farmers: from now on only one household member must be insured. The future obligations of farmers towards the pension fund have been reduced, i.e. the degree of the pension system obligatoriness has been reduced, which means that some of the farmer's requests have been met. Also, the Law allows the farmers not to pay off their existing debt to the pension fund, which is large with the majority of insured farmers, under the condition

⁹⁵ *The system of measures of the policy of the fertility rate in Serbia*, Economics Institute, Belgrade, 1999

that the exempted years are not calculated. This allows the farmers to start regular paying of contributions, without having paid off their arrears.

The system would have better chances of success if the government would invest the required (major) funds in the consolidation of this pension fund and provide for paying up the arrears (14 months), so that it could try, with a credible approach, to prove to the farmers that their pension fund functions and that it makes sense for them to join in, but provided that the government ensures far better collection of contributions from the farmers. The success of this program would counteract the idea of completely abolishing mandatory pension insurance of the farmers and of switching of those who wish to the voluntary insurance.

The above measures of the parametric reform of the pension system will still have a limited effect, mainly due to the unfavourable age structure. Therefore, the current way of financing requires continual parameter changes.

Voluntary private pension insurance. An important step in a long-term pension reform is the new regulation of the pension and financial system in order to enable setting up of private pension funds, based on individual savings and funded with capital.⁹⁶ In view of the fact that in this system it is probable to have a higher rate of return compared to the pay-as-you-go system, there is a probability of a positive influence on the national savings, labour supply and joining in pension insurance and that it is probable that politics would be less involved, the voluntary private funded pension insurance represents a good supplement to the existing public pay-as-you-go system.

The private pension insurance would be voluntary because such an approach imposes less complex requirements for regulation than the compulsory one. The usual incentive for insurance would be given by tax benefits. Contributions and returns to investments would be tax exempted, while the pension would be taxed through the standard personal income tax. That system actually represents a mandatory savings, whereby in the individual account the paid in contributions and returns to investments are accumulated, so that, upon retirement, pension could be paid up from the collected moneys.

In Serbia the preparations are under way for adoption of the Law on Voluntary Private Pension Insurance, funded with capital. It is necessary to resolve two main obstacles: firstly, there should be provided a serious and competent supervision over the operations of the private pension funds; and secondly, the development of this segment of pension insurance should be harmonized with the development of the financial markets, and due to the fact that private pension insurance, on the one hand, contributes to the development of these markets and emergence of new instruments, but that it also, on the other hand, depends on the development of the financial markets.

⁹⁶ Any fund would be liable to have sufficient capital to cover the future pension related obligations.

Stimulation of working activity. Working activity of the members of the older generations that have become eligible for retirement is good not only for the preservation of their self-respect and vitality, but also for increase of their current income and avoidance of possible poverty, as well as for the financial position of the pension funds. The extension of possibilities for employment of the older generations is enabled by technological progress, which reduces the share of physically hard jobs, as well as by the improvement of health and life expectancy of the elderly persons.

The most direct way of extending the working life is increasing the retirement age limit, as already mentioned. The second option is voluntary postponement of retirement, even despite eligibility. The regulations in the area of labour relations and pension insurance go in favour of increased working activity of the elderly persons, since there is no mandatory termination of employment upon entitlement to the old-age pension. And yet, in the new Law on Pension and Disability Insurance there is an unfavourable solution: it sets forth that for the years of service over full career service one gets only half of the points for the pension definition with respect to the years of service up to the career service. Thereby deferred retirement will be significantly discouraged in favour of employment after retirement. Still, this is a step forward, since working after 40 years of service was not previously taken into account.

In view of the fact that the public pension funds have been in a long-term financial crisis, the state could, by changing the instruments of pension policy, influence the choice of the elderly workers as to the time of their retirement, i.e. stimulate them to opt for a later retirement instead of the early one and re-employment. Two suitable instruments are the pension accrual rate due to later retirement and additional pension contribution for the employed pensioners. By such a combined approach, on the one hand, postponement of retirement would be made more attractive and, on the other hand, employment after retirement would be discouraged.

Strengthening of the social protection of the elderly persons. To the elderly persons who do not receive pensions or who are not in a position to work any longer, the main support is rendered by their families. However, this is not enough, because there is an increasing number of elderly persons who live alone and do not have the support from the younger generations, and there are many persons who require care their families are not in a position to provide.

Basic direction of further development of support to elderly citizens should be deinstitutionalisation i.e., development of home help and in the local community. There are various forms of such help:

- day centres, which offer support to elderly citizens while the members of their families work,
- day rehabilitation centres, where the help is provided to the ones who were released from the hospital, but they need improvement in functional abilities;

- personal help at home, which includes feeding, personal hygiene, washing clothes and cleaning the house, transport and the like;
- medical help at home, intended for ill elderly people, etc.

These and similar forms of supplying services have two important advantages compared to having the elderly placed in an institution: the elderly prefer it this way, because they remain in their own environment and it's cheaper. These programmes for the elderly can be organised at local level, through the co-operation between municipalities, civil sector and humanitarian organisations.

The two most important forms of state support to the elderly citizens are accommodation in homes for the elderly and carer's allowance. These two programmes are of general nature, i.e. they are intended for all elderly persons, and not only for those who are poor. In spite of the new orientation towards deinstitutionalisation, further development of accommodation institutions for the elderly is necessary. The main changes regarding the accommodation in the homes for the elderly should be the following:

- Upgraded efficiency and standardised quality of accommodation and services,
- Transformation and expansion of the network of the residential institutions (more smaller facilities), in the wide regions of the western, eastern, and southern Serbia,
- Conversion of the refugee centres into homes for the elderly, because of the particularly difficult situation of the elderly refugees ,
- Engagement of the private sector in accommodation of the elderly persons, primarily on a commercial basis.

4. Health Care towards Poverty Reduction

4.1. Present Status and Problems

4.1.1. Present Status

Socio-economic environment for health

The deterioration in health status has been a consequence of cumulative effects of a great number of critical events to which the population has been exposed during the last ten years, starting with the breakdown of the former Yugoslavia and the wars on its territory, the sanctions imposed by the international community, hyperinflation, and the NATO bombing of the FRY in 1999. Besides these effects, there has been significant aging of the population, a huge number of refugees and internally displaced persons, high pollution of the living and working environment, unemployment and social privation, as well as widespread risky lifestyles (smoking, alcoholism, drug addiction, risky sexual behaviour), particularly among adolescents and adult men.

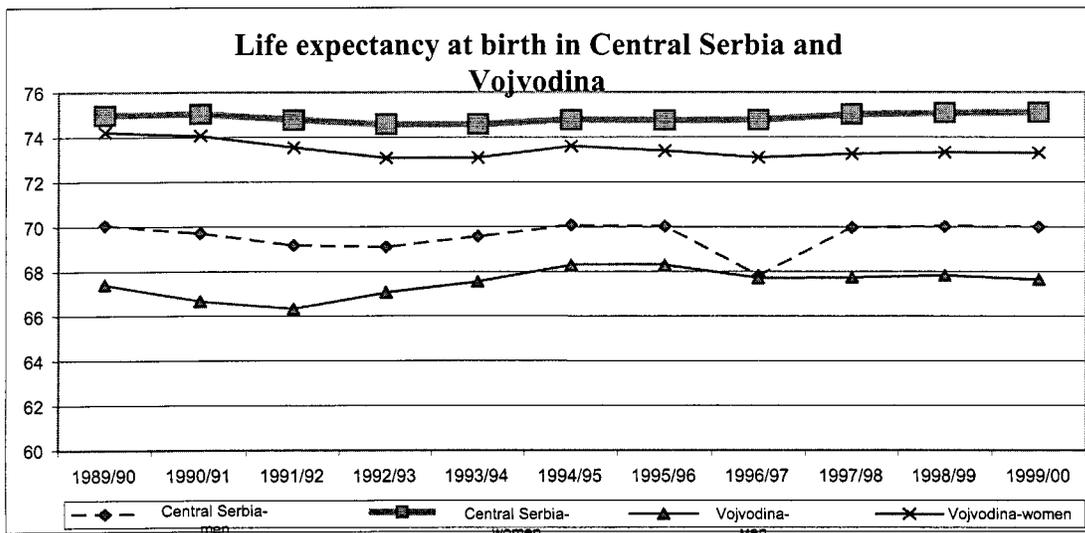
The health care system with its structural weaknesses, poor health educational outreach and health promotion, and with the insufficient attention that has been paid to health risks in the living and working environment, has not been able to meet all these challenges. Although Serbia has evaded the drastic deterioration in the health status of the population which occurred during the transition period in most Eastern European countries, all this has contributed to the widening of the gap between the health status of the population of Serbia and the population of European Union.

Basic health status indicators

In 1999/2000 life expectancy at birth was 75.16 years for females in Central Serbia and almost two years less in Vojvodina (73.46); the corresponding figures for men were 69.93 years in Central Serbia and over 2 years less in Vojvodina (67.86 years). As a comparison, life expectancy at birth in the European Union is 75.4 for men and 81.6 for women. In the period 1990/91 through 2000/01 the values of this indicator for male and female newborns in Central Serbia remained practically unchanged, while life expectancy increased in Vojvodina by almost a year for males and reduced by a year for females.

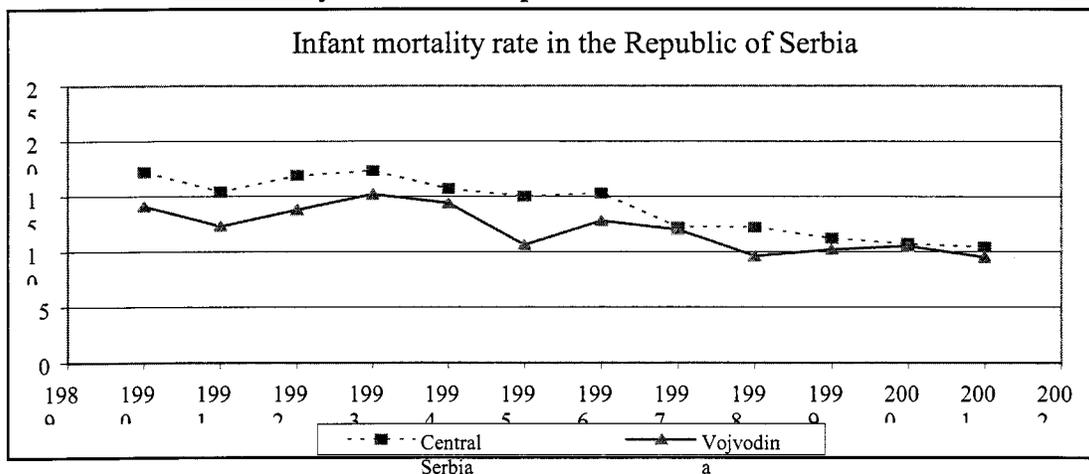
An analysis of the linear trend of life expectancy at birth in the ten-year period (1990 – 1999) shows one critical period in which the values of this indicator declined, 1992/93 and another somewhat less sharp in 1996/97 (Chart 1). The difference between the municipality with the highest value of this indicator for both genders (Sjenica, 77.65) and the municipality with the lowest value of in the indicators for both genders (Aleksinac, 65.94) in central Serbia is 11.71 years, whereas in Vojvodina the equivalent figure is half that at 5.60 (Sremski Karlovci, 72.57 and Nova Crnja, 65.97).

Chart 1: Life expectancy at birth in Central Serbia and Vojvodina



After a continuous decline in the seventies and eighties, in 1992 infant mortality started rising and in 1993 the infant mortality rate in Central Serbia and Vojvodina was higher by two infant deaths per 1000 live births. After a short decline, in 1996 it rose again (Chart 2). Despite the declining trend in the period between 1989 and 2001, the average rate still remains twice as high as the average in the European Union countries, which is 4.8 newborn deaths per 1,000 life births. In the mortality structure of the newborns neonatal mortality is predominant (from birth till the 27th day of life). It amounts to 72.2%, i.e. 59% of the newborns died during the first week of life. However, 27.8% newborns who died in the post neonatal period (from the age of one month to one year) show that there is still a great significance of the environment to the mortality of newborns.

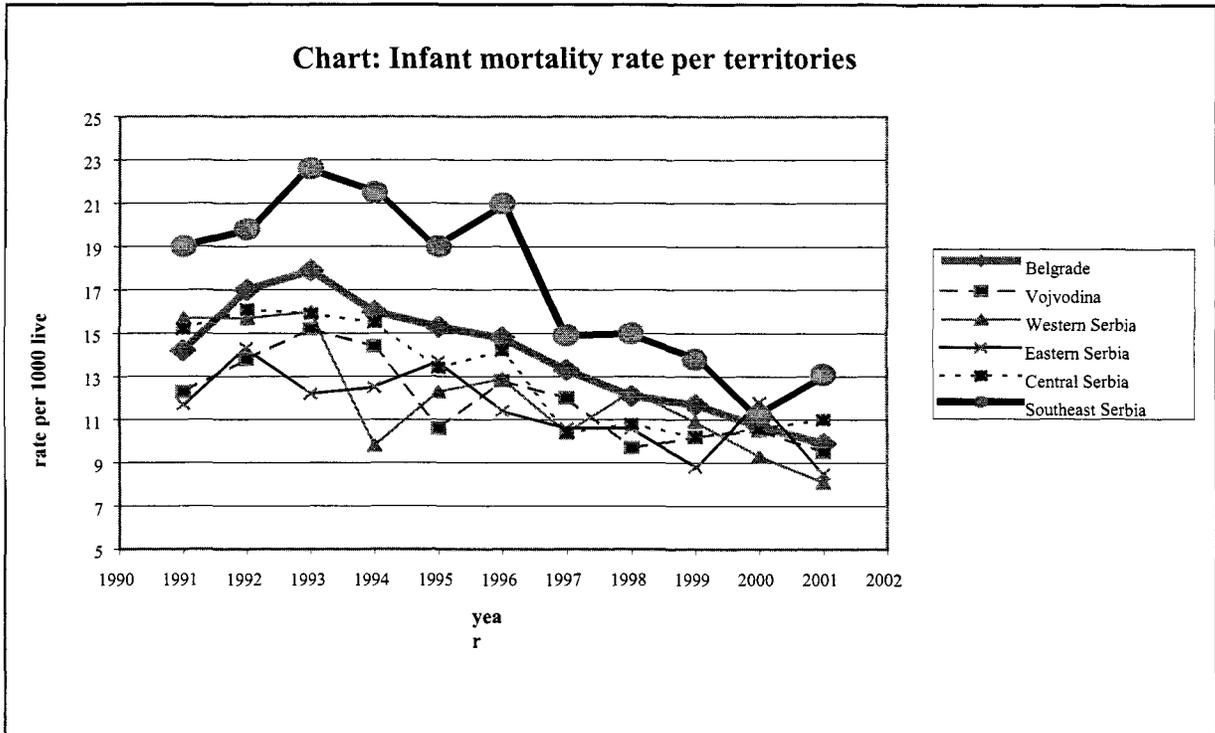
Chart 2: Infant mortality rate in the Republic of Serbia



An analysis of the infant mortality rate by region shows differences in the values of this indicator. Observing the period 1991-2001, we can see that the absolute difference in the infant mortality rates decreased (mainly because of the drop in the rate) but the relative

differences remained. There was the same rate ratio in the territories with the highest and the lowest infant mortality rates in 2001 (Chart 3).

Chart 3: Infant mortality rate by territories



In the ten-year period the average maternal mortality rate in the territory of Central Serbia was 14 maternal deaths per 100 000 live births, while the average value of this indicator in Vojvodina was 9, with significant variations from year to year because of the low probability of the occurrence of this event (see Chart 4 in the Annex).

The analysis shows that the structure of the causes of death in the ten-year period remained practically unchanged. In 2000 more than half of the population died from cardiovascular diseases (56.7% in Central Serbia, 58.4% in Vojvodina); malign diseases are in second place (17.1% in Central Serbia, 17.6% in Vojvodina), insufficiently defined illnesses and conditions are in third place (symptoms, signs, pathological clinical and laboratory findings), and injuries, traumas and consequences of the influence of external factors are in fourth place. Chronic widespread non-contagious diseases (heart diseases, vascular diseases, malignant tumours, diabetes, obstructive lung disease, injuries, mental health disorders and other diseases) have been dominating the national pathology for years. Just two groups, cardiovascular diseases and malignant tumours, account for over two thirds of all causes of death.

The high percentage of cardiovascular and malign diseases in the structure of the causes of death indicates a prevalence of behavioural risk factors (smoking, alcoholism, inadequate diet, insufficient physical activity) and external environmental factors (air, food and water

pollution). Insufficiently defined illnesses and conditions are in third place due to unreliable and improper reporting on the causes of death throughout the territory of the whole Republic, and the external factors, which take the fourth place in the structure of the causes of death, indicate inadequate protection at work, in traffic or at home.

Communicable and parasitic diseases do not represent a major health problem in Serbia, but they still occur sporadically or epidemically. For the territory of Republic of Serbia without Kosovo and Metohija the rate of incidence of these diseases was 1200.3 newly-registered cases per 100,000 inhabitants. During the same year 101 person died from the consequences of acute contagious diseases, with the mortality rate of 1.3 per 100,000 inhabitants, which is lowest in the last five years. The decline in the rate of people who were affected by or died from contagious diseases is the result of the decrease in the number of people affected by intestinal contagious diseases and sexually transmitted diseases.

Among communicable diseases HIV/AIDS and tuberculosis, in particular, deserve special attention. The occurrence of new cases of AIDS has stabilised during the last few years with 5 to 9 newly affected per million inhabitants. According to the latest data available on 1st December 2002 there were 1,189 cumulatively registered cases, out of which 80% were in Belgrade. There is no reliable estimate of the number of the HIV positive, but the WHO estimates that there are about 10,000 HIV positive, which is more than in other ex-Yugoslav republics and surrounding countries, apart from Rumania. We should mention that there is a tendency for a rise in HIV infection risk factors such as drug abuse, risky sexual behaviour, migration, and social and economic instability. The number of people affected by tuberculosis with an incidence of 37.2 per 100,000 inhabitants has slightly increased compared to the previous years.

- *Over 90% of the young report having tried various kinds of drugs, while 11.1% have used marijuana more than three times.*
- *34.5% of the young aged 15-25 are habitual smokers, while 18.5% smoke occasionally.*
- *Among the sexually active young, aged 15 through 19 yrs, 43% of girls and 20% of young men never use protection, while 51% of sexually active university students do not use a condom regularly.*
- *40% of young women aged 15 through 24 report having been pregnant at least once; one out of five had one or more abortions, and only 40% of the young women visited a gynecologist.*
- *One out of four adolescents reports not having proper information on HIV/AIDS.¹*

Some population groups are more sensitive than others to socio-economic living conditions. They are normally referred to as vulnerable population groups. According to the existing legal regulations and the latest data available, identified vulnerable groups and marginalized persons make up a considerable proportion of the population of Serbia (Table 1).

It is normally considered that poverty and marginalization account for the specific pathology of such population groups and individuals. However, contrary to popular opinion, the research data show that there are no special poverty-caused diseases. It has been

⁹⁷ Source: Brave New Generations – Young in FRY, UNICEF, 2002, PRONI, Youth Study

demonstrated that vulnerable and marginalized population groups are more likely to become ill and die from the usual causes, including tuberculosis, AIDS, malign diseases, traffic accidents, violence, etc. We have no data of the routine health statistics on morbidity according to socio-economic status.

The Survey on the Living Standard of the Population (SLSP) has shown that among the persons below the poverty line there are 30.3% of those with a diagnosed chronic disease, while this percentage is 26.6% among those who are above the poverty line. The percentage of persons declaring a mental health disorder as their most acute health problem is significantly higher among persons who are below the poverty line than among other population (18.9% versus only 9.4%).

Table 1. Some groups of diseases in Serbia(Central Serbia and Vojvodina)

Groups	No. of persons	% of total population	Data source
Affected HIV/AIDS	1,198 AIDS	0.02%	Federal register of the AIDS affected
Tuberculosis	7,065	0.09%	Health care statistics
Chronic renal insufficiency	15,000	0.20%	Health care statistics
Diabetes	200,000	2.67%	Health care statistics
Psychosis	28,117	0.37%	Health care statistics
Total population	7,498,001		Final census results

Inherited infrastructure and medical staff structure in the Health Care System

A well-developed network of 275 independent health institutions (with legal entity status) was providing health care for the population within the state health sector in 2000.

The coverage of the population with medical staff is on the level of the developed European countries, with 390 inhabitants per medical doctor, 140 inhabitants per health worker with higher and secondary professional education, 2250 inhabitants per dentist, and 5760 inhabitants per pharmacist. While the coverage of the population with medical doctors and medical staff with secondary education remained practically the same during the last decade of the 20th century, the coverage with dentists and pharmacists in the state sector declined because many of them have gone over into the private sector. Considering the low national income, there is a surplus of the employed in the health sector, and serious problems are encountered in ensuring funds for their salaries and for covering other costs of such a developed health service.

The average number of inhabitants per medical doctor in primary health care is 621, ranging from 770 children under 6 years per medical doctor in the preschool child health service to 5390 women over 15 years of age per gynaecologist in the female health care services.

During the last ten years there has been a policy of preserving all the capacities and the employees in the health care system in Serbia as well as the legal rights of the insured. As the socio-economic situation dramatically deteriorated, the health care system spontaneously adjusted itself to these changes, but sustained significant deterioration of its fixed assets (buildings and equipment), a drastic fall in the quality of medical services, a decrease in their utilization, lack of medicines and medical material, bribery and corruption, transfer of patients and a part of equipment from the state to the private health sector, resulting in deteriorated accessibility of health services especially to the poor.

Utilization indicators

The utilization of health services in primary health care varies, from more than 6 visits by a preschool child up to less than one visit by women over 15 years of age to a doctor of a corresponding health service per year, visits for curative services prevailing over prevention services, which include visits to counselling centres or early detection of growth and development disorders with children (regular systematic check-ups).

Inadequate adjustment of the structure of hospital beds to the changed needs of the population is also reflected in the differences shown in their utilization. Decreased utilization of beds (below 60% days per year) is marked in the wards for treatment of infectious and parasitic diseases, respiratory diseases, hospital treatment of children, gynaecological and obstetrical wards, ophthalmological, otorhinolaryngological and dermatological facilities. At the same time there is a shortage of beds for extended treatment and care of elderly, patients in terminal phases of their illness, or in specific institutions such as nursing homes. Also, due to the changed pathology of the population in the 20-year period, the number of patients hospitalised for cardiovascular diseases and endocrine disorders has increased by about 50%, because of problems with the nervous system and senses by about 35% and malign diseases by about 25%, and there are insufficient bed capacities for the treatment of such patients. Most of the capacities of the tertiary level facilities are above-averagely overloaded, and long waiting lists have been formed for those in which expensive imported materials are used, such as heart surgery facilities.

Funding of health care and the health insurance system

The most important source of health care financing in Serbia is the institution of the compulsory health care insurance, through the Republic Health Insurance Office of Serbia. Additional sources of funding are, primarily the budget of the Republic of Serbia and the individual participation of the insured in covering the costs of health care services. Funds for the health care of the insured persons are provided from the Republic Health Insurance Fund, while funds for the health care of the uninsured citizens, health promotion, prevention of illnesses, special programmes and health protection measures for the whole population are provided from the Republic budget. The expenditures on health care per capita in the Republic of Serbia ranged from USD 121 in 1996 to USD 74 in 2001, including refugees

and internally displaced persons, and USD 81 in 2001 and USD 103 in 2002 without refugees and internally displaced persons (See Table B4 in the Annex).

Marked lack of funds has resulted in low salaries of medical workers, poor investment in the infrastructure and equipment of medical facilities and a large deficit in the Insurance Fund, created by health-care costs. All this has jeopardized accessibility, the basic principle of the health care of the population. The Survey on the Living Standard of the Population (SLSP) has shown that there is a significantly higher number of persons who are below the poverty line who say that the reason why they do not use health services is that these are expensive. As most of the income is spent on food, the poor can spare only minimum funds for additional payment for health services (10% of the poorest families allocate only 290 dinars or 3.3% for these purposes). The contents and the scope of the right to the health care, funded from the Health Insurance Fund, included nearly all health services. A great imbalance occurred between the rights to health care and the limited funds for meeting these rights but also the possibility of realizing such rights by the socially vulnerable groups.

4.1.2. Problems and constraints

Routine data on health status and on the utilization of the health services according to socio-economic status are not monitored in Serbia. Therefore, it is not possible to analyse health trends according to social status and health differences among different social groups. This makes it difficult to set and quantify targets for the improvement of health status and the reduction of differences in the health status of different social groups.

The existing data on the flow of the funds in the health sector are superficial and mainly focused on social expenditure. The flow of funds from the Health Insurance Fund to the providers of services is mostly well-documented, but information on expenditures for health care from the budget is incomplete and there is no reliable information on the out-of-pocket payments, and particularly on the informal fund flows (bribery, corruption, direct payments, etc.). Smaller funds, such as expenditures of private companies, NGOs and foreign agencies are not recorded at all.

4.2. Goals and strategic options

4.2.1. Goals

The aim of the poverty reduction strategy in the health sector is to promote the health of the population and, particularly, to reduce inequalities in health by the improvement of the health of vulnerable groups of the population. This objective will be achieved by the development of health programmes adjusted to the vulnerable groups and fairer redistribution of resources in the health sector by geographic region.

In late 2000, the United Nations set the Millennium Development Goals, as an expression of the political dedication of nations to widely accepted international developmental objectives that could be used to direct countries towards their own long-term developmental priorities. Out of the eight Millennium Development Goals, four relate directly to improvement of the

health status of the population by the reduction of the under 5 mortality rate, reduction of the rate of maternal mortality and the prevention of the spread of HIV/AIDS, malaria and other diseases, as well as by providing a sustainable environment, while others are indirectly related to achieving better health and quality of life.

In 1998, the WHO Regional Office for Europe proposed a political framework "Health for All" on this continent with 21 objectives for the 21st century to be reached by 2020. The document highlights the importance of achieving fairness in health by reducing differences between socio-economic groups within the member countries by at least one quarter, and by significant improvement of the level of health of all vulnerable groups.

In the Government document entitled "Health Policy of Serbia" objective no. 2 also accentuates the importance of fair and uniform access to health care for all citizens of Serbia for the same needs, as well as the promotion of health care for all vulnerable groups. The aims within this objective relate to definitions of national targets for the reduction of inequality in health and the promotion of health care of disadvantaged groups of the population, which makes them particularly vulnerable. The third objective of the Health Policy proposes focusing the health care system on the beneficiary, i.e. the patient, which should contribute to better education of the population on their rights and their more active participation in decisions on health care issues.

The future system will enable equal accessibility of primary health care services and scope of health care for all insured citizens where the financial basis for these services will be provided by the Republic Health Insurance Fund. Financing of the basic package will be provided from the national budget for all other citizens, regardless of their social and economic status.

Providing financially accessible health care services for vulnerable groups

The basic principle in the reform of the health care system is to provide access to necessary services of appropriate quality to the population at large, with no financial barriers. Health care services for the basic package will be selected on the basis of cost effectiveness to reduce the country's burden of disease, while the primary health care funded by the Republic Health Insurance Fund will be accessible and provided in an effective manner. The principle of reciprocity and solidarity in financing and providing health care will be preserved, where the mandatory health insurance will be the basis of the health care system. Budgetary share will be increased to cover the health care of uninsured individuals, while the sources of financing will be expanded by the development of additional forms of insurance, either non-profit or profit (private). Personal participation of people with insurance in the costs of health services will be reconsidered, and current exceptions which are very wide ranging will be reduced and focused exclusively on the people who really cannot participate in the expenses. Likewise for participation in the costs of expensive diagnostic and therapeutic procedures, which will reduce bribery and corruption in public health care.

Raising efficacy and effectiveness in resource utilization

In the light of limited resources available for health care, efficacy and effectiveness in utilization of resources need to be improved. This objective can be achieved by better distribution of resources effected in the reform of primary, secondary and tertiary health care, development of health IT systems and improvement of managerial functions. The Serbian Health Policy points out that " primary health care as the basis of the health care system" will be based on individual doctors in primary health care and their teams who will be the "gate keepers" for entry to the higher levels of health care, while hospital capacities will be restructured according to the needs of the population, by redistribution of hospitals and/or hospital wards into hospitals for short-term hospitalization (for acute diseases and conditions), prolonged care and treatment (including patients in terminal stages of diseases), hospitalization of chronic diseases and conditions and specialized rehabilitation and continuation of hospital treatment.

Improving the quality of health care services for vulnerable groups

The Government of the Republic of Serbia in the objectives of the Serbian Health Policy includes the need for improvement of the quality of health care provided, particularly for the vulnerable population. Socially disadvantaged persons frequently receive health care services of poorer quality than the rest of the population. Permanent improvement of the quality of work in the health care sector will be achieved by the development of the quality system, accreditation of health institutions and programmes, licensing (issuing and renewal of work licences) of medical professionals and strengthening of the role of professional associations of health workers (chambers) in the improvement and provision of high quality health services. Secondary medical schools and faculties will be included in continuing education, additional education and re-education of medical professionals, and will participate in their professional development. Special care will be paid to the acquisition of new knowledge and skills in the sphere of constant improvement of quality in health care, dealing with the quality and management of health care institutions.

4.2.2. Strategic options, measures and activities

Reform of the funding system – basic package of health services

The current system of health care is characterized by major disproportion between the formal rights of beneficiaries and the capacities to actually provide them. This results in the occurrence of corruption and different forms of informal modes of payment for the use of health care that particularly affect socially and economically disadvantaged groups. Therefore, it is necessary to design system solutions that precisely define the status of private practice, as well as the public sector role in the provision of health care services to the population.

In order to provide for a sustainable basic package of health care services, systematic review and evaluation of the current health services will be undertaken, including those that may be

included in the package of services of mandatory health insurance. In this way, the relevance of health services from the point of view of actual health will be evaluated together with the cost effectiveness of these services and other benefits resulting from evidence-based medical interventions, and information will be provided for decisions on the review of the existing and the adoption of new legislation.

Defining the basic package will include the following considerations: who is going to provide these services, at what level of health care and under what conditions. The basic package of health care services should be formulated having in mind two vulnerable groups: those that pay health insurance contributions (but belong to the group of the poor) and the poor who are not even socially insured. Since the funds for the health care of uninsured individuals, internally displaced persons and refugees have been insufficient over the whole of the last decade, the Government of the Republic of Serbia has recognized this problem and in 2003 it has increased funds from the republic budget allocated to this purpose.

Better distribution of resources (by health care levels and districts)

It is not sufficient to identify basic diseases responsible for the national burden of diseases; it is equally important to find the most cost-effective means of protection from these diseases. Very often, interventions such as early detection and treatment of these diseases in primary health care appear to be an obvious choice, but preventive, public health interventions over longer periods of time may also be profitable. Prevention and primary health care will be given top priority in the future health care system. The funding by the Republican Health Insurance Office will support implementation of this principle by the basic package of health services, while in primary health care the package will include the most important preventive measures such as alternative protection, immunization programmes, programmes for the protection of newborns, infants and children, etc. The preventive services will be formulated and promoted by the setting up of task forces in preventive health care and guidelines for providing these services to the population, as well as guidelines for good clinical practice in defining the role of preventive health care services.⁹⁸

Sustainable funding of the health care system will be achieved by the establishment of a fairer distribution of health insurance funds. Activities on the review of the geographic distribution of funds for Belgrade and districts will be supported. In the light of the accessibility, availability, fairness, efficacy and quality of the required health care the

⁹⁸ The Ministry of Health has supported the project of the International Red Cross Committee «Package of Basic Health Care Services in the Medical Centre in Kraljevo» which was initiated in July 2001 and deals with the planning, development, and operationalization of a unique package of basic health care services to satisfy the needs of the population of one municipality for primary health care, with the stress on the most vulnerable groups. After completion of the project and its evaluation, it is expected to develop and spread further with the support of the Ministry of Health.

distribution criteria will be established, and the distribution system elaborated in order to enable redistribution of available resources from the higher to the lower level of care.

Financing of public health services is an important part of funding of the overall health care system that will help to establish public health priorities relating to health promotion, prevention and treatment of disease and early detection, particularly of malignant and cardiovascular diseases. Public health includes community oriented programmes and activities that will either be beneficial to all (e.g. clean air and safe water) or only to some (screening programmes and counselling services for change of risky behaviour). In order to develop and implement mechanisms for the control of health related costs and provide the means for money to follow the patient and actual results, instead of the number of employees or modern equipment, a new model of payment of compensation to service providers for their work on a per capita basis will be introduced (capitation) (pursuant to the list of patients subscribed for treatment of one physician) in the primary care and prospective budgeting for hospitals, while tertiary care would be paid by the service.

Reform of Primary Health Care and Restructuring of Hospitals

The guiding principle of the future system of health care stated in *Vision of the health care system of the Republic of Serbia* points out that the «health care system will be clearly organized on three functional levels in order to provide an acceptable and efficient health care of the population whereby it will be provided at the lowest possible level which has sufficient expertise and equipment».

Certain parts of primary health care fall under the new jurisdictions of local governments and are transferred to them by the new Law on Local Self-Government. Transfer of competences includes the opportunity to participate in decision-making related to the management of health institutions, formulation of local health care programmes accounting for local specificities, as well as the option to transfer funds for implementation of programmes and projects in primary health care. At the level of primary health care, specialist consulting services will be rationalised. At the same time the role of general practitioners and nurses will be encouraged and strengthened, primarily by adequate post graduate education, and subsequently by the introduction of new methods of funding.

The new Law on concession opens the possibility of the inclusion of the private sector in the system in which the state and local self-government will set the standards and monitor the quality of work.

Adoption of accreditation and licensing

For the purpose of implementation of the instruments for control of expenses and the quality of the health care services, professional bodies for licensing of health workers and bodies for accreditation of health care institutions will be established. As far as issuing of operating licences is concerned, it is necessary to change the present method of licensing of health workers together with the doctors' and nurses' chambers. Licensing should develop into a system in which compulsory and continuous medical education will represent an integral part of licence renewal. Accreditation of health care institutions and health care programmes represents an important prerequisite for raising the level of the quality of services in health care. In order to establish the accreditation system it is necessary to set up the agency for accreditation as an independent body. Among the activities that should be undertaken for the purpose of implementation of the health care policy of Serbia which is related to the improvement of the professional staff base in health care (human resource for health) are the licensing and periodic assessment of professional competence.

Development of national programmes for extremely vulnerable groups

Recommendations of experts of the European Health Care Committee for protection and improvement of health care of marginalized individuals propose an inter-sectoral approach, preventive actions, and the creation of a supportive environment for social reintegration, avoidance of stigmatisation and increase of knowledge.

The Government document "Health Policy of Serbia" stresses the importance of the health care system in the preservation and improvement of health as well as in the prevention of diseases among the disadvantaged population groups. It pinpoints as the most significant activities the following ones:

Identification of special medical requirements of those groups as well as their relation to social needs and adoption of programmes for synchronized action at all levels of the community;

Liaising of the primary health care institutions – health centres, with the social welfare institutions – social welfare centres, and development of multidisciplinary, team work;

Liaising of the primary health care institutions – health centres, with educational and other institutions.

The measures for protection of such groups should be integrated into the regular health care services. It is necessary that the programmes aimed at improvement of the health status of the population and strengthening of the health potential of the nation reach persons who are in a deprived position. Disadvantaged individuals are often insufficiently informed. It is important to improve information to those groups with regard to existing programmes and services and possibilities of their use.

Raising accessibility, quality and efficiency of youth-oriented services

- *Initiate and support foundation of Youth Counselling that would foster a holistic approach and be open for all relevant issues that could advance the quality of life of the young.*
- *Organize service providers and programmes that would support programmes of youth to the youth*
- *Open the doors of Counselling for parents and adults*
- *Organize actions promoting health, responsibility and healthy life styles*

The programmes should be planned with the active participation of target groups in order to ensure their acceptance. Apart from the programmes planned at the national level, it is necessary for local communities to engage in planning of programmes that would be tailored to local specificities.

The Government of the Republic of Serbia has established the Republic commission for the fight against AIDS on the basis of a multi sectorial partnership. The main task of this body is to develop an adequate state response to the HIV/AIDS epidemic, at all levels, to set a strategy and action plan, to co-ordinate the existing ones and new initiatives and projects on the Republic territory.

According to the experiences of other countries, there is no prospect of stopping the epidemic, but it can be stabilised with good preventive measures. The severity of the illness can be reduced with well organised treatment, care and support to the HIV positive and AIDS affected persons. The Republic commission has started implementation of the project funded by Global fund of WHO.

The Ministry of Health has formed the National tuberculosis commission which applied to the Global Fund of WHO for the project of direct monitoring of the tuberculosis affected – DOTS (Directly Observed Treatment – Short course), which improves the successful and permanent recovery of affected people and reduces the resistance to tuberculostatics.

Particular attention should be paid to programmes for the improvement of mental health because, according to international experience, as well as according to the data obtained from the Survey on the Living Standard of the Population, mental health problems are often present among persons living in unfavourable socio-economic conditions, poverty, and exclusion.

Persons from vulnerable groups are often reluctant to approach state institutions, including the health care services, which on their part are often insufficiently prepared to identify the needs of those groups and to meet them. NGOs have a significant role in the working out and implementation of programmes for disadvantaged individuals and in compensation for social inequalities in the health sector. NGOs have the capacities to create programmes tailored to particular situations of socially deprived groups in terms of content (they propose feasible measures), language (mother tongue, everyday language), organizational framework (outreach programmes), cultural sensitisation, activation of the target population (by including members of a group as trainers or facilitators in the programme), all of which has a positive influence on attitudes to health.

Introduction of Health Information System (Suited to Monitor the Influence of Transition on the Poor and Vulnerable Groups)

In the recommendations issued by the Council of Europe, it has been stressed that governments should particularly focus on improvements in information on the health of people who live in poor conditions and their specific health needs. The need for regular, routine collection of standardized, comparable data based on common definitions has been recognized. The data recorded on a regular basis should include social and economic characteristics of monitored individuals in order to enable analyses of morbidity, mortality and utilization of health care services according to the socio-economic status of citizens. Along these lines, it is also important to change the way in which the data are collected and set up regularly updated public databases. It is also important to emphasise the need for co-operation between the health care sector with other institutions responsible for collection of data in order to include issues relating to health and payment for health care services in surveys based on sample households.

In order to avoid discrimination and provide protection, anonymity of patients has to be strictly respected, i.e. confidentiality has to be provided for information on the health status of beneficiaries in the databases or medical records.

Institutional and legislative changes required

Amendments to the laws and by-law and regulations are currently being drafted in order to support all the above-mentioned goals and strategic options. The achievement of these goals requires a change in laws in the health system such as the Health Care Law, Health Insurance Law, Law on Medications and Medical Substances, as well as co-ordination with other sectors in order to modify laws concerning environmental protection, protection at work, workers' health and others.

5. Education and poverty

5.1. Current status and problems

5.1.1. Current status

Low and inadequate levels of education have been identified as one of the main causes of poverty in Serbia. The link between education and poverty and the importance of education for the reduction of poverty, is best demonstrated in the following table. According to the Survey on the Living Standard of the Population (SLSP) the majority of the poor (over 60%) only have primary school education or are primary school drop-outs, while only 2% of the poor are highly educated.

Table 1. - Poverty in relation to education level in Serbia in 2002.

	population over 15 y g						
	% Population at risk of falling below the poverty line	% of the poor	Relative poverty risk	Structure of all Population over 15	Structure of the poor	Depth of poverty	Severity of poverty
Unfinished primary school	36.1%	21.5%	102.5%	17.5%	35.4%	5.1%	1.8%
Primary school	25.4%	14.3%	33.9%	23.3%	31.2%	3.1%	1.0%
Secondary school	15.1%	6.9%	-35.1%	47.5%	30.8%	1.2%	0.3%
College	7.8%	2.9%	-72.8%	5.1%	1.4%	0.4%	0.1%
University deg.	5.6%	2.0%	-81.4%	6.6%	1.2%	0.4%	0.1%
Total	20.0%	10.6%	-	100%	100%	2.2%	0.8%

Source: SLSP 2002.

The results of analyses carried out demonstrate that the economic status of education in general in Serbia is unfavourable. This is primarily a consequence of the situation deriving from the 1990s, when the country suffered a drastic fall in GDP. In 2000, compared to 1990, the GDP of the formal sector, calculated in USD⁹⁹, was 70% lower.. This fall in GDP had the following consequences:

- A reduction of total expenditures for education by 74.5% – from USD 585 per primary school pupil in 1990, to USD 144 in 2000, from USD 832 to USD 179 per secondary school pupil and from USD 1581 to USD 333 per student in post-secondary and university education;
- A reduction of the share of education expenditure in the GDP from 3.62% in 1990 to 3.14% in 2000.

⁹⁹ The World Bank methodology was applied in the calculation. Source: Federal Statistics Office.

Today, Serbia's system of education funding is to a great extent centralized. The budget share in total revenues of the education sector was 72.4% in 2001, which covers the gross salaries of those employed in the education sector. Direct contributions by the population accounted for 9.3% of the total revenues of the education sector, while donor funding accounted for 5.2% in 2001.

The low level of expenditures for education has a negative impact on the accessibility of education for poor children, on the non-compulsory levels of education (after primary) and on the quality of education. Municipalities with below-average GDP cannot provide even the legally prescribed obligatory share of funds for education.

The education sector includes pre-school, primary, secondary and university education.

Statistical data on primary and secondary education are contained in Table 2.

Table 2. - Source: Statistics of primary and secondary education 2001. (Ministry of Education of Serbia)

	Primary schools	Secondary schools
Number of educational institutions (including detached classes)	3,607	475
Number of students	711,954	323,490
Number of teachers	43,767	24,694
Number of staff associates	1,858	1,171
Student/teacher ratio	16.2	13.2

The legal basis of the educational system in the Republic of Serbia

Serbian educational policy is in accordance with the United Nations Convention on the Right of the Child which guarantees the right to education of all children, in accordance with Millennium Goal no. 2 – Achieve universal primary education.

The legal basis of the education system in the Republic of Serbia includes: the Constitution of the Republic of Serbia, the System Law on Education, the Child Protection Act, the Law on Primary Schools, the Law on Secondary Education, the Law on Post-Secondary Schools and the Law on University Education. The Federal and Republic constitutions lay down the basic principles on which the education system in the Republic of Serbia is based. They guarantee equal access to education for all citizens. Primary education is compulsory. Citizens do not pay for regular schooling, which is financed from public revenues. Members of national minorities are entitled to education in their own language at all levels.

Current legislation represents a step towards decentralisation, democratisation and depoliticisation of the education system. Although the first step has been taken towards democratisation of the education system (e.g. the establishment of school board), it is necessary to take measures aimed at further strengthening of the capacities of these bodies by giving greater authority to parents and teachers in the decision-making process.

Lower education

Enrolment and coverage

The total preschool education coverage rate for children aged 0 to 7 years is approximately 22%. This figure applies to children enrolled in public preschool facilities. Data on the enrolment of children in private preschool facilities and various informal preschool programmes is not available and is not monitored. The highest preschool enrolment rate is recorded in Vojvodina, and estimated at 90%. The enrolment of children aged 0 to 3 is generally low throughout the country.

The official enrolment rate in primary schools in 2000/2001 was 98.31%, and the dropout rate was 0.62. However, as official statistics do not follow up pupils by cohorts, it is estimated that the dropout rate during primary school is about 15%. Dropping out is most frequent among the rural population, Roma, children with special needs and refugees and internally displaced persons. 7.46% of children do not continue their education after primary school. According to official statistics, the secondary education enrolment rate is 79.6%, with a total drop-out rate of 6.91%. Other research shows that some 30% of students enrolled in secondary schools do not complete their secondary education.

Even though the statistical variation in terms of boys and girls enrolled is insignificant, the drop-out rate for girls from the most vulnerable populations (the Roma, children with special needs, the rural population), is significantly higher (20-80%).

The reform of primary education is under way, and one of its main directions is curriculum revision and the extension of the duration of education. The need for this reform, among other things, has occurred as a consequence of the fact that under the old curriculum a large number of children needed private tuition (17.7% of students had private tutors) which had a discriminatory effect on poor families. The implementation of this reform will bring the system of primary education closer to European standards, and at the same time curriculum modifications will result in lowering the drop-out rate resulting from the previous demanding curriculum.

The existing network and equipment of educational institutions

The existing network of educational institutions dates back to the 1960s, and no longer corresponds to demographic and educational needs. The main problems can be summarised as follows:

- pre-school institutions are organized as very large institutions, which limits their flexibility and their ability to adjust to local needs;
- the network of primary schools includes large schools on the one hand and small village schools on the other, which encounter completely different problems;

- the structure and focus of secondary education are completely inadequate for the needs of a modern economy;
- the network of pupils' and students' boarding facilities does not provide sufficient accommodation.

The condition of buildings and their equipment is still very poor, even though there has been much investment in reconstruction, construction and equipment of educational institutions during the last two years.

Post-secondary and university education

The system of higher education includes the curricula of post-secondary schools as well as university education which leads to BA, MA and PhD degrees. There are 6 universities in the Republic of Serbia encompassing a total of 81 faculties and 158,525 students. There are 50 post-secondary schools with a total of 50,740 students. The traditionally highly respected professions (doctors, lawyers, economists, etc.) are oversupplied. In addition, the data show that current curricula do not satisfy the needs of modern society and the new market economy. The high percentage of dropouts and the fact that many students prolong their studies show that the general efficiency of the system is far from satisfactory.

6.1.2. Education of children from marginalized social groups

Education of children with special needs

Children with special needs requiring long-term assistance due to irreversible disability account for approximately 7%-10% of the total student body. The majority of children with special needs are usually not covered by rehabilitation programmes until their enrolment to primary education,

Pre-school education is organised in three forms:

1. special pre-school groups in special schools;
2. special development groups in regular pre-school institutions;
3. pre-school education undertaken together with other children in the same pre-school group, without a special programme.

Only 1% of pre-school children with special needs are covered by early childhood education and other preparatory programmes, whereas 22% of pre-school children in the general population are included in this form of education.

The current education system for children with special needs is organised in three basic forms:

1. special schools for children with mental, physical and sensory disorders and children with behavioural disorders (some 15% of children with special needs are enrolled in special schools);
2. special classes in regular schools;
3. classes in regular schools where children with special needs of all categories are educated together with other children, without special support.

There are 85 special schools in Serbia, of which 5 are in the territory of Kosovo. Excluding Kosovo, the capacity of these institutions is 8,829 students. 61 schools are for mentally challenged children. In terms of organization and space, primary and secondary schools are normally located together. In 8 students' residences serving schools for children with visual and hearing disabilities, accommodation is provided for 480 students. The available data show that special schools do not fulfil their basic functions. They isolate children with special needs and do not prepare children for inclusion in regular life.

Table 3. – Number of students in special schools in Serbia, for the school year 2000/2001

	Total number of students	Boys	%	Girls	%
Primary	7,560	4,488	59.37	3,072	40.63
Secondary	1,269	806	63.51	463	36.49
	8,829	5,294	59.96	3,535	40.04

The network of special schools and special classes in mainstream schools is not evenly distributed across the regions of Serbia. These schools are located in major cities so that rural children and children from small towns are separated from their families and placed in boarding facilities which are most often located with special schools.

There are several problems related to the education of children with special needs:

- There is no unified data concerning persons with special needs;
- Only 30% of children with special needs who have completed primary school continue their education, in comparison to 79% of the total population.

Education of Roma

The lack of data not only on the educational status of the Roma population but also on the number of Romas in Serbia is the main obstacle to carrying out a precise analysis of the current state of education among the Roma population. Data quoted are often estimates and are not based on sound statistical information.

According to the 1991 census, the educational structure of the Roma population over 15 years of age was as follows: 78.7% had not completed primary school, 34.8% had no education or had completed fewer than four grades of primary school (these can be considered as illiterate), 17% have primary school, 4% have secondary school, and 0.2%

have post-secondary school or university education. The 2002 census data show that 62% had not completed primary school, 32% had no education or less than 4 grades of primary school, 29% had completed primary school, 7.8% had completed secondary school and 0.3% had post-secondary or university education.

The illiterate and the uneducated are mostly women because they marry young and are oriented towards housekeeping duties in their primary and secondary families. Poor families with numerous children cannot provide financial support for the education of their children and there is therefore a cycle of poverty and lack of education among the Roma.

Participation of Roma in education

An insignificant number of pre-school children are covered by institutional and other educational programmes (0.5%).

It is not possible to determine precisely the number of primary-school age Roma children who do not attend school. However, available data indicate that it could be between 3 – 10% of the total number of enrolled children.

A great number of Roma children do not enrol in compulsory schools (80% of children are not included in primary education).

When tested for the enrolment in the 1st grade, many of these children are wrongly categorized due to language problems and sent to special schools (according to some data 50-80% of children placed in these schools are Roma children)¹⁰⁰.

Children enrolled in 1st grade encounter considerable problems due to an insufficient knowledge of the language in which the lessons are performed and they do not attend school regularly. They start dropping out of school from the very beginning, while in higher grades the drop-out rate is very high, particularly in the case of girls. Due to late enrolment and poor achievement in school, Roma children are often sent to schools for the education of adults, which use methods inappropriate for children of that age, also resulting in dropping out.

The Roma covered by secondary education come mainly from families who are well off and already integrated into society. It is mainly two- and three-year lower-ranking secondary schools that are accessible to them.

There is an exceptionally small number of highly educated Roma who attend post-secondary schools and universities (0.3%). In some professions, there are no Roma graduates or Roma students. There has been an increased number of Roma students in the past few years as a

¹⁰⁰ A Comprehensive Analysis of the Primary Education System in FRY, UNICEF, Belgrade, 2001.

result of scholarships provided by different organizations, but their number is still significantly lower in percentage terms compared to other populations.

5.1.1.2 Adult Education

The educational structure of the adult population in Serbia is rather unfavourable. According to data from 1993 almost one quarter of the unemployed are unqualified or partially qualified, while 60% of the employed have completed secondary education. According to data from 2001, 40% of the unemployed are unqualified or partially qualified.

The major problem of adult education is its marginalization. It is not treated as a strategically important component of economic and social development. In educational policy adult education and learning are treated as a matter of personal interest. The formal education system is practically closed for adults. There are 19 schools for adult education at present (compared to several dozen during the 1970s) and they are attended mainly by adolescents with educational and behavioural problems, as well as by adults from marginalized social groups.

These schools work on the basis of the curricula of regular primary schools which do not take into account adult education criteria. There are no adequate textbooks, trained teachers or standardized programmes for these schools. There is no systematic monitoring of data on institutions, curricula, students or teachers.

Secondary education for the adults is organised sporadically, at the request of the Labour Market Bureau and companies, mostly in the form of a final exam for adult (non-regular) students. Neither the contents of classes, nor their organisation are in harmony with the needs of life and the working environment from which the adults originate.

The above discussion clearly shows that the existing educational system is itself a source of problems which are in a special way reflected in adult education. On the one hand, the education system is not adjusted to the needs of the labour market, and on the other hand it is not adjusted to the needs of adults – the labour force, whose education requires a different approach and different institutional arrangements.

Taking into account the position of marginalized groups, it is important to provide through the implementation of the PRSP measures of affirmative action aimed at the improvement of their status in educational system.

5.1.1.3. The link between the education system and the labour market

An analysis of the unemployment rate, the number of unemployed and the length of their unemployment, shows very clearly that structural unemployment as the general characteristic of unemployment in Serbia is a result of the rigid and inadequate network of secondary vocational schools.

According to the unemployment records, there were on average 223,000 unemployed persons with who had completed three years at secondary vocational school (out of the total number of unemployed persons of 842,652), while there were on average 236,000 unemployed persons who had completed four years at vocational secondary school.

A possible cause for this can be found in the **lack of connection between** secondary vocational schools and the existing economic environment and its current and developing needs. Consequently, deprofessionalization – loss of knowledge and skills – is a feature of structural unemployment.

Specific characteristics of education in Serbia are as follows:

- There are a great number of educational institutions with planned enrolment capacities which do not reflect the needs of the labour market;
- the same number of students keep enrolling in the first grade of secondary schools, which shows that there is no adjustment to the needs of the economy and to the existing number of unemployed professionals;
- on the basis of the above, a number of profiles are classified as the so-called »homogenized diversified profiles with surplus professions«. This means: a high territorial percentage of the unemployed in these fields of work; long waiting periods for employment, equal to the schooling time period itself; a slow rate of employment take-up; the so-called poor concentration of the unemployed in large cities, poor mobility of the unemployed.

Education in secondary vocational schools is characterised by a high share of general subjects, fewer generally vocational subjects, and even fewer highly specialized vocational subjects as well as limited practical work in the curriculum, which by itself does not guarantee a good preparation of students for work. That is one of the basic comments by employers. The absence of technological innovations and information about modern work processes in the curriculum – in other words, obsolete programme content, as well as insufficient practical work skills, are another dominant characteristic of the curriculum, which affects the position of secondary school graduates in the labour market.

Most often local secondary technical schools are not open to the requests of the employers nor for the enrolment of adults ready to join the school in regular term-time, except for the usual cases of retraining or additional training organized at the request of the Republican Employment Bureau (and these requests are rare). Schools are also not open to the educational needs of those already employed and to educational innovations. At the same time, no serious effort has been made to introduce computer training and basic entrepreneurial training, which would modernize the curriculum at least to some extent, despite the fact that as much as five years ago, entrepreneurship and the development of small and medium-sized companies were defined as the main generators of employment during the period of transition and transformation of ownership in the economy.

5.2. Goals and Strategic Options

5.2.1. Goals

The strategic contribution of education to poverty reduction is twofold:

First, it increases the opportunity for high quality employment through an improved level of education of the population by gaining higher and more suitable qualifications (both for young people and adults) and by obtaining higher levels of education by the insufficiently educated groups (particularly Roma and children with special needs). In both cases investments are required for:

- prolonging compulsory education to 9 years;
- widening the education system to include marginalized groups;
- the reorganization of the system of vocational education in compliance with the new needs of the economy;
- the provision of systematic opportunities for adults to gain qualifications.

Second, it increases the efficiency of the education sector through:

- Greater effectiveness of teaching, by achieving higher quality of education. For that it is necessary to develop a system which will ensure teaching quality, a system of professional development for teachers and a reconstructed curriculum which will be focused on acquiring lasting and transferable knowledge and skills, and values and patterns of behaviour suited for a modern society;
- Strengthening the role of parents and students, by improving user services in the education system. ;
- Considering the possibility of introducing compulsory pre-school education. This is particularly important for the successful integration of vulnerable children into the regular education system;
- Optimisation of the primary and secondary school network, which should provide rational spending of resources in order to release funds for other material demands of schools;
- Proper equipping of schools, which provides efficient teaching and makes possible the acquisition and transfer knowledge.

However, the strategic contribution of education has been blocked by financial restraints in the education system itself. Another constraint is the poverty of a relatively large number of

parents, whose children therefore live in poor families and surroundings. The implementation of current social and economic reforms will have a positive impact on all these constraints.

5.2.2. Strategic Options for the Education System Reform from the Perspective of Poverty Reduction

New System Law on Education

In accordance with European educational standards, the goal of the changes encompassed by this law, which was adopted in June 2003, is threefold:

1. Increased relevance of curricula and their adjustment to new social and economic needs at the republican and local level;
2. Increased coverage of children by education – by extending compulsory education to nine years while keeping 12 years of pre-university education;
3. Increase efficiency of the system through better use of existing investments and the professionalisation of human resources in education.

The reform package which aims to achieve these three goals by 2010 is contained in this law in the following ways:

- Optimisation of the current institutional network, in order to provide equal access to everyone, in the whole of Serbia;
- Establishing a new framework and procedures for the implementation of a new type of curriculum with an emphasis on results and the acquisition of applicable knowledge;
- In addition, the introduction into the system and the regulation of the possibility of approving other curricula at pre-school level and the education of adults through training and professional improvement;
- Introduction and regulation of professional standards concerning education, on-the-job training, work and the professional improvement of staff working in education;
- Compulsory attendance of a free-of-charge one-year preparatory programme prior to enrolment in first grade starting in 2007;
- The creation of basic legal conditions for the inclusion of marginalized children into the education system by establishing a centre to deal with their problems.

Pre-School Education Reform

In view of the figures on the coverage of children by pre-school education, particularly those from marginalized, poor, and vulnerable families, the strategic activities for the development of pre-school education, from the aspect of poverty reduction, include several main trends:

- increasing the coverage for all age cohorts, in particular for the excluded groups.
- inclusion of all children in a pre-school preparation programme, lasting at least six months, for four hours a day;

Development of alternative half-day programmes for children aged 5 to 7 years.

The new System Law on Education provides a framework for compulsory and free-of-charge attendance at preparatory pre-school programmes starting in 2007. The implementation of such strategic options includes: linking state, private and NGO initiatives, participation of parents and local communities (in particular local self-governance authorities), introduction of good practice and experience gained from NGO programmes into the public system, and teacher-training courses in the form of action and intervention research.

Concrete tasks in the implementation of the strategic goals of poverty reduction would be:

- To review the current situation and problems in the government, private, and NGO sectors and to assess the needs (of children and parents on one hand, and of practice on the other).
- To provide the legislative framework for a further process of reform: the Law on Pre-school Education instead of the prevailing Children's Protection Act.
- To secure a framework for integrated early childhood development through inter-sectoral co-ordination and co-operation.
- To create preconditions (material, financial, human, and programme) for a greater coverage of the marginalized and excluded children and children at risk (child refugees, Roma children, children from poor and socially and educationally underprivileged and rural environments, children with special needs) by regular free-of-charge pre-school education, for a minimum of one year prior to enrolment in the first grade (up to 5 classes a day, 5 days a week).

Primary Education Reform from the Perspective of Poverty Reduction

The reform provides a new framework in education as stated in the System Law on Education:

- Extension of primary education to 9 years aimed at achieving functional competence of the whole population in language, mathematics, science, and culture and health matters;
- curriculum reform aims at:
- focusing on educational outcomes – results and their transfer value in further education and in life.
- change of teaching/learning methods (teaching to think, analyze, communicate, acquire problem-solving skills, enabling integration into the labour market and further education - instead of learning by rote).
- flexible programmes based on personal experience, the needs and conditions of local community and the interests of the child.
- greater openness for the inclusion of marginal groups by excluding physical capacities as a criterion for enrolment in school.

Secondary Vocational Education Reform

The system of vocational education should enable and offer both short-term and long-term flexible solutions that would enable pupils to qualify for a profession which would lead to employment, but also make it possible to continue schooling. In that respect, the proposed measures are as follows:

- The introduction of a graded system of secondary vocational education which means that certain levels of vocational education and the curriculum offer both a completion of education and the opportunity to continue education. In this way the principle of lifelong education is being implemented which includes both the embarkation of individuals into the world of labour and their return from the world of labour to education.
- Ensuring both vertical and horizontal flexibility within secondary education.
- Liaising with non-formal education and opening of vocational schools for non-formal education.
- Liaising with forms of work-based education. In that context a special emphasis will be placed on educational services and centres in enterprises, i.e. companies.
- Provision of professional orientation and strengthening of the role of the counselling service within the Employment Bureau and within schools themselves.

Higher education

The process of reform and harmonisation of the higher education system in Serbia with European standards, as defined in the Bologna Declaration, has begun. In the coming period, the reforms should be strengthened with this as the main goal, and, at the same time, measures will be taken to link all activities of the university with the current needs of modern society, including the reformed economy.

It is necessary to increase the efficiency of the higher education system, by reducing the number of students who drop out of university and reducing the time necessary to graduate. Among the measures which are being discussed are various financial reforms and measures to encourage students to graduate on time.

With the goal of linking the university with economy reforms in Serbia, there is a need to move the focus from theoretical to practical, applied knowledge at lower levels of education. It is important to intensify applied research with the goal of supporting economic growth and development based on technological progress at higher university levels (MA, PhD) and among scientists/professors. This requires better integration and the strengthening of partnerships between the University and the private sector.

Adult Education within the Poverty Reduction Strategy

The current system of financing adult education includes the financing of compulsory primary education only, for which adults are not motivated because for their professional and working status this level of education does not have any significance. Only a small number of schools in the formal system (146) organise some forms of adult education, but without clearly defined conditions on which the programme can be executed. It is necessary to consider setting up a fund for financing primary education for adults by means of which they could acquire the basic qualifications for their first occupation or professional training and greater opportunities for employment would thereby be provided. This would in turn provide a strong motivation for uneducated adults to resume education and acquire at least basic qualifications. For unemployed beneficiaries of material support to families who have only completed primary education, special programmes should be launched for additional education and re-training.

Legislation, particularly by-laws, should open the education system to these kinds of options (such as, for example, the possibility of completing primary education at the same time as acquiring qualifications for the first profession), obtaining a free-of-charge first qualification, the same quality of education for all those included in the system, support to informal forms of education and obtaining qualifications required for employment and poverty reduction.

For the purpose of optimal utilization, schools and other educational institutions should be equipped both with regard to the requirements of adult education and specific opportunities

for adults in the educational process (distance education, tutorial system, patronage teaching, consultative-instructional forms, etc.).

The issues of sufficient or insufficient qualifications, and qualifications that are or are not in demand, are addressed by the labour market. From the perspective of the poverty reduction strategy, this is one of the key factors for long-term strategic planning and planning actions.

In order to upgrade the qualifications of the unemployed (347,522 unskilled labourers) and provide for the qualifications of employees (143,272 unskilled labourers), it is necessary to improve the capacity of the education system so that:

- The formal education system provides regular opportunities for adult education and develops curricula and forms of education that satisfy the needs of adults who are insufficiently or inadequately qualified;
- The non-formal education system is included as a significant back-up to the educational curricula that support the poverty reduction strategy;
- A specific network of institutions for adult education is established and strengthened, particularly the centres for vocational and continuing education which continuously develop programmes for training, additional training, re-training, as a flexible and adequate response to the requirements of the labour market.

Established institutions, forms of education and educational programmes for adults should be networked with the formal institutions as a means of educational support to young people at risk of dropping out of school. Alarming numbers of pupils who do not complete primary and secondary education appear in a significant percentage on the labour market as unskilled labour. This target group and the problem of its lack of education should be given priority within the poverty reduction strategy.

In adult education, the underdeveloped regions are the priority, while support to the poor rural population requires practical education of adults for the purpose of raising their labour productivity.

Reform of the Education of Marginalized Social Groups

Primary education of Children with Special Needs

More efficient and greater inclusion of children with special needs in the education system, particularly in inclusive education, is necessary. Measures which can contribute to this include:

- Putting in place legislation for the compulsory education of this category of children.

- Establishing the National Centre for Care of Persons with Special Social Assistance Requirements, whose inputs will be used for the projections of education, health and material and social assistance policies. The aim of establishing an intersectoral government institution for the planning and coordination of all activities relating to the care and assistance of persons from marginalized and disadvantaged population groups is to treat simultaneously and comprehensively their educational, health and other special needs which have up to now been treated separately and in a fragmented manner and have been the responsibility of various line ministries. Such an approach ensures that these activities will be dealt with more economically and efficiently.
- Implementing reform of education for children with special needs with the focus on their integration in normal schools to the greatest extent possible.
- Ensuring wider coverage of children with special needs by early development programmes.
- Providing functional literacy courses and other education for adults with disabilities.
- Close liaison between the education system and the labour market, with legally binding provision of workplaces specifically allocated for persons with disabilities and benefits for employers who give them jobs.

Children/young people with special needs in secondary education

Strategic reform of secondary vocational education for students with special needs should take into account the following requirements:

- Vocational education for students with special needs must be based on the scope of their functional abilities, which represent the basic criterion for the selection of curricula intended for any one student or a group of students.
- There should be closer co-operation between the education sector and the labour market, to ensure the needs of the economy for particular types of workers are met. This can be achieved by a rapid restructuring of the education system.
- Within the structure of the curriculum, ensuring possibilities for the completion of a part of the curriculum through a training course, and for vertical mobility, but also keeping students back in lower grades if necessary.
- Creating the conditions for extended rehabilitation in school upon the completion of one year of vocational education, in cooperation with the Employment Bureau.
- Creating the conditions for a rational, efficient regional network of schools by linking primary and secondary vocational education in a unique educational institution.

- Providing adequate educational standards and adequate education of staff and their professional upgrading.

Education of Roma

The emancipation of the Roma community is not possible without a major improvement in the educational level of the Roma population, although activities in the field of education alone are not sufficient to reduce poverty among the Roma. According to the draft Strategy for the Integration of the Roma in the education system in Serbia, it is necessary to:

- Provide the largest possible coverage of Roma children by pre-school educational programmes, particularly programmes preparing for school;
- Inclusion of Roma children of a specific age in regular compulsory schooling, with an adequate preparation for school even if they have not been included in pre-school education;
- Inclusion of a greater number of young people in secondary and higher education;
- Support to training of Roma teaching staff, through support of Roma students studying to become teachers and professors;
- Integration of Roma culture into educational programmes and the curriculum;
- Creation of an atmosphere of acceptance and support for Roma children and young people in addition to mutual respect and acceptance of differences.
- Through specific education, current and future teaching staff should be trained to carry out activities of relevance to the Roma community, which will facilitate and support educational integration.
- Supporting the inclusion of adults in formal and informal education.

Prerequisites for the accomplishment of the above goals include:

- Professional support to Roma parents;
- Professional support to institutions and employees;
- Co-operation with the Roma community and the development of partnerships in the implementation of programmes;

- Inter-sectoral co-operation of all relevant government and local institutions;
- Achievement of interculturality in the educational curricula and institutions;
- Learning from the experiences and results of NGO programmes dealing with education of the Roma, and utilisation of their capacities.
- Development of relevant second chance educational programmes for children who have dropped out of the system, particularly to encourage girls' education.

The benefits of implementing this strategy, in relation to poverty reduction among the Roma population, will be:

- Increased overall level of education of the Roma community;
- Greater opportunities for the employment of Roma, not only as unskilled workers; it is necessary to implement fully the guaranteed right to free choice of profession and accessibility of employment for everybody on equal terms;
- Raised living standards of the Roma;
- Greater integration of the Roma into society,
- Better social and health care of Roma children;
- Increased awareness of the existence and significance of specially guaranteed minority rights.

6. Regional, rural, urban and housing aspects of poverty

6.1. Regional aspects of poverty

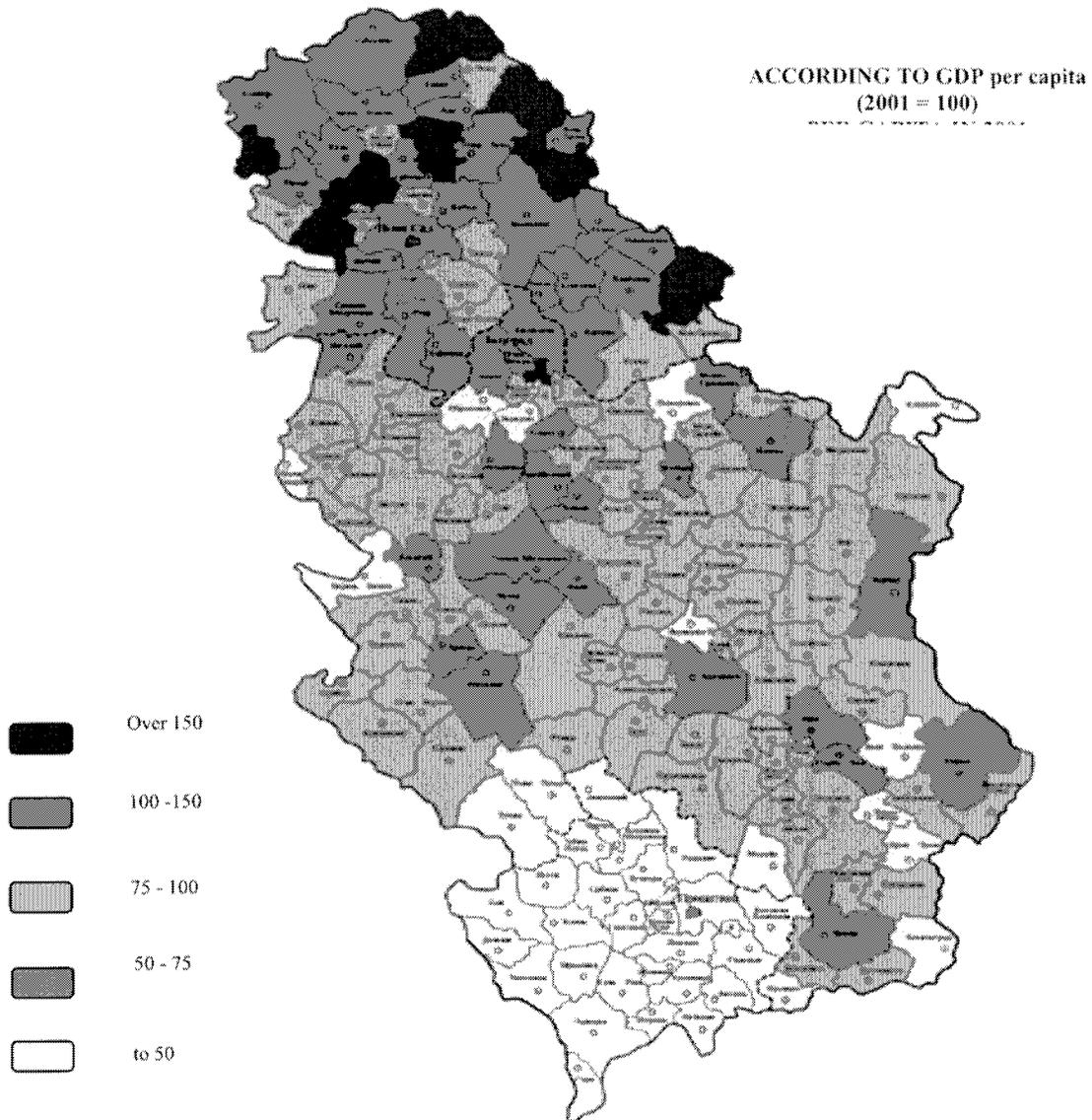
6.1.1. Status and problems

The scope of regional differences

The available data show that Serbia ranks among the group of European countries with the greatest degree of regional differences. Regional differences between developed and underdeveloped regions have deepened during the recent years¹⁰¹.

¹⁰¹ According to the Law on Underdeveloped Regions of the Republic of Serbia, 37 municipalities are defined as underdeveloped regions of Serbia, and out of those, 12 are defined as least developed. The following criteria were used for establishing the level of underdevelopment: GDP per capita, employment level, retail trade turnover per inhabitant and the number of PTT connections per 100 inhabitants. Municipalities whose development level does not exceed 50% of the Republic average are considered underdeveloped.

Development level of municipalities (index)



The map shows the development level of municipalities in Serbia according to GDP per capita in 2001, so both traditional and new poor areas are clearly marked.

Regional specificities of poverty are not manifested only in the economic sphere. Inhabitants of under-developed and least developed areas have limited or no access to public services (educational, health, judicial etc), which results in their inability to exercise these rights. Vulnerable groups living in these areas are in the most unfavourable position.

The extent of regional urban and rural poverty is shown in Table 1 below.

Table 1. Urban and rural regional poverty of Serbia (2002)

	% Vulner- able	% of the poor	Relative poverty risk	Structure of all the population	Structure of the poor	Depth of poverty	Severity of poverty
Belgrade - Total	15.0%	7.9%	-25.5%	21.1%	15.8%	1.5%	0.5%
Urban	13.2%	6.9%	-34.9%	17.2%	11.2%	1.2%	0.4%
Rural	22.9%	12.2%	15.1%	4.0%	4.6%	2.9%	1.0%
Vojvodina - Total	18.4%	8.8%	-17.0%	27.1%	22.5%	1.9%	0.6%
Urban	16.0%	6.8%	-35.8%	15.4%	9.8%	1.3%	0.4%
Rural	21.5%	11.5%	8.5%	11.7%	12.7%	2.6%	1.0%
Western Serbia Total	23.9%	13.5%	27.4%	11.2%	14.2%	2.8%	0.9%
Urban	22.7%	12.1%	14.2%	4.3%	5.0%	1.9%	0.5%
Rural	24.7%	14.4%	35.8%	6.8%	9.3%	3.4%	1.2%
Central Serbia Total	19.5%	10.2%	-3.8%	17.3%	16.6%	2.2%	0.7%
Urban	15.2%	6.9%	-34.9%	8.5%	5.5%	1.4%	0.5%
Rural	23.7%	13.2%	24.5%	8.8%	11.1%	3.0%	1.0%
Eastern Serbia Total	17.4%	10.1%	-4.7%	9.3%	8.9%	2.3%	0.8%
Urban	14.3%	9.2%	-13.2%	4.4%	3.8%	2.0%	0.7%
Rural	20.2%	10.9%	2.8%	4.9%	5.1%	2.6%	1.0%
Southeast Serbia Total	29.8%	16.6%	56.6%	14.0%	22.0%	3.6%	1.2%
Urban	21.3%	10.0%	-5.7%	6.7%	6.3%	2.2%	0.7%
Rural	37.7%	22.7%	114.2%	7.3%	15.7%	5.0%	1.7%
Total	20.0%	10.6%	-	100%	100%	2.2%	0.8%

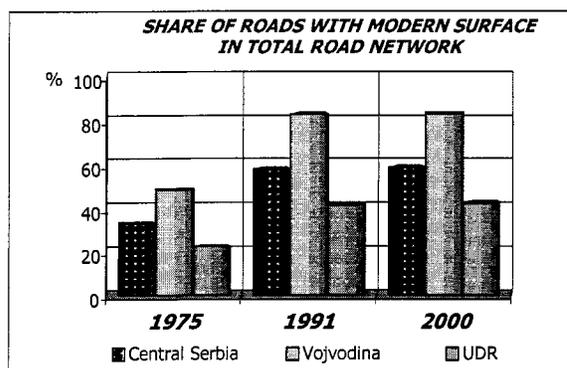
Source: SLSP 2002 (around 800,000 poor individuals, and around 1,600,000 vulnerable)

Note: Relative poverty risk is calculated as the percentage increase (decrease) in the poverty indices of each group in comparison with the average poverty index of the entire population.

Extensive development and the dominance of sectoral over structural and regional criteria, over a period of several decades, have contributed to: uneven development, uneconomic regional distribution of economic activities and population, and greater polarization between larger areas of the country, and between municipal centres and rural areas in their levels of development.

The interdependence of economic factors and the overall underdevelopment of large areas of the Republic of Serbia has resulted in three basic outcomes: (a) depopulation of rural areas; (b) interregional demographic differences; (c) atomisation of settlements in underdeveloped rural areas.

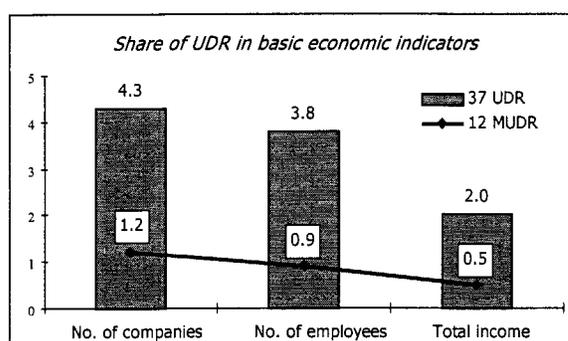
Undeveloped infrastructure



on 33.9% of the road network in the most underdeveloped municipalities, which is half that of the Republic average (62.6%).

Inadequate road infrastructure is one of the basic problems in underdeveloped regions. The structure of roads in the 37 underdeveloped municipalities includes mainly local roads - 66.6%, then regional roads - 24.7% and regional highways - 8.7%, which is below the Republic average (59.7% local roads, 27.7% regional roads, and 12.7% trunk roads). A modern road surface is applied on 42.4% of the road network in the underdeveloped regions,

Imbalance of industrial capacities and development factors

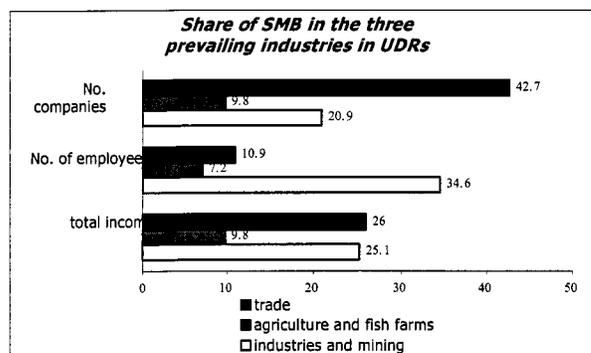


Only 4.3% of the total number of companies in the Republic are based in underdeveloped regions (37 municipalities) and only 1.2% in the most underdeveloped regions (12 municipalities).

Out of the total number of employed in Serbia, 3.8% work in companies in the 37 municipalities, and only 0.9% work in companies in the 12 most underdeveloped municipalities.

Relative regional economic strength is illustrated best by the low share of underdeveloped regions in the total income of the Republic (only 2%), while the most underdeveloped regions' share in total income of the Republic is only 0.5%.

Importance of small & medium enterprises (SME)



The business results of small and medium businesses, which constitute 99% of active businesses in underdeveloped municipalities, employ 75.4% of all those employed in these regions, employ 71.9% of all capital, and account for 78.2% of total income and 82.2% of profit, have a decisive influence on the functioning of economy in the underdeveloped regions.

The cause of material devastation and impoverishment of particular regions may frequently be found outside the economic sphere, i.e. in inadequate education and technical training of the population. For example, within the structure of the unemployed in all the municipalities of the underdeveloped regions and in the south of Serbia, 45.5% are unskilled persons.

6.1.2. Goals and strategic options

The basic method of reduction of regional poverty is integrated development, i.e. decentralized development that basically includes three interrelated tasks: mitigation of the structural problems and regional differences; rational use of the development factors of all the regions; suppression of the trends of excessive urban concentration of economic activities and population.

6.1.2.1. Goals

The main goals are:

- Competitive economy,
- **Investment in human resources** (increasing of the level of knowledge and employment, improving working and living conditions),
- **Improvement of infrastructure** (roads, telecommunications, utilities), particularly the building of regional development infrastructure (incubators, technological parks, entrepreneurial zones),
- **Relevant institutional organization** (development network of Republic, regional, and local levels) that would enable comprehensive, long-term, and strategic mobilization and channelling of the strategic potentials and development of the regions through national and international development programmes.

6.1.2.2. Strategic directions

The main strategic course of action for the regional poverty reduction strategy harmonized with EU principles includes:

- **Comprehensive formulation of regional policy** – the concept of the regional poverty reduction policy refers to the entire Republic, with different activities for stimulating development in individual regions in accordance with their specific developmental problems.
- **Partnership** – partnership between the local communities as social partners and civil society.
- **Subsidiarity** – implies gradual territorial decentralization, transfer from central government to the regions and municipalities.

- **Harmonization** – harmonization of activities between ministries, with the governments and legislation of the European Union, WTO, and other international partners.
- **Programme orientation** – harmonization of regional strategy and policies.
- **Support and Evaluation of Results** – necessity to establish a system of incentives for even regional development (through stable sources of funds) and monitoring and evaluation of results.
- **Co-Financing** – financing of development programmes and projects together with local communities.

Legislation

The exiting Law on Underdeveloped Regions of the Republic of Serbia (1995) should be amended, and new mechanisms, measures, and institutional solutions should be proposed for the purpose of stimulation and orientation of the development of poorer regions, especially Southern Serbia.

The EU accession process includes primarily harmonization of local regulations with the relevant regulations and programmes (European Charter on Local Government, European Charter on Regional and Minority Languages etc.), requiring institutional policies in the field of regional development such as those that have produced positive results in the majority of transition countries.

The possibility should also be investigated to offer new policies within the framework of the existing Republic Development Fund, for the purpose of stimulating regional development, including stimulating the development of underdeveloped, i.e. poor, regions.

In view of the current fiscal limitations, the new policies will mainly aim at stimulation and creation of favourable conditions, while more efficient instruments for helping enterprises in underdeveloped areas will be investigated:

- Capacity building through rendering of various forms of technical assistance to poor regions:
 - Preparation of development programmes,
 - Stimulation of professional staff to work in poor regions,
 - Opening business incubators in cooperation with municipalities.
- In partnership with local government, providing a favourable framework for private investments, including development of small and medium enterprises and entrepreneurship in underdeveloped areas

- Development of sites with adequate infrastructure for communal services and public utilities
- Technical documentation for elaboration of capital investment projects

Bearing in mind budgetary limitations, special programmes for development of underdeveloped regions could be selectively introduced, and until then such programmes could be financed from donor funds.

Financial Framework

Financing of local self-government shall undergo substantial reform in the upcoming period. The core of this reform is the replacement of the sales tax that so far has represented the main source of income for the local level with a Value Added Tax (VAT). In view of the current democratization process and the increasing importance of including local level into economic and social development trends, it is important to set out the fiscal relations between the Republic and local government in such a way as to a secure reliable and sustainable level of income for the local level.

Greater availability of credits for the SME sector, as well as micro-enterprises, will present the main vehicle for overcoming regional poverty. Establishment of a Guarantee Fund of the Republic of Serbia presents an important step in the development of the private sector. External assistance in the following areas will also be very important:

- Financial assistance directed to the SME sector through the commercial banks;
- Non-financial assistance to government agencies for SME development;
- micro-credit support through commercial and non-commercial institutions.

The Agency for Municipal Infrastructure Development, recently established at the initiative of the Ministry of Finance, can also become an important instrument for raising investment in municipal infrastructure at the local level.

Incentive Mechanisms as a Function of Poverty Reduction

It is indispensable that the Government stimulates regional poverty reduction through economic and systemic policies which would enable bring underdeveloped regions up to a similar level of development as other regions. One of the tasks for the PRSP is the reduction in the cost requirements for investment in the underdeveloped regions, i.e. giving incentives to enterprises that invest in those regions. The focus should primarily be placed on infrastructure development and stimulating tax policy.

Activities of the Local Communities in Reduction of Regional Poverty

The primary responsibility of local communities is the mobilization of local resources and the creation of an environment to overcome underdevelopment and poverty. The priority tasks of the local communities are:

- Adoption of development programmes and urban development plans
- Stimulation of development of SMEs and entrepreneurship,
- Rational management of the development sites/premises,
- Development of communal/public utility services,
- Policy of land rental,
- Construction and maintenance of local roads,
- Improved access to social, health care, educational, and cultural services

6.2. Rural Aspects of Poverty

Higher levels of poverty in rural areas represent a change compared to the nineties, when urban poverty was more prominent due to the deep economic crisis and the considerable drop in revenues from industry and other sectors of the formal, urban economy. On the other hand, the decrease in income in rural areas during the last decade was slower, thanks to the maintenance in the level of agricultural production, especially farming. During the last two years overall poverty in Serbia was reduced, both in urban and rural areas, and the faster decline in the number of poor in urban areas points to the fact that increased economic activity and external assistance were unequally distributed both territorially and by economic activities (i.e. between agriculture and other sectors).

6.2.1. Status and causes of poverty of the rural¹⁰² population

Around 45% of the population of Serbia lives in rural areas¹⁰³. Rural areas occupy nearly three quarters of the national territory. For decades, rural areas have economically and culturally been stagnating, a significant factor in increasing poverty. Possibilities for work outside agriculture are extremely limited. This stimulates migratory movements in which the most capable and most vital people are the first to leave. Hence, this negative spiral further

¹⁰² The character of settlements in the SLSP was determined according to the differentiation of settlements outlined in the Law on Territorial Organization of the Republic of Serbia, so smaller urban settlements were also included in rural settlements

¹⁰³ According to SLSP

results in problems of even deeper economic declines and further deepening of poverty, not just in rural areas as compared to urban, but much more within rural areas themselves.

Around 58% of all the poor live in rural areas. The share of the poor in the rural population is around 14.2%, which means that every seventh individual is poor. This is higher than the rate for the whole population (10.6%). In accordance with this, poverty in rural areas is twice as high as with urban poverty (7.8%).

Observed by regions, rural poverty is most widely distributed in parts of Serbia which are most vulnerable in terms of overall poverty.

Table 1. Rural poverty by regions in Serbia in 2002

	Poverty rate	Structure of the poor	Poverty depth
Belgrade	12.2%	7,7%	2.9%
Vojvodina	11.5%	21,7%	2.6%
West Serbia	14.4%	15,9%	3.4%
Central Serbia	13.2%	19,0%	3.0%
East Serbia	10.9%	8,7%	2.6%
South-east Serbia	22.7%	26,8%	5.0%
TOTAL	14,2	100	

Note: poverty depth marks a lack of consumption in relation to the poverty line

Source: SLSP 2002

The rate of rural poverty is highest in south-east Serbia and amounts to 22.7%, followed by west Serbia (14.4%) and central Serbia (13.2%). It is also high in Belgrade (12.2%) and Vojvodina (11.5%), while it is at its lowest level in southeast Serbia (5%).

The basic cause of higher poverty levels in rural areas lies in the ageing of the population and the resulting reduced working ability and lower earning possibilities; the other factor is the lower level of educational achievement of the population, as well as the unfavourable economic structure, which results in longstanding unfavourable status of agricultural production and difficulties preventing its revitalisation in the short term.

Today around 60% of the active population in the agriculture sector is older than 60 and more than 15% belong to households with no active member on the estate. The result of these features is that, out of 159 municipalities of central Serbia and Vojvodina, 147 belong to the category of deep demographic old age, which presents a significant cause of rural poverty. Depopulation of rural areas due to industrialization has caused the decrease of the share of rural population in the overall population (from almost 80% at the end of World War II to around 45% in 2002).

Among the poor in rural areas¹⁰⁴, at greatest risk are elderly one- and two-member households, with the poverty rates of 20.9% and 21.9% respectively, as shown in Table 2.

Table 2 Poverty of elderly rural households in Serbia in 2002

	Poverty rate	Structure of the poor	Poverty depth
Elderly one-person households	20.0%	17.5%	4.7%
Two-member elderly households	21.9%	14.7%	4.6%
Other households	12.8%	67.8%	3.0%
Total rural	14.6%	100%	3.4%

Note: Elderly households were defined as households with members who are all 65 years of age and older.

Source: SLSP 2002

Almost one third of the poor in rural areas live in elderly households, although there are elderly persons in the other two thirds as well. The process of ageing of the rural population will continue in the future, unfavourably affecting villages' vitality and poverty of the remaining population.

Poverty of the rural population according to their socio-economic status is shown in the following table.

¹⁰⁴ The rural poor are old, small producers (up to 2 hectares of land), small lease-holders, sharecroppers and day-labourers as well as other workers with or without land and their families.

Table 3 Rural poverty in Serbia according to socio-economic status
- self-declaring-

	Poverty rate	Structure of the poor	Depth of poverty
Employed	9.0%	14.5%	1.9%
Employers and self-employed	12.4%	3.6%	3.2%
Farmers	10.7%	8.6%	2.0%
Other active	15.4%	2.3%	3.3%
Unemployed	20.0%	17.1%	4.9%
Pensioners	15.7%	23.7%	3.6%
Other inactive	17.2%	30.2%	4.1%
Total	14.3%	100%	3.3%

Source: SLSP 2002

Around 70% of the poor from rural areas belong to the category of the inactive population, either due to their age or inability to engage in productive activities. Among the poor in rural areas the greatest share (30%) is of supported persons (elderly persons with no income, housewives, children). The share of pensioners share is also very high (23.7%), due to the low level of farmers' pensions, shorter working careers and lower qualification structure, which are often characteristic of rural areas. The next largest group is the unemployed.

One of the causes of rural poverty is also the distribution of production capacities. Agricultural land is most often fragmented, with a tendency to further fragmentize. The average estate in Serbia is around 3 ha in size, consisting of five to seven separate parts; this fragmentation significantly affects production capacities and often provides for the needs of one household only.

The position of agricultural production on private agricultural estates was very unfavourable during the last few decades, because of the deliberate policy of equalizing incomes between agriculture and other activities, primarily industry, and the tendency of authorities to protect the standard of living of the urban population through low food prices and the policy of increasing "social ownership" of agricultural production which led to the abolition of the private sector. This policy led to the economic lagging behind of the agricultural sector and the households which live from it, and thus of whole rural area in which agricultural production represented the dominant economic activity. The abandonment of such an agricultural policy over the last two years through gradual liberalisation of the foreign trade regime and the complete abolition of state intervention in regulating prices of agricultural products could not lead to significant changes in agricultural production, primarily because of the devastated countryside and elderly agricultural producers.

The new role of agriculture in the rural economy

Viewed historically, agriculture dominated the rural economy and still represents the most important land user. However, technological progress enabled increases in work productivity and decreases in the number of people required in food processing, thus freeing the labour force for the industrial and service sectors . Agricultural production will in future employ fewer people, while a larger number of people will be engaged in agriprocessing and a more diversified rural economy. The goal of rural development is to facilitate this change and thereby contribute to solving social problems and other challenges of the transition process.

6.2.2. Rural development and poverty reduction

In addition to initiatives in the sector of agriculture, the reduction of rural poverty shall also include initiatives in various other sectors. The objective is to stimulate employment and economic growth and raise living standards in rural areas, especially in the depopulated border and mountain areas. Particular attention shall be paid to elderly agricultural workers and other vulnerable categories.

These goals will be achieved through:

- Higher income levels and employment rate in rural areas;
- Improved health protection, educational and social services;
- Improved infrastructure; and
- Protection and preservation of environment.

Implementation

Achievement of these tasks will be supported through:

- Establishing the Agency for Rural Development, with capacities for identifying, planning, approving and implementing initiatives in the field of rural development, as well as performing financial management and control;
- Emphasizing the importance of *partnership* in the field of identification, planning and implementation;
- Engagement of line ministries and agencies in the preparation of programs and policies
- Establishing an adequate legislative framework.

The National Rural Development Plan shall be prepared. The basic idea will include an emphasis on investment and local comparative advantage. The plan shall also consider the

significance of non-agricultural employment in rural areas and distinguish between economic and social goals. Special efforts will be put on including all line ministries, agencies and local government bodies in the formulation of the plan, while implementation will require the engagement of all local social partners, in order to secure a transparent framework for development goals and selection criteria.

An important principle will be the establishment of administrative capacities and procedures, consistent with potential access to structural adjustment funds upon submission of a formal application for EU membership.

Implementation of the abovementioned goals shall be carried out through the following activities:

Raising income levels and the employment rate in rural areas, support to development of SMEs; establishing producers' associations; securing market infrastructure; improved processing and marketing of agricultural products; development and diversification of economic activities; development of forestry (including afforestation and wood processing). The emphasis shall also be placed on professional training.

Improving health care, education and social services. The objective is to provide higher quality services in small towns to serve the inhabitants of neighbouring rural areas.

Improving infrastructure. The focus shall be on the improvement of public transport and securing reliable water supplies in rural areas, with a gradual raising of water quality standards to those of the EU ; providing capacities for processing waste water (this will have positive impact on environment protection) and construction of plants for waste management (in household and industry).

Protection and preservation of environment. The measures to be adopted shall include preservation and development of villages; water management and preservation; and measures for the protection of agricultural production that at the same time include environment protection and preservation of village areas.

6.3. Urban and Housing Aspects of Poverty

6.3.1. Status and problems

According to SLSP data, the urban population of Serbia has a somewhat lower poverty rate (7.8%) than the rural population (14.2%). As for urban poverty, former industrial centres present the greatest problem: Kragujevac, Bor and other larger cities. In particular, restructuring and privatisation of large loss-making companies create unemployment and new pockets of poverty.

Urban poverty includes: unemployment, limited access to health care, education and other services discussed above. Therefore, we shall discuss the **spatial dimension of poverty**

here, covering housing poverty and poverty-stricken city quarters (districts or localities) where numerous aspects of poverty come together.

Urban segregation denotes processes leading to territorialisation of social, ethnic, demographic and other differences in urban settings. However, in Serbia, which is at the beginning of the transition phase, a larger problem is posed by the process of pauperisation of the city population due to the loss of jobs and low income – leading to the inability to pay for public utilities and other services and therefore the potential for migration to other areas.

Housing and poverty

Housing deteriorated in the 1990s due to: (i) around 600 000 refugees and internally displaced individuals moving to the cities, with most of these becoming permanent; (ii) privatisation of socially/state owned flats, which did not improve the situation of the homeless; (iii) economic crisis and fall in living standards halted the maintenance and reconstruction of the housing stock; (iv) several thousand housing units were destroyed during the NATO bombings in 1999; (v) the constant decline in housing construction; (vi) rising illegal housing construction (in Belgrade in 1996 the number of illegally built flats reached the number of legally built ones).

Changes in housing since the year 2000 point to the beginnings of a distinction made between social and economic policies in the housing sector, including attempts to fight against illegal construction as well as strengthening local self-government and its housing branch. However, the creation of other institutional preconditions of serious housing reform is slow, and various types of tenant status cannot be confirmed without this.

The housing crisis in large cities still exhibits four, inter-connected aspects: the shortage of flats (for example, Belgrade has a housing gap of 50 000 to 70 000 for the past few decades); housing is inadequate for individual and family needs (small, poorly equipped flats) and lastly, inequalities concerning housing status.

In addressing the various aspects of housing poverty one faces numerous problems.

- Limited financial resources of individuals and families;
- Limited access to finances (Bankruptcy Law);
- Limited resources of the Republic and town budgets;
- Housing has not been sufficiently taken into account in deciding on the eligibility criteria for social services;
- Non-existence of a law on social housing;
- The lack of data necessary for efficient, targeted support to social housing.

A Survey conducted in 1995 showed that in 16 Belgrade municipalities, in 202 poverty-stricken localities there were 113 240 inhabitants, constituting around 7% of the population. To this number, we should add those who live in unsanitary basement and attic flats as well as the homeless who use the services of the only Centre for the Homeless in Belgrade. All together, about 15% of the population of Belgrade can be considered to be vulnerably housed.

Homelessness is the extreme form of social exclusion. The homeless “who do not know where they will spend the night and where they will live tomorrow” are the smallest, but most conspicuous, group among the homeless population. Special research is needed to assess the extent of the phenomenon in Belgrade and other cities.

Housing Problems of the Poor

Lack of adequate utility infrastructure due to:

- Illegally built temporary settlements
- Rural areas incorporated into the urban ones without provision of adequate infrastructure
- Urban development without urban planning and infrastructure

Most of the urban poor do not have a secure roof over their heads due to the fact that they live in a flat which:

- Lies on public land, not intended for residential purposes,
- Was built without building and urban planning permits or
- Is rented without an appropriate contract on renting

Many of the urban poor are forced to live in illegal flats because:

- Land policy does not provide simple access to land
- Urban planning methods are not adequate and cannot keep pace with the rapid pace of urbanization and therefore cannot provide accessible land. The result is the shortage of construction land and the consequential rise in prices.
- Regulations and standards concerning housing are outdated and inadequate.
- High costs of the right to use land, and the costs of infrastructure and construction make legal construction of cheap flats virtually impossible (urban land is public property).
- Complicated procedures concerning urban planning and technical documentation pose an obstacle to the poor.

- Financing is impossible since the poor are not eligible for housing loans due to low income and small or no savings.

6.3.2. Goals and Strategic Options

6.3.2.1. Reduction of Urban Poverty

- Encourage local governments to take responsibility for the overall and sustainable economic and social development
- Initiate close cooperation with the civil society, including the poor, as well as with the private sector, for the improvements in the management and decision-making process
- Promote social cohesion through social and economic strengthening of society
- Initiate housing system reform with the purpose of
 - Securing affordable housing to the poor
 - Identifying innovative and efficient financing methods, including the pooling of resources (utilization and improvement in the existing housing fund), maintenance system, clearly defined housing policy for vulnerable groups.
- Provide precise definitions of minimum housing standards through adequate regulations.
- Advance urban planning and infrastructure by ensuring urban planning programmes and plans are in keeping with the needs of the poor.
- Learn from international best practice for the reduction of urban poverty

The new Law on Urban Planning and Construction (2003), among other things, provides for simpler procedures for issuing building permits and gives cities the right to set aside land for cheaper housing construction. The Law also provides legalisation of all illegally built structures which will provide a clear picture of the legal status of the property of the poor.

Management and decision-making system

Flexible programmes and plans should be defined at town and municipality level, including representatives of the poor.

Improved co-operation should take place between institutions responsible for providing services for health care, education, social protection and transport sector to improve access to urban services and reduce urban poverty.

Urban planning should deal with urban poverty within the overall strategy of city development, and not only tackle particular, isolated areas. It also must be more in keeping with the needs of the poor.

6.3.2.2 Social Housing

Ensuring Government support through social housing programmes should address the problem of affordability of dwellings to the poor. The first draft of the document »National Housing Policy«, which will also include the social housing, is currently being prepared.

Social housing, which includes government's management of housing construction, is an important housing policy programme and it should be oriented towards:

- Construction of social flats for certain target groups of the population that cannot buy flats or rent them in the market, which are then rented on the basis of the means test of each household. These are cheaper flats for construction, built on more moderate standards, modestly equipped and of a smaller square area per individual, intended for the financially (most) vulnerable categories of population. Construction of flats for this purpose will enable the creation of a social rental sector which excludes the possibility of privatisation of flats and includes means testing of the beneficiaries, constant monitoring and assessment of the justification of renting the flats to the current tenants, in accordance with their prevailing material and social status;
- Government subsidizing of housing expenses to certain target groups, on the basis of the means test. With regard to the provision of housing subsidies, these flats would be either social flats or rented ones in private ownership;

Support to Affordable Rented Housing

For numerous poor urban people, including young couples, single-parent households, settlers, refugees, and displaced persons, rented housing is practically the only form of housing available to them.

Thus, the availability of cheap rented housing is a vital element in any poverty reduction strategy. Support to the activities that stimulate rented housing should include:

- Allocation of building sites for development of low-cost rented housing units through lower investments;
- Revision of civil construction and planning standards that facilitate rented housing;
- Tax exemption for construction of rented housing units and provision of rental income;

Improvement of Spontaneously Developed Settlements

Improvement of spontaneously developed settlements in many cases implies that the legal status of such settlements in general as well as of the buildings in them will have to be resolved¹⁰⁵.

In solving the problems of such settlements it is necessary to coordinate the economic and social programmes as well as programmes for improvement of the environment.

Various types of poor urban areas (illegal, planned, spontaneous) need to be addressed in different manners, starting from re-settlement when necessary through constructing public utility infrastructure to full rejuvenation. Since projects such as these demand considerable amounts of time and money, it would be advisable to select a few localities in several cities in Serbia and to design programmes and provide funds for their reconstruction from domestic and foreign sources.

The City Government of Belgrade invested nearly 10 million euro in the re-settlement of those living in unsanitary settlements in 2003. Construction of 1 500 small housing units for 6 000 poor residents of Belgrade in 40 new locations with public utility infrastructure is currently under way. The location of these new blocks will also facilitate access of the poor to social services and assist in their social integration.

The programmes should be based on a combination of self-financing (household resources, voluntary taxes, credits) and additional financial aid (available government and town resources, public funds, external assistance, etc.).

Poor inhabitants should be engaged in the construction of housing infrastructure – this would provide an additional source of income for them and enable their participation in the improvement of their living and housing conditions.

¹⁰⁵ Spontaneously developed settlements include “a group of settlements, dwellings, hamlets, Turkish Quarters, and the like, which has a number of common features that allow us to classify them in one group. Those common features are as follows: autarchic by origin and partly in development as well, absence or poor reliance on the legal system, location on the present or former urban fringes, self-constructed settlement (division into plots, detail planning, construction of buildings, not seldom construction of infrastructure and streets), with poor utilities, of low density of and low-rise buildings, predominantly intended for dwelling mixed with small businesses. The plots may be covered with several buildings/facilities, for dwelling or for other purposes. The building was predominantly carried out by households alone and often without the building licences” (Draft Master Plan of Belgrade, 2002).

7. Environmental Aspects of Poverty Reduction

7.1. Status and problems

As in the majority of transition economies, in Serbia causal linkages have been found between poverty and the status of environment, namely: a) health and environment; b) vulnerable social groups and environment degradation; c) poverty and natural resource degradation; and d) poverty and vulnerability to natural disasters.

Health and environment

Water supply and sanitation. Health status data indicate that in Serbia water related diseases are not a significant contributor to the burden of chronic or acute disease (WHO, 2000; UNICEF, 2001). Mortality among infants and children under five, a common indicator of water supply and sanitation conditions, has declined by one half during the 1990s and is associated with improved household sanitation and improved treatment for diarrhea and acute respiratory disease. The under-five mortality rate for diarrhea declined by 38.2% during the 1990-97 period (UNICEF, 2001).

However, there are some indications that the situation is changing. Deterioration in the quality of drinking water may well reverse the positive trend in the under five mortality rate. Recent epidemiological studies on health and the environment have found linkages between living conditions, drinking water quality and health. The situation is particularly acute for urban slums, populated by refugees, Roma and IDPs, as they lack the resources to purchase bottled water.

Air Pollution. High ambient concentrations of pollutants, especially particulate matter, have been associated by international epidemiological studies with various negative health impacts. The concentrations of particulate matter, soot and SO₂ in some Serbian industrial settlements are within the critical range that has been associated with negative health impacts.

Air pollution does not affect only the poor population, but, as in other parts of the world, it is certain that vulnerable and poor people are the least capable of protecting themselves from exposure by moving to cleaner and safer areas, and therefore suffer the highest consequences of such exposure.

Lack of proper *waste management* creates public health hazards for the poor in a number of ways. First, as described in the section on waste management, hazardous waste is not sorted out, but dumped without any prior processing on regular, mostly illegal, waste dumps. Urban poor, notably Roma, who make a living by scavenging on waste dumps without any kind of protection or training in the handling of waste, are exposed to risks of injury and infection from sharp material. Second, considering the lack of leachate collection and treatment plants in the dumps, leakage from waste dumps can contaminate groundwater, which constitutes the drinking water source for poor communities living nearby. Third, inadequate

incineration or incineration of unsuitable materials can result in the release of pollutants in the air and constitute a health hazard to nearby Roma, refugee or IDP communities.

Vulnerable social groups and environment degradation

Roma, refugees and IDPs residing in special camps and / or near waste dumps in urban areas are among the most vulnerable social groups in Serbia.

The poor, especially women and children, are generally the most vulnerable to environmental problems, and traditional environmental risks – the lack of drinking water and sanitation, closed space air pollution, and exposure to routes of disease – have by far the most important role among those groups. The Roma minority is a key priority risk group in Serbia and Montenegro. Within Roma settlements, access to utility and public services is nonexistent or limited and the most serious problems are lack of access to electricity, water, sewage, and garbage collection. The prevalence of communicable disease associated with poor living conditions such as hepatitis and trachoma was confirmed¹⁰⁶

Poverty and natural resource degradation

The rural poor in southern Serbia are highly dependent on the quality of natural resources. Land degradation, as a result of overgrazing and deforestation, could be a significant cause of exacerbated poverty in these regions.

In addition to the effects suffered by the poor population as a result of environmental degradation, in specific circumstances, the poor can also be the cause of environmental degradation. One mechanism that could lead to that is the increased reliance of the rural poor on fuel wood for heating in the face of increasing electricity prices. As they are not serviced by district heating or natural gas networks and are unable to bear the burden of electric heating, they resort to uncontrolled woodcutting, exacerbating land degradation. Fisheries is another area where poverty can cause resource degradation through over fishing leading to a spiral of lower yields and increasing poverty.

Poverty and vulnerability to natural disasters

Serbia and Montenegro are severely exposed to earthquakes and flood risks. During the 1990s, more than 200,000 ha were affected by floods, which resulted in significant economic, social and environmental losses.

The poor are particularly exposed to flood and earthquake risks notably due to the location of settlements on riverbanks and poor quality housing construction. The country lacks a

¹⁰⁶ World Bank, 2002

comprehensive strategy, which would include preparedness, mitigation, recovery and reconstruction.

7.2. Objectives and strategic options

7.2.1. Objectives

Ensuring environmental sustainability is one of the eight UN Millennium Development Goals (MDG).

- **Sustainable access to improved water sources and access to improved sanitation.** While statistics indicate a very large part of the population had access to safe drinking water in 2000, there are unsatisfactory trends in quality, coverage and service, especially in rural areas and urban slums. Similarly, the majority of rural households have septic tanks, many of which have been found to be improperly situated.

Table 1: Millennium Development Goals and the Environment

Indicator	1990	1995	1999	2000
Ensure environmental sustainability				
Forest area (million ha)	2.995*	2.934*	N.A.	2.887**
National protected areas (% of total land area)	N.A.	3.24	N.A.	3.23***
GDP per unit of energy use (USD / koe)	1.85	1.28	1.28	
CO ₂ emissions (MT per capita)	3.6 ^{^ 1}	2.9		4.6***

Notes: ¹ 1991 statistic

Sources:

[^] Chapter 12, "Breaking with the Past: The Path to Stability and Growth", 2001

* Statistical Yearbooks of Yugoslavia; Federal Statistical Office, "Bulletins Forestry"

** FAO Global Resources Assessment, 2001, *** The Little Green Data Book, 2001.

- **Environmental sustainability.** GDP per unit of energy used declined from USD 1.85/cec in 1990 to USD 1.28/cec in 1999, showing a 13 % increase in energy intensity. This compares poorly with the ECA average of USD 2.4/koe and underlines the need for improved energy efficiency and reduced demand through the elimination of energy price subsidies. CO₂ emissions of 4.6 MT per capita were less than the ECA average in 2000. However, these emissions appear to have increased since the early 1990s, and should be reduced to their previous levels.

- **Sustainable use of land.** Soil pollution and eutrophication problems are connected with excessive application of fertilizers, as well as with uncontrolled effluents from livestock farms. The consumption of fertilizers in Serbia declined from 115 kg/ha of NPK to only 40 kg/ha in the period from 1991-2000. Some studies show low levels of analyzed pesticides in Serbia, and conclude that the soil is not contaminated with pesticide residues. While in central mountainous regions, the after effects of intensive (conventional) agriculture have caused water erosion, wind erosion is predominant in Vojvodina. The level of agricultural erosion is 3 to 4 times higher than that of erosion caused by natural processes. Evidence of moderate or high levels of erosion caused by other effects is visible on 26% of Serbia's territory. Such effects include open-cast mining and uncontrolled disposal of various types of waste. Larger areas in the vicinity of industrial complexes (Bor, Pancevo, Novi Sad, Smederevo, Belgrade and Kragujevac) are polluted with various toxic substances and have been declared environmental hot spots.
- **Sustainable management of forest resources.** Forests cover 28% of the land area. This percentage is lower than the ECA regional average of 40% and there has been a slight decline in forest coverage of 0.4% annually during the past ten years, mainly due to fires, pest infestation, illegal logging, reduced afforestation and over harvesting. While the annual reduction is not very dramatic, forest quality degradation, as a result of illegal cutting and the lack of suitable forest management, is neglected. There is a general need for improved and more sustainable use of forest resources.
- **Preservation of biodiversity.** Approximately 2.7% of the total land area in Serbia is protected in terms of conservation, which is above the ECA average¹⁰⁷. Serbia is planning on increasing the percentage of land under protection. However, there is still room for the improvement of the management of Serbia's biodiversity, which is of global importance.

7.2.2. Strategic options, measures and activities

Upgrading the water supply system

The household research shows that around 84% of the population of Serbia has access to water supply networks and sanitary utilities, as well as drinking water. There are observable differences between the coverage of urban and rural areas (97% and 68% accordingly). Despite almost full accessibility, this sector needs urgent repair. As a consequence of poor maintenance and insufficient investment in the past decade, the majority of water supply networks cannot provide regular water supply.

¹⁰⁷ IUCN categories I-IV

Water quality is unsatisfactory. According to the findings of the Public Health Institute of the Republic of Serbia, 29% of samples from water supply systems did not satisfy physical, chemical or bacteriological standards in 2001. The main problem in central Serbia is that more than 40% of samples were bacteriologically contaminated and did not satisfy quality criteria. Only Belgrade has adequate water quality, with more than 90% of samples satisfying standards.

The document "Water Supply Foundation of Serbia" presents a strategy for water supply in Serbia for the period 2002-2012. In order to satisfy increased demand and raise the coverage by water supply networks, the document proposes the continuation of development of water supply systems, which was initiated in the eighties, for those regions that overused the capacities of local sources. It is also suggested that initiated construction on all accumulative lakes should be finalised. Comprehensive work on the protection, amelioration and revitalization of resources of underground waters and artificial induction and usage of modern technologies and treatments where needed is also envisaged. There are detailed suggestions for the advancement of water supply systems of Novi Sad, Vojvodina, Pančevo, Belgrade, Niš.

The Ministry of Agriculture and Water Utility, in charge of the construction of water supply systems in rural areas, has set the priorities regarding rural water supply. In southern Serbia, priority municipalities are Vranje, Bujanovac and Preševo, in eastern Serbia they are Bor, Doljevac and Bojnik. Most investments are small-scale and include repair or construction of new wells, expansion and repair of the pipeline network, as well as chlorifying systems. Most of these activities should be financed by municipalities, in cooperation with the Ministry.

Investment in the water supply sector should aim at achieving maximum efficiency of the existing system, with a special focus on reducing losses that often reach 30-50%.

The water resource sector is not financially independent. Nowadays the income from water resource services is insufficient to meet operational costs. It is necessary to introduce calculation of water consumption by metering, to implement price reform and to increase the collection rate in order to aim to resolve financial problems.

In the last two years international financial institutions have initiated projects for water supply and wastewater in medium sized towns as well as in rural areas that face the most serious problems.

Improvement of sewage system

The majority of the population (99.6%) lives in households with some sanitary utilities; 88.3% of the population is connected to sewage system or septic tanks. However, serious problems remain in rural areas. The connection level to sewage system in towns is 87.5% and villages only 22.2%. Villages rely on septic tanks which are in most cases illegally built and located.

Roma communities in Serbia most often have limited or no access to utility and public services, the most serious problem being lack of access to electrical power, water, sewage and garbage collection.

Construction of utility and industrial sewage systems over the last decade in Serbia was insufficient in terms of the development of water supply systems. There are significant regional differences in sanitary services, with 49% of the population of Vojvodina being connected to the public sewage network, compared to 66.9% in central Serbia, including Belgrade.

In Serbia there are 37 central plants for the treatment of wastewater. Seven of them are for primary treatment and 30 are for secondary and biological treatments. Seven plants are more than 30 years old and have considerably deteriorated, and three are not working at all. Belgrade does not have a plant for processing sewage water and relies on the self-purifying capacities of the Danube. Only 12% of wastewater is treated in Serbia.

This sector calls for reforms and fresh financing. The investments are most urgent in the poor urban quarters that are quickly expanding, especially those with large numbers of refugees and internally displaced persons. Regarding the disposal of faecal material, it is very important to identify places with unsatisfactory access to the sewage network. Regulations pertaining to septic tanks must be strictly implemented and the status of tanks must be monitored.

Cleaning black spots in Serbia

Bilateral donors have contributed to cleaning the environment in several black spots, above all in the places damaged by NATO bombing (Pančevo, Novi Sad, Bor, Kragujevac). UNEP-UNHCS Balcan working Group has identified 27 projects aimed at resolving the post conflict environmental problems and the humanitarian problems caused by them. So far, donors have provided USD 12.5 million and 16 projects have been realized. In addition to this, projects of decontamination are under way in the South of Serbia where munitions with depleted uranium were used, as well as cleaning areas of cluster bombs.

Also, ecological black spots that are not the consequence of bombing have been registered (e.g. thermoelectric power stations) and significant funds and time for their repair are needed.

7.3. Necessary changes in the institutional and legislative spheres

Institutional and legal framework. The existing institutional and legal framework in Serbia is undergoing constant changes as a result of the recently finalized phased devolution of legislative and executive powers from the federal level to the republics, and the review of a set of laws, undertaken simultaneously with the economic transition.

In June 2002, the Government of the Republic of Serbia upgraded the agency for the protection of the environment from a directorate to a ministry level.

The new Law on the System of Environmental Protection is being considered by the Republic Parliament. The Law is comprehensive and ambitious: its objectives are to develop a consistent and modern legal and institutional system for environmental protection, which is harmonized with the EU's framework, and will improve horizontal and vertical cooperation and raise responsibility and efficiency.

Institutional/policy reforms need to be undertaken in the following areas: strengthening institutional capacities for environmental management, and addressing environmental liabilities and privatization issues.

Public information and participation. Civil society, the private business sector and non-governmental organizations are still not sufficiently involved in the protection of natural resources. Within the business community, environmental protection issues are not among the top priorities. Business associations and environmental committees are still at the stage of being established. Currently, the participation of the private sector in the protection of the environment is not adequate, especially in the areas of waste water management, water supply and sanitation in major towns, forestry and national park management. The participation of local non-governmental organizations is limited mostly to public awareness campaigns, environmental education and information.

7.4. Financing requirements and other necessary resources

Areas requiring urgent investment include:

- Development of hazardous waste storage facilities in Serbia
- Improvement of solid waste disposal facilities
- Development of waste water treatment plants
- Addressing major pollution issues in the environmental hot spots
- Improvement of water supply in rural and urban water supply services.

IV COSTINGS OF THE POVERTY REDUCTION STRATEGY

This chapter sets out an analysis of expenditure implications of the PRSP. As with other Government programmes, the activities described in the PRSP will be financed primarily through the budget process. These activities will be financed within the overall macro/fiscal resource framework set out by the Government; funding for these activities will result mainly from making budgetary savings and reallocating existing resources to higher priority activities.

The PRSP will be facilitated by recent changes in the budget system. For the first time, in the 2004 Budget Instructions from the Ministry of Finance, sector ministries were asked to identify in their budget submissions funding requirements for: (i) continuing existing level of activities; (ii) on-going activities which are not currently covered by budgetary allocations; (iii) planned capital expenditures; and (iv) new programmes. The costings set out in Table 1 represent the ministries' first attempts at identifying on-going or new priorities activities which are not yet funded but which they consider to be priorities under the PRSP.

This chapter begins by setting the costing analysis in context by discussing in more detail the medium-term resource framework within which PRSP activities will need to be financed. The discussion then moves on to describe the purpose of the costings and the future process of further strengthening the costing analysis before turning to a description of the costs themselves.

1. Medium-Term Resource Framework

The budget is the main (fiscal) tool through which activities in the PRSP will be prioritised and thereby funded. In the medium-term consolidated macro/fiscal resource framework, within which PRSP priorities will need to be financed, total expenditures are projected to increase by 19% between 2004 and 2006 to YUD 688 billion by the end of the period.¹⁰⁸ This represents a slight decrease in the share of expenditures in GDP from 46.1% expected in 2003 to 44.8% by the end of the three-year period. The overall resource framework includes resources of: (i) the Republican budget; (ii) local budgets; (iii) extra-budgetary funds; (iv) grants and (v) external budget support credits.

Sectoral Priorities and Budgetary Allocations

The budget should provide the link between policy activities and budgetary allocations. For example, the PRSP in the education sector indicates that budgetary allocations to the sector over the medium term will grow in relation to GDP.

¹⁰⁸ See 2004-2006 Budget Memorandum, Ministry of Finance, Government of Serbia, May 2003.

The Ministry of Finance's Budget Memorandum includes for each sector the medium-term sectoral resource ceilings within the overall resource framework. In their 2004 budget submissions, ministries are expected to constrain their budget requests within their relevant ceiling whilst at the same time addressing PRSP policy priorities. Whilst some PRSP sectoral policy measures, e.g. passing legislation, can be undertaken with no or limited budgetary allocations, many of the activities will require the allocation of sufficient budgetary resources. The public expenditure implications for policy measures are identified in the sectoral policy matrices attached to the Executive Summary.

The table below sets out for each sector the PRSP policy priorities and the relevant sectoral expenditure ceilings contained in the 2004-2006 Budget Memorandum. These are consistent with the overall fiscal framework for the period.

Table 1

Sector	PRSP Policy Priorities	Medium Term Consolidated Sectoral Budget Allocations ¹					
		2004		2005		2006	
		Bn YUD	% GDP	Bn YUD	% GDP	Bn YUD	% GDP
Macro/fiscal framework, public admin, judicial decentralisation, international integration	Maintain macro stability. Maintain sustainable fiscal policy. Contain fiscal deficit to at or below 2% in the long term.	46.7	3.7%	53.3	3.8%	63.0	4.1%
Support to economic activity	Improved skills of unemployed. Development of SME and entrepreneurship	58.1	4.6%	61.7	4.4%	64.5	4.2%
Social protection, pensions, elderly	Greater efficiency in pension provision. Better protection of socially vulnerable groups. Widening of the range and quality of social protection services.	247.5	19.6%	267.9	19.1%	287.2	18.7%
Health care	Develop special programmes for most vulnerable. Improve allocation of resources (emphasis on primary/preventive care).	64.4	5.1%	72.9	5.2%	80.0	5.2%
Education	Increase total budgetary expenditures on education as a share of GDP to 4% by 2006. Inclusion of vulnerable groups in formal education. Improve efficiency of vocational training.	45.5	3.6%	53.3	3.8%	61.4	4.0%
Housing, communal services	Ensure relevant institutional infrastructure for local community development.	30.3	2.4%	33.7	2.4%	36.9	2.4%
Environmental protection	Sustainable access to improved water sources/ improved sanitation. Improved waste management and condition of ecological black spots.	1.3	0.1%	2.8	0.2%	3.1	0.2%
TOTAL OF ABOVE		493.8	39.1%	545.6	38.9%	596.1	38.8%

1. Includes Central budget, local budgets, extra-budgetary funds, grants and external budgetary support. PRSP sectors have been matched as closely as possible to the functional classification of the budget.

Purpose of the Costing Analysis

The allocations are intended to reflect the costs of meeting the highest priority of the newly prioritised activities contained in the PRSP; they do not represent the full cost of all proposed PRSP policies. Rather, as indicated above, they focus on those new or restructured policies/activities which are affordable, are of the highest priority and are currently unfunded, rather than being comprehensive of the sector. They are intended to show sector ministries and local administrations the expenditure implications of meeting all PRSP objectives. In other words, the costing data attempt to show the extent of the trade-offs needed between “new” PRSP objectives and current existing national policy aims. Thus, in order to incorporate these new PRSP priorities in their spending plans, sector ministries and local administrations will need to reduce other, non-priority expenditures (i.e. make savings and reallocate existing resources between activities).

Since new PRSP activities will be financed largely within existing resource levels, including already committed or programmed external project financing, sector ministries and local administrations will need to restructure their existing budgets, reducing the costs of some services (efficiency savings) and making cuts in other, lower priority services. However, the way that the budget is currently structured (i.e. not by programmes or activities) means that it will be difficult for them to do so.

The total budgetary amount planned to be allocated to the highest priority PRSP activities is approximately YUD 27 billion per year, representing around 1.9% of GDP annually for the 2004-2006 period and less than 5% of the total consolidated budget for the period 2004-2006. This is consistent with the overall macro/fiscal resource framework set out in the 2004-2006 Budget Memorandum.

It is important to note that the process of decentralisation, which will be defined in the new Constitution to be adopted, with consequential changes to revenue and expenditure assignment between different levels of government is likely to have an impact on the relative share of PRSP budgetary financing undertaken by the different levels of government.

Table 2. Funding allocations for PRSP priority areas, 2004-06 % GDP annually

	Central and local budgets and external finance
TOTAL	1,91
Social protection	0,28
Education	0,58
Health care	0,30
Employment and SME development	0,42
Decentralisation, local and public governance	0,05
Regional development	0,05
Rural poverty	0,06
Urban poverty	0,12
Environment protection	0,01
Human rights	0,03
Monitoring and evaluation	0,00

Challenges to the Preparation of More Detailed Costings

The process of analysing the full cost implications of the long-term measures identified in the PRSP has just begun. At present, there is concern about the potential gap between the fiscal resources required to implement the whole PRSP programme of policy measures (long-term) and the funds available in the short- and medium-term. Indeed, the lack of comprehensive prioritisation and costing of policy measures can undermine the implementation of the PRSP. Given budget constraints and multiple goals, there is a need to prioritise among policy alternatives, making explicit the rationale underpinning choices, and acknowledging the trade-offs as well as spillover effects, particularly in terms of the most vulnerable categories of the population.

Thus, a number of challenges remain in the process of building more detailed cost analysis for the PRSP: (i) numerical targets have not yet been set out in sufficient detail to provide the basis for making very detailed costings; (ii) ministries have limited capacities to undertake such detailed costings; (iii) ministries have relatively limited information on existing actual expenditures by activity to determine their starting point; and (iv) the budget system, being based on input budgeting, does not facilitate the identification of priority activities and reallocation of resources towards priority activities. Ministries have made an initial start through classifying sectoral activities into four main groups, identifying priority measures not yet financed, and ensuring that they are consistent with the overall medium-term resource framework.

Experience from other countries in the region suggests that the development of detailed costings of the PRSP is likely to take some years and will have to be linked to procedures for reviewing and determining resource allocations, such as would be incorporated into an MTEF process. This is especially the case in situations where budgetary processes can provide only limited information on programme-level funding allocations and where there is a need for wide-ranging reform of sector and local expenditure programmes to ensure more effective and efficient use of public resources. Typically, in these countries the initial PRSP provides only a very limited costing of proposals, and has instead emphasised the importance of moving ahead with public expenditure management reform.

Over time, therefore, the Government will work towards developing a prioritised set of medium-term costed PRSP activities which is comprehensive and which fits within the overall macro/fiscal resource framework (i.e. that the activities can be financed) and which work towards core PRSP targets. This would be reflected in budget allocations being shown alongside activities in the policy matrices.

Thus, ministries and local administrations will aim to develop the tools and capacities to restructure their budgets in order to facilitate the achievement of PRSP objectives through the implementation of sectoral PRSP activities and making the relevant policy trade-offs. This will involve: (i) a strategic policy review/analysis for each sector and sub-sector, setting out the key policy objectives and priority policies for the sector/sub-sector; (ii) a detailed review of key expenditure programmes within sectors/sub-sectors, including a comprehensive analysis of the activities currently supported by budgetary resources; (iii) identification of measures to improve efficiency of resource use; and (iv) strengthening capacities for budget analysis and planning.

Sector ministries and local administrations will require assistance with this process, and it will take time. Detailed costings of sector PRSP policy measures should be undertaken in stages, in accordance with the implementation of wider public expenditure management reforms. As indicated above, the starting point for detailed sector expenditure work should be a review of current public expenditure patterns, followed by the identification of more efficient ways of undertaking current priority policy measures. As part of wider public expenditure management reforms, this process is also likely to require accompanying changes to the budget structure in order to be able to appropriately reflect the programmes and activities so that they can be planned, executed and reported against.

2. Costing Assessment of PRSP Priority Activities

As indicated above, the total amount to be allocated for PRSP priority sectors¹⁰⁹ is approximately 1.9% of GDP annually (YUD 26.6 billion on average) over the next three years. For comparison, the overall public expenditure for the period will amount to approximately 45% of GDP. The priority PRSP sectors include employment and SME development, education, health care, and social protection. Financing of these sectors for PRSP activities would take place through increases in planned allocation of budgetary resources in relation to GDP (e.g. education) and through cost savings made within the sector (e.g. savings on the wagebill through restructuring of ministry activities, reallocation of existing resources and reductions in overall employment).

The principles behind the allocation of resources shown in the costing section in the PRSP include:

- Emphasis is placed on budgetary savings and optimisation of the work of ministry, local and other government bodies.
- Allocations are defined in such a way as to enable gradual achievement of the set goals in line with the overall macro/fiscal framework.
- The share of domestic fiscal resources in the overall resources for PRSP implementation is rising, in accordance with the goal for Serbia to become able in the medium-term period (till the end of this decade) to solve the poverty problem on its own.
- The importance of maintaining balance between resources intended for mitigation of poverty consequences (social protection) and those earmarked for eradication of poverty causes (education, health, employment and SMEE development etc.).

¹⁰⁹ As indicated above, the activities in the attached costings concentrate on the *highest priority* PRSP actions, not all activities, some of which are longer-term in nature or require other higher-priority activities to take place first.

PRSP COSTING ASSESMENT

	Central and local budgets and external finance % GDP			Central and local budgets and external finance mil EUR 2004-06
	Million dinars			
	2004	2005	2006	
TOTAL	24,179.3	28,247.9	27,510.5	1,087.3
Social protection	3,923.7	4,343.1	3,242.8	157.2
Education-total	7,551.6	8,163.3	8,789.4	333.2
Health care	4,842.1	3,905.6	3,692.2	170.2
Employment and SME development	4,002.0	7,224.9	6,385.3	238.5
Decentralization, local and public administration	671.0	716.7	820.5	30.0
Regional development	587.3	715.0	862.7	29.3
Rural poverty	635.0	910.3	1,039.2	35.0
Urban and housing aspects of poverty	1,490.7	1,675.3	2,015.2	70.3
Environmental protection	134.8	141.6	146.3	5.8
Human rights	314.9	429.5	491.0	16.7
Monitoring and evaluation	26.2	22.7	25.8	1.0
Social protection	3,923.7	4,343.1	3,242.8	157.2
Assistance to poor families	2,000.0	2,026.3	1,994.7	82.0
<i>for IDPs</i>	585.0	526.5	460.7	21.5
<i>for Roma</i>	45.0	45.6	44.9	1.8
Extending the capacities of elderly homes and mental health institutions	175.8	73.8	0.0	3.5
Development of services for family support at the local level	262.5	283.5	297.7	11.5
Education for implementation of reforms in the area of family and social protection	70.3	73.8	0.0	2.0
Social Innovation Funds	281.3	221.3	114.5	8.5
<i>Social innovation Fund (improvement of social protection services)</i>	140.7	73.8	38.2	3.5
<i>Social Innovation Fund (direct poverty reduction)</i>	140.7	147.6	76.3	5.0
Specific needs of persons with disabilities	4.6	4.8	5.0	0.2
<i>Development and networking of databases for persons with disabilities</i>	2.5	2.6	2.7	0.1
<i>Measuring the quality of living environment of persons with disabilities</i>	2.1	2.2	2.3	0.1
Design of unified IT systems of pension funds (design, implementation training)	73.8	703.3	0.0	10.6
Equipping SWCs (IT technology,	70.3	36.9	0.0	1.5

training and other)				
Payment of farmers' pension arrears	600.0	629.5	651.0	25.6
Assistance to poor refugee families (Commissariat for Refugees of the Republic of Serbia)	385.0	290.0	180.0	11.8
Education - total	7,551.6	8,163.3	8,789.4	333.2
Reform of primary and secondary education	1,200.0	602.7	305.5	29.2
Preschool education	1,100.0	1,300.0	1,549.9	53.6
Adjusting secondary vocational schools to market requirements	600.0	609.7	623.1	25.0
Education of people with special needs	900.0	966.1	1,046.5	39.6
<i>Adjustment of educational facilities for children with special needs</i>	4.7	4.9	5.1	0.2
Education for Roma children and adults	1,000.0	1,139.2	1,309.4	46.8
Education of refugees	700.0	578.0	481.7	24.1
Adult vocational education	0.0	600.0	700.0	17.3
Pupils and students' standard	700.0	808.2	941.2	33.2
Reconstruction and equipment for schools	1,300.0	1,505.1	1,776.1	62.2
Educational development centres for excluded children	51.6	54.2	56.0	2.2
<i>Two pilot projects for children from urban areas</i>	15.6	16.4	16.9	0.7
<i>Two pilot projects for Roma children</i>	13.5	14.2	14.7	0.6
<i>Two pilot projects for children in rural areas</i>	22.5	23.6	24.4	1.0
Health care	4,842.1	3,905.6	3,692.2	170.2
Education of medical workers in transitional period	281.3	295.1	305.2	12.0
Raising work quality and strengthening health inspection	30.0	50.0	80.0	2.2
Introduction and development of IT system in primary health care	416.7	450.0	477.0	18.3
Programs of prevention of non- contagious diseases	1,000.0	600.0	648.0	30.8
Health care of refugees	410.0	700.0	350.0	19.9
Health care of IDPs from Kosovo and Metohia	90.0	351.5	298.0	9.9
Health care of uninsured individuals	800.0	864.0	915.8	35.1
Health care of farmers	464.0	108.0	114.5	9.6
Persons with disabilities -orthopedist aids	1,350.1	487.0	503.6	32.4
Employment and SME development	4,002.0	7,224.9	6,385.3	238.5
Training and retraining etc.	430.0	516.0	620.0	21.2

Training for active job seeking	25.0	30.0	36.0	1.2
Stimulation of entrepreneurship	353.0	423.0	506.0	17.4
New programmes (job clubs, virtual enterprises, public works)	7.0	8.4	10.0	0.3
Stimulating employment of vulnerable groups	400.0	180.0	210.0	10.9
Fund for launching of business	1,000.0	3,690.0	2,289.0	94.2
Information technology	50.0	60.0	72.0	2.5
Human resource development	1.0	1.1	1.2	0.0
Training of Ministry and Labour Market staff	5.0	5.5	6.1	0.2
Paying off unemployment benefit arrears	1,000.0	1,500.0	1,500.0	54.2
Employment of Roma	356.3	185.5	196.7	10.2
<i>Elaboration of programmes</i>	3.5	0.0	0.0	0.1
<i>Training-education</i>	17.6	0.0	0.0	0.3
<i>Public construction works</i>	300.0	147.6	156.4	5.4
<i>Legalization of collecting secondary raw materials</i>	35.2	38.0	40.3	1.5
Employing refugees	226.7	480.0	780.0	23.6
<i>Granting favourable loans</i>	141.7	300.0	600.0	16.2
<i>Public construction works</i>	85.0	180.0	180.0	7.4
Stimulating development of small and medium-sized enterprises	148.1	145.4	158.4	6.2
<i>Supporting work intensive sectors</i>	2.7	0.0	0.0	0.0
<i>Strengthening the Republic and regional SME agencies</i>	65.0	65.0	65.0	2.7
<i>Removing legal obstacles to business</i>	13.5	13.5	13.5	0.6
<i>Raising SMEs' competitiveness</i>	43.5	43.5	43.5	1.8
<i>Promoting SMEs' development</i>	6.4	6.4	6.4	0.3
<i>Reform of public services</i>	17.0	17.0	30.0	0.9
Decentralization, local and public administration	671.0	716.7	820.5	30.0
Decentralization and development of local government	93.3	125.5	160.3	5.1
Public administration reform and modernization of governance	200.0	216.0	229.0	8.8
Increasing accessibility of administrative services to the poor	200.0	216.0	229.0	8.8
Education of local government on stimulation of entrepreneurship	93.3	100.8	160.3	4.8
Regulating the status of refugees	84.4	58.4	42.1	2.5
<i>Elaboration of survey, study and policy program</i>	14.1	0.0	0.0	0.2
<i>Programme implementation</i>	70.3	58.4	42.1	2.3
Regional development	587.3	715.0	862.7	29.3
Stimulation of entrepreneurship	42.0	51.6	61.8	2.1
Construction of infrastructure	540.0	663.4	795.1	27.1

Poor areas	5.3	0.0	5.8	0.2
<i>Designing a map of poor areas</i>	2.0	0.0	2.2	0.1
<i>Formulation of a national programme for poor areas</i>	3.3	0.0	3.6	0.1
Rural poverty	635.0	910.3	1,039.2	35.0
Present status analysis and activity programme	35.0	25.8	29.4	1.2
Stimulation of entrepreneurship – business centres	300.0	442.3	504.9	16.9
Reform of the agrarian sector	300.0	442.3	504.9	16.9
Urban and housing aspects of poverty	1,490.7	1,675.3	2,015.2	70.3
Present status analysis and formulation of the social housing strategy	70.0	0.0	0.0	1.0
Formulation of laws and by-laws	10.0	10.0	10.0	0.4
Construction of affordable housing and state support to affordable housing	300.0	500.0	800.0	21.5
Slums – mostly Roma	1,110.7	1,165.3	1,205.2	47.4
<i>Project documentation for 600 settlements</i>	56.3	59.0	61.0	2.4
<i>Regulating and equipping of slums</i>	632.5	663.6	686.3	27.0
<i>Resettling 20 most vulnerable settlements</i>	422.0	442.7	457.8	18.0
Environment protection	134.8	141.6	146.3	5.8
Laws, regulatory mechanisms, education	29.3	30.9	31.8	1.3
Cleaning environmental “hot spots”	105.5	110.7	114.5	4.5
Human rights	314.9	429.5	491.0	16.7
Laws, institutions and education	105.5	147.6	190.8	6.0
Equality of women	139.1	193.4	198.5	7.2
Laws, education and legal help	52.7	73.0	76.3	2.7
Gender studies research	26.4	55.3	57.2	1.9
Programme for prevention of violence against women and children	60.0	65.0	65.0	2.6
Providing legal assistance to the poor	70.3	88.5	101.7	3.5
Monitoring and evaluation	26.2	22.7	25.8	1.0
Central and sectoral teams for M&E of the PRSP	11.8	15.6	18.3	0.6
Development of data sources, research, M&E trainings etc.	13.1	5.8	6.1	0.3
Evaluation	1.3	1.3	1.4	0.1

PRSP COSTING ASSESMENT

	Central and local budgets and external finance % GDP			Central and local budgets and external finance Average 2004-06
	2004	2005	2006	
TOTAL	1.86	1.91	1.67	1.81
Social protection	0.30	0.29	0.20	0.26
Education-total	0.58	0.55	0.53	0.56
Health care	0.37	0.26	0.22	0.29
Employment and SME development	0.31	0.49	0.39	0.39
Decentralization, local and public administration	0.05	0.05	0.05	0.05
Regional development	0.05	0.05	0.05	0.05
Rural poverty	0.05	0.06	0.06	0.06
Urban and housing aspects of poverty	0.11	0.11	0.12	0.12
Environmental protection	0.01	0.01	0.01	0.01
Human rights	0.02	0.03	0.03	0.03
Monitoring and evaluation	0.00	0.00	0.00	0.00
Social protection	0.30	0.29	0.20	
Assistance to poor families	0.15	0.14	0.12	
<i>for IDPs</i>	0.04	0.04	0.03	
<i>for Roma</i>	0.00	0.00	0.00	
Extending the capacities of elderly homes and mental health institutions	0.01	0.00	0.00	
Development of services for family support at the local level	0.02	0.02	0.02	
Education for implementation of reforms in the area of family and social protection	0.01	0.00	0.00	
Social Innovation Funds	0.02	0.01	0.01	
<i>Social innovation Fund (improvement of social protection services)</i>	0.01	0.00	0.00	
<i>Social Innovation Fund (direct poverty reduction)</i>	0.01	0.01	0.00	
Specific needs of persons with disabilities	0.00	0.00	0.00	
<i>Development and networking of databases for persons with disabilities</i>	0.00	0.00	0.00	
<i>Measuring the quality of living environment of persons with disabilities</i>	0.00	0.00	0.00	
Design of unified IT systems of pension funds (design, implementation training)	0.01	0.05	0.00	

Equipping SWCs (IT technology, training and other)	0.01	0.00	0.00
Payment of farmers' pension arrears	0.05	0.04	0.04
Assistance to poor refugee families (Commissariat for Refugees of the Republic of Serbia)	0.03	0.02	0.01
Education - total	0.58	0.55	0.53
Reform of primary and secondary education	0.09	0.04	0.02
Preschool education	0.08	0.09	0.09
Adjusting secondary vocational schools to market requirements	0.05	0.04	0.04
Education of people with special needs	0.07	0.07	0.06
<i>Adjustment of educational facilities for children with special needs</i>	0.00	0.00	0.00
Education for Roma children and adults	0.08	0.08	0.08
Education of refugees	0.05	0.04	0.03
Adult vocational education	0.00	0.04	0.04
Pupils' and students' standard	0.05	0.05	0.06
Reconstruction and equipment for schools	0.10	0.10	0.11
Educational development centres for excluded children	0.00	0.00	0.00
<i>Two pilot projects for children from urban areas</i>	0.00	0.00	0.00
<i>Two pilot projects for Roma children</i>	0.00	0.00	0.00
<i>Two pilot projects for children in rural areas</i>	0.00	0.00	0.00
Health care	0.37	0.26	0.22
Education of medical workers in transitional period	0.02	0.02	0.02
Raising work quality and strengthening health inspection	0.00	0.00	0.00
Introduction and development of IT system in primary health care	0.03	0.03	0.03
Programmes of prevention of non-contagious diseases	0.08	0.04	0.04
Health care of refugees	0.03	0.05	0.02
Health care of IDPs from Kosovo and Metohia	0.01	0.02	0.02
Health care of uninsured individuals	0.06	0.06	0.06
Health care of farmers	0.04	0.01	0.01
Persons with disabilities -orthopedist aids	0.10	0.03	0.03
Employment and SME development	0.31	0.49	0.39
Training and retraining etc.	0.03	0.03	0.04
Training for active job seeking	0.00	0.00	0.00

Stimulation of entrepreneurship	0.03	0.03	0.03
New programmes (job clubs, virtual enterprises, public works)	0.00	0.00	0.00
Stimulating employment of vulnerable groups	0.03	0.01	0.01
Fund for launching of business	0.08	0.25	0.14
Information technology	0.00	0.00	0.00
Human resource development	0.00	0.00	0.00
Training of Ministry and Labour Market staff	0.00	0.00	0.00
Paying off unemployment benefits arrears	0.08	0.10	0.09
Employment of Roma	0.03	0.01	0.01
<i>Elaboration of programs</i>	0.00	0.00	0.00
<i>Training-education</i>	0.00	0.00	0.00
<i>Public construction works</i>	0.02	0.01	0.01
<i>Legalization of collecting secondary raw materials</i>	0.00	0.00	0.00
Employing refugees	0.02	0.03	0.05
<i>Granting favourable loans</i>	0.01	0.02	0.04
<i>Public construction works</i>	0.01	0.01	0.01
Stimulating development of small and medium-sized enterprises	0.01	0.01	0.01
<i>Supporting work intensive sectors</i>	0.00	0.00	0.00
<i>Strengthening the Republic and regional SME agencies</i>	0.00	0.00	0.00
<i>Removing legal obstacles to business</i>	0.00	0.00	0.00
<i>Raising SMEs competitiveness</i>	0.00	0.00	0.00
<i>Promoting SMEs development</i>	0.00	0.00	0.00
<i>Reform of public services</i>	0.00	0.00	0.00
Decentralization, local and public administration	0.05	0.05	0.05
Decentralization and development of local government	0.01	0.01	0.01
Public administration reform and modernization of governance	0.02	0.01	0.01
Increasing accessibility of administrative services to the poor	0.02	0.01	0.01
Education of local government on stimulation of entrepreneurship	0.01	0.01	0.01
Regulating the status of refugees	0.01	0.00	0.00
<i>Elaboration of survey, study and policy programme</i>	0.00	0.00	0.00
<i>Program implementation</i>	0.01	0.00	0.00
Regional development	0.05	0.05	0.05
Stimulation of entrepreneurship	0.00	0.00	0.00
Construction of infrastructure	0.04	0.04	0.05
Poor areas	0.00	0.00	0.00
<i>Designing a map of poor areas</i>	0.00	0.00	0.00

<i>Formulation of a national programme for poor areas</i>	0.00	0.00	0.00
Rural poverty	0.05	0.06	0.06
Present status analysis and activity programme	0.00	0.00	0.00
Stimulation of entrepreneurship – business centres	0.02	0.03	0.03
Reform of the agrarian sector	0.02	0.03	0.03
Urban and housing aspects of poverty	0.11	0.11	0.12
Present status analysis and formulation of the social housing strategy	0.01	0.00	0.00
Formulation of laws and by-laws	0.00	0.00	0.00
Construction of affordable housing and state support to affordable housing	0.02	0.03	0.05
Slums – mostly Roma	0.09	0.08	0.07
<i>Project documentation for 600 settlements</i>	0.00	0.00	0.00
<i>Regulating and equipping of slums</i>	0.05	0.04	0.04
<i>Resettling 20 most vulnerable settlements</i>	0.03	0.03	0.03
Environment protection	0.01	0.01	0.01
Laws, regulatory mechanisms, education	0.00	0.00	0.00
Cleaning environmental “hot spots”	0.01	0.01	0.01
Human rights	0.02	0.03	0.03
Laws, institutions and education	0.01	0.01	0.01
Equality of women	0.01	0.01	0.01
Laws, education and legal help	0.00	0.00	0.00
Gender studies research	0.00	0.00	0.00
Programme for prevention of violence against women and children	0.00	0.00	0.00
Providing legal assistance to the poor	0.01	0.01	0.01
Monitoring and evaluation	0.00	0.00	0.00
Central and sectoral teams for M&E of the PRSP	0.00	0.00	0.00
Development of data sources, research, M&E trainings etc.	0.00	0.00	0.00
Evaluation	0.00	0.00	0.00

V IMPLEMENTATION AND MONITORING OF THE POVERTY REDUCTION STRATEGY

1. Implementation of PRSP programmes

The fight against poverty is a long struggle that will be facilitated by the implementation of the Poverty Reduction Strategy Paper (PRSP). To maximise the future impact of the strategy, it is important to ensure an effective integration with and linkages to the overall reform process in Serbia and the overarching European Integration agenda. It is also of central importance to align and link the implementation of the PRSP with the Budget process and the Reform Agenda of Serbia since these establish the framework for the allocation of budget and external resources. The EIp, the Budget Process, RAoS and the PRSP, due to their multisectoral and comprehensive focus, are all key pillars of the reform process in Serbia.

With the adoption of the Strategy, the focus shifts from planning to action - a critical and challenging phase for most strategy processes. In the case of the PRSP this challenge is strengthened since two slightly diverging main considerations need to be taken into consideration when designing the implementation modality:

- First, due to the overall poverty situation in Serbia it is critical to ensure that policies and actions laid out in the strategy move into implementation in an efficient and rapid manner, taking into consideration sequencing and prioritisation. This indicates the need to build a strong central capacity to oversee and steer the implementation process. In the past, the Government has often chosen a model with a partly external unit or agency to meet these requirements due to the limited flexibility and constraints of the regular public administration.
- Second, due to the long-term dimension and the complexity of the strategy, it is necessary to develop sustainable institutional arrangements which will promote long-term ownership of the strategy and its implementation within both the public administration and the wider political leadership. This highlights the importance of ensuring that the implementation of the strategy is fully integrated in regular structures within the administration. Experiences from Serbia and other transitional countries have shown that it is a long-term and difficult task to achieve this for multi-sectoral and complex processes like the PRSP and the EIp. The reason for this is the diversity of interests and stakeholders involved, changing global and sector priorities, weak horizontal information flows and co-ordination, limited central co-ordination mechanisms, etc.

The task at hand is to develop an effective implementation mechanism taking into consideration the somewhat conflicting interests laid out above. The Government of Serbia is committed to doing so, building on the following elements:

- The relevant line ministries, government institutions and agency will be responsible for the implementation of the policies, measures and activities laid out in the PRSP. Different types of action plans and programmes will be developed during the coming period to facilitate implementation, to promote accountability and to make it easier for external and internal stakeholders to follow the process. As indicated above it will be necessary to strengthen the internal links between staff in central and local level government bodies which are responsible for the Budget process, Development and Aid Co-ordination, the European Integration process and Public Administration reform. Specific steps which are being considered at ministry level are: the creation of a strategy/policy implementation team, strengthening the ability to use the budget process for planning and programming, the sharing of human resources, etc.
- A central function/unit will be established within the Cabinet of the PM / General Secretariat of the Government to oversee and facilitate the implementation of the PRSP. It is the aim of the Government to develop this function in conjunction with the recently initiated process of strengthening the central co-ordination mechanisms of the Government. Regular progress reports will be prepared and presented to the Government identifying progress, problems and challenges, changing priorities, recommended actions, etc. These reports will be based upon data from the “Central Team for Monitoring and Evaluation ” as described in detail in the following chapter.
- The importance of involving the local level of the Government both in identification of problems and policies, planning and implementation has been emphasised throughout the strategy. Even though a number of initiatives are ongoing to strengthen the Local Self Government (LSG) much work is still needed. There is also need for closer co-ordination of ongoing initiatives to better exploit potential synergies and share lessons learned.
- As with the development of the PRSP, wider civil society will play a critical role both in implementation and in monitoring and evaluation. The Government welcomes the intentions of ACs to continue to develop and to play a pro-active role in the forthcoming implementation process. It is the Government’s intention to strengthen links to activities that are already ongoing such as Development and Aid Co-ordination, Social Innovation Fund, etc.

Bearing in mind the importance of ensuring close links between the PRSP, EIp and the use of budget and external assistance it is important to look into the possibility of developing joint steering and implementation mechanisms. In this context it would be natural to investigate the possibility of linking some of the above mentioned processes closer together. The linkage between the PRSP and the SAP criteria and the Millennium Development Goals has been explicitly highlighted in the policy / activity matrices. Through the PRSP process, Serbia has made significant progress in nationalising the MDGs. This process will continue and the Government is committed to using the MDGs as an integral part of the long-term development goals for Serbia.

The implementation of the PRSP will include a comprehensive Monitoring and Evaluation system. A draft system which comprises both input, output and process indicators is explained in the following sections.

2. Monitoring of Poverty Reduction Strategy Implementation

The monitoring and evaluation system should cover all the phases in the implementation of the Strategy and, therefore, its basic tasks are:

- Monitoring efficiency in the implementation of the activities defined within the Strategy (Input, Process and Output Monitoring),
- Assessing the efficiency in the achievement of the basic and sectoral goals set by the Strategy (Outcome and Impact Monitoring and Evaluation),
- Monitoring the level, trend and profile of poverty for the purpose of timely redefining of certain elements of the Strategy (if necessary),
- Monitoring the participation of the poor in the strategy implementation process,
- Promoting stakeholder accountability in strategy implementation.

2.1. Poverty-related surveys/parameters used so far

A principal source of data for monitoring the poverty level is the Household Budget Survey carried out by the Federal Statistics Office (FSO) and the Republic Statistics Office of Serbia (RSO). The Survey gives a detailed picture of household income and expenditures and general data on the demographic structure of households, with the possibility of quarterly monitoring.

The following definitions are usually used for the poverty line:

- Consumer basket for a four-member household (only food, published by FSO),
- Average consumer basket – RSO,
- Minimum consumer basket – RSO,
- Minimum subsistence basket of the World Food Program,
- Various USD amounts per capita (1, 2 and 4 USD), with or without PPP correction,
- Relative poverty measures (60% household income median).

The percentage and number of the poor, the degree of inequality in distribution, and the territorial distribution of the poor, were calculated on the basis of these parameters.

2.1.1. Participants engaged in collecting data required for poverty monitoring

The main participants in data collection are:

- Statistics Offices
- The Health Care System
- National Bank of Serbia
- Records of line ministries (social welfare system, education system, etc.)

A number of polling agencies and research institutes are engaged in carrying out regular or occasional surveys on poverty and the economic status of the population, i.e. particular groups of population, economic trends or other parameters relevant to poverty monitoring.

Besides the above-mentioned participants, a number of international humanitarian and development agencies are also engaged either in collecting data in the field or in hiring local research agencies for the purpose of monitoring the poverty level and the state of the population in Serbia, and more often the poverty level and state of particular vulnerable groups. For example:

- The World Food Program and the United Nations High Commissioner for Refugees carry out regular surveys of the economic status of the refugee population and regular annual evaluations of humanitarian needs in food;
- From time to time UNICEF and the World Health Organization carry out (at intervals of several years) multiple-indicator surveys on the state of health of the population and particularly on the under-nourishment of children (Multiple Indicator Cluster Survey, MICS);
- Local NVOs (Report on Status of Human Rights in SCG, Center for Human Rights in Belgrade, Serbia in the 1980-s, 1990-s and 2000, Institute for Social Sciences, Service of personal assistants in Serbia, CIL).

2.1.2. Various poverty monitoring methodologies

There are two types of basic problem related to monitoring poverty. The first is the methodological openness of defining poverty, arbitrariness in setting poverty line standards, and the complexity of establishing a system that will efficiently and unmistakably show poverty trends. The other problem is the availability and quality of data.

Public opinion is especially sensitive to various definitions and poverty levels that have appeared in recent poverty surveys. Expert consultations are required when establishing general definitions of the poverty line in order to minimize the possibility of manipulation, and to ensure openness and transparency in monitoring the level of poverty. Out of several

possible approaches and definitions it is necessary to select the one that is resistant to methodological manipulations and which can provide comparisons over time. It is desirable that the definition is not methodologically complex. A similar approach is also welcome in defining other key parameters for monitoring poverty and Strategy efficiency.

Special attention should be paid to the defining of poverty as a multi-dimensional phenomenon. Besides the economic approach, various aspects of poverty will also be included within the set of MDG indicators, as well as by specific participatory and sociological research.

2.1.3. Problems with the existing data sources

The official statistics with its regular surveys is the principal regular source of data for monitoring the effects of the Poverty Reduction Strategy. The existing statistics system has suffered for years because of isolation, the unfavourable budget situation, and staff drain. In addition, quite a number of surveys are carried out according to a methodology which does not reflect current economic relationships (due to the transition and reform process, and an inadequate covering of private sector growth).

The lack of regular qualitative research (on the attitudes and expectations of the population, causes of poverty, etc.) is also evident. There is a need for regular participatory research that would throw more light on the qualitative aspects of poverty, which would at the same time encourage the poor to take part and express their attitudes concerning poverty issues.

The issue of the revision of the system of statistical surveys has been addressed through the preparation of the new Master Plan for Statistical Surveys and the development of a concrete action plan for making a revision of surveys (proposed by FSO and RSO of both republics). This plan takes account of most of the criticisms made so far and envisages the revision of quite a number of surveys. In addition, the plan also envisages general personnel and technological improvement of the statistical system. In the situation analysis and preparation of the plan, much assistance was provided by international statistical organizations (including EUROSTAT, and renowned statistical agencies of other countries). International expert and financial assistance will continue through the ongoing reform of the system.

Another significant source of poverty-related data is the network of municipal social welfare centres. A weak point is the lack of a uniform information system which would enable regular and prompt data processing and the preparation of specific reports on the current status of poor families and persons. There is also a need for better interconnection of the local centres and other local participants that collect or have relevant data required for monitoring the poverty level.

There is a noticeable absence of regular and comparative surveys focused on monitoring the status of particular vulnerable groups (refugees and IDPs, Roma, social transfer beneficiaries, etc.). In addition, official surveys and data sources are usually not representative of this population.

2.2. Defining the system for monitoring PRSP implementation and outcomes

2.1. Defining the basic set of poverty indicators

The basic set of outcome indicators should enable an insight into the effects of Strategy implementation, the poverty level and trends in various dimensions (economic status, education, health and others). The basic set of poverty indicators will be based on those set by the **Millennium Development Goals**. The Millennium Development Goals were globally defined by a UN General Assembly declaration and accepted by most countries of the world. Some of the indicators will require minor changes due to local characteristics (for example, yellow fever morbidity and mortality rates are not included). Poverty rates will be calculated according to several basic poverty lines (the national poverty line defined by the consumer basket, and the poverty line set at the 60% household per capita income median).

Millennium Development Goals and the recommended set of indicators enable insight into and monitoring of poverty as a multi-dimensional phenomenon, since they include, in addition to the basic indicator of the number of the poor, various aspects of poverty (including those relating to education, health care, gender equity, and a healthy living environment) At the same time, MDG indicators affirm the human rights aspect. In drawing up the basic set of indicators, recommendations from the document “A Human Rights Approach to Poverty Reduction Strategies”, Office of the United Nations High Commissioner for Human Rights, were also used.

One of the basic indicators of Strategy success will be the number of persons below the national poverty line. This definition starts from the minimum food consumer basket, estimating other necessary articles and services by means of the Engel’s method, also used in the Survey on the Living Standard of the Population¹¹⁰ (SLSP, Ministry of Social Affairs of the Republic of Serbia). For the sake of comparability with EU countries, the poverty line set at the 60% household per capita income median is also proposed.

Besides the basic indicators suggested by the Millennium Declaration, there is a set of important additional indicators that should be included. It is also very important to consider basic parameters grouping levels/types (by particular features, such as: sex, household type, and region). It is especially important to group the parameters and monitor them by particular especially vulnerable groups (including MOP beneficiaries, displaced persons and refugees, Roma, and persons with disabilities).

¹¹⁰ What is estimated is the average total consumption of households which consume food on the level of the previously defined subsistence food basket. In this way the unknown share of non-food stuff consumption and the total poverty line level are calculated on the basis of concrete data of the Household Budget Survey.

Defining sectoral indicators (process and outcome)

In addition to basic outcome indicators suggested by the Millenium Declaration, specific outcome benchmarks for monitoring progress in achieving strategic and operational objectives in certain sectors also need to be defined.

Sectoral process indicators that would enable monitoring of strategy implementation should be defined. Process indicators and monitoring dynamics are derived from sectoral policy/activity matrices and include the monitoring of PRSP implementation phases.

Process indicators include monitoring of strategy implementation from the initiation of a certain activity (level of investment in certain sectors that have a poverty reduction impact), to the monitoring of concrete reform trends (legislative changes...) and monitoring of implementation of concrete projects and activities within the PRSP, to the achievement of immediate activity results (e.g. «number of persons who attended training for professions that are in high demand»).

Outcome indicators are linked to the achievement of the declared Strategy objectives and to particular sectors (e.g. lower poverty rate among Roma population or lower unemployment rate of the population)

Based on the numerous criteria that a set of indicators should generally fulfil, as well as many suggestions from relevant state institutions, civil society, international development partners, and other actors in the development of the PRSP, a preliminary set of indicators was proposed (see Annex). It is very extensive, with more than 100 outcome and more than 160 process indicators. The extensive scope of the set resulted from the need for multi-dimensional poverty monitoring and, particularly, from the complexity of monitoring that will include numerous sectors and institutions. It is estimated that some 60% of outcome indicators and around 80% of process indicators can be provided from existing data sources, with small modifications (for example, in a number of cases process indicators boil down to the needed changes and implementation of new regulations, which are easy to monitor). The list of indicators is not final. Following systematic analysis of data availability¹¹¹ (regularity, quality, relevance), the list will be updated.

2.2.2 Data sources and requirements from the statistical system, alternative sources

Revision of the existing Household Budget Survey, enabling the implementation of standard poverty monitoring methodologies

Experiences of progressive methods of poverty analysis¹¹² should be incorporated into regular poverty monitoring mechanisms. The most efficient way would probably be a partial

¹¹¹ The analysis of the proposed set of indicators and the existence of data sources, as well as alternative options, is being carried out.

¹¹² Survey on the Living Standard of the Population in Serbia (conducted by the Ministry of Social Affairs of the Republic of Serbia, with expert and financial support from the World Bank) demonstrated a very strong set of methods in poverty analysis.

modification of the existing Household Budget Survey (HBS)¹¹³. In this way the necessary regular periodic calculation of the poverty level according to the defined poverty line would be provided, as well as poverty distribution by specific features (region, household type, demographic and socio-economic characteristics of persons, gender, and vulnerable groups). It is also necessary to provide distribution and inequality analyses (decile analyses, Gini coefficient by different groups). In order to meet these requirements, a team of experts in statistics has been established. The purpose of this team is to carry out intensive research and present concrete suggestions and changes to be integrated into the regular statistical surveys (new HBS).

Analysis and revision of the present Master Plan of Statistical Surveys in accordance with demands for monitoring the achievement of the PRSP and Millennium Development Goals

Since the basic set of output indicators mostly relies on recommendations and definitions from the set of the Millennium Development Goals, one of the important activities will be to consider the availability of data sources and capacities for the revision of current data sources, as well as the introduction of new ones. The above-mentioned team of statistics experts will also be in charge of designing a study on the availability of data sources for the purposes mentioned. The study should offer a concrete action plan for the revision of current statistical surveys for the purpose of quality monitoring of MDG and PRSP goals.

Encouraging development of alternative data collection networks

The need for the development and use of alternative data sources has been confirmed through numerous discussions with representatives of the professional public. The statistical system has difficulties in monitoring those population groups who have not been integrated into society, with no permanent residence, as they are not easily covered by regular records and surveys. It is necessary to support local initiatives for establishing records of the poor, especially in municipalities with expected high poverty rates. Emphasis should be put on connecting the locally available data sources (local labour markets, social welfare centres, records of large companies that are being restructured, local governments, NVOs) and on creating a unique data base on poor families and persons in municipalities. The development of a uniform information system for the network of local Social Welfare Centres and more active field work by social workers should be encouraged.

It should be mentioned that the Institute of Public Health, together with UNICEF, is trying to organize a system for monitoring the growth and development of children, which would provide a uniform data source. A repeated UNICEF-organized MICS survey would be very

¹¹³ Household Budget Survey (HBS), a regular survey conducted by the Serbian Office of Statistics

useful for providing specific health care and educational information on the population of children and mothers in Serbia.

The monitoring of particularly vulnerable population groups (beneficiaries of social assistance, IDPs and refugees, Roma, persons with disabilities, etc.) is not possible without expert and financial support from international development partners and more active participation of non-governmental organizations with proven experience in such research and established contacts with these population groups. The NGO sector has the capacity to develop alternative data sources, and to organise a wide network for monitoring and the application of specific procedures such as participatory monitoring and specific forms of socio-monitoring, as well as monitoring of qualitative aspects of PRSP activities in the local community.

The NGO network "Serbia Free of Poverty", established in 2001, includes 20 local non-governmental organizations from 14 towns across Serbia. One of the activities that they are engaged in is collecting data on poverty and vulnerable groups.

Professional research agencies, capable of carrying out field research and implementing expert evaluations may also be engaged in certain cases.

Enabling participation of interested stakeholders, civil society and especially vulnerable groups in monitoring strategy implementation and outcomes.

The success of the PRSP to a large extent depends on the efficient and active involvement of civil society, local communities and vulnerable groups (Roma, MOP beneficiaries, refugees and IDPs) in the PRSP implementation and monitoring process. There are several channels for the inclusion of these groups.

The first channel is the **local** organization of groups for monitoring Strategy implementation and outcomes within municipal socio-economic councils. The mandatory requirement regarding these groups would be the inclusion of representatives of civil society and vulnerable groups. Apart from this form of organization, local NGOs can significantly strengthen the capacities for monitoring PRSP implementation and outcomes by organizing special thematic monitoring groups (sociological aspects, budgetary/financial monitoring, participation of the poor, etc).

The other channel for the inclusion of civil society and vulnerable groups is **at the national level**, and includes their direct participation in the national non-governmental and civil society working group, as well as their direct participation in the Central PRSP monitoring and implementation team.

Support would also be provided for the organization of regular participatory research that would enable the collection and systematization of opinions of the representatives of poor population categories on PRSP implementation and outcomes. This research would point to innovative directions for Strategy development and implementation based on the participation and opinions of the poor.

Role of civil society and the NGO sector in monitoring Strategy implementation and outcomes

In the preceding passages reference was made to the capacities of the NGO sector that can be mobilized for the organization of a research network to be used in certain forms of PRSP monitoring. In order to achieve better coverage, better quality and comparability of data provided by different actors, it would be useful to standardize and unify data collection procedures and report forms. This would result in greater transparency of PRSP activities and greater interest from the local community in taking an active part in Strategy implementation. Support is needed for the development of specific data collection and processing procedures and their adjustment to local actors.

With a view to defining acceptable and efficient methods of inclusion of vulnerable groups and local communities in Strategy monitoring, four local NGO projects in the field of PRSP monitoring were supported (ARDI Belgrade, Resource Center Niš, Open University and Open Perspectives, Subotica). In addition, UNICEF is currently carrying out participatory research on children's poverty in Serbia. These efforts, building on previous experience, will provide a solid basis for the proposal of a set of participatory research and questionnaires on vulnerable groups in Serbia. The key role in the implementation of this research should belong to NGOs.

Civil society and the NGO sector are interested in the process of monitoring budgetary prioritization and the spending of budgetary resources at the local level. The new Law on the Budget System provides for the standardization of the nomenclature and enables good quality reporting. It is necessary to advocate and enable a presentation of local budget spending by project principle, so that spending and investing of funds in concrete planned and executed activities in the local community could be monitored. Particular importance should be attached to Public Expenditure Tracking Surveys, in which the NGO network could take an active role.

Public Expenditure Tracking Surveys (PETS) are research based on the monitoring of the financial flow of public expenditures to the end beneficiary of goods and services, ascertaining potential inadequacies or inefficiencies in the use of budgetary resources.

2.2.3. Evaluation of the implementation and success of the PRS

A regular annual evaluation of PRSP implementation and outcomes is envisaged in all the previously defined sectors. Above all, Strategy implementation in terms of economic indicators, i.e. resources allocated and spent in certain segments/projects of the Strategy, should be monitored. The next step is the evaluation of the implementation of planned activities according to previously defined basic process indicators. In a considerable number of cases it is necessary to establish the level of institutional and legislative changes carried out (at the same time qualifying the implementation of adopted laws).

It is necessary to make a selection of areas and activities of special interest to be specially evaluated during or at the end of the Strategy implementation cycle. Bearing in mind the need for significant resources for each particular evaluation, it is necessary to prioritize and

schedule the areas that will be evaluated on the basis of defined criteria (high significance for poverty reduction, considerable investment in a specific activity, etc.).

Expert assistance from the World Bank is expected in the performance of quite a number of evaluations (Multi-dimensional quality of poverty in Serbia, Effects of the change in the electrical power tariff system on poverty, Evaluation of the social system reform, Map of poverty in Serbia). The assistance and participation of local experts in these evaluations is also anticipated.

It is very important to introduce testing practice, to simulate the effects of the implementation of new measures and policies that have an impact on poverty-stricken groups. The examples are the analysis of the impact of an increase in the price of electricity on the poverty level, and the analysis of changes in the number of MOP beneficiaries depending on the eligibility criteria.

An integrated plan for data collection and the performance of evaluations will be drawn up bearing in mind all the available data sources and needs for particular evaluations.

2.2.4. Organization of the monitoring system

It is planned that teams for strategy monitoring be organized by sector. The key line ministries (of social affairs, health care, education, etc.) would nominate individuals (or small teams if possible) in charge of monitoring strategy implementation and outcomes. This does not necessarily imply hiring new staff; the ministries are supposed already to have experts responsible for planning and analysis who would be the most appropriate members of a working group for strategy monitoring. The working group should also include experts from the official statistics system. In many countries, official statistics is the main body responsible for monitoring Millennium Goal indicators.

Experts from civil society would constitute a separate working group. The network of non-governmental organizations should be strengthened in order to cover local budget monitoring, participatory monitoring and questionnaires focused on sociological and psychological aspects of the strategy. The NGO working group would delegate one representative to the Central team for monitoring PRSP implementation and outcomes.

The establishment of local level working groups for Strategy monitoring, within socio-economic municipal councils, should be encouraged. It is desirable that working groups should comprise experts, together with representatives of civil society, vulnerable groups and relevant local institutions (employment bureaux, health care institutions. etc.).

One way of organizing a working group for monitoring strategy implementation and outcomes has been suggested by the project «Active inclusion of the local community of Zvezdara in the process of monitoring PRSP implementation and outcomes». The project was carried out by a local NGO, ARDI, Belgrade, within the PRSP Local Initiatives project. The suggestion on the modus of local organization resulted from a series of consultative meetings with the representatives of relevant local institutions as well as of vulnerable groups.

Local monitoring working groups would have their representative in the Local Government Advisory Committee, who would be, at the same time, a member of the Central team for monitoring strategy implementation and outcomes. In addition, the Central team would also include representatives of the main vulnerable groups.

The central team for monitoring strategy implementation and outcomes would have a special function. The basic structure of the team would include several members in charge of the coordination of sectoral monitoring and evaluation teams, collection of sectoral reports from working groups and the preparation of a synthesized report on strategy implementation and outcomes, covering specific segments of strategy monitoring and media communication, as well as communication with the PRSP implementation management unit. The wider composition of the team would include representatives of Advisory Committees, i.e. working groups (representative of the local government working group, civil society/vulnerable groups and several representatives of certain relevant stakeholder groups/institutions). The wider Central team would meet bi-monthly (if necessary, more frequently).

Regular quarterly reports on PRSP implementation should be submitted to the Parliament of the Republic of Serbia, together with an annual report on Strategy implementation and outcomes.

ANNEXES

ANNEX 1

Cross-Cutting Issues in The Poverty Reduction Strategy

- 1. Poverty Reduction Among Refugees and Internally Displaced Persons**
- 2. Poverty Reduction Among Children**
- 3. Poverty Reduction Among Youth**
- 4. Poverty Reduction Among Persons With Disabilities**
- 5. Poverty Reduction Among the Roma**
- 6. Gender Aspects of Poverty**
- 7. Poverty and Human Rights**

1. Poverty Reduction Among Refugees and Internally Displaced Persons

Given their social status, refugees and internally displaced persons (IDPs) fall into the category of the most vulnerable groups in Serbian society. An abrupt interruption of the cycle of renewal of economic, social, and cultural capital deprives them of access to all kinds of resources: earnings, property, social networks, and emotional security. The problem of poverty among these groups must also be considered from the perspective of basic human rights in view of their difficulties in exercising the right to freedom of movement, obtaining necessary documents, having freedom of disposal of their property, access to the formal labour market, adequate health care services, income support, quality education, and so on. Consequently, their problems can only be resolved through comprehensive measures, providing a legal status that would eliminate obstacles in their ability to exercise their guaranteed human rights and providing compensation and stimulating recovery of all the above mentioned resources.

1.1. Status and Prospects

Around 278,000 refugees and more than 200,000 persons internally displaced from Kosovo live in Serbia (assessment of the Commissariat for Refugees, 2003). 18,500 IDPs are placed in collective centers. It is known that there are no up-to-date assessments of the rate and depth of poverty among refugees and internally displaced persons. The estimates and results from the research done by WFP and CES MECON in 2000 specify that the share of the poor among refugees and internally displaced persons is twice as high as that in the overall population. Similar estimates have also been provided by the Survey on the Living Standard of the Population and the household survival strategies from 2002. In all three surveys different methodologies were applied for measuring poverty, and in the last two mentioned refugees and internally displaced persons were not proportionately represented in their samples. A number of good quality findings in the reports of various international organizations and NGOs indicate significant regional disparities in the distribution of poverty among refugees and IDPs (it is higher in Central Serbia than in Vojvodina and in Belgrade), as well as differences in terms of age (it is higher among the elderly), with respect to type of accommodation (collective centres), and profession. The lack of recent information on these problems represents a major problem for an unbiased assessment of poverty among refugees and displaced persons. Nevertheless, the estimates are that the number of poor among refugees and internally displaced persons ranges from 120,000 to 140,000. As for likely future developments, the repatriation that has been announced of a large number of refugees and internally displaced persons who had sought asylum in the Western European countries (around 40,000 in Germany alone) indicates that the problem will at least remain at present levels, and may even increase. The majority of those who are to be returned from Germany are internally displaced Roma from Kosovo, most of whom fall into the category of the poor. A special problem is some 30,000 internally displaced citizens of Serbia, who are at present located in Montenegro.

The Status of Resources

The economic resources available for dealing with poverty are diminishing. The budget inflow is too small for a problem of this size; the international organizations are announcing the phasing out or termination of their programmes. These are the circumstances that additionally reinforce the decision that the scope of direct transfers to all the poor should be reduced and thereby also to poor refugees and internally displaced, and that they should be encouraged to enter the labour market. Scarce economic resources among refugees and internally displaced persons are only partly the consequence of a high unemployment rate (almost twice as high as that of the local population). Another cause of their poverty is the loss of property (either because it was destroyed during the armed conflicts, or because it is impossible for them to freely dispose of it through use or sale). Elimination of obstacles to exercising their property rights can be a significant factor in the reduction of the scope of poverty and the change in the structure of poverty among these groups. In particular, scarcity of funds for housing, as well as particularly poor accommodation of poor refugees and displaced persons represent the most significant consequence of the lack of property rights and is a significant feature of their poverty.

The institutional and organized coverage of the problem of refugees and internally displaced persons is better than it is for some other vulnerable groups. In the first place, the Government of Serbia has established the National Strategy for Solving the Problem of Refugees and Internally Displaced Persons. The Commissariat for Refugees of the Government of Serbia has a network of Commissioners in all towns in Serbia in which there are large groups of refugees and displaced persons. All major international organizations dealing with refugees have now been actively working on this problem in Yugoslavia for years, and among a large number of NGOs and associations specialising in this problem there are several that were founded by or that employ refugees and internally displaced persons. However, these organisations providing assistance to refugees and the displaced make different evaluations of the quality and efficiency of mutual cooperation, which in itself indicates that there is a problem in that area. On the basis of opinions that have been stated, it seems that the key problem lies in insufficient coordination between different institutions and organizations and in particular in the absence of a centralized system of acquisition and distribution of information. The problem of inaccurate information on property, legal status, health care, etc., is relevant for refugees and displaced persons in general, and is even greater when planning measures for poverty reduction, particularly when it comes to planning and implementation of special measures.

Social capital as a special resource represented by the number of social networks and the strength of personal ties is closely related to household economic production. Poor refugees as a rule are in an unfavourable position in this respect: their access to social institutions and organizations is poor, their circle of friends is small, and many of them have broken family ties. They get little information and few services that could improve their status in life.

Relevant to social capital is also the **system of values and opinions** that prevails among refugees and in the local community and which to a large extent influences their degree of

integration in the local community. As far as this is concerned, it could be said that the attitude of the local population towards the refugees is positive, with the exception of Vojvodina¹¹⁴. The positive attitude of the local population towards refugees is often expressed through solidarity; however, to achieve better integration it is necessary to convert that solidarity into efficient actions, and for that it is necessary to coordinate the activities of government institutions and international organisations and NGOs. It should be borne in mind that with constraints on economic resources, the local community could represent a potential source of funds for the implementation of certain actions.

As far as **human capital**, i.e. knowledge, skills, and abilities, is concerned, the refugees are relatively well educated, which certainly represents an advantage in the labour market. On the other hand, the majority of them have undergone traumatic experiences due to the violent interruption of their former existence with abrupt economic, emotional, and other losses. Many of them have fallen into a state of apathy and value disorientation, which fundamentally affects their ability to work and adapt. The problem of human capital is even greater among internally displaced persons because their level of education is low, i.e. similar to the level of education of the local population. This indicates the need for a differentiated approach to refugees and internally displaced persons with regard to the strengthening of their human capacities.

1.2. Goals

In formulating the poverty reduction strategy there are two main goals: reduction of the level of poverty and the poverty gap, and the shortening the average length of time an individual remains in poverty. Poor refugees and internally displaced persons are intensely exposed to the risk of long-term poverty and being trapped in a cycle of inter-generational reproduction of poverty related to it. The development of a culture of passivity and poverty plays a particular role in the initiation of this cycle and due attention should be paid to its prevention when formulating the programme for poverty reduction. Therefore, in order to achieve the above mentioned goals, the actions must also be focused, apart from providing a minimum of social production, on the motivation of individuals, households or communities to become economically independent. The problem of motivation is also related to two non-economic factors. One includes individual values and motivation for economic independence. Here, we should once again stress the problem of post-traumatic apathy. The other non-economic factor which very much affects the motivation of poor refugees and internally displaced persons in the labour market is the weakening of social capital, i.e. the breaking of social ties and difficulties in establishing new ones in the environments in which they now live.

¹¹⁴ In Vojvodina the ethnic minorities are afraid of the changes in the ethnic structure, and the old animosity of the original inhabitants towards the 'newcomers' is also present. And yet, the refugees in Vojvodina particularly relied on the concentration of 'colonists' in certain settlements.

1.3. Strategic Options, Measures, and Activities

In line with leading UN principles on internally displaced persons, the Convention on the Status of Refugees and the accompanying Protocol, the wider social community and in particular Government institutions bear responsibility for assistance to refugees and internally displaced persons. However, if the programmes of assistance treat such persons only as passive beneficiaries, the burden of responsibility of the state will only grow in time, and the problem will not be qualitatively resolved. Moreover, the majority of refugees and displaced persons and their households even under their new circumstances act as economic and social participants who attempt to formulate an optimal strategy using various resources to improve their economic position. While some realistically cannot succeed in escaping from dependence on support and transfers (e.g., elderly households), it is the case that for some others organized assistance from the community represents just one of the available resources. A thought-out strategy for dealing with the problem of refugees and internally displaced persons must take account of the following:

- a) How to maximize the efficiency of programmes enabling and encouraging economic independence and social integration, and
- b) How to avoid abuse of resources in social welfare programmes.

The problem of poverty among refugees and internally displaced persons should be solved in three ways:

- The overall effects of economic growth will also have an impact on this group. However, it should once again be stressed that due to poor integration and poor motivation, the poor among the refugees are less able to benefit from economic progress.
- A special strategy for assistance to refugees and internally displaced persons. As it is planned, the National Strategy is targeted to the restoration of the overall resources of such persons and would thereby to a considerable extent contribute to the reduction of poverty among them. The two main courses of action, return and integration, represent a good framework for economic recovery for a considerable number of the vulnerable.. However, in order to ensure that the two policies exclude each other and thus to achieve better overall targeting, it is necessary to completely update the information system on the targeted group.
- Special programmes, as already stated, should define the actions that would encourage the economic independence of those who are expected to remain socially dependent even after the implementation of the National Strategy.

It is estimated that at the start of 2004 there will be around 8,500 refugees placed in collective centres in Serbia. The yearly cost of placement for one person is around USD 1000, while taking action to resolve refugees' status would require a one-off cost of USD 3,000 per person. That means that the budget required for a three-year placement of refugees in collective centres (USD 25 million) would be sufficient for the permanent resolution of this problem (construction of housing units, employment programme, one-off financial assistance, and conversion of collective centres into homes for the elderly). This would enable a yearly saving in the Republic's budget of USD 8,500.

The poverty reduction strategy for refugees and internally displaced persons should be developed according to the following strategic options:

The first strategic option is aimed at the recognition of basic human rights. The measures defined within this option include removing certain obstacles that could impede the effectiveness of the general poverty reduction measures due to the unresolved legal status of refugees and administrative problems in providing the relevant documents by refugees and internally displaced persons, in particular:

- Conducting a new census of refugees and internally displaced persons, which would include more information about these two groups and serve as an improved basis for directing the programmes and monitoring their implementation;
- Facilitating the procedures for issuance of personal documents to refugees and internally displaced persons (ID cards, birth certificates, certificates of residence, citizenship certificates, and the like). To accomplish this, it will be necessary to conclude inter-governmental agreements on cooperation among municipal administrations (for refugees), and to adopt an ordinance allowing internally displaced persons to obtain their documents by mail. The information about procedures for obtaining the documents would be provided by the municipalities of their current residence;
- Issuance of new documents (or copies thereof) to persons who are left without them; for this purpose, an ordinance should be adopted regulating the procedure for issuance of new employment record books, ID cards, passports and other documents;
- Facilitating the procedures for issuing residence certificates to internally displaced persons; for this purpose, it is necessary to issue and distribute a letter to the relevant offices of the Ministry of Internal Affairs ordering more efficient issuance of these certificates; persons who live in unofficial collective centres should be permitted to register at the address of the relevant institution (e.g. a local office of the Commissariat for Refugees of the Republic of Serbia);
- Facilitating procedures for obtaining citizenship by refugees (more expeditious procedures and exemption of refugees from the citizenship registration fee);
- Establishing preconditions, through inter-country agreements, for facilitating repatriation procedures, for those who take this option;

- Introducing mandatory medical record cards for refugees and internally displaced persons at primary health care institutions in the places of their current residence; for this purpose, an ordinance applicable to refugees should be adopted, while the Ministry of Health should be approached with a request to be more efficient in providing the cards for internally displaced persons.

The second strategic option would involve several different sets of measures depending on the type of resource targeted:

- Provision of housing resources and closing down of collective centres represents an essential prerequisite (together with acquiring equal legal status and inclusion in the labour market) for the social integration of refugees and internally displaced persons. Low quality collective accommodation intensifies social isolation, makes access to information, to the labour market, and to various social institutions more difficult, and significantly contributes to the development and maintenance of a culture of poverty and inertness. Refugees and internally displaced persons who are accommodated in rented flats are in a somewhat better position, because this opens up more scope for the development of social networks and possible access to necessary information, but it places a considerable burden on the fragile economic subsistence of a family.
 - Accommodation within the social housing programme is intended for those who do not own a flat, whose property was destroyed and who live below the poverty line.
 - Subsidies for self-help housing and assistance for construction works which have already been initiated are intended for those who do not own a flat, who cannot dispose of their property in the country of origin, and who are below the poverty line.
 - Accommodation in social institutions is intended for internally displaced persons aged 65 or over, and refugees aged 60 plus who are not in need of another person's care and assistance, provided that their living standard is below the poverty line and that they are placed in collective centres or live as tenants.
 - Accommodation in health institutions is intended for persons with disabilities, the seriously chronically ill and mentally challenged persons from the collective centres, as well as for mentally challenged members of poor families.

The above programmes draw on the programmes planned by the National Strategy on Solving the Problems of Refugees and Internally Displaced Persons.

- The measures focused on asserting rights over existing property in the places of origin. Not only the return of refugees and internally displaced persons to their place of origin, but also the possibility of their more successful integration, which would be facilitated by the use once again of resources which had been abandoned, depends to a large extent on the degree of implementation of these measures. In this area, the Poverty Reduction Strategy Paper can only rely on international and inter-governmental agreements and diplomatic efforts of the Government of Serbia and Montenegro, and the Government of Serbia.

- The measures focused on employment, targeting primarily able-bodied individuals who come from highly vulnerable households (e.g. single-parent families, families with no employed members, and the like). Engagement of refugees and internally displaced persons in the implementation of poverty reduction programmes for these two groups could be introduced as special employment measure. The measures below are envisaged for the labour market:
 - subsidizing part of labour costs as an incentive to companies to employ refugees and internally displaced persons.
 - Individual and collective self-employment, on the basis of interest-free loans with favourable repayment terms.
 - Subsidized the purchase of years of service for refugees who need less than three years to fulfil the retirement eligibility criteria.
 - Employing semi-skilled or unskilled refugees and IDPs on construction works.
 - Enabling employment in the agricultural sector, by allocating arable land for permanent utilization or ownership and credits on favourable terms for mechanization and raw materials.
 - Providing severance packages to surplus workers employed in state-owned enterprises or administrations of Kosovo municipalities and their redirection to other labour market programmes.

The third strategic option should include programmes for the development of socio-cultural resources and human capital. In addition to basic educational programmes, this should include: the provision of information to refugees and internally displaced persons, raising their motivation, promotion of activism and the abandonment of passive attitudes of reliance on various forms of social assistance, education focused on the abandonment of some traditional values (particularly those regarding the employment of women), encouragement of mobility that would facilitate employment, and the like.

These programmes should also target the local population, i.e. stimulate solidarity and discourage discrimination towards refugees and internally displaced persons among them in order to encourage efficient integration. A significant role in the planning and implementation of such programmes would be played by the NGOs that already have developed networks, methodologies of work in the field, and built up relationships of mutual confidence with refugees and internally displaced persons. The training and education programmes should include the following:

- Additional training and re-training of unemployed and poor refugees, in keeping with the needs of the labour market;
- Mandatory pre-school education for the children of internally displaced persons in the form of a one-year preparatory programme for primary school (5 days a week, 5 hours a day);

- Scholarships for secondary school and university students from poor refugee and IDP households.

The fourth strategic option should be focused on a precise definition of target categories for social transfers. When formulating these measures, it is necessary to target accurately adequate types of transfers towards the beneficiaries, but at the same time also prevent possible abuses that would lead to the waste of resources and reduced efficiency in the targeting of various forms of material support. The main programmes within this option are as follows:

- "Material Support to Families" (MOP) for internally displaced persons and direct cash assistance for refugee households that qualify for MOP;
- Child allowance for children aged 0-14, for households of internally displaced persons and refugees who meet the requirements for child allowance;
- Carer's allowance for poor internally displaced persons and refugees who are in need of such assistance;
- Compensation of costs incurred in relation to orthopaedic and other aids for the relevant groups of persons with disabilities internally displaced persons and refugees.

To ensure that the precisely defined programmes and measures generate appropriate effects in the circumstances of the poverty of refugees and internally displaced persons with its multiple causes, it is necessary to set priorities among the planned measures. The goal is not only to deal with the major poverty hot spots among this population in the short term, but also to bring both individuals and families as fast as possible into the economic mainstream. In this respect, first and foremost, conditions should be created to make it possible for refugees and internally displaced persons to apply for all programmes on equal terms with the rest of the population. This means that the measures under the first strategic course of action are of the top priority, along with improved coordination among the programmes and unhindered flow of information. The next in priority are the programmes related to labour markets, through which a great number of people will be able to find jobs in a not very complicated way (subsidized employment, employment in the agricultural sector and public works), training and educational programmes, as well as housing and accommodation programmes enabling faster phasing out of collective centres (welfare housing, accommodation in nursing homes and medical institutions). Bringing these priorities to the forefront does not mean that MOP will be pushed to the margins. On the contrary, it is assumed that once the planned measures are effectively in place MOP will be relieved of a considerable burden.

In those municipalities and regions with a notable concentration of poor refugees and internally displaced persons, special action plans should be drawn up in order to better harmonize the planned programmes and achieve more efficient targeting.

1.4. Institutional - Administrative Framework

The institutional and administrative policies for the implementation of the measures and programmes of poverty reduction among refugees and internally displaced persons, as well as their monitoring, should bring together three groups of actors: the Republican Government (as the proponent of the Strategy), the local authorities, and relevant NGOs.

As far as the level of action is concerned, in view of the nature of the problems and resources, it seems that strategic planning as well as acquisition and channelling of information should be centralized, i.e. placed within the competence of the Government (the Commissariat for Refugees) in cooperation with certain international organizations and NGOs. For this purpose, it is necessary that a law be passed amending the mandate of the Commissariat so as to include responsibility for solving the problems of internally displaced persons, as for refugees. Better communication and exchange of information between the Commissariat and the line ministries is also necessary. Formulation and implementation of concrete programmes should be left to the institutions and NGOs and associations at the local level, while the local Commissioners of the Commissar for Refugees would be responsible for coordination and monitoring. In that respect the Commissioner must be answerable to the Commissariat, and not to the local administration. The funds could come from various sources (the budget, international organizations, local community, private sector). NGOs should play an important role in the implementation and monitoring of assistance programmes for poor refugees and internally displaced persons (the roles of the Commissariat and NGOs would be complementary in this respect). To enable monitoring to be carried out effectively, training programmes should be organised for NGO activists.

Most of the programmes proposed within the PRSP build on policies that have already been defined in the National Strategy on Solving the Problems of Refugees and Internally Displaced Persons. The obstacle, however, to closer interaction of the two strategies lies in the fact that the implementation of the programmes set out in the National Strategy has been limited, and the fact that the extent to which internally displaced persons are covered by these programmes has not been expressly specified. Nevertheless, in the course of their implementation the two strategies will have to be coordinated so as to ensure that once the programmes under the PRSP are completed they can relieve the relevant programmes envisaged under the National Strategy, and vice versa, once the conditions are met for the implementation of certain programmes under the National Strategy, they will as a priority include poor refugees and internally displaced persons, and thus relieve the burden of the respective programmes set out under the PRSP.

1.5. Necessary Financial and Other Resources

PRSP programmes will be partly financed from the Republican budget, and partly from loans, donations, and similar funds. Detailed cost assessments by programme and number of potential beneficiaries are given in a separate chapter.

The institutional and organisational network is well developed, but is poorly coordinated. It is necessary to improve communication between all the actors. For more efficient

development and implementation of the programmes at the local level it would be appropriate to establish coordinating bodies comprising representatives of the Commissariat, local self-government, international organizations, and NGOs.

1.6. Indicators and Monitoring

In the course of monitoring the implementation of programmes outlined by the PRSP, key actors, methods and indicators should be defined. The nature of existing data sources and regular statistical procedures for data collection, as well as fragmentariness, lack of uniformity, absence of IT inter-linkage between data bases and monitoring procedures of various international and local NGOs call for significant interventions in this area. As stated above, better methods of data collection as well as the interconnection of different data bases are essential not only for monitoring of strategy implementation, but also for better targeting of individual groups and beneficiaries of specific programmes. Relevant local institutions should be entrusted with the monitoring of most relevant indicators of poverty among refugees and internally displaced persons. Therefore, in data collection conducted by statistics offices, line ministries and other relevant bodies, the instruments should be sensitised to distinguish between members of these two specific population groups.

Monitoring should include indicators of the number and type of programmes that have been launched; investments (in the broad sense of the word) according to the source and type of programme; the implementation process (regular reports to the organisation through which programmes are implemented); and programme impact according to reports (of institutions in charge) and general and specific indicators. The general indicators mean all relevant indicators specified in Chapter 7 of the strategy, showing changes in the status of poverty among refugees and internally displaced persons according to the same dimensions as those applied to the non-refugee/IDP population. The specific indicators relate to the specific dimensions of poverty in the said groups, i.e. to the implementation of the programmes targeting refugees and internally displaced persons under the PRSP. The key specific indicators include:

- The number of refugees who have returned to the countries of their origin;
- The number of internally displaced persons who have returned to Kosovo;
- The number of refugees who are entered in the register of citizens of Serbia and Montenegro;
- The number of internally displaced persons who have registered their new place of residence in Serbia;
- The number of internally displaced persons from the unofficial collective centres who have registered their place of residence in Serbia;
- The number of registered or unregistered collective centres that have been closed down;

- The number of social housing units that have been constructed in which refugees and internally displaced persons are accommodated;
- The number of loans granted for self-help housing or completion of construction works;
- The number of completed buildings for which loans were granted under the programme of self-help housing and programmes for completion of initiated construction works;
- The number of refugees and internally displaced persons placed in social institutions;
- The number of refugees and internally displaced persons accommodated in health care institutions;
- The number and employment status of refugees and internally displaced persons hired through the labour market programmes envisaged under the PRSP;
- The number of internally displaced persons who retired under the programmes of subsidized buy-off of years of service;
- The number of refugee and IDP households that were allotted arable land under the programme of employment in agricultural sector;
- The type and volume of production of these households;
- The number of internally displaced persons who received severance pay under the programme of employing redundant workers from state-owned enterprises in Kosovo and redundant civil servants from Kosovo municipalities;
- The number of beneficiaries of MOP and direct monetary transfers;
- The number of households receiving child allowance;
- The number of persons involved in the programmes of additional training and re-training;
- The number of refugees and internally displaced persons covered by these programmes who found jobs;
- The number of high-school scholarships;
- The number of university scholarships;
- The number of children of refugees and internally displaced persons covered by the programme of mandatory pre-school education.

A comprehensive picture of the effects of the PRSP on poverty among refugees and internally displaced persons should be presented in annual reports of the Commissariat, while close monitoring and independent reporting on PRSP implementation by the relevant NGOs is also encouraged.

2. Poverty Reduction among Children

2.1. Background

In the analysis of poverty among children it is necessary to understand that different measures of government policy (economic policy, fiscal policy, pricing policy, the transitional model, etc.) affect the population of different ages in different ways, and consequently, they affect children as well. It is even more important that, when developing various components of government policy, one should bear in mind that certain measures undertaken by the government affect different parts of the population of children in different ways. This is also valid for the analysis of poverty among children and it is also important for any poverty reduction strategy.

The struggle against poverty among children and youth is of a particular importance for a long-term poverty reduction strategy because only in this way is it possible to avoid trans-generational transmission of poverty and to break out of the vicious circle of poverty among some parts of the population.

The main problems in working out the strategy of poverty reduction among children emanate precisely from the fact that elimination of poverty among children is a long-term process.

2.2. Indicators of Poverty among Children and Families with Children

The manifestations of poverty among children are numerous and versatile and have a deleterious effect on the development of children and their chances for full inclusion in community life:

- **Under five mortality rate** – particularly among some parts of the population and in some regions of the country.
- **Low birth - weight** - which also includes numerous negative effects of ante-natal malnutrition, possible toxicity, etc.
- **Undernourishment** during childhood
- **Frequent illnesses**, chronic diseases and specific structure of diseases (higher incidence of diseases that are easier to control and more efficiently treated)
- **Problems in physical development** – stunted growth, deformities, consequences of chronic diseases
- **Certain problems in mental development** – higher incidence of mental retardation, more frequent physical infirmity and developmental disorders
- Certain forms of **socio-cultural disadvantages** – mental pseudo-retardation, language difficulties, etc.

- **Problems in education** – failure to enrol in school or late enrolment, early school drop-out, high repetition rate, school underachievement, completion of schooling without acquiring knowledge, far lesser access to secondary and higher education
- Certain forms of **socially deviant behaviour** – higher incidence of anti-social behaviour, juvenile delinquency, etc..

The above mentioned indicators of poverty sometimes appear as isolated factors but more commonly they appear in **combination** (i.e. as a complex poverty syndrome) and/or **cumulatively** over time whereby the early manifestations of poverty produce later ones and thus result in the continuation of the “vicious circle of poverty”, because the combined and cumulative manifestations of poverty thwart social integration and social promotion of the young generation and thus poverty continues into the next generation.

For understanding the nature of poverty among children and for defining the poverty reduction policies and strategies it is important to understand the **diversity of poverty manifestations** because the strategies for poverty reduction will have a different focus for different poverty needs (for example, in our country the problem of malnutrition of children can be solved in one way and prevention of the failure at school in another).

Particularly Vulnerable Categories of Children

The above manifestations of poverty among children appear more frequently among certain special categories of children, i.e. among children from certain types of families and from certain social groups.

According to the data obtained in the Survey on the Living Standards of the Population, poverty has hit children hardest, particularly those aged 7-14 (12.71% of the poor) and children aged 15-18 (10.72%), mostly in multi-family households (16.05% of the poor) and in families where parents are unemployed (21.34%).

However, it is noteworthy that due to the structure of the sample covered by the Survey and due to insufficient disaggregation of the data, poverty amongst some categories of children (Roma, single mothers, refugees, etc.) is probably masked. The nature of the Survey is such that the problems of children's poverty are not sufficiently visible.

In order to understand the nature of poverty and differentiated measures for poverty reduction, it is important to bear in mind that some of the above mentioned manifestations of poverty are more often related to some of the specified categories of children. So, for example, the manifestations of socio-cultural disadvantages will be more frequent in the category of rural poor people, chronic diseases more frequent in the urban slums in which the ethnic group of Roma lives, the problems of undernourishment among the poor refugees, etc.

2.3. The Nature of Poverty among Children

The description of different manifestations of poverty among children and enumeration of the categories of children that are particularly vulnerable inevitably leads us to the definition of different categories of poverty among children.

Low income (low family income earnings or low income earnings per unit of consumption in a family, particularly those that are below some of the precisely defined poverty lines) is, naturally, the basic defining variable of poverty in general, and therefore, among children as well. But it is here also possible to differentiate **financial** poverty from a wider **economic** poverty. For the purposes of understanding the effects of poverty on children's development, this economic definition of poverty is necessary but not sufficient.

Lack of access to social services (health care services, social protection, education, culture for children) is a separate form of poverty. Namely, many categories of children do not have access to the the above-mentioned social services for various reasons (geographic unavailability, social marginalization, lack of information on the rights/entitlements, lack of parental awareness on its importance, payment of participation fees, families that are not entitled to some of those services, acceptance of the situation of poverty, etc.).

Thus, for instance, pre-school institutions are inaccessible for children under the age of 3 because of their physical distance from these institutions, which on average are 6.4 km in East Serbia, 5.3 km in West Serbia and 4.9 km in Central Serbia. The same applies to ages from 4 to 6: the average distance from a pre-school institution is 6.3 km in East Serbia, 5.8 km in West Serbia and 4.2 km in Central Serbia.

The coverage of children with pre-school education is very small: 11.8% of children under 3 years of age and 44.4% of children aged 4-6.

Children's participation in cultural, additional educational and sporting programs is extremely low (8.8% at the age of 4-6 and 10.6% at the age of 7-14).

In addition, the number of poor in rural areas is 25.0% and indicators on accessibility of these social services are even less favourable.

However, it is not just about the mere unavailability of these services. Significant aspects of this form of poverty are the **low quality of those services** to the poor (what is available to the poor is a small range of the lowest quality of these services), the **matching of the services with the characteristics and needs of participants** (this applies to all services, particularly for education and culture, and particularly to children in marginalized groups, such as rural children, children from certain national, ethnic, and cultural groups that live in poverty), and **efficiency of service provision** (in other words, it is not only about whether there is a possibility of medical treatment but also whether that treatment is efficient; not only whether the children that are poor are covered by some form of education but also whether they have learnt something).

This form of poverty is particularly important for the analysis of poverty among children because it has **great negative developmental effects**, which are the main mechanism of trans-generational transmission of poverty.

Poverty of individuals vs. poverty of the environment. The definition of poverty on the basis of family income or per capita is insufficient when we talk about the poverty of children in development. Theoretically and empirically, it is possible to find numerous situations when such income can be somewhat above the defined poverty line and yet the **poverty of the environment** (of the family environment, rural/urban dwelling, local community, region) can be so great as to produce all the negative effects of poverty in the development of children. When we speak about the poverty of environment, we then also bear in mind the poverty of the physical environment (in unsanitary settlements, overcrowded urban neighbourhoods), absence of utilities, lack of roads and communications (which causes social exclusion), absence of the above social services. However, here we should particularly point out **poverty of the cultural environment**, i.e. absence of the socio-cultural infrastructure (lack of pre-school institutions, educational and cultural institutions and programs, media, institutions for recreation and holidays, etc.). Such poverty of the environment can be hazardous both for physical development and it is particularly critical for mental development and it can contribute to underachievement and school failure which impedes the breaking out of the circle of poverty. Here we should picture traditional Roma settlements, a collective centre for refugees, a city slum, some illegal outlying housing developments or a poor isolated village in a mountainous region, in order to get a clear picture of the impact of a discouraging environment for development.

There are no accurate data on these categories of poor communities and the above general data on inaccessibility of various educational and cultural institutions for children indicate that a large number of communities have very unfavourable environments for child development

The significance of the above forms of poverty (unavailability of social services and poverty of the environment) among children is so great that the strategies consisting of rendering assistance to individuals (and even families) cannot be efficient in solving poverty and its effects on children if they are not supplemented by poverty reduction strategies in the local community, rural/urban settlements.

Generally speaking, different forms of poverty require different strategies for poverty reduction (temporary and occasional poverty as opposed to the lasting poverty, "new" as opposed to "old", rural as opposed to urban, financial as opposed to a wider economic, poverty with regard to income earnings as opposed to poverty of social services, individual as opposed to poverty of the environment, etc.).

2.4. General Approach and Strategic Options in Poverty Reduction Among Children

The general objectives of the Poverty Reduction Strategy from children's viewpoint are:

- to assist individual poor children and families; and
- to prevent the effects of poverty by interventions in those communities that, due to poverty, generate poverty transmission across generations

The nature of poverty among children determines the overall approach to solving the problem of poverty. Here we shall tackle first of the following approaches:

Long-term prospects (the main strategies must be long-term ones because we are faced with a phenomenon which affects the entire cycle of children's development).

Perspective of human and children's rights. This approach stems from a number of important international documents including the General Declaration on Human Rights, the International Covenant on Economic, Social and Cultural Rights, the Millennium Development Goals of the UN, the World Fit for Children (decisions of the UN General Assembly's special session) and, in particular, the UN Convention on the Rights of the Child. The approach from the viewpoint of human rights has several meanings:

- through the above international documents, the international community has opted for the elimination of poverty (as had been done with slavery and colonialism) because it threatens all human rights;
- the above international documents define a kind of international standard and value system in the treatment of human beings that serve as a normative orientation for actions;
- the human rights perspective in the treatment of poverty is the basis for international co-operation in poverty eradication;
- human rights perspective means that the poor (including poor children) are treated as equal human beings and must be empowered to participate themselves in poverty eradication (rather than as mere recipients of other people's aid) because that is the only way to ensure sustainability of anti-poverty measures;
- human rights perspective means that children, regardless of their social status, must be granted special rights, in view of their psycho-physical development;
- from the aspect of exercising the rights, it is necessary to foresee a special definition of a child so that various legal eligibility criteria for certain rights and responsibilities would not leave room for arbitrary interpretation and abuse.

Strategies for reduction of poverty among children necessarily stem from the nature of that poverty and from the above-mentioned general approaches.

In order to confront various forms of poverty and its particular nature, the following appropriate strategies are to be applied:

Assistance to individual families and individual categories of children that are below the poverty line

The data on these categories of families and children are available for some sectors (health care, education and social protection) and various assistance measures intended for these categories of families and children are included in the sectoral chapters of this document. It should be underlined here that records on these categories must be updated and measures must be applied also to the "new" categories of poverty, especially families of workers rendered jobless in the period of transition.

Improvement of accessibility, quality and efficiency of social services for children

These strategies are also elaborated in the sectoral chapters of this document and mostly concern the reforms of these sectors (reform of the health care and social protection sector, educational reform). From the viewpoint of poverty-stricken children, it must be pointed out that reforms alone will not resolve specific problems of these children in each sector and that specific measures targeting poor children are required. (By its nature, e.g., the global program Education for All, for which a specific National Action Plan has to be developed, is such a measure).

Systemic, long-term, preventive and development strategy

This is the only strategy that is in full agreement with the nature of poverty affecting children.

It has the following characteristics:

- it is a long-term Strategy
- it is oriented towards reducing poverty in the environments that generate transmission of poverty across generations
- it is multi-sectoral (includes the minimal improvement of communal infrastructure, environmental protection measures, health care and health education, provision of minimum conditions for educational, cultural, recreational and sports programs, various incentive programs especially at pre-school age, preparation of young people for first employment, etc.)
- it deals with causes rather the consequences of poverty, with the view to eradicating them
- it is based on active participation of the local community, family and children themselves

This strategy can be implemented through implementation of the following:

Institutional policies

The existing Council for the Rights of the Child of the Government of Serbia needs to be strengthened in order to be able to accomplish the roles defined for it (to review all Government measures from the viewpoint of their consequences for children, particularly in connection with poverty generation and to draft a National Action Plan for children to help meet the standards in the basic international documents on the position of the child).

Development of the map of poor areas in Serbia unfavourable for child development, generating poverty and leading to social exclusion

This map will serve as the information base for all poverty reduction activities in Serbia.

Development of the National Plan of Priority Action Areas for Poverty Reduction in Serbia

Based on the Map of Poverty Areas, this plan would be used for initiating poverty reduction measures in Serbia and for mobilising national, local and private resources with the view to eradicating poverty in the poorest areas in Serbia. Operationalized projects for particular Priority Action Areas would be financed from domestic and foreign resources.

Pilot projects for Priority Action Areas

Pilot projects in the first year of implementation would include:

- two already-existing Roma Development Centres in South Serbia that need to be made sustainable;
- two localities in poor rural areas that have the potential for revitalisation and where the existing local school would be transformed into a communal rural development centre;
- two localities in poor suburban settlements that do not have any infrastructure to encourage child development (absence of pre-school institutions and programs, absence of conditions for additional assistance to children in school learning, absence of educational, cultural and sports institutions and programs).

3. Poverty reduction among youth

Serbia has 1,512,646 young people, aged between 15 and 29¹¹⁵.

Young people are often declared to be the future of this country, but the actual possibilities and mechanisms for young people to truly become drivers of change and active actors in the society's development are still scarce. One of the reasons is that issues and problems relating to young people are often treated in relation to policies for children. The notion of the young, however, postulates a stage in the life cycle that has specific features deserving special attention. Another problem is that young people are mostly treated as a uniform category, whereby they are defined as a collective body, with insufficient space for manifestation and appreciation of their diverse needs and potential.

Indicators of poverty of young people

- *In the course of the 1990's, 250,000 young people, mostly university graduates, left the country (Educational Forum/UNESCO 2002). 17.9% young people are planning to leave the country, and another 31.5% would like to leave the country if they had the opportunity. The main reasons for which young people would leave the country: low standard of living, no prospects for the future, security reasons.*
- *54% of young people wish to live in big cities, believing that they provide better chances for life than small communities.*
- *72.3% of young people are still living with their parents and only 11.5% of the young aged from 15-25 live independently. 44.2% assess their current standard of living as average, but generally speaking, young people are optimistic and expect a better future.*
- *Around 80% of the young are dissatisfied with the quality and choice of educational opportunities. The rate of secondary school enrolment of young people is around 75%.*
- *31.8% of students believe that they never get their teachers' support and 24.8% believe that teachers are not willing to support them.*
- *Young people aged 19-25 account for 23.9% in the structure of the unemployed, 33.6% of them are unskilled.*
- *39% of young people expect to be consulted and to decide on how to spend their leisure time; 20% believe that they should be more involved in decision making at school.*
- *A significant percentage of young people, 60.7%, spend their leisure time with their friends, 39.6% listening to music and 38.8% watching TV. 10.9% is very satisfied with the ways in which they spend their leisure time, 55.9% are satisfied and 28.5% are dissatisfied.*
- *Over 90% of young people state that they have tried various kinds of drugs once, and 11.1% state that they consumed marijuana more than three times.*

¹¹⁵

- Children are persons younger than 18 years of age;
- Adolescents are persons aged from 10 to 19 (including early, middle and late adolescence);
- Young people are the group aged 10 to 24;

It is also noteworthy that due to mass poverty, high unemployment rate among young people, late marriages, as well as the influence of the broader community, young people in our country undergo the stages of change later in their lives and thus "stay young longer". The term "young", therefore, where relevant, includes the population aged up to 30 - Brave New Generation, The Young in the FRY, UNICEF 2002

- 34.5% of young people aged 15–25 smoke regularly and 18.5% smoke sometimes.
- Among sexually active persons aged 15-19, 43% of girls and 20% of boys never use any protection, and 51% of sexually active university students do not use condoms regularly.
- 40% of young women aged from 15-24 report that they have been pregnant at least once, among them one in five had one or more abortions and only 40% of young women have ever visited a gynaecologist.
- One in four young people say that they do not have the right information about HIV and AIDS.¹¹⁶

3.1. Problems and constraints

With respect to poverty amongst young people, in addition to the economic aspects and the situation nationwide, it is necessary to also mention the inadequacy, low quality and absence of respective services to deal with young people. The poverty of the cultural and social environment leaves little space to young people to express and often even to recognise their own needs, affinities, strengths and weaknesses.

The results of research undertaken in 2002 by Catholic Relief Services in a number of towns in Serbia indicated that there are no bodies at the municipal level that deal with youth issues. Issues of the youth are handled by the social services or *ad hoc* drug-prevention actions. Youth problems are treated from a narrow viewpoint only, and the measures proposed and implemented are restrictive and result in prohibitions and shortened working hours for cafes, etc. There are a number of NGOs in these towns but not many of them focus on young people.

Not even the somewhat more open civil sector in Serbia deals sufficiently with youth issues nor provides adequate opportunities for young people to be involved in the creation of programs, activities and decision making processes. According to the data of the NGO Policy Group, only 5.6% of non-governmental institutions in Serbia include young people in their programs and activities. The activities that are implemented are oriented at educational programs such as courses and to a lesser extent exchanges of young people primarily with the countries in the region.

Research has shown that there are considerable differences in the perception of youth problems from the perspective of parents, young people and secondary school students. Young people believe that their main problem is the lack of conditions and space for quality organisation of activities and spending leisure time, whereas parents and teachers believe that drugs are the main problem. Young people see the solution in the establishment of youth centres whose space and contents would be adjusted to meeting their needs. All three groups envisage progress only in the partnership of various actors. Interestingly, all three groups consider the role of an external facilitator or neutral partner beneficial. It is encouraging that young people see their own group as the one that should assume the leadership role.

¹¹⁶ Sources: Brave New Generations – The Young in the FRY, UNICEF 2002; Youth research / PRONI

Over the past decade young generations in Serbia grew up at the margins of society, isolated from the rest of the region and from Europe, as did the entire country. For most of those who are young today the time of childhood and growing up was marked by feelings of insecurity and powerlessness. The present experiences of the young are considerably different from the experiences of their parents and adults who grew up in different times.

Society cannot develop if young people are marginalized. Their participation at all levels of decision-making and activity is of crucial importance for the initiation of changes and further development.

In recent years, the European Union has urged that the development of national youth policies support the participation of young people in the society. Youth participation can be defined as participation and influence in processes, decisions and activities, especially those directly concerning them. This implies assuming an active role in the family, school, health services, social life and the authorities.

3.2. Strategic options

- It is necessary to define a uniform approach to young people at the state level, but also to define regional, local strategies of development that will elaborate national policies and strategies and be based on specific conditions, needs and developmental objectives;
- The youth poverty reduction strategy must be treated as a long-term and developmental process;
- The main strategic orientation in combating youth poverty must be based on the perspective of children's and human rights;
- Youth poverty reduction must be undertaken through accessibility, quality and efficiency of social activities and services intended for young people: health care, education, social welfare;
- Youth poverty reduction must be addressed through the enrichment of the social and cultural environment.
- Youth poverty reduction must be addressed through the involvement and participation of young people in the decision-making system, at both local and national level.

3.3 Operational objectives, policies and activities

Objectives	Policies and activities
Preparation of the National Strategy for Youth	The Ministry of Education and Sports of the Republic of Serbia initiated in 2003 preparation of the National Strategy for Youth. The Strategy defines activities on the national and local level answering to the priority needs of youth. This process will include all interested stakeholders on the national and local level, primarily young people
Elaboration of local development strategies	Elaborate development strategies on the local level, in line with the National Strategy, while taking into account local community specificities and priority needs of youth. Local strategies must support the holistic approach towards young people and result from the joint work of all relevant actors and service providers: educational and health care institutions, NGOs, experts and above all, the youth. In order to ensure applicability of such strategies, they must be based on the participatory research on the needs of youth, while local teams must undergo certain trainings. Once they are adopted, local plans and strategies must be evaluated and permanently improved in accordance with the social changes and needs of youth.
Creating social and cultural environment in keeping with the needs of youth	Support and development of the new social and cultural forms that would lead to the enrichment of activities and environment. Encouragement and capacity building of young people to help them become active initiators of changes. Assist NGOs that support the youth and include them in their activities. Initiate and support the projects of cultural institutions that satisfy the needs of youth. Support and initiate the establishment of youth centers that would cherish different kind of activities for and with young people. Such centers would offer the opportunity to the young people to take the creative role and role of service providers and to be included in the decision-making and evaluation process. Such centers can promote different “youth for youth” programs.
Participation of youth in the decision-making systems	Open the space for participation of youth at all decision-making levels: local, regional and national. Also, develop mechanisms for the inclusion of youth in all the relevant institutions: schools, health care and cultural institutions, etc.
Raising accessibility, quality and efficiency of services for youth	<p>Health services: Initiate and support establishment of youth counseling centers that would foster holistic approach and be open for all relevant issues that can improve the quality of living of youth. Organize services and programmes for the realization of “youth for youth” programmes Open the doors of counselings centers to adults and parents. Organize actions promoting responsible behaviour and healthy lifestyles.</p> <p>Schools: Make room for the inclusion of youth in the decision-making system and build partnership relations between pupils, teachers and parents. Organize cultural, educational and sports events at schools Modernize extracurricular activities in line with the interests of youth.</p> <p>Social protection services: Create programmes based on the more humane approach for the youth in residential institutions. Create programmes for resocialization of risky groups and include the youth in the creation and implementation of these programmes.</p>

4. Poverty Reduction among Persons with disabilities

4.1. Current Status

Poverty is one of the relevant features of the life of persons with disabilities. This is clearly indicated by the following data: ¹¹⁷

Incomes of families whose members are persons with disabilities are very low and they can be justifiably considered to be disproportionately below the poverty line. According to the 2001 surveys, over 70% of persons with disabilities had a particularly low income and, according to the current criteria, they would be ranked among the poor.

The data on the sources of income confirm the origin of low incomes among families whose members have some type of disability. Over 50% of the income originates from transfers on the grounds of entitlements due to disabilities (14% disability benefit (benefit for bodily impairment), 26% advanced home help, and 14% social assistance).

The causes of poverty are, first of all, a low level of education and a low level of employment. The low level of education is, according to the results from this survey, one of the consequences of the unfavourable social environment for persons with disabilities. Thus 50% of them had no education or had primary education only, while only 7% acquired higher education degrees, while 10% completed their education in special schools.

The low employment rate and work places not adapted to the requirements of persons with disabilities provide the explanation not only for the low incomes but also for the very low employment rate among the persons with disabilities.

- Only 13% of persons with disabilities have the opportunity to work,
- Only one third of those employed have a workplace adjusted to their needs,
- Only 40% of those employed have appropriate working conditions (starting hours, number of working hours, scope of work and breaks).

The specificity of poverty among persons with disabilities is reflected in the undeveloped supporting services and provision of services, as well as in the inaccessibility of public services and cultural institutions:

¹¹⁷ The data were obtained in a survey conducted in May 2001. The results were published in the study titled "Disabled Persons and Environment" (editor Prof. PhD Viktorija Cucic), CPA, Belgrade, 2001. The application of more reliable methodological procedures that are not based only on verbal statements of respondents concerning income will provide more accurate and more reliable findings on their position with respect to the poverty line.

- Physical access to the educational and other services for persons with bodily impairments is unsatisfactory;
- Physical access to health care institutions and infrastructures of specific health care services for persons with disabilities is adequate. However, the effective availability of health care services is low, particularly when considering home visits, rehabilitation or home help;
- The dominant form of rehabilitation is medical rehabilitation while the share of occupational rehabilitation is small;
- Availability of services and service provision differs according to the level of education and work status of the persons with disabilities (there is full availability for 55% of the educated and only for 28% of the uneducated);
- Only 38% of persons with bodily impairments can use public transport;
- Shops are inaccessible to 53% of persons with disabilities;
- Other public services (municipality, post-office, Police) are inaccessible to 35% of persons with disabilities;
- Cinemas are accessible to only 20% of persons with bodily impairments;
- Libraries can be visited without problems only by 17% of persons with disabilities;
- Theatres are accessible to only 12% of the persons with bodily impairments.

The consequence of such a situation is a blockage in the development of needs. Low family income, inaccessibility of services, and public and cultural assets, with frequent unpleasant experiences in the social environment, have a negative influence on the level of aspirations of persons with disabilities. The result of this vicious circle is loneliness, isolation, and very limited social participation.

4.2. Problems and Constraints ¹¹⁸

The system of compensatory entitlements, i.e. all the rights related to rehabilitation, technical aids and pecuniary benefits, in the period of crisis, isolation and, first of all, destruction of the economy and decline of the national income, had «atrophied» which resulted in low performance with limited effects. These problems and constraints have partly been compensated for through humanitarian aid. On the other hand, a part of the system of compensatory rights, first of all the passive pecuniary transfers, do not encourage inclusion.

The education system in Serbia is more exclusive (with »special education«) than providing support for the creation of equal opportunities for persons with disabilities. Isolated education and the kind of knowledge acquired in »special education« turn out to be a problem and a major constraint in some areas (labour market, for example) and processes (social integration and employment).

The employment of persons with disabilities is, according to experience so far, one of the biggest problems. In this area, there has been more discrimination (in employment), exclusions (with the predominance of passive transfers) and low participation in income earning (low employment or employment in difficult and poorly paid jobs) rather than the development of an active employment policy (with targeted programmes) and the creation of equal opportunities for persons with disabilities in the area of labour and employment.

Supporting services are generally developed within the system of social welfare, first of all as residential institutions for the long-term placement of children with developmental disorders. This network is both insufficient for the range of needs of persons with disabilities and inadequate from the point of view of the kind of needs to be met and possible responses to the demands of the beneficiaries. The undeveloped supporting services represent a major obstacle, making it difficult to improve the process of inclusion. There is a lack of alternative forms of support for persons with disabilities and their families.

Inaccessibility and unadapted environment are terms that include numerous obstacles and barriers that persons with disabilities encounter daily and that represent a major factor of discrimination, i.e. the denial of equal opportunities for exercising their rights.

¹¹⁸ After the change of regime on October 5, 2000, a positive attitude has been expressed and activities have taken place with regard to all the above problems and constraints. The delay has been compensated for and regular payment of pecuniary transfers has been established. In the reform processes and strategies of individual sectors the problems and constraints for the inclusion of persons with disabilities have been identified and included.

Invisibility and insufficient understanding of persons with disabilities is also one of the obstacles that make it more difficult to overcome the unfavourable social environment. The language used to label the phenomena in the area of disabilities stresses the impairments and constraints. The potentials and capacities of persons with disabilities and their human rights are still, at least among the wider public, insufficiently recognised and appreciated.

Insufficiently reliable data on persons with disabilities, and difficulties in establishing the scope, distribution, and main characteristics of disabilities (particularly from the aspect of interactive relationship between personal and environmental factors, as this phenomenon is now being determined) represent a serious problem and a major constraint in the planning and development of systematic measures in this area.

4.3. Goals

The main goal of the Poverty Reduction Strategy in this area is, by reducing poverty, to encourage inclusion and independent living of persons with disabilities.

Priorities:¹¹⁹

- Social protection of persons with disabilities,
- Accessibility of the environment,
- Access to education,
- Employment of persons with disabilities.

4.4. Strategic Options, Measures, and Activities

In order to achieve a favourable outcome for persons with disabilities within the Poverty Reduction Strategy, it is necessary to accept and at the same time apply five main principles on which the policy for the creation of equal opportunities for persons with disabilities is based: **(1) dignity, (2) participation, (3) non-discrimination, (4) right to compensation, and (5) proximity.**

The strategic option should include the key areas for the creation of equal opportunities and inclusion of persons with disabilities as an important precondition for poverty eradication.

Compensatory rights, i.e. all the entitlements related to rehabilitation, technical aids and pecuniary benefits, represent a major factor in creating equal opportunities for persons with disabilities. However, they are a necessary but not a sufficient precondition. Therefore, it is necessary to take a new approach and take into account human rights and factors relating to

¹¹⁹ The priorities were identified by the focus group of persons with disabilities within the SSBS Network, March 6, 2003.

inclusion. From the human rights perspective, it is necessary to complement regulations pertaining to persons with disabilities, in order to improve their position through affirmative action and to enable them to participate in society. It is necessary to undertake revitalization, re-conceptualisation and harmonization with the international standards of the entire system of compensatory rights. **Revitalisation** means renewal of the system and the taking over of responsibility for rehabilitation, technical aids and pecuniary benefits by the State. It is necessary to include all persons with disabilities in the system of compensatory rights irrespective of the origin and characteristics of their impairments and constraints, differentiated according to the needs and conditions for equalisation of opportunities. **Re-conceptualisation** means the grounding of the system in human rights and on the responsibility of the State to create equal opportunities for persons with disabilities instead of the limited approach and rhetoric focused on “social security” and care of the State for the “social categories”. **Harmonisation** should enable the provision of sustainable standards in the process of transition and budgeting in real terms (in other words, adjustment to the available financial resources).

Adaptation of space to the needs of persons with disabilities and accessibility of public buildings is very important, because the possibility of their inclusion in different spheres of social life depends on it. Campaigns and successful projects in certain local communities have confirmed that better understanding of the needs of persons with disabilities and raising the awareness of citizens, town planners, and local authorities helps to create a more favourable environment. It is, however, also necessary to have clearer and more strict normative regulations and control of compliance with those norms.

Education and access to education and the acquisition of higher levels of knowledge and occupational skills is one of the key prerequisites for the development of individual capacities and inclusion in society. Elimination of obstacles to education (both physical barriers and other selective mechanisms, such as, for example, »screening« of children with developmental disorders)¹²⁰ and development of special educational curricula as a way to »adjust« the environment to the needs of persons with disabilities, should be the course of the reform of the present system of special education (»special schools«). Inclusive education should become a strategic goal in the reform of education, particularly in the transformation of special education. It is necessary to ensure full provision of education for children with disabilities. Therefore, it is important to provide versatile, tailored educational curricula that also offer opportunities to persons with severe mental impairments.

Employment and inclusion in work and paid income is also one of the major conditions for the eradication of poverty and the creation of conditions for independent living of persons with disabilities. The system of employment measures should include both support for

¹²⁰ The work on the project “Improvement of Work of Screening Panels for Children with Developmental Disorders” is under way and its result should be a new model of assessment, monitoring, and referral of the children with developmental disorders.

employment through the labour market and for so-called “protected employment”, i.e. joining work programmes under special terms and conditions.¹²¹

Supporting services are also an important condition for the creation of equal opportunities for persons with disabilities. It is essential that supporting services exist in all the main areas where equal opportunities are provided for exercising human rights (education, administrative authorities, public services, judiciary, and the like) but also as informational and advisory services to individuals and families for the development and building of their own capacities to achieve their personal goals. The process of development of supporting services should be based on the needs and initiatives of the associations of persons with disabilities. The government and the developed civil society organisations should provide financial and technical support to these initiatives.

Full participation of persons with disabilities in everyday and social life is an essential condition for poverty reduction and adjustment of the social environment to enable inclusion. In view of the different forms and levels of participation, it is very important to take a comprehensive approach and to support different forms of participation. To achieve participation in social life, it is necessary to build the capacities of the associations of persons with disabilities but also to create equal opportunities for participation in various forms of involvement in civil society.

Measures and activities within the above strategic options are:

- When establishing the poverty line for material support to families, the specific expenses of the families with disabled members should be taken into account;
- The right to pecuniary benefit should be granted to all persons with disabilities irrespective of the cause and nature of disability;
- The existing forms of institutional social protection for persons with disabilities should be reformed;
- Services (service provision) to support persons with disabilities and their families should be developed;
- The production and servicing of technical aids should be renewed, improved, and regulated;
- Disability should be made visible in local communities and local resources should be mobilized.

¹²¹ A new Law on Occupational Training and Employment of Persons with Disabilities is being drafted, which will, on new grounds and principles, govern the equalization of opportunities for employment of persons with disabilities.

4.5. Institutional and Legislative Sphere

The issues of disability should be dealt with in the context of human rights, in accordance with international standards, and a unique legal framework should be established to deal with issues of disability comprehensively, i.e. an anti-discriminatory law should be adopted which would represent the basis for other legislative regulations in the area of disability. The constitutional framework is now more favourable since the Constitutional Charter of Serbia and Montenegro now includes the terms “non-discrimination” and “partnership”.

When defining the poverty line in social protection (minimum security for material support to families) the specific expenses of families with disabled members should be taken into account. These expenses can be direct (for specific needs of persons with disabilities), indirect (the expenses other households do not have), and specific (unrealised earnings of household members because of greater engagement with the disabled member). Institutional mechanisms should be provided for the participation of persons with disabilities in decision-making on issues that concern them, in all areas and at all levels.¹²²

4.6. Indicators and Monitoring

Given a very low level of sources of data about persons with disabilities (poor primary records, data processing and statistical reporting), selection and definition of relevant indicators for the monitoring of the implementation of the PRS in the area of disability also implies a thorough revision and upgrading of the records and statistics that should enable their monitoring, including:

- The number of persons with disabilities below the poverty line;
- The level of inclusion (absolute and relative coverage) of persons with disabilities in the system of compensatory rights (rehabilitation, technical aids, pecuniary transfers and services);
- The number of persons with disabilities covered by education (regular and special);
- The number of persons of working age with disabilities (employed and unemployed).

Because access to public assets and services is one of the specific indicators of poverty among persons with disabilities, for good-quality monitoring that their needs are being met special periodic surveys should be established by means of which the “quality of the environment” would be measured for persons with disabilities (the disability monitor).

¹²² Establishment of the Council in charge of the issues of the persons with disabilities in the middle of 2002 provided the opportunity for inter-sectoral coordination and active participation of persons with disabilities in the consultative process.

5. Poverty reduction among the Roma¹²³

5.1. Current Status

The overall social status of the Roma, not only in this country but also in almost all the countries in which they live, is particularly unfavourable. According to all indicators of social status (employment, education, social respect, living standards, and so on), the Roma are on the lowest level of the social scale.

Although it is not easy to explain the position of the Roma, it is still possible to specify several main factors.

The first factor, which seems likely, is that the Roma, since their arrival in Europe, have not been welcome due to their different social characteristics and that they have been, as “alien blood”, held in isolation. It is also probable that, as a nomadic tribe, their culture has been alien to the cattle-raising agrarian culture and the prevailing patterns of life. Regarding the Balkans, one should bear in mind that the Roma came together with the Ottomans – the conquerors – and that they were not welcome. For that reason the Roma have been exposed to contempt and prejudice from the dominant majority, which made them a socially powerless group. This has denied the Roma the opportunity to develop competitive and political power as an important means for mobilization to change, i.e. to improve their position.

The second factor is related to the type of cultural adjustment of the Roma. There are sufficient reasons to assume that this group, at least as far as our territories are concerned, adjusted itself to the traditional customs and the way of life and that it has today become a guardian of traditionalism. It seems that their process of cultural adjustment stopped at that level and so this is probably the reason that the Roma did not follow the processes that were followed by the majority population, which also had to change its values under the wave of industrialization and to harmonize them with the modern patterns of life. Among the Roma, however, the usual process of acculturation was disrupted. In the majority of cases the process of cultural adjustment starts with the behavioural aspects of a culture. However, the Roma accepted the religion of the majority group, its traditional customs, often the language as well, but they preserved *their way of life* and the external symbols of being different. This certainly intensified the prejudices of the majority people towards the Roma and the lasting segregation, on the one hand, but it also intensified the powerlessness of the Roma, on the other.

The Roma represent a separate social group (ethno – class), which has all the characteristics of a sub-proletarian stratum, which in a “vicious circle of poverty” reproduces poverty in

¹²³ Due to the shortage of time, it was not possible to submit all the elements of this contribution, which will be done after consulting some experts (health care experts, for example) and the representatives of the Roma.

succeeding generations. Thus, the Roma are not included in work because they are not educated, and they are not educated because they are poor, i.e. they do not have adequate access to education. In order to improve their social position, which requires stable income earnings, the Roma, as well as the others, must at least complete primary education, and many of them cannot do so because they do not have the necessary means. And so they end up in a vicious circle. The results of numerous surveys indicate that the Roma, compared to the other poor groups, are *the poorest*.

5.2. Problems and limitations

Just like other poor groups, the Roma have many problems. However, there are also problems that could be characterised as specific to the Roma, such as prejudices that are patent barriers especially when the exercise of rights in employment, education and health care is concerned. In addition, there is also residential segregation partly enforced and partly spontaneous, as a result of which the Roma now live in separate settlements (mahalas) characterised by a specific lifestyle. Spatial isolation makes communication with the rest of society difficult and certainly limits the possibilities of modernisation of their way of life.

As for problems that most directly generate poverty across Roma generations, these primarily arise in the spheres of *employment, education, health care and housing*.

Employment

The main characteristic of the socio-economic status of the Roma is a low rate of economic activity and a high unemployment rate. This is vividly illustrated by the data from the 1991 Population Census:

- Only 27.2% of Roma are economically active,
- 58.2% of Roma are within the working-age contingent (15-64).

The level of economic activity of the Roma has not changed over the past fifty years.

Apart from the lack of socio-economic development and barriers to employment, the low rate of economic activity of the Roma is also the consequence of several demographic factors. The Roma population is particularly young, with an above-average share of the contingent of up to 15 years of age. The share of those 15 years of age and over in the overall Roma population is 58.3%. The rate of economic activity is an important indicator of the exclusion of the Roma from the economic and social mainstreams. The low economic activity of the population, a very young age structure of the Roma population, and a high share of supported population represent the key factors which maintain and deepen the differences and the socio-economic gap between the Roma and the majority population. The share of supported persons in the Roma population is 60.0%, while among the majority population it is 36.6% (Stankovic, V., 1992: 168).

The unemployment rate among the Roma is four times as high as that in the majority population and it has almost doubled in the past ten years (Stankovic, V., 1992: 167). When one looks at the activity of the population according to trades, it is evident that the Roma are mainly in those trades that are ranked lowest in the stratification scale. Over 40% of the Roma are in labour occupations, predominantly manual. The percentage of the Roma in the group of "labour in services" is also noticeable. A somewhat higher share in the group of "experts and artists" is due to the classification of musicians and other artists in this group irrespective of the level of their formal education. The Roma are, however, most represented in the occupations for which no professional skills are required: workers maintaining facilities and buildings, cleaners, porters, warehouse workers, construction workers, workers in cemeteries, etc.; as a rule, those are underpaid and stigmatised occupations. Employment of the Roma is constrained, first of all, by the low capacities of the labour they offer and by the still relatively high influx of labour into the secondary labour market. The intensive exodus of labour from agriculture into industry and the movement of women towards employment have produced a high level of competition in the secondary labour market. In addition to the other circumstances that should certainly include the prejudices and stereotypes concerning the working performance of the Roma, all this has given rise to the emergence of obstacles to their employment, and therefore, it is understandable that the unemployment rate among the Roma continues to grow (O Prokic, M., 1992: 106).

The expansion of the grey economy has contributed to the development of certain types of economic activity in which, to a somewhat larger extent, the Roma participate as well. The largest number of Roma are involved in the informal economy, which is denominated as "heterogeneous work": the sale of scarce goods in the streets, agricultural activity, and trade in convertible currencies.

Education

The situation with respect to the level of education of the Roma has always been particularly unfavourable. Both compared to the overall population and to other ethnic groups in Serbia, the Roma have the lowest levels of literacy: according to the 2002 census, 62% Roma have not completed primary school, 32% have less than four grades of primary school or no education at all, 29% have completed primary school, 7.8% secondary school, while 0.3% of them have two-year post-secondary or university qualifications.

The Roma most often live in the regions and municipalities, which, in Serbia, fall among the economically underdeveloped, and their life takes place in the Turkish Quarters, separate neighbourhoods with little contact with others. Their children, from an early age, seldom have the opportunity to hear and learn any other language apart from their mother tongue; additionally, not even 10% of the children attend a pre-school institution and thus they lose the opportunity to learn the language in which teaching is carried out in schools (1991 Population Census).

Education is for the Roma a possible channel of social promotion which is, however, too long, expensive and uncertain, and requires much patience and effort. Roma children do not

have suitable conditions for learning in the environment in which they live and grow. Therefore their attainment is not satisfactory, but that is also due their experience of unkindness at school. The teaching staff are often overburdened with the curricula, and insufficiently motivated for any separate work with such children, but they are also burdened with prejudices towards the Roma and often and relatively easily they refer Roma children to special schools.

The problem of the inclusion of the Roma in the educational system is one of the most urgent, particularly in relation to their integration into society. A mere calculation of the duration of the consequences of exclusion of the Roma children from regular schooling indicates that in the forthcoming period generations will be born that will further continue the cycle of illiteracy, and thereby they will experience social handicaps which constrain their participation in modern society and social development (Mitrovic, A. "On the Bottom", 1990).

Roma Settlements and Housing

The Roma usually live together in settlements –“Mahalas”- Turkish Quarters. The main characteristics of such settlements are insanitary and substandard dwellings, irregular legal status, a deprived environment and poor utilities, which is the consequence of exclusion from urban utility systems. The following data can at least to a certain extent illustrate the problem:

- According to some estimates , about two thirds of Roma live in the most difficult housing conditions and the worst living environment.¹²⁴
- About 80% of Roma live in poor areas and settlements, worse in comparison to all other ethnic communities.¹²⁵
- The worst and the most imperilled poor settlements – slums - are in most cases populated by Roma. They are settlements of extreme misery, with substandard and very insanitary housing, substandard or entirely lacking utilities, with completely deprived environments. In Belgrade alone, 41 slums have been registered, with a population of about 9,000, 6,500 of whom are Roma.¹²⁶

¹²⁴ Mitrovic, A., 1990: *On the Bottom - Roma on the verge of poverty*, Naucna Knjiga, Belgrade

¹²⁵ Macura, V., Petovar, K., Vujovic, S., 1997: *Poor Quarters of Belgrade - the situation and how to improve the living conditions*, IAUS, Belgrade

¹²⁶ Petrovic, M., 2002: *Possibilities for resolving the problem of slums*, Draft Master Plan of Belgrade, City Planning Institute, Belgrade

- It has been assessed that of about 600 Roma settlements in Serbia 35% have no water supply, about 65% have no sewerage, about 45% have no maintained streets, and about 10% have no electricity network.¹²⁷
- Most Roma settlements do not have a regulated legal status, are outside urban systems and are not adequately covered by planning regulations.¹²⁸

Resolving the housing problem requires not only major material resources but also the elimination of the numerous constraints on taking necessary action; these include:

- Lack of systematized urban development data on the poor regions and the Roma settlements on the level of Serbia,
- Inadequate regulatory policies for practical actions to improve the Roma settlements,
- The inherited authoritarian model for dealing with the poorest settlements, which is based on unilateral direct intervention (by introducing temporary measures which most often become permanent), without a development concept or the participation of all stakeholders,
- Lack of formal structures that would deal with this problem in a practical way, as well as a lack of trained experts who understand the concept of the integrated development of poor regions,
- Low level of awareness of the Roma community itself about opportunities to improve their own living conditions.

It is also necessary to point out that the highest concentration of the Roma is in those regions and municipalities that are most underdeveloped, in the Southeast of Serbia. The percentage of Roma in the overall population in those municipalities ranges from 2 to 12%. This certainly completes the picture of the Roma Turkish Quarters, i.e. of the living conditions in them.

Health Problems

Demographic data most vividly illustrate the health status of the Roma population. The Roma are one of the youngest populations in Serbia. The most numerous age group among Roma are children up to 14 years of age (40.7%). If we bear in mind that one fifth of the Roma are 15 to 24 years of age, then the initial statement is clear. More than half of the Roma population are under 25 years of age (62%), while the elderly only make up 4.1%.

¹²⁷ Laksic, B., Basic, G., 2002: *Roma settlements, living conditions and possibilities for integrating Roma in Serbia*, Centre for Ethnicity Research, OXFAM

¹²⁸ Petrovic, M., Macura, V., 2002: *Overview of Roma Settlements in Belgrade*, Association for the Improvement of Roma Settlements, Belgrade

Such an age structure is the consequence, first of all, of the high birth and high death rates and of the relatively low average age of the Roma. The population growth rate of the Roma is more than twice that of the overall population.

The demographic situation among the Roma is the consequence of several interrelated factors. The results and analyses of a small number of surveys indicate that the life span of the Roma is not only short, but that they are also, from birth and throughout their lives, exposed to hazardous situations, so that their quality of life is particularly low.

Their quality of life and health are affected, first of all, by their physical environment. The majority of Roma do not have even basic living conditions because they live in insanitary settlements and in inadequate housing. Because they are either unemployed or they have very low incomes, their nutrition is meagre and inadequate.

Large families are not planned because ignorance is high, and there is no family planning information. The following health problems are the most common among the Roma population:

- A considerable number of births still take place at home,
- A very large number of children have not been inoculated,
- Among the chronic diseases, TB has been more frequent as of late,
- Skin diseases are present among the children,
- Asthma is present both among adults and children.

5.3. Goals

Qualitative:

In the context of the general measures specified in the Draft of the Strategy for Integration and of providing new empowerment to the Roma, the priority goals related to the reduction of Roma poverty should be targeted at:

- Elimination of all forms of discrimination to which the Roma are exposed,
- Regulation of relationships related to the system of employment (and self-employment),
- Providing access to educational institutions at all levels,
- Regulation of housing problems,
- Solving the problems of primary health care,

- Application of principles of affirmative action in all of the above areas.

Quantitative:

In view of the limited resources (material and others), and on the basis of positive experiences in neighbouring countries, it is reasonable to target certain goals, first of all those related to education, towards those regions or municipalities in which the concentration of the Roma population is the highest. Those are the municipalities in the Southeast of Serbia in which certain programmes have been initiated, whose results could be encouraging and could serve as a “model” for solving the complex problems of Roma poverty (Niš, Leskovac, Pirot, Bela Palanka, Vlasotince, Prokuplje, Žitorađa, Bojnik, Lebane, Vladičin Han and Surdulica).

5.4. Strategic Options, Measures, and Activities

The National Council of the Roma National Minority was selected on 24 May and established in July 2003. According to the Law on Protection of Rights and Freedoms of National Minorities, it represents the Roma minority in the areas of information, education, culture and official use of language. Regarding the implementation of the PRSP, certain competences, as well as financial resources required for performing of some activities, may be transferred to this Council.

Strategic directions of the PRSP related to alleviation of poverty among Roma should be carried out through the following measures and activities:

Employment

Since employment is closely related to education, actions whose aim is to increase the level of employment of the Roma should be planned and undertaken in a synchronized way. But since the educational process is long, certain measures should be undertaken immediately. This includes, first of all, acquiring relevant data on the market for the products the Roma traditionally produce, and then establishing small workshops in those areas where the Roma can engage in such handicrafts.

One of the measures that require relatively few resources is training in some of the skills that do not require high qualifications.

Education

Some particularly important measures for Roma that should be undertaken urgently, since the reform of the schooling system has started, are to:

- enrol children in pre-school institutions
- introduce compensatory programmes in primary schools

- train teachers to work with Roma children
- prepare tests for enrolment of children in the first grade
- analyse causes and consequences of enrolment and attendance of special schools by a large number of Roma children
- direct older Roma children who have dropped out of school to take craft and vocational courses
- provide scholarships for students, especially for future pre-school and primary school teachers
- teach adults, especially women, to read and write (literacy courses)
- provide a daily snack and free transport for poor children.

These measures should be coordinated with the Strategy on Education of Roma.

Roma Settlements and Housing

In the area of housing the priority tasks are as follows:

- Resolving the legal status of sustainable autochthonous Roma settlements by the implementation of an adequate legal framework;
- Creation of statutory grounds, layout plans and relevant regulatory rules for the inclusion of the Roma settlements within urban systems and their further development;
- Assisting the most vulnerable part of the Roma population, especially in South Serbia, through support and co-ordination of the existing as well as development of new models for improving Roma settlements, based on real resources, needs and possibilities of the community, participation, partnership, co-operation and integrated development;
- Providing utilities and infrastructure in Roma settlements - electricity, water supply, sewerage systems, streets, waste disposal;
- Increasing the participation of all stakeholders in the process;
- Resettlement of and help to the most vulnerable urban slums, which are mostly populated by Roma and other vulnerable groups.

Measures and actions aimed at the attainment of priority tasks include:

- Undertaking an urban-architectural study and assessing the existing situation of poor areas and settlements in Serbia;
- Undertaking a study on the resources for the improvement of poor settlements and areas;
- Working out the Recommendations for Work on the Development of Poor Settlements that will ensure their sustainable development, with full respect for the specific characteristics and lifestyle of the Roma population, in keeping with domestic¹²⁹ and international¹³⁰ documents and standards;
- Providing targeted policies through the implementation of pilot projects, architectural open competitions, campaigns, etc. that may be implemented as a form of aid to the most vulnerable population and poorest municipalities, especially in South Serbia, where the concentration of Roma is highest;
- Drafting new and revising old Roma urban plans, that will ensure their formal integration in town and infrastructure systems, integrated improvement and further development, while respecting their specific characteristics and lifestyle;
- Improving the quality of life in Roma settlements through the development of public facilities, landscaping and social standard buildings, with a view to supporting social and economic development;
- Educating local authorities and all relevant services to better understand the problems and training professionals to work on the improvement of Roma settlements;
- Educating the Roma population on the opportunities for improving their own standard of living and housing conditions, and encouraging the participation of the local community through practical activities in the settlements;
- Resettling the most vulnerable unsustainable settlements, building new ones and introducing programmes of socio-economic support for their inhabitants. This particularly applies to unsustainable urban slums - the most vulnerable settlements located in central areas of big cities, mainly Belgrade. The decision to resettle or keep any individual settlement is a sensitive and costly undertaking, with a number of complex aspects, and thus has to result from a detailed and professional analysis. If such a decision is necessary, it must be implemented in accordance with particular rules and standards, with the involvement of all parties concerned;

¹²⁹ Draft National Strategy for Roma Integration, 2002, Ministry for National and Ethnic Communities

¹³⁰ Memorandum on Problems Facing Roma/Gypsies in the Field of Housing, MG-S-ROM (2000)3, Council of Europe

- Operationalisation - formation of an agency or another service, to develop the basis and framework for resolving the problems of poor settlements, with a task force for Roma settlements which account for a vast majority of these areas. The Agency should gather experts and train professional staff to work on these complex problems. The Agency should have experts of various profiles (urban planners, architects, economists, sociologists, lawyers), as well as Roma representatives, because its work has to be multidisciplinary and integrated and must provide solutions to real problems and needs of the local Roma communities. The Agency's tasks would be the following:
 - Developing the basis and framework for resolving the problems of poor settlements;
 - Raising funds from domestic sources for the improvement of poor areas (from the respective ministries, services, business sector and local resources);
 - Raising external funds for the resolution of housing problems in Roma settlements (from UN Habitat, the World Bank, the European Commission, Stability Pact for South Eastern Europe, etc.);
 - Co-ordinating the activities of various players in this field;
 - Creating, initiating and implementing specific programmes - models for the improvement of Roma settlements with visible results.

6. Gender Aspects of Poverty

6.1. Current Status

Poverty among women should be understood, first of all, as a problem of the social discrimination of women which takes place through ignorance of the actual, real, working contribution of women and non-payment or underpayment of their work, as well as the constantly lower esteem accorded to 'women's' occupations, aggravated professional promotion, or as of late the 'flexibilization' of work which often marginalizes women in a new way. Women's work is either not recognised, or not paid for, or insufficiently paid for. In that respect poverty among women is equally determined by factors that affect the scope of poverty in the population as a whole, as well as by those factors that are related particularly to women. Hence the strategy against poverty of women also necessarily includes the entirety of the Poverty Reduction Strategy, but also specific, additional measures related to women, so as to avoid increased inequality and to ensure its reduction. It is important to stress that there is no automatic link whatsoever between the reduction of poverty and of gender inequalities: poverty can be reduced but gender inequalities can increase and, vice versa, poverty can grow, and gender inequalities can be reduced.

On the basis of the Survey of the Living Standard of the Population (SLSP) and other surveys, the indicators of the unfavourable economic status of women are:

- Over 40% of women over 15 years of age do not have any regular personal income (as opposed to less than 30% of men in the same age group);
- The unemployment rate (self-declared) is higher (26%) among women as compared to that among men (20%);
- On average, women's wages are 15% lower than men's;
- More demanding requirements for the employment of women;
- Longer time spent waiting for employment by women;
- Open and hidden discrimination in workplace promotion (the higher the level, the smaller number of women);
- Higher probability that women will be exposed to poverty as single parents because, after divorce, they either predominantly or entirely support their children, and also due to births outside marriage;
- Higher probability of poverty in old age as a consequence of a smaller relative number of retired women and lower pensions (due to higher unemployment and inequality in wages);
- Lower qualifications and levels of education, particularly among the older age categories of the population;

- Inequality in ownership of property (only 17% of women possess apartments, as compared to 31% of men);
- Inequality in inheritance as a result of common law practices;
- The proportion of female employers (owners/co-owners of enterprises or shops) is only 30%;
- Low participation of women in ownership transformation;
- Women much more often fall into the category of employees than the category of employers, compared to men (at least twice less);
- A particularly high share of women in the category of 'helping household members' (up to three quarters);
- A particularly high difference in unpaid housework between men and women (about 4-5 hours difference per day);
- The spread of the 'sex industry' which results in intensification of the negative stereotypes about women in general and 'legitimises' their sexual exploitation.

Economic status is closely linked to political power, and the unfavourable status of women in institutions is a good reflection of that. Women are particularly under-represented in political institutions: in the Parliament (11.2%), in the Government, at local levels of government, in political parties, and in trade unions.

Poverty among women is very much related to their family and marital status. So, for example, it is more severe when they are single parents. It is also worth mentioning that household consumption, as a unit of measure, in no way means that women in families, either as parents or children, obtain an equal share and have their needs satisfied in the same way as the male members of the household.

The vicious circle of poverty is also often reinforced by violence against women, both within families and outside them. There is quite a clear relationship between economic independence and opportunities for dealing with the issue of violence in families. But violence can also be the grim side of economic dependence. The prevalence of violence in families, which reaches dramatic levels in Serbia, also has its economic price (it is neither socially nor economically rational to undertake anything because, in any further cycle, in the circle of violence, the costs will grow, and the social price will become unbearably high, including the consequences to the younger generations). Finally, trafficking of women and poverty are also directly related, but, for the time being, this is manifested rather as a relationship between the economic situation of a state and the probability that women will be the object of trafficking, than as a clear relationship at a group or individual level.

6.1.1. Legal status

Although the legislative framework contains presuppositions on gender equality in different fields, the practice largely deviates from the formal regulations. As a country signatory to the Convention on Abolishing All Forms of Discrimination against Women, and the optional Convention Protocol, this country is obliged not only to harmonize its regulations with the rules set out by the Convention, but also to secure their active implementation. These guarantees are currently contained in the highest legal acts and relevant laws.

The current situation results from the inefficient implementation of rules that guarantee gender equality. A particularly aggravating factor is the traditional view on women's status and role in society.

In order to secure actual gender equality it is necessary to undertake adequate measures aimed at raising public awareness of the importance of women's rights (as an integral aspect of human rights), strengthening the capacities of immediate beneficiaries of these rights, and also empowering and informing the representatives of institutions in charge of the protection of human rights.

6.2. Problems and Constraints

The **particular constraints** in establishing the economic equality of women can be identified as:

- Low level of general knowledge on gender inequality;
- Lack of gender sensitive statistics that would include the time-budget;
- The burden of childcare is predominantly in the private sphere and predominantly on women (also, care for the elderly);
- Insufficient representation of women in the political decision-making bodies and insufficient sensitisation or readiness of women in politics to protect the interests of women;
- Continued gender segregation in education and as a result by occupation ;
- Non-integrated knowledge on gender inequalities in the regular education system;
- Accelerated deterioration of female human resources, of health first of all, due to an economy of 'survival' and inadequate health protection;
- Lower participation of women in ownership, which is aggravated by the transformation of ownership;

- Administrative obstacles for establishing cooperatives and encouraging the entrepreneurship of women;
- Non-existence of institutional mechanisms that would ensure that women are paid equally for a job of the same value, that they are equally promoted under the same criteria, and are not exposed to discrimination at work, including sexual blackmail and harassment.

The greatest poverty risks exist with the following categories of women; individuals can be in more than one category, resulting in greater levels of marginalisation:

- Single mothers (particularly of small children with special needs);
- Housewives;
- Elderly women;
- Diseased and women with disabilities (persons with special needs);
- Some rural women (the elderly and without property);
- Refugees;
- Women who are “helping members” of family firms ;
- Roma women;
- Uneducated women;
- Unemployed women;
- Women who are the victims of violence.

From the experience of countries in transition, two categories are the most vulnerable: elderly rural women and single mothers. At the same time, they also represent two completely different challenges to programmes of assistance . Additional surveys should be conducted in Serbia on this issue.

6.3. Goals

In respect of gender equality, the Poverty Reduction Strategy involves, first of all, the reduction of the scope of poverty and the elimination of specific barriers that produce women's poverty. In that sense, it is important to completely clarify the relationship between unpaid housework and competitiveness of women in the labour market. The goal of the strategy targeted on women should be to establish a clear functional distinction between those who need income support and those who, apart from income support, need specific measures of assistance to help them realise their potential and which would empower them to break out of the circle of poverty.

Qualitative Goals:

- Reduction of gender inequalities;
- Economic and political empowerment of women at all levels, in all areas, simultaneously;
- Incorporation of these goals in all development programmes, including the PRSP;
- Greater concrete responsibilities of all the social stakeholders in achieving this goal in addition to monitoring;
- Raising gender awareness in all social and state institutions;
- Incorporating gender aspects into the budget, i.e. establishing transparent and gender-sensitive indicators on the effects of financing certain areas;
- Establishing gender-sensitive statistics in all fields;
- Better dissemination of information about the problems and possibilities of achieving gender equality.

In view of the fact that poverty among women cannot be reduced to the overall problem of poverty, it is necessary to incorporate specific elements into the process of implementing the strategy, by including relevant measures, such as:

- Measures against the discrimination of women (in employment and work and desegregation of education);
- Assessment of the overall working contribution of the female population, including both paid and unpaid work, as well as formal and informal work, i.e. productive work and work related to children and the family;
- Assessment of the quality of human resources of the female population (level of education, knowledge, skills, and technological/engineering literacy, business ambitions);
- Analysis and monitoring of changes in legislation and their effects on gender inequality;
- Stimulation of women's cooperatives and women's entrepreneurship.

6.4. Strategic Options

There are two dominant, complementary approaches in dealing with poverty among women. The first is focused on the problem of discrimination against women and on poverty among women as a consequence of various cumulative discriminatory processes, past and present. Discrimination is a cause of poverty, but it is also a frequent consequence of poverty, the

problem of exercising human rights, i.e. women's human rights, and is a specific form of social exclusion, which is in the most direct relationship with other forms of exclusion (educational, economic, political). Such an approach insists on the moral justification for working towards the economic equality of women.

The second approach is more pragmatic and explicitly establishes a relationship between development and female human resources. Economic discrimination against women, as well as any other form of discrimination, is counterproductive in terms of the use of their human resources, in particular at a time when the economy relies on human resources and knowledge as the key resource. Women in the countries in transition, and even in Serbia, have very good educational qualifications, but more so in terms of quantity than quality, because a severe segregation by educational profiles has been retained.

The relationship between poverty among women and development is not totally straightforward and linear. Thus, it is not possible to affirm that intensified development will necessarily lead to more proportionate inclusion of women in 'profit sharing', or that pauperisation of women will not favour one specific type of 'development', which is actually taking place in the process of 'transition'. Public services in which women are most often employed and which are also particularly important for the quality of life of women can be most affected particularly in transition. Therefore, political pressure will decide how much a part and which part of the population will gain, i.e. how high a price will be paid by which part of the population.

However, it is possible to establish a relationship between development and female human resources, whereby both the strategy of development and the improvement in the position of women will go in the same direction. The idea of sustainable development needs to take into account the specific accumulated discrimination that has produced and reinforces the unfavourable position of women, and at the same time needs to set free female economic potential for future development. It is particularly important that there will be no sustainable demographic growth, i.e. simple replacement of the population, if women cannot achieve economic security and conditions for raising children that correspond to the expectations of civilised society. The low birth-rate in Serbia is predominantly the consequence of the heavy responsibility of parenthood, in particular mothers towards their children, which requires adequate conditions (Blagojevic, 1997).

In order to better tackle the issue of poverty among women, it should be differentiated. Women's poverty originates from different sources and that is why specific measures should be formulated for each vulnerable group.

7. Poverty and Human Rights

7.1. The Current Status

During the last two and a half years, Serbia has achieved significant results in improving human rights. Progress in the areas of institutional reform and legislation on human rights, the protection of minorities, freedom of the media and the introduction of reforms of the justice system and the police has been particularly significant.

The commitment and determination exist to establish the necessary conditions for further progress towards democracy, multi-party society, the rule of law, a market economy, and the observance of human rights and the rights of minorities.

As a result of progress made in human rights, and their current overall state in Serbia, at the end of 2002 the Third Committee of the UN GA decided they were no longer a cause for concern, and there has been a similar decision at the 59th Session of the Commission for Human Rights. The removal of Serbia from the mandate of the Special Representative Mr. J. Cutillero represents an expression of support for plans to work intensively in future for the improvement of human rights, and to create conditions for the full implementation of internationally accepted obligations in this area.

In addition to national measures, further improvement of human rights in Serbia will be achieved by means of technical assistance projects and programmes to be secured by the Office of the UN High Commissioner for Human Rights. In this context, the Memorandum of Understanding on Technical Co-operation with the UN High Commissioner for Human Rights has been signed. One of the projects to be implemented in the next year is the implementation of economic, social and cultural rights with a particular emphasis on poverty reduction.

Serbia has demonstrated its commitment to further improve human rights by signing and ratifying a majority of the international conventions in this area.

On the basis of the successor's statement of 12 March 2001, Serbia's membership in all the major conventions on human rights has been resumed. These conventions are the so-called core conventions, including the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Convention on Elimination of all Forms of Racism and Racial Discrimination, the International Convention on the Elimination of all Forms of Discrimination against Women, the Convention on the Rights of the Child, and the Convention against Torture. The only one of the so-called core conventions which has not yet been ratified is the Convention on the Protection of Migrant Workers and their Families.

In the past two and a half years, both Optional Protocols to the International Pact on Civil and Political Rights (relating to consideration of individual appeals and the abolition of the death penalty) have been ratified. A Statement was issued recognising the competence of the

Committee on the Elimination of Racial Discrimination (CERD) to consider individual claims pursuant to Article 14 of the Convention on the Elimination of Racial Discrimination. Moreover, the Draft Law on the Ratification of the Optional Protocol to the International Convention on the Elimination of Discrimination against Women has been drawn up and it provides for the possibility of resolving individual claims. The two Optional Protocols to the Convention on the Rights of the Child have been ratified and they ban the abuse of children in wars, as well as child prostitution and pornography. Since the Optional Protocol to the Convention against Torture was adopted in December 2002, the process required for its signature, namely accession to the Protocol, should commence soon. Membership of the Council of Europe commits Serbia to ratifying the European Convention on Human Rights and the accompanying Protocols, as well as all other human rights instruments, including the European Convention on Abolition of Torture and Humiliating Treatments and Punishments, the European Charter on Languages of Regional or Minority Groups, the European Charter on Local Self-Government, the European Social Charter, etc. This process will be neither simple nor easy, because it involves harmonisation of domestic legislation with European standards. Deadlines for fulfilling these obligations (on average one to three years from the day of accession to the Council of Europe) represent an additional stimulus for the acceleration of legislative reform in the field of human rights.

Great improvement has undoubtedly been achieved in terms of government commitment to the respect and advancement of human rights. However, there is still a lot more to be done in order that the human rights guaranteed by these conventions (of which Serbia is a signatory), become a reality and are implemented in practice. Most assessments concern a lack of information, such that the rights that are guaranteed by the conventions are not implemented. This requires the whole society to implement measures towards further the strengthening of norms and the legal framework (legislative reform), which becomes particularly important after admission to the Council of Europe. Entry to the CoE and the ratification of the European Convention on the Protection of Human Rights and Freedoms means that Serbian citizens will be able to enjoy the system of protection of human rights that is guaranteed by the Convention. This at the same time means that they will be able to seek legal remedy for violations of human rights before the European Court for human rights.

Apart from the obligations arising from the Conventions, as a UN member Serbia has a political obligation to implement Action programmes and Declarations adopted at numerous UN conferences.

The lack of adequate national capacities necessary for the protection and strengthening of human rights is to be dealt with by passing the Law on the Ombudsman in the Serbian Parliament as soon as possible, as well as by establishing that institution (the Law has gone through the procedure of the Government of the Republic of Serbia), since the ombudsman will be responsible for dealing with the problems of marginalized groups and the victims of human rights violations.

The National Action Plan on human rights has not yet been drawn up, although it is a requirement under the Vienna Declaration on Human Rights adopted in 1993. Such an

action plan would be of the great significance for the overall development of society, particularly with regard to the poverty reduction strategy. In the plan special care is to be taken in creating a culture of human rights and education on human rights. Ignorance of obligations under the Conventions demonstrates the need for education at all levels including for members of Parliament and those employed in the judiciary, police, media, and pupils and students. Furthermore, a national strategy for education on human rights, which is an obligation under the UN Action Plan for the Decade of the Education on Human Rights, 1995-2004, is not yet in place. The national strategy should be comprehensive (in terms of its range and objectives), participatory (including all relevant stakeholders – both governmental and non-governmental), and efficient (in terms of education methods, including seminars, the integration of human rights into the curricula of primary and secondary school, and of the graduate schools). Educational reforms that have already been initiated are taking this into account.

In addition to the obligations under the Conventions on human rights, Serbia as a member of the UN has a political obligation to implement the Action Programmes and Declarations adopted at numerous UN Conferences and the special sessions of the UN GA. These include decisions made by the World Social Summit, the World Conference on Sustainable Development, the Fourth UN Conference on the Advancement of Women, the Special Session of the UN GA on children, the UN Congress on the Elderly, and the Special Session of the UN GA on AIDS. In the documents of all these conferences, the member states were requested to develop their national action plans with precise goals and short-term and long-term deadlines for their implementation and to report on them to the UN annually or every four years. In Serbia, these action programmes have not yet been drafted. Work on the Action Plan for Children is under way.

7.2. Poverty and the Framework of the Applicable Human Rights

Poverty has multi-dimensional effects on the ability to exercise human rights. It jeopardizes all aspects of human existence, whether they are political, economic, social or cultural. A negative impact in one area of human rights, for example economic rights, has a domino effect on all other human rights. This reinforces the principle outlined in the Vienna Declaration on Human Rights that all human rights are universal, interdependent and integral. The integrity of human rights is particularly expressed in the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Rights of the Child and the Convention on the Elimination of Discrimination against Women. The implementation of obligations based on these conventions, involving the further promotion and protection of human rights, together with democratisation and the rule of law, are key elements of the development process and thus also of poverty eradication.

The negative impact of poverty, especially on vulnerable groups, is regarded as a violation of a wide range of human rights guaranteed by the four above-mentioned conventions. This particularly holds true for enjoyment of basic aspects of the rights to life, freedom from inhumane and degrading treatment (which includes rights to adequate nutrition,

accommodation and clothing), the right to a high standard of physical and mental health, the right to work, and also a whole range of rights pertaining to labour relations, freedom of association and assembly, the right to collective contract, and so forth..

The Committee for Economic, Social and Cultural Rights has in its general comments on the nature of the obligation taken a stand that states that signatories have concrete legal obligations arising from Article 2. They are therefore obliged to provide minimum standards related to all rights from the Agreement, using all available means in an efficient manner. The guidelines from the Maastricht Treaty of 1997 on the violation of economic, social and cultural rights represent further elaboration of states' obligations to observe, protect and realize rights. Core obligations in this area are set out in the guidelines and they must be fulfilled regardless of any obstacles.

The relationship between poverty and human rights has not always been unidirectional (with poverty resulting in deprivation of human rights). In fact, poverty has often arisen from the failure of mechanisms to ensure the realization of human rights. There are numerous examples of individuals finding themselves in poverty because they have not been able to exercise their rights in respect of state bodies and institutions (especially rights relating to employment, the peaceful disposal of property, health care and social protection, freedom from discrimination etc.). It is therefore necessary to deal simultaneously with poverty and human rights in order to take account of the way they interact.

7.3. Poverty – the Approach Based on Human Rights

During the last two years, the UN system has been dealing intensively with issues relating to poverty and development through an approach based on human rights. That approach is clearly expressed in the programme of reforms of the UN Secretary-General within the UN Strategy for the Reduction of Extreme Poverty by Half by 2015. Human rights are recognised as the key strategic and essential component, while Conventions and Declarations on human rights (particularly the Declaration on the Right to Development) provide a framework of reference for resolving problems of poverty and development, for the progressive implementation of human rights, and for making the poor aware of their rights.

While poverty primarily emphasizes multi-sectoral issues, for which it is not easy to find simple solutions, the application of the normative frameworks contained in the international conventions on human rights to poverty helps to ensure the inclusion of basic elements of strategies against poverty, such as:

Universality and inalienability of human rights – this includes the responsibility and obligation of all social actors to undertake adequate measures to guarantee and protect human rights. The principle of universality means that every person possesses these rights based on the fact that he/she was born as a human being. Inalienability directly means that the state cannot deprive an individual of these rights, and indirectly, that human rights are not proscribed, but guaranteed by the highest acts of the state.

Interdependence and the integrity of human rights – the starting point of every poverty reduction strategy is the interdependence of civil, political, economic, social and cultural rights. Thus the purpose of a strategy is to develop a framework be based on internationally guaranteed rights, covering all sectors including health, education, housing, administration of justice, personal safety, political participation and others.

Accountability –this relates to the obligations of all relevant stakeholders, including individuals, government agencies, local governments and organizations, private companies, civil society, donors and international institutions. Such an approach also involves the development of appropriate laws, policies, institutions, administrative procedures and practices, as well as mechanisms for dealing responsibly with violations of human rights (courts, administrative panels, special commissions, ombudsman). This requires the transformation of universal standards into locally adopted benchmarks for evaluating the development and strengthening of accountability.

Training – priority should be given to training strategies instead of charity actions and exclusive reliance on humanitarian aid. This will give the poor an opportunity to develop their own capacities and potentials in order to change their lives and the life of their community. The poor should be seen as capable of making an active contribution to poverty reduction as part of the overall development of society, and not just as passive recipients.

Participation – the human-rights-based approach requires a significant level of participation, including by local communities, civil society, minorities, and vulnerable categories (such as women, children, persons with disabilities, and others). Moreover, it implies the implementation of projects in such a manner that they are closely involve both the partners and the beneficiaries.

Right to freedom from discrimination and vulnerable groups –particular attention needs to be paid to issues of discrimination, equality and justice in respect of the vulnerable categories of people (women, children, refugees, IDPs, persons with disabilities, the elderly, and others). It is also necessary to disaggregate the data concerning the vulnerable categories. National priorities include the Law on Freedom from discrimination, the Law on Gender Equality, and the Law on Refugees, in order fully to observe the provisions of the Convention on Refugees of 1951.

7.4. Poverty and its Impact on Human Rights

For many years, issues relating to poverty and the poverty reduction strategy have been prominent in the UN system. The authorities dealing with human rights, particularly the Committee on Human Rights and the treaty bodies established following the conventions on human rights, have taken the initiative on this. In the struggle against poverty, the emphasis is on good governance, the functioning of the legal and justice system, initiatives in

education and health care, the reduction of debts and, of particular relevance to Serbia, the fight against crime and corruption.

In the preparation of the poverty reduction strategy, the approach based on human rights must take into account the fact that poverty deeply affects a series of human rights. The list of human rights being violated under conditions of poverty is not final, and the experts dealing with this issue are extending the scope of rights in relation to poverty.

Of particular relevance in the preparation of the poverty reduction strategy are the rights guaranteed by the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Rights of the Child, the Convention on the Elimination of Discrimination against Women, numerous Conventions of the International Labour Organization (ILO), and the strategies adopted by the World Health Organization (WHO). Since the Poverty Reduction Strategy represents a long-term process, accession to the European Social Charter needs to include harmonization of anticipated measures with the obligations that arise from it.

Poverty affects the implementation of the following human rights:

The Right to an Adequate Standard of Living – guaranteed under Article 11 of the International Covenant on Economic, Social and Cultural Rights. In General Commentary No. 3, the starting point of the Committee on Economic Social and Cultural Rights has been the obligation of the signatory states to secure basic rights, primarily in providing food, health care, accommodation and education.

The Right to Adequate Accommodation - This right is of crucial importance for the realisation of other human rights. It is guaranteed by Article 11 of the International Covenant on Economic, Social and Cultural Rights. It is also included in Article 27 of the Convention on the Rights of the Child, and the Committee has declared it an essential component of the right to a standard of living necessary for a child's development. This right is also directly linked to the right to freedom from discrimination, the right to life and the right to participation. Insecure accommodation for the poor arises from legal or arbitrary evictions or their inability to pay even minimum rents regularly.

The Right to Education – this is guaranteed in Articles 13 and 14 of the International Covenant on Economic, Social and Cultural Rights, and the Convention on the Rights of the Child. The World Declaration on Education adopted by UNESCO commits the signatories to preparing national action plans, in which Serbia is behind schedule.

The Right to Work – Articles 6, 7, 8 and 9 of the International Pact on the Economic, Social and Cultural Rights stipulate everyone's right to work under fair and favourable conditions. This right is guaranteed by numerous Conventions adopted by the ILO, of which Serbia is a member (please refer to the Attachment).

The Right to Health – stipulated in Article 12 of the International Covenant on Economic, Social and Cultural Rights. There is still no national strategy on health, which was an obligation under the WHO Global Strategy. The right to health is an inclusive right, which in addition to health care and protection includes provision of drinking water, sanitation, safe and healthy food, healthy working and environmental conditions, access to information, sexual and reproductive health care, etc. Health care reform is necessary to enable the provision of comprehensive, continuous and accessible health services, as well as the development of the health improvement concept directed at those factors which have the greatest impact on health. The principles of equality, justice and solidarity in health care need to be taken into account with the aim of decreasing the differences between urban and rural areas, various social and economic groups, and diverse vulnerable categories.

The Right to the Protection of the Family – stipulated in Article 23 of the International Covenant on Civil and Political Rights, as well as in related articles of the Convention on the Rights of the Child. It needs to be borne in mind the assistance of the social services is often considered as an obstacle to taking on of responsibility by the family, though one should not disregard the cases where inefficiency of these services prevents the realization of rights.

The Right to Privacy – stipulated in Article 17 of the International Covenant on Civil and Political Rights. In this case, the actions of the social services are also considered as those, which jeopardize privacy and it is, therefore, important to determine legislative, ethical and professional standards. It is also necessary to provide efficient implementation of the guaranteed principle of protection of personal data from potential abuses by government bodies and public institutions.

The Right to Recognition of a Personality in Court and the Right to Registration – Difficulties relating to the exercising of this right are particularly associated with the Roma population, as well as IDPs and refugees because of problems of documentation, though the procedures for obtaining citizenship have been made somewhat easier by the latest changes in the Law on Citizenship.

The Right to Life and Physical Integrity – this is guaranteed under Article 3 of the Universal Declaration on Human Rights and Article 6 of the International Covenant on Civil and Political Rights. The interpretation of this right cannot be restrictive, and its exercise requires the State to adopt positive measures, such as steps for reduction in general mortality, reduction in child mortality, increasing life expectancy, elimination of malnutrition, and so on. There has been progress in the realization of civic and political rights through the ratification of some international instruments (Second Optional PGP Protocol, Convention Against Torture and Other Humiliating Treatments and Punishments, Convention Against Transnational Organized Crime and the accompanying Protocol, etc); the death penalty has been abolished, measures against human trafficking and organized crime were introduced into domestic legislation, and there has been an increasing emphasis on the ban on unauthorized use of force in the work of government bodies.

The Right to a Fair Trial – key principles related to the judiciary were introduced by ratification of the Pact on Civic and Political Rights. The prerequisite for the realization of these rights is, primarily, an independent and impartial judiciary (see the chapter on judiciary reform). Among the principles mentioned, special significance is attached to those related to the equal treatment of parties before the court (and before other government bodies on whose decisions depend the realization of rights), the right to use one’s own language, the prohibition of the retroactive application of laws, the right to an efficient legal cure, the right to compensation (not only material, but also moral), the presumption of innocence (in criminal proceedings), etc. From the time of ratification of the European Convention on Human Rights, citizens have an additional guarantee for the protection of their human rights – namely, they will be able to start proceedings before this body if deprived of the protection by local courts.

The Right to Participate in Political, Social and Cultural Life – This is quite a broad area, and it includes the interaction and interdependence of numerous rights as listed above and guaranteed by the four Conventions listed. Illiteracy, lack of education, lack of personal documents, and even social discrimination, are the main obstacles to the responsible exercising of political rights. The situation is most aggravated in the field of electoral rights, since certain categories of population are deprived of the right to vote and to be candidates in elections. During the World Decade for Cultural Development, UNESCO advocates the renewal of the right to culture for the poor, through the cultural dimension of anti-poverty and developmental efforts.

7.5. Exercising of Human Rights in the Area of Employment and Work

7.5.1. Strategic Options, Measures and Activities

In order to eliminate factors that are an additional cause of poverty, *the ILO’s Conventions and Recommendations are to be adopted as soon as possible*, particularly those directly referring to unemployment, protection for those made redundant, employees’ earnings, working conditions and development of human resources, i.e. education of employees, and those with regard to conducting the social dialogue.

The implementation of international labour standards (Conventions and Recommendations provided by the International Labour Organization (ILO) in Serbia has only been carried out to a modest degree so far. Out of 184 Conventions in total, 67 have so far been ratified, and it is necessary to ratify other important Conventions as soon as possible.

7.5.2. Changes in the Institutional and Legislative Spheres

International labour standards as determined by ILO documents should be fully regulated by labour legislation and other laws that regulate appropriate areas, and which are currently being prepared (*Law on Employment, Law on Employment of Persons With Disabilities, Law on the Guarantee Fund, Law on Private Entrepreneurs, Law on Safety and Health Protection at Work, Law on Amicable Resolution of Collective and Individual Disputes, Law*

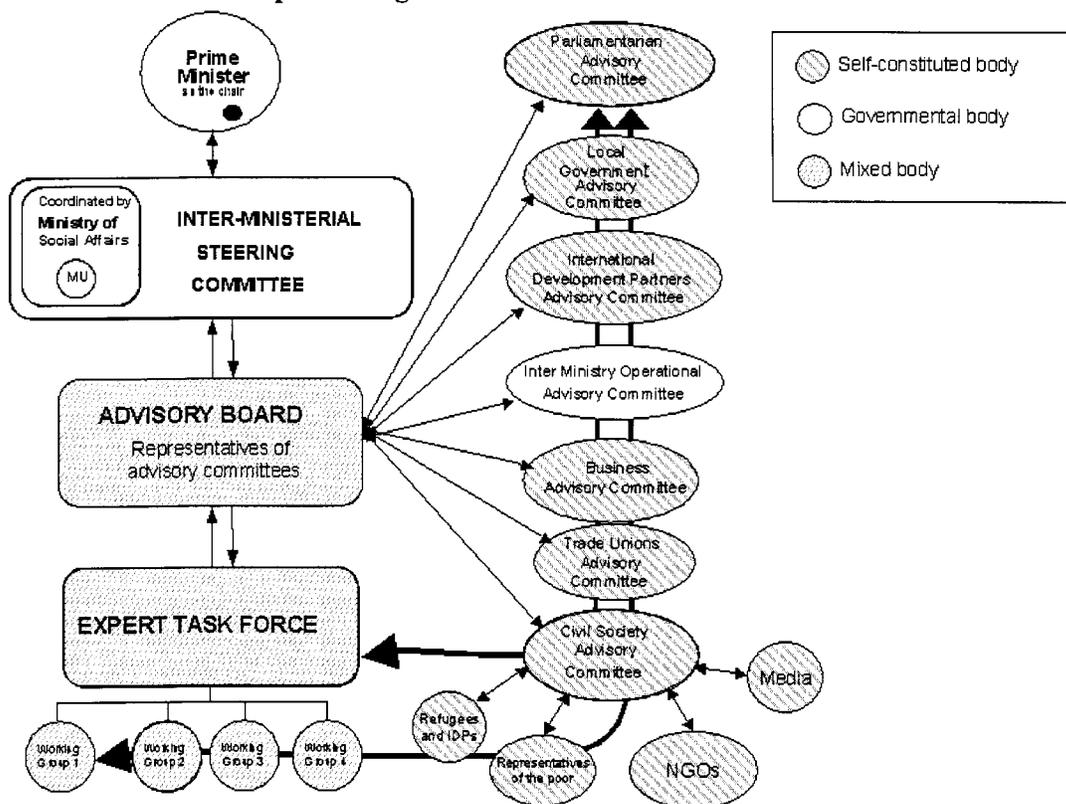
on Trade Union, Law on Strikes). Furthermore, these laws, other regulations, and the collective agreements need to be harmonized with the current rules of the European Union.

ANNEX 2

Consultative process of the poverty reduction strategy preparation

As already outlined in the Interim PRSP, one of the key preconditions for the efficient formulation and implementation of the consultative-participatory process in preparing the PRSP is a clear organizational structure for the process. At the same time, to ensure the active involvement of all interested stakeholders in the process of consultation and preparation of the PRSP, the PRSP formulation was designed and implemented to be open and flexible.

I Institutional Set-Up and Organizational Structure



The institutional and organizational structure for strategy formulation was as follows.

1. The PRSP Steering Committee (SC) coordinated by the Ministry of Social Affairs and chaired by the Prime Minister, was responsible for policy guidance and strategic decision-making regarding the full PRSP. The Committee was formed at the Government's session held on September 13, 2002. The Inter-ministerial Committee is comprised of the ministers from the Ministries of Social Affairs, Labour and Employment, Education and Sports, Health, Economy and Privatisation, International Economic Relations, Trade, Tourism and Services, and Finance and Economy. In addition, other ministries, e.g. the Ministry of Public

Administration and Local Government, Ministry of Agriculture, etc., will be also involved when required.

2. PRSP Management Unit – is a Unit set up specially within the Ministry of Social Affairs, in charge of organizational support for PRSP preparation. Apart from the Head of Unit the MU consists of the following staff: Strategic Communication Expert, Coordinator in the PM's office, nine experts for Sectors / Consultative process, Communication and PR Expert, Translator and Office Administrator as well as the International Advisor.

3. Advisory Board (AB) – was formed on 19 June 2003. It consists of representatives from Advisory Committees, Expert Task Force and Government. Its main task is to disseminate information, coordinate and consolidate comments provided by the different Advisory Committees and to present recommendations and conclusions to the Steering Committee concerning the full PRSP. At the start of PRSP preparation, it was planned that the AB should meet regularly throughout the PRSP process, but due to delays in constitution of Advisory Committees (ACs) and time limitations, the AB was not constituted until the end of the formulation process. Therefore, members of the AB feel that their main activity is not limited to commenting on PRSP drafts, but will also include active participation in strategy monitoring and implementation.

4. Advisory Committees (AC)

In connection with the PRSP process, seven representative Advisory Committees have been established:

- ***Poverty Reduction Committee of the National Assembly of the Republic of Serbia*** – on 22 October, a group of 15 MPs submitted the “Proposal for the Decision on Changes and Amendments of the Rules of Procedure of the National Assembly of the Republic of Serbia”, requesting that it be put on the agenda. The National Assembly of the Republic of Serbia reached a decision on the establishment of the Poverty Reduction Committee at the Eighth sitting of the First Regular Session, held on 30 May 2003. The Poverty Reduction Strategy Management Unit held several meetings with MPs, to inform them on the progress of the PRSP preparation, while MPs in turn regularly attended all consultative meetings.
- ***The Local Government Advisory Committee*** – after a series of meetings with the representatives of the Standing Conference of Towns and Municipalities of Yugoslavia (SKGOJ), it was concluded that this national association of the representatives of local authorities represents a good basis for the PRSP consultation process. The SKGOJ Committee for Social Affairs, which was formally established as the Local Government Advisory Committee within the PRSP process on 25 February 2003, is in charge of coordinating the process at the local level. The Local Government Advisory Committee is comprised of the representatives of the following municipalities / towns: Bor, Bujanovac, Zemun, Zrenjanin, Kragujevac, Kraljevo, Priboj, Ruma, Užice and Šabac.

- ***The Civil Society Advisory Committee*** was established on 5 December 2002 and consists of representatives of 11 local non-governmental organizations. The establishment and work of this AC was significantly supported by the United Nations Development Program (UNDP) and Catholic Relief Services (CRS). In the PRSP process, the representatives of the Civil Society Advisory Committee see their role as: communicating with the Government, prioritisation of PRSP sectors in which the comments of civil society are needed, and communication with other civil society actors (forwarding information, collecting comments etc.)
- ***Labour Unions Advisory Committee*** – representatives of three labour unions (Confederation of Autonomous Trade Unions of Serbia; Trade Union Confederation “Nezavisnost” and Association of Free and Independent Trade Unions) were at first members of the Civil Society Advisory Committee, but due to differences in priorities/interests and approach between civil society and labour union organizations, they set up a separate Labour Unions Advisory Committee on 29 April 2003
- ***The International Development Partners’ Advisory Committee*** was established on 11 February 2003 and consists of the representatives of 6 bilateral / multilateral donors, 3 UN agencies and 5 representatives of international non-governmental organizations. The meetings of the AC are organized on a rotational basis and attended by representatives of all the above-mentioned sub-groups.
- ***The Business Community Advisory Committee*** - at the session held on 3 April 2003, the Business Community Advisory Committee was formally established, with the purpose of taking active part in the PRSP preparation and consultative processes. The Advisory Committee consists of the representatives of: the Employers’ Union, the Entrepreneurial Council at the Ministry of Economy and Privatisation, the Association of Economists of Serbia, the Association of Joint-Stock Companies of Serbia, the Bakers’ Union, the Regional Centre for Development of Small and Medium Enterprises, and the Council for Foreign Investments.
- ***The Inter - Ministry Operational Advisory Committee*** – during October / November 2002 every ministry delegated one representative to the Inter-Ministry Operational Advisory Committee.

Representatives of faith communities, supported by the Government of the Republic of Serbia, decided to take active part in the preparation and implementation of the PRSP. After the conference “Serbia Free of Poverty – the Role of Faith Communities in Poverty Reduction”, representatives of various faith communities suggested that the Religious Council on Poverty Reduction be formed, in charge of concrete activities related to poverty reduction in accordance with PRSP priorities.

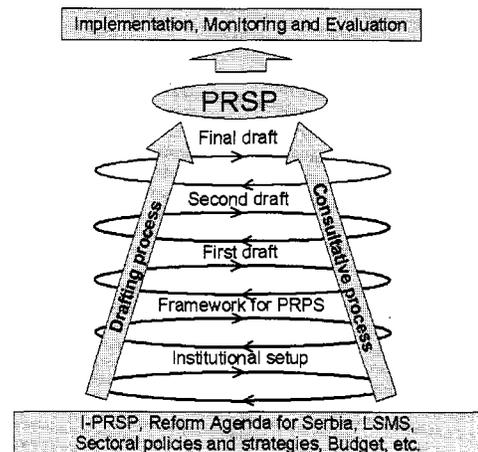
5. Expert Task Force (ETF) – The main task of the Expert Task Force was to draft the full PRSP, based on consultations with and instructions from the Steering Committee and different ACs, and the outputs of the consultative / participatory process. In this process the

ETF relied on the capacities of the governmental sector, civil society, academic bodies and think tanks, as well as on the support of international organizations. The ETF actively participated in the policy dialogue between the Government and key stakeholders. The ETF also participated in the identification and establishment of institutional and operational links between the PRSP and the Medium-Term Expenditure Framework (MTEF).

II Preparation of the PRSP

The PRSP process in the Republic of Serbia can conceptually be seen as two parallel vertical processes linked together by a number of parallel horizontal processes, each with a specific starting point (starting date) and an end result (deliverable). The two parallel vertical processes are:

- The **drafting process**, i.e., writing of the Strategy,
- The **consultative process**, i.e., the process of including all relevant stakeholders in Strategy preparation.



The **horizontal process** included the following five phases:

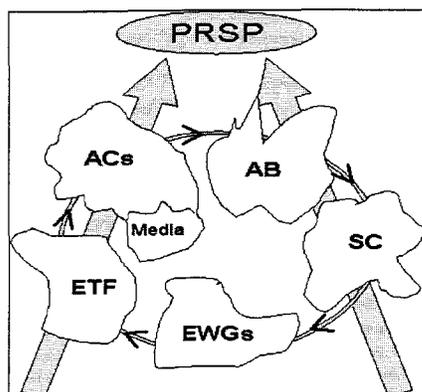
- Institutional set-up
- Development of the Framework for the PRSP
- First Strategy draft
- Second Strategy draft and the PRSP conference
- Final draft and Full PRSP

The al process of PRSF preparation was defined as follows:

Phases	Activities	Outputs
1. Institutionalisation of the PRSP process	1.1. Institutional set-up of the PRSP process discussed and agreed on with stakeholders 1.2. Basis for the operational manual discussed with stakeholders	1.3. All bodies participating in the PRSP process established 1.4. A draft Operational Manual is distributed 1.5. A draft Communication Strategy prepared by PRSP MU is distributed
2. Formulation of the framework for the PRSP	2.1. Draft Operational Manual reviewed and commented on by stakeholders 2.2. Framework for the PRSP developed by the experts and then discussed with relevant	2.4. Operational Manual and Communication Strategy are endorsed by Steering Committee 2.5. Framework of Strategy accepted by the

	stakeholders 2.3. Provisional list of contents of PRSP is designed	Government
3. First draft of the PRSP	3.1. Framework for the strategy is further discussed through the consultative process 3.2. Written sectoral analysis defining the starting point, poverty and social situation across sectors is prepared 3.3. Detailed sectoral strategies, including initial costing, are developed and discussed with stakeholders 3.4. Overall development goals (Serbia in 5-10 years), initial sectoral priorities drawn up	3.5. The SC reviews the elaborated framework (backbone) for the strategy and identifies priority measures 3.6. The SC reviews the first draft and suggest improvements
4. Second draft of the PRSP	4.1. Sectoral strategies and interventions finalised 4.2. Sectoral and individual interventions developed into programmes, and the costing of these finalised and reviewed by relevant government experts, including developed cross sectoral priorities (with options, if applicable) and initial overall costing presented and discussed by stakeholders	4.3. The SC reviews the second draft and suggests improvements 4.4. The SC prioritises different versions of priority interventions and programmes based on results of cost-benefit analysis 4.5. A tentative list of interventions approved 4.6. Draft PRSP submitted to WB and IMF
5. Final draft and approval of full PRSP	5.1. The draft, which was presented and discussed extensively in the consultative process, is submitted to WB and IMF 5.2. A final version of the PRSP is prepared by the experts and discussed with stakeholders. 5.3. Final comments of PRSP bodies forwarded to ACs together with the final PRSP	5.4. The SC reviews the final document and makes a recommendation to the Government. 5.5. The full PRSP is approved by the Government

All vertical processes follow a certain pattern when it comes to sequencing and communication:



Based on outputs from the previous phase (in most cases, Advisory Board recommendations and Steering Committee assessments), the Expert Working Groups will continue working on the drafting process, staying in regular contact with representatives from the Advisory Committees (ACs).

The Expert Working Groups forward their written input to the Expert Task Force, which consolidates the received input into one product.

The ETF will then forward the consolidated draft to the ACs. The Advisory Committees review and discuss the consolidated draft and prepare recommendations to the Advisory Board.

Based on the AC comments, the AB presents recommendations to the SC.

The Steering Committee will review drafts, comments, suggestions, and other inputs, and make policy choices and decisions regarding the preparation of the full PRSP.

III Consultative process

In the period **October 2002 – April 2003** the representatives of the PRSP Management Unit made more than 10 presentations to the representatives of different ACs, to present the organizational structure, the PRSP process and its stages. Also, at the invitation of the ACs, representatives of the PRSP Management Unit attended their internal meetings and clarified the dilemmas concerning the PRSP formulation process.

At the **end of October 2002** the AC representatives (who were formally elected in the later stage), participated, together with the Government representatives, at the Balkan Poverty Forum for Albania, BiH and FR Yugoslavia, which was organized by the World Bank and UNDP in Baden, Austria. At the end of **May 2003**, the AC representatives together with government representatives also participated at the regional PRSP conference in Sarajevo, organized by the Government of Bosnia and Herzegovina in cooperation with the government of Austria.

In **November 2002**, the Government of the Republic of Serbia – PRSP Management Unit, in cooperation with the Centre for the Development of Non-Profit Sector, Civic Initiatives and UNDP held a two-day seminar with the purpose of presenting the PRSP process, as well as the role of non-governmental organizations and the media in the PRSP, to the representatives of national and local media.

Also, at the beginning of **November 2002** the Government of the Republic of Serbia – PRSP Management Unit organized a one-day seminar «BiH Experiences in the PRSP Process» with the goal of learning more from the representatives of the BiH PRSP Management Unit, civil society, donors and the media in BiH on the activities, problems and challenges they encountered in the PRSP process. Apart from the representatives of the PRSP Management Unit, the representatives of the Civil Society AC, donors and the private sector in Serbia also took part in the seminar.

In mid-**December (18.12.2002)**, the Government of the Republic of Serbia organized a conference «Poverty Profile in Serbia», to present the findings of the *Survey on the Living Standard of the Population*, which provides the basis for PRSP formulation. At the beginning of **June (2.6.2003)** The Government of the Republic of Serbia, in cooperation with “Čovekoljublje” – Charity Fund of the Serbian Orthodox Church and Catholic Relief Services, organized a conference “Serbia Free of Poverty – the Role of Faith Communities in

Poverty Reduction”. Representatives of the Government, civil society, local governments, the private sector, international development partners and experts from the public attended both conferences.

In the period **13.3.2003 – 3.4.2003**, with the purpose of commenting on the PRSP Framework, the following thematic meetings were held: poverty analysis in Serbia; the grey economy, the labour market, employment; social protection and pensions; rural development; health; education; decentralization; local and public governance; reforms, integration and creation of the market economy institutions; the macroeconomic framework, fiscal aspects; and the monitoring and evaluation system.

In the period **March-May 2003**, there were also thematic meetings concerning cross-cutting issues: persons with disabilities; children; refugees and internally displaced persons; human rights; gender equity; and Roma and other ethnic minorities.

The meetings were primarily attended by representatives of experts from the public, but representatives of line ministries, civil society and international development partners also participated.

In cooperation with the local authorities in the period **April/May 2003** 11 thematic tables were organized in the following towns: Kikinda, Novi Sad, Šabac, Kragujevac, Kraljevo, Novi Pazar, Požarevac, Užice, Bor, Niš, Vranje, Belgrade. The themes were defined based on local specificities, and the meetings were attended by the representatives of the local authorities and institutions, local NGOs, labour unions and international development partners.

During **June 2003**, representatives of labour unions organized three round tables on labour regulations, the Law on Employment and reform of the Pension Law; labour market reform, transferring the grey economy into legal channels, entrepreneurship and role of social cooperatives; and social and educational policy. Apart from labour unions, representatives from other Advisory Committees, line ministries and experts also attended the meetings.

In addition to numerous bilateral meetings with representatives of different relevant stakeholders in the process, the Strategy was also presented in different forms in around 80 meetings and forums with approximately 3,300 participants.

At the end of this chapter there is a tabular review of relevant data on meetings, seminars and conferences held within the consultation process on the First PRSP Draft.

IV Local Initiatives of the Poverty Reduction Strategy

The objective of PRSP Local Initiatives was to strengthen national ownership of the PRSP.

During July and August 2003, 27 local initiatives across Serbia were realized for the purpose of strengthening national ownership over the PRSP through pilot-projects. This objective

was accomplished by strengthening various “bottom-up” initiatives in more than 40 municipalities and 100 rural settlements, aimed at raising the participation of local communities in the formulation and implementation of the PRSP.

Specific objectives of the PRSPLI were as follows:

- **Inclusion** of relevant stakeholders at the local level, including local civil society organizations, professional associations, citizen groups, and other stakeholders;
- **Dissemination of information and education** of local stakeholders about the PRSP process in a transparent manner;
- **Participation** in the consultative process with inputs on: a) identification of poverty reduction priorities at the local level; b) the costs of poverty alleviation measures; c) implementation mechanisms at the local level; and d) the monitoring and evaluation of the implementation of poverty reduction measures.

Activities necessary for achieving the objectives outlined above fall into three areas:

PRSP-related consultative activities were implemented by 16 organizations: 3 local self-governments, i.e. municipal assemblies, 1 municipal Red Cross organization and 12 NGOs. These consultative activities were various: printing and distributing brochures, pamphlets and leaflets for the purpose of raising general public awareness on the PRSP, organizing panel discussions, round tables, seminars and educational meetings, as well as conducting of research. Local media expressed considerable interest in these activities (more than 30 local TV and radio stations and local printed media), and there was also coverage by local branches of the national media. At the majority of panel discussions and round tables a considerable number of local government representatives participated, including important local institutions such as social welfare centres, refugee commissariats and labour market bureaux, business sector representatives, numerous NGOs, and civil society representatives. Apart from numerous recommendations and suggestions, these activities resulted in very concrete plans:

- a. A working group for mobilization of economic sectors with business potential was established in the municipalities of Mladenovac and Sopot;
- b. A working group for solving the problems of the Roma was formed in four municipalities in the south of Serbia;
- c. An internal communication PRSP network was formed in Valjevo (between 4 NGOs, regional branch of the labour union “Nezavisnost” and the local self-government);
- d. Research on vulnerable groups was conducted in the municipal assembly of Knjaževac;
- e. A seminar “New initiatives for overcoming poverty in the municipalities of Bojnik in Žitorađa” was planned

- f. The establishment of the school of traditional crafts was planned in cooperation with the city assembly of Kragujevac, the Ministry of Education and Sport and the Labour Market Bureau;
- g. Projects were initiated: “Help towards self-help” targeting the Roma population and facilitating access to public services (in the municipalities of Vladičin Han, Bela Planka and Lebane) and “Roma – parents and children in the education process” (in the municipalities of Prokuplje, Surdulica and Pirot).

Creation of Models for Local Level PRSP Implementation was the objective of activities undertaken by 7 local organizations: 1 municipal red-cross organization, 1 municipal administration and 5 NGOs. These projects included a combination of educational activities, research, surveys and consultations with all relevant local community actors, so the majority of the proposed models included mixed working groups to be in charge of preparation of local action plans, creating an institutional framework. This kind of activity was primarily targeted at vulnerable groups: single mothers in Niš, elderly, unemployed over 50 years of age and persons with disabilities, poor rural population in 18 remote villages, and so on. One of the recommendations issuing from these projects is that **decentralisation of responsibilities and resources** should be undertaken at the local level, while the partnership between the governmental and non-governmental sector turned out to be an extremely important issue (the creation of a local action plan was *the first* project of the town administration of Kragujevac implemented in partnership with a local NGO).

Defining the role of different stakeholders in monitoring and implementation of the PRSP was the objective of activities undertaken by 4 NGOs. Trying to respond comprehensively to the project requirements, they focused on finding efficient ways of monitoring and evaluating PRSP outcomes at the local level, through the participatory contribution of all local stakeholders, designing strong incentives for active participation in the process and defining conditions and mechanisms for the inclusion of as wide a range of participants as possible. The survey (questionnaires and focus groups) and meetings/discussion groups were also based on a professional and systemic approach to solving the poverty problems by direct field data collection. Apart from the recommendation that it was necessary to urgently form a working group to monitor the PRSP continually at the local level, these activities also resulted in concrete plans (to continue poverty research in other regions with the network of resource centres and include the whole network in the PRSP monitoring and implementation process).

The overall impression upon the implementation of all local initiatives is the following:

- That immense efforts were put in by all organizations in trying to answer the project task, which was manifested by the fact that though 90 activities were originally planned, there were 117 carried out by the end of the project and within the previously approved budget;

- That a great degree of inclusion was achieved among all the local level actors within all kinds of activities;
- That within the realization of these activities, a large coverage of the territory of Serbia with local initiatives as well as high media coverage was achieved;
- That, as acknowledged by almost all the organizations involved, they considerably improved and advanced their capacities both in terms of programmes and finances, regardless of time limitations; and
- That local initiatives for the first time offered the opportunity for the poverty problem to be discussed at the local level jointly by institutions engaged in poverty and by the poor themselves.

In view of the very short deadline for implementation of the PRSPLI, it is of utmost importance to transform best practices from this project into a sustainable programme of local initiatives that would become an integral part of implementation, monitoring and evaluation of the PRSP, both at local and national level.

V Lessons learned from the PRSP preparation process

The opinion shared by all the participants is that PRSP process in Serbia included from the very beginning efforts to introduce changes in the usual practices of preparation of strategic documents and therefore was also marked by the problems that these changes entailed. Although occasionally burdened by uncertainties and unclarified issues, this process provided a good foundation for establishing good relations between the Government of the Republic of Serbia and other actors in the society.

For the sake of clear review of comments received from different Advisory Committees (ACs) and government representatives, all lessons learned from the PRSP process were classified into four categories:

1. lessons learned from the internal operation of ACs/Government
2. lessons learned from the consultative process
3. lessons learned from the full PRSP
4. lessons for further work on monitoring and implementation of the PRSP

Lessons learned from the internal operation of ACs and ministry representatives

The process of internal consultations occasionally included conflicts of interest between AC members, but these conflicts in most cases were caused by differences in their starting positions and level of inclusion, as well as by the short deadlines imposed. The need to reach consensus on the main causes of poverty and the main directions proposed for overcoming it required balancing of social, economic and institutional interests of different stakeholders in

the PRSP process, which in most cases led to resolution of these conflicts. The recommendation for overcoming differences in the starting positions of AC members in the monitoring and implementation process is to organize regular informational/educational meetings to keep all the members updated on all present and planned activities within the AC and the overall PRSP process.

Extensive everyday obligations of AC members resulted in their uneven contribution to the joint work, and occasional internal coordination problems. Since this kind of approach to the preparation of strategic documents was new not only to the Government but to the other stakeholders as well, in the next period focus should be placed on strengthening the capacities of local government, NGOs, labour unions, parliament and the business community for active participation in the formulation and implementation of strategic projects. Technical expertise from international development partners in this and other relevant areas is more than welcome.

In the work of expert working groups and ministry representatives there was a need for the promotion and application of advanced techniques of strategic planning such as group work, and the establishment of multidisciplinary groups in order to reach optimal solutions through dialogue etc. Although every ministry delegated two focal points to work on the PRSP, the fact that ministries are engaged on several important projects simultaneously and that consequently, there is not enough time to devote just to the PRSP, meant that the comments of line ministries did not at every point reflect the work and attitudes of all the ministry sectors. Clear definition of roles and responsibilities of ministry focal points and improvement of internal communication mechanisms between ministry employees should help to overcome this problem in the PRSP monitoring and implementation phase.

The Poverty Reduction Strategy Management Unit established within the Ministry of Social Affairs, significantly contributed both in the consultative process and in the writing of the PRSP to better coordination of the process, dissemination of information, organizing local level consultations and preparing the final PRSP. Representatives of Advisory Committees were satisfied with successful communication with PRSPMU members and their swift and concrete reactions in terms of providing additional information and clarification on the process and activities.

Lessons learned from the consultative process

The PRSP formulation process offered the opportunity for those social actors who have not traditionally been involved in the preparation of strategic documents to contribute with their proposals and suggestions to the formulation of the national PRSP. Participation of different ACs reflected on the one hand the degree of interest expressed in different areas and on the other, the different level of “know-how” in the consultative work method.

The active involvement of civil society representatives in all phases of PRSP preparation contributed to better understanding of the everyday problems encountered by the poor at the

local level, and consequently, to adequate suggestions on how to satisfy their needs in the most appropriate way.

Due to procedural constraints and irregular sessions, parliamentary representatives, though kept informed on the PRSP from the very beginning, did not set up their AC until the finalisation of the PRSP preparation process. They are to be fully engaged in the process of PRSP monitoring and implementation.

In general, consultations with all the ACs provided additional insight into the problems of vulnerable population groups and in that way contributed to the improvement of proposed policies and activities.

Dialogue between experts and other stakeholders in the process led to a better understanding of sectoral needs and priorities on the expert side and to a better understanding of economic constraints, financing mechanisms etc. by other stakeholders.

A great number of participants contributed with their thorough critiques to the PRSP process and drafts. Not all the critiques were equally logical and useful, but the great advantage lay in the inclusion of actors experienced in particular areas as well as in the spirit of openness and the opportunity that was presented to influence the substance of the PRSP. These comments enabled immense improvements in the quality and operationalization of the PRSP document.

Lessons learned from the final PRSP

In the preparation of the final PRSP, experts endeavoured to include as many comments received from ACs as possible.

The reasons for not including some of the critiques and comments were the following: 1) certain suggestions basically dwelled on theoretical conceptions or common place ideas, without clear explanation as to how the obviously desirable outcomes could be reached; 2) the extreme complexity of the problem observed and insufficient reliability of the suggestions proposed.

Representatives of different ACs consider that the greatest contribution of their joint work within the AC lies in lobbying for a multidimensional approach to poverty, i.e. efforts to view the poverty problem from all aspects, which led to a relatively successful balance in the final PRSP between the purely economic perspective and the human rights approach.

Lessons for further work on monitoring and implementation of the PRSP

The shared opinion of all the stakeholders in the PRSP preparation process is that in the monitoring and implementation phase the following principles should be observed:

- transparency and regular information exchange;

- inclusion of the relevant actors in all the monitoring and implementation phases;
- continuation of the consultative process throughout the implementation of the PRSP;
- monitoring of the PRSP should be coordinated by the representatives of the existing ACs;
- the multidisciplinary approach to the poverty problem should be maintained, as well as multidisciplinary work on poverty reduction;
- prepare regional action plans for poverty reduction, since it is insufficient to implement the PRSP on the national level only, while the local level lacks both the capacities and financial resources

• *Thematic meetings by sectors*

	Meeting	Date	Attendance
1.	Grey economy, employment, labour market	13.02.2003.	36
2.	Social protection and pensions	17.02.2003.	17
3.	Regional and rural development	18.02.2003.	24
4.	Urban aspects of poverty and social housing	20.02.2003.	14
5.	Educational aspects of poverty	21.02.2003.	24
6.	Decentralization and local government	24.02.2003.	20
7.	Macroeconomic and fiscal framework	26.02.2003.	29
8.	Monitoring and indicators	27.02.2003.	18
9.	Implementation of reforms, creation of market economy institutions and European integration	28.02.2003.	20
10.	Health care and poverty	03.03.2003.	28
11.	Strategic goals concerning the most vulnerable - Roma	19.03.2003.	31
12.	Ensuring equal opportunities for persons with disabilities – way out of poverty	24.03.2003.	30
13.	Poverty and children	25.03.2003.	36
14.	Gender equity	27.03.2003.	27
15.	Refugees and internally displaced persons	28.03.2003.	26
16.	Environmental protection and poverty	31.03.2003.	16
17.	Human rights	20.05.2003.	13
TOTAL:			409

• *Local thematic meetings:*

	Town	Date	Attendance
1.	Vranje	14.04.2003.	30
2.	Novi Pazar	15.04.2003.	27
3.	Kragujevac	16.04.2003.	39
4.	Bor	17.04.2003.	44
5.	Niš	18.04.2003.	32
6.	Kraljevo	21.04.2003.	24
7.	Užice	22.04.2003.	37
8.	Šabac	23.04.2003.	27
9.	Novi Sad	07.05.2003.	26
10.	Kikinda	08.05.2003.	25
11.	Požarevac	26.06.2003.	30
TOTAL:			341

• *Presentations to SKOGOJ-local government representatives:*

	Meeting	Date	Attendance
1.	Committee for Utilities and Housing		On average

		14.05.2003	15
2.	Committee for Local Self-government and Local Finances	15.05.2003	On average 15
3.	Committee for International Cooperation	16.05.2003	On average 15
4.	Committee for Services to Membership	27.05.2003	On average 15
5.	Committee for Social Affairs	25.02.2003 28.05.2003	On average 30
6.	Committee for Culture, Youth and Sports	29.05.2003	On average 15
7.	Committee for Economic Development	30.05.2003	On average 15
TOTAL:			around 120 (out of that around 80 local governments)

- *Meetings with labour union representatives:*

	Meeting	Date	Attendance
1.	Labour regulations; Employment Law; Reform of the Pension Law	9.06.2003	On average 70
2.	Labour market reform; Transferring grey economy into legal channels; Entrepreneurship and role of social cooperatives	12.06.2003	On average 50
3.	Social policy and educational policy	30.06.2003	On average 50
	TOTAL:		around 170

• *Other PRSP presentations (to different partners):*

	Presentation held	Date	Attendance (Approximately)
1.	SKGOJ Conference on citizens' participation (organized by Council of Europe + SKGOJ)	October, 2002.	100
2.	Press conference (org. UNDP, CRS, ARDI)	October, 2002.	20
3.	International organizations coordination meeting (org. HRH Princess Katarina)	October, 2002.	50
4.	UNHCR human rights contact group	November, 2002.	30
5.	CRS Network 'Serbia Free of Poverty', monthly meeting	November, 2002.	30
6.	PRSP presentation to the media and NGO sector at the seminar in Palić	December, 2002.	30 (media representatives)
7.	Yearly SKGOJ conference	December, 2002.	200
8.	Conference 'Poverty Profile in Serbia'	December, 2002.	210
9.	Meeting of International Development Partners and NGOs (org. ICVA)	December, 2002.	30
10.	Meeting of International Development Partners in UNICEF	January, 2003.	30
11.	Presentation to Serbian parliamentarians	January, 2003.	50
12.	Presentations on seminars 'Children and PRSP' in Novi Pazar, Belgrade and Niš (org. Center for Children's Rights and UNICEF)	March, April 2003.	15 x 3
13.	Presentation to DFID country team	March, 2003.	20
14.	Presentation to USAID/CRDA (org. MIER/DACU)	March, 2003.	25
15.	Presentation to UNICEF staff	May, 2003.	15
16.	UNICEF seminar (Novi Pazar, Tutin, Sjenica, Raška)	May, 2003.	15
17.	Presentation to Labour Unions AC	May, 2003.	20
TOTAL:			approximately 920

- *Seminar, workshops, conferences and meetings (bi- and multilateral) attended by PRSP MU representatives:*

	Event	Date	Attendance
1.	Conference 'Strategy on Modernization of Public Administration of the Republic of Serbia'	October, 2002.	150
2.	Seminar on BIH Experiences in PRSP Preparation	November, 2002	25
3.	UNDP workshop 'Local Economic Development in FRY'	December, 2002	90
4.	UNHCR round table 'Role of Politicians and Media in Promotion of Human rights in Serbia'	December, 2002	50
5.	Meeting with representatives of American Embassy (econ. dept.)	January, 2003	2
6.	Meeting with Serbia and Montenegro CRS Team and representatives from USA	January, 2003	7
7.	Handicap International round table 'New experiences in development of supportive services for persons with disabilities: processes and results'	February, 2003	50
8	Constitutive conference FENS (Federation of NGOs of Serbia)	February, 2003	400
9	WB seminar 'Selection and Employment of Consultants'	February, 2003	40
10	Seminar 'Tripartite Social Dialogue in the Republic of Serbia' (Ministry of Labour and Employment)	February, 2003	50
11	Meeting with NDI representatives (National Democratic Institute)	February, 2003	10
12	UNDP workshop 'Including the Gender Aspect into the PRSP'	March, 2003	30
13	Meeting with representatives of AFL-CIO (American Center for International Labor Solidarity)	March/April, 2003	10
14	Round table 'Housing Policy of Vulnerable Population in Serbia' (Ministry of Construction)	March, 2003	60
15	Meeting of the Association of Shareholders' Enterprises of Serbia	March	40
16	UNDP regional conference in Bratislava on MDG statistics	March	40

17	OXFAM/CAHY conference on Roma settlements in Serbia	March, 2003	150
18	Meeting with representatives of International Education Club (org. Finnish Embassy)	April, 2003	10
19	Meeting with the representatives of Embassy of Finland and the Finnish Orthodox Church	April, 2003	8
20	Meeting with ICRC Poverty Research Group	April, 2003	5
21	Meeting with Red Cross representatives	May, 2003	5
22	'484' Conference on Inclusion of Refugees and IDPs in the PRSP'	May, 2003	40
23	WB/CEU seminar in Budapest on poverty statistics	May, 2003	30
24	DRC seminar 'Final evaluation of Projects Helping Refugees and IDPs'	June, 2003	40
TOTAL:			approximately 1,342

ON POVERTY IN SERBIA

- Historical Outline –

Classical poverty when one starves to death because one literally has nothing to eat or when an individual is not capable of providing for mere existence was very, very rare in the country of Serbia. Serbia was never a country in which people died from hunger; it has rather been a “paradise for a poor man” (Herbert Vivian, 1897).

Who Is Poor?

There are many documents, starting from the Old Testament, that speak about poverty, the poor and their protection, but there are usually no concrete data on who is considered to be poor, where the line that divides the poor from others is and what it consists of. However, in the Byzantine document Prochiron (reference law), published in Constantinople in the 9th century, it is stated who is considered to be poor and thus not eligible to be a witness: “a poor man does not give testimony, and poor is the one who does not have property of fifty small coins.” This is one of the first documents that define the poverty line by monetary value.

Stojan Novaković writes that in the Middle Ages “there were different people in villages. It can be imagined that there were slaves, new settlers without property, but free, poor people with very inadequate and small property, people who left their property somewhere and came to a richer country or a better master... In that diversity of settlers there was a ready supply of the proletariat and homeless people, on the one hand, while on the other a question was raised: what should these good people have done in order to obtain property?” It can be seen from this quotation that a poor person was considered to be one who had no property or property so small that it could not support even the most modest lifestyle.

At a later date, it was again property that served as a line that reflected poverty status. Thus Prince Miloš Obrenović, asking in 1837 that taxes “should not be difficult for the poor”, considered poor the one “who is really poor, who is honourable and diligent but has no land, the one who has children or is made poor in some other honourable way.” He freed from direct taxes poor people with small children, who had no land but had to feed their families by working as day labourers. So, not having land was for Miloš the necessary but not sufficient condition to consider someone to be poor; the additional condition was that he/she had small children.

Lack of land or its insufficiency is the cause of poverty, wrote Jefta Dedijer later, and claimed that traditionally “the synonym of the adjective rich is honourable,” while “the shame of being poor is so big that children of poor farm labourers run away into the world out of shame as much as for hunger.”

From the above examples it can be seen that the line dividing the poor and non-poor was defined by having or not having land or property. There are many synonyms for the poor and poverty in the Serbian language: **poor devil, the poor; misery, miserable, penurious; pauper, charity case, bare-assed, needy, indigent** etc.

One does not necessarily have to become a pauper; one can just become poorer and feel miserable. Thus Archibald Peton, who stayed in Serbia in the mid 19th century, wrote about his encounter with the Turkish agha in Šabac: "I watched him sitting in his lonesome tower, the last member of a once rich and powerful nation, now living in misery... the times have changed, poor man; his salary now amounts to 250 piasters per month, while his family used to be like small kings in Šabac." At that time, 250 piasters were for many people of Šabac an unattainable amount, but for an agha who had lost his authority and power, it was like being poor.

Causes of Poverty

Folk tradition very clearly distinguishes the causes of the emergence of poverty, and treats them differently. These causes can be classified into several main groups: 1. fateful, 2. inherited, 3. personal, and 4. general.

Fateful poverty is the consequence of "force majeure" and it is very difficult or impossible to eliminate. Whatever one did, worked hard, created things, the result would always be negative. Something will always happen that will devalue one's efforts and leave the individual who had put his efforts into it without the rewards merited.

"Force majeure" that prevents one from getting away from poverty is called **MISERY**. In the Slavic folk tradition it is represented as a supernatural being who travels around the world, attacking and torturing people. There is a related belief in Serbian folk tradition, too: the saying "misery found him" clearly shows that misery itself finds the one to cause trouble. A similar statement is given in the following proverbs: "One does not invite trouble, it comes by itself." "Force is temporary, while trouble comes successively."

People believe such poverty to be doom or punishment for one's own sins, or for sins that some ancestors committed in the past.

It is possible to eliminate this kind of poverty, "to take misery off one's back", as the saying goes, only if one's own or one's ancestors' sins are tracked down and atoned for.

The most picturesque description of such a situation is given in the folk story "Destiny" recounted by Vuk Stefanović Karadžić.

The story tells about the different destinies of two brothers. The first is diligent and hard-working, but his property does not improve; the more he works the poorer he gets, and eventually he fails. The other brother leads an easy life of abundance; he does not work on

his property himself, but his holdings are still growing. Therefore, the first brother decides to go round the world and find out why he has nothing despite hard work and diligence, while his lay-about, do-nothing brother has everything. After various trials and tribulations he meets a hermit who tells him where **Destiny** lives and gives him advice on what to do when he arrives there.

“When you arrive at Destiny’s place, do not say anything, just do whatever he does, and wait till he poses a question,” the hermit told him.

When the brother arrived at a magnificent mansion, he did as advised by the hermit. He sat down at the table with Destiny, he had dinner with Destiny, and he went to sleep when Destiny went to bed, too. In the dead of night he was woken up by loud cries: “Oh, Destiny, today were born such and such number of souls, give them whatever you want to give them!” Destiny woke up, got up, opened his case with money and started throwing around golden coins saying: “As it is for me today, let it be for them all their lives.”

The next morning, when the brother woke up, the magnificent mansion became smaller, but it still looked rich. The story was repeated at midnight, and in the morning the house became smaller again, until one morning the brother and Destiny woke up in a very poor hut. That night the voice called again, and Destiny threw only a few breadcrumbs and a lost iron coin. The next morning, when the brother woke up, instead of the poor hut there again stood the mansion from the beginning of the story.

Then Destiny asked him why he had come. When the brother told him, Destiny answered: “You saw how I threw golden coins on the first night and what happened later. As it was for me on the night when someone was born so it will be for this person all his or her life. You were born on a poor night, so you will be poor all your life. Your brother was born on a lucky night and he will be lucky as long as he lives.”

The story ends with Destiny’s advice on how it could be changed, but the brother had to accomplish a rather difficult task and stick to it all the time, never disclosing to anyone why he did it.

Besides Misery, folk tradition also tells about the Fairies who determine one’s destiny at birth, which is difficult to change later.

The Fairies come three days after the child’s birth and foretell his or her destiny. The common belief is that what these Fairies determine that day, can by no means be changed at a later date.

The broader community is helpless against such poverty, but it also does not truly want to offer assistance fearing that punishment could be transferred to it as well. There is tacit understanding for the poor person, but fear of supernatural force is stronger and everybody simply avoids offering any assistance in order not to bring Misery’s wrath on themselves.

Only an individual can change his or her own destiny, as the story about “Destiny” clearly tells.

Inherited poverty is frequent, and folk tradition is full of data and stories about poor families.

This kind of poverty was very much present among the Serbs and one can freely say that it can be applied to the majority of all poor people in Serbia. However, the fact is that this poor stratum has decreased over time.

“Escape from this kind of poverty” has always met understanding both by individuals and the broader community. The “escape” was fully divergent, i.e. it developed into different directions. One could change residence, find a job, become educated, save, work hard or go to a richer environment.

According to folk stories collected and published by Vuk Karadžić, one could run away from inherited poverty by working, getting educated, and acquiring knowledge and awareness.

The stories usually start with “*Once upon a time there was a poor man*” or “*One poor man lived in a cave*”, and when the story develops one finds a way to defeat poverty. In the story “*The Devil and His Apprentice*” a poor son says to his even poorer father: “*I can’t live like this; I shall go abroad to learn a craft. You see how it is today: if one is skilled even a little in some craft he lives better than any farm labourer*”. The son learned a craft and became a rich man.

One can see to what extent knowledge or information can help in the stories “*Animal Language*” and “*Evil Woman*” where information or knowledge obtained for a good deed enables a person to get rich. In the story “*One Cannot Hide Real Trouble*” it is shown how hard work can help one escape from poverty.

By posing the question “What should these good people do in order to acquire some land?”, i.e. to get rid of poverty, Stojan Novaković quotes examples from Byzantine laws on share-cropping (renting land or estates) that were practically in force during the Turkish administration of the Balkans and were implemented in the 19th century as well. He says that “this method stands in the Slavic translations of the same laws, where it is stipulated that arable land or vineyards can be rented on a share-cropping basis, on which occasion the first seed is spared for the one who gave it, and the crop is thereupon shared in two parts...”

In some areas it is the custom to give one third instead of one half, and there are some more differences in negotiations. In other areas labourers are given a house, some money, some salt and a piece of land for their own crops. The name of the land given under such conditions, for crops as salary, in the Old and New Zagora and around Čustendil was called **paraspor** or **paraspur**, and labourers hired in that way were called **paraspurdžije**. These labourers were hired for one year or every six months, on St George’s Day and St Demetrius’ Day. In the villages of the Old Zagora District they were paid 300-500 groschen

in cash and 15 to 18 kg of wheat, seed for sowing, salt and footwear. Share-cropping remained as a method throughout the 20th century.

In the old times the state was usually not blamed for poverty, and it was not responsible for fighting poverty. The common belief was that it depended on the person himself whether he would be a poor or a rich man and that his success in life basically depended on his own efforts. Thus Čedomilj Mijatović advised the young that they would best succeed in life if they stuck to traditional virtues, such as honesty, diligence and thrift (1892).

Personal causes of poverty are numerous and very clearly classified in the folk tradition.

The very beginning of the story “Bekri-Mujo” gives the best description of people’s views of this phenomenon. It starts as follows: “The story goes that once upon a time in Constantinople there was a Turk called Bekri-Mujo, who inherited an enormous fortune from his father, but he turned to drink and drank away and squandered everything. So, he had no other clothes but one blanket and he walked the streets cloaked in it, with an old cap on his head through which hung his pigtail.”

The story “Going for the First Time with My Father to the Morning Service” by Laza Lazarević tells about the distinguished head of a household and father of the family who is sunk in gambling and alcohol, and who gambles away his whole property, taking his family to disaster. He eventually becomes aware of it and decides to stop gambling. The moral of the story is that the one who has brought himself into an unpleasant situation must become aware of his responsibility and guilt; he must change and try to solve the problem by himself.

Idleness, irresponsibility, laziness, prodigality, alcoholism, gambling are the main causes of one’s poverty. There is no understanding for such poverty and the common belief is that those individuals should not be given any material assistance because it is a futile effort. They are believed to be guilty for their own condition; therefore they have to find a way out by themselves.

Miloš Obrenović had a similar opinion, and he did not consider poor “a good-for-nothing, a lazybones, a drunkard and the like, whom I never forgave and who are not to be forgiven for anything.”

A folk saying goes “Neither acquire from a clever person nor leave to a fool”, while in the Property Code for the Principality of Montenegro by Valtazar Bogišić it is stipulated: “The Court can also proclaim as prodigal those who squander their property and do not want to improve, and they can be put under guardianship.” They should therefore not be freed from taxes nor given any other facilities.

General reasons for poverty are consequences of natural disasters, economic crises or political events (wars, loss of privileges and position, state robbery).

They are usually temporary and related to persons affected by some of the said events.

For those who become impoverished under such circumstances, if they have no personal guilt, there is great understanding among people, because they are “guilty without guiltiness” and the common opinion is that they should be given necessary assistance by the broader community and the state. They do not lose their reputation and the common belief is that they should be helped as soon as possible; also, that they will soon recover.

In the 19th century, and in some places even later, there was an institution called the “village basket” in which everyone allocated certain amounts of wheat after harvest, according to their possibilities and yield. That wheat would be given to the poor to feed themselves during winter and spring or when crops failed. The village chieftain would decide with the most distinguished heads of households who would have the right to use the wheat.

Unlike those who are impoverished in such situations, those who get richer experience reproach and contempt because they are considered to have become rich on account of the misfortune of others. Such wealth is considered to be doomed. Those who become rich in an immoral way and on account of someone else’s misfortune will experience misfortune sooner or later, or their closest family members will experience misfortune, and will lose these riches.

ATTACHEMENTS

I SCOPE AND CAUSES OF POVERTY IN SERBIA

Table A1. Poverty by gender and age groups in Serbia in 2002.

	%Vulnerable	% of the poor	Relative poverty risk	Structure of the total population	Structure of the poor	Depth of poverty	Severity of poverty
Gender							
Men	20.1%	10.6%	0.2%	48.6%	48.7%	2.3%	0.8%
Women	19.9%	10.6%	-0.1%	51.4%	51.3%	2.2%	0.7%
Age							
Children 0-6						1.4%	
	14.2%	6.9%	-34.5%	6.0%	3.9%		0.5%
Children 7-14	22.2%	12.7%	20.1%	8.5%	10.3%	3.0%	1.1%
Children 15-18	19.7%	10.7%	1.3%	5.1%	5.2%	2.4%	0.8%
Adults 19-25	18.6%	9.6%	-9.6%	9.5%	8.6%	1.8%	0.6%
Adults 26-45	17.3%	9.1%	-14.2%	26.4%	22.7%	1.9%	0.6%
Adults 46-64	19.1%	9.7%	-8.0%	26.8%	24.6%	2.0%	0.7%
Elder 65+	27.2%	14.8%	40.0%	17.7%	24.8%	3.2%	1.1%
Total	20.0%	10.6%	-	100%	100%	2.2%	0.8%

Note: The relative poverty risk is calculated as the percentage growth (fall) of the poverty index for each group compared to the average poverty index of the whole population.

Source: SLSP 2002.

Table A2. Poverty by household type in Serbia in 2002

	%Vulnerable	% of the poor	Relative poverty risk	Structure of the total population	Structure of the poor	Depth of poverty	Severity of poverty
Households							
Without children	20.6%	11.2%	8.5%	63.5%	68.9%	2.3%	0.8%
with children	17.6%	8.8%	-14.8%	36.5%	31.1%	1.9%	0.6%
Number of family members							
one member	20.4%	11.3%	9.1%	17.4%	19.0%	2.4%	0.8%
two members	21.0%	10.9%	5.8%	24.7%	26.1%	2.4%	0.9%
three members	16.5%	8.6%	-16.9%	19.8%	16.4%	1.7%	0.5%
four members	15.4%	8.4%	-18.6%	21.6%	17.6%	1.6%	0.5%
five members and more	25.3%	13.0%	26.3%	16.5%	20.9%	2.9%	1.0%
Total	19.5%	10.3%	-	100%	100%	2.2%	0.8%

Note: The relative poverty risk is calculated as the percentage growth (fall) of the poverty index for each group compared to the average poverty index of the whole population.

Source: SLSP 2002.

Table A3. Poverty by socio-economic status in Serbia in 2002 (based on respondents' statements)

	% Vulnerable	% of the poor*	Relative poverty risk	Structure of the whole population over 15	Structure of the poor*	Depth of poverty	Severity of poverty
Employed	12.7%	6.2%	-42.0%	30.6%	17.7%	1.2%	0.4%
Employers and self-employed	16.3%	9.2%	-13.3%	5.1%	4.4%	1.6%	0.5%
Farmers	23.3%	10.6%	-0.5%	5.3%	5.3%	2.0%	0.7%
Other active population	23.1%	13.2%	24.6%	1.4%	1.7%	2.7%	0.8%
Unemployed	29.2%	16.9%	59.4%	11.9%	19.0%	3.6%	1.2%
Pensioners	22.0%	10.9%	2.9%	24.1%	24.8%	2.4%	0.8%
Other non-active population	23.7%	13.3%	25.2%	21.7%	27.1%	2.9%	0.9%
Total	20.2%	10.6%	-	100%	100%	2.2%	0.8%
Employed	10.2%	4.8%	-38.6%	36.4%	22.3%	0.8%	0.2%
Employers and self-employed	13.6%	7.4%	-4.9%	5.7%	5.4%	0.7%	0.2%
Farmers	13.3%	8.6%	10.6%	0.5%	0.5%	1.5%	0.5%
Other active population	22.3%	8.8%	14.1%	0.8%	1.0%	1.4%	0.2%
Unemployed	26.9%	14.4%	86.1%	11.6%	21.6%	2.6%	0.7%
Pensioners	18.0%	7.9%	1.3%	26.0%	26.3%	1.5%	0.5%
Other non-active population	19.2%	9.3%	19.9%	19.0%	22.8%	1.8%	0.5%
Total - urban	16.2%	7.8%	-	100%	100%	1.4%	0.4%
Employed	17.8%	9.0%	-37.2%	23.1%	14.5%	1.9%	0.6%
Employers and self-employed	20.9%	12.4%	-13.5%	4.2%	3.6%	3.2%	1.2%
Farmers	23.9%	10.7%	-25.5%	11.6%	8.6%	2.0%	0.7%
Other active population	23.5%	15.4%	7.7%	2.1%	2.3%	3.3%	1.0%
Unemployed	32.0%	20.0%	39.4%	12.3%	17.1%	4.9%	1.8%
Pensioners	28.1%	15.7%	9.6%	21.6%	23.7%	3.6%	1.4%
Other non-active population	28.3%	17.2%	20.2%	25.1%	30.2%	4.1%	1.4%
Total - rural	25.4%	14.3%	-	100%	100%	3.3%	1.2%

* The relative poverty risk is calculated in relation to the poverty index of the referential population.

Note: Categories referring to socio-economic status are defined based on respondents' statements.

Source: SLSP 2002

Table A4 Comparison between inequality of incomes in Serbia and selected East European countries (countries are ranked according to the Gini coefficient, on per capita basis)

Country (year)	Income or expenditures per capita (USD)	Gini coefficient
Hungary (income; 1999)	1800	26
Slovenia (income; 1998)	4900	26
Bosnia (income; 2001)	1300	27
Macedonia (1998)	1000	29
Byelorussia (expenditures; 1999)	630	30
Ukraine (income; 1999)	820	30
Bulgaria (income; 1999)	820	33
Lithuania (expenditures; 2000)	1200	33
Serbia (income; 2002)	1480	33
Croatia (expenditures; 1998)	3200	36
Estonia (income; 2001)	1600	38
Russia (income; 2000)	1000	40
<i>Unweighted average</i>	<i>1360</i>	<i>32</i>

Note: For Bosnia, Croatia and Byelorussia - incomes without imputed rent.

Source: Branko Milanović, Poverty in Serbia in 2002, Ministry of Social Affairs.

Table A5. Breakdown of income inequalities according to source, Serbia 2002

	(1)	(2)	(3)	(4)
	Share in Total Income (%)	Concentration Coefficient	Gini Coefficient Share (1)*(2)	Share of Total Inequality (in %) (3)inc. Gini
Labour earnings	45.5	33.0	15.0	47.0
Property-based Income	3.8	55.3	2.1	6.6
Net Income from an Agricultural Property	11.4	46.1	5.3	16.5
Pensions	16.3	24.9	4.1	12.7
Unemployment Allowance	0.4	-13.6	-0.1	-0.2
Social Protection	0.3	30.8	0.1	0.3
In-kind Consumption	12.8	27.3	3.5	11.0
Scholarships	0.2	12.8	0.0	0.1
Health Assistance	0.2	27.8	0.1	0.2
Imputed Income from Durable Goods 1/	4.7	30.0	1.4	4.4
Imputed Rent	4.4	10.4	0.5	1.4
Total Gross Income	100.0	32.2	32.2	100.0

1/ Also includes depreciation of durable consumables.

Source: Branko Milanovic, Poverty in Serbia in 2002, Ministry of Social Affairs.

II TRANSITIONAL REFORM FRAMEWORK FOR POVERTY REDUCTION

Fiscal Limitations in the Implementation of the Poverty Reduction Strategy

Consolidated public revenues - million yum

	Realized	Realized	Planned
Revenue	275.343,8	404.467,5	473.924,3
I Current revenue (1.+2.)	275.340,5	404.467,5	473.674,3
1. Tax revenue (1.1+...+1.10)	262.626,9	385.359,0	449.951,2
1.1. Customs	14.331,0	24.648,1	26.195,9
1.2. Personal income tax	32.927,2	48.658,9	57.773,3
1.3. Corporate income tax	3.422,6	4.306,5	4.353,1
1.4. Retail sales tax	72.112,1	105.427,7	129.756,3
1.5. Excises	26.091,2	45.040,0	57.243,1
1.6. Property tax	2.533,9	3.755,1	4.562,3
1.7. Financial transaction tax	10.014,0	10.066,7	3.800,0
1.8. Extra profit tax	1.228,1	2.901,8	0,0
1.9. Other taxes	24.651,6	41.154,4	46.967,5
1.10. Social insurance contributions	75.315,0	99.399,8	119.299,7
2. Non-taxable revenue	12.713,6	19.108,6	23.723,1
II Capital revenue	3,2	0,0	250,0

Fiscal deficit - million yum

	2001	2002	2003 (plan)
Total deficit	-11.116,2	-31.073,4	-44.033,6
Primary deficit	-6.811,2	-22.432,4	-30.547,6

Consolidated revenues and deficit - million yum

	2004	2005	2006	2007	2008	2009	2010
Consolidated public revenues	542.536,1	612.306,2	679.866,5	749.552,8	824.400,2	904.531,5	992.428,4
Total deficit	-46.906,5	-49.755,7	-49.990,6	-47.451,2	-45.928,1	-45.867,0	-45.406,8
Primary deficit	-26.577,2	-26.216,5	-19.015,9	-12.066,4	-7.791,1	-5.293,5	-2.015,2

Consolidated public expenditures - economic classification - million yum

	2001	2002	2003
Total	286.460,00	435.540,90	513.757,9
1. Salaries	62.930,90	90.291,30	115.561,9
2. Purchase of goods and services	53.550,00	72.326,50	84.244,9
3. Pensions	68.385,90	111.205,00	130.981,4
4. Social protection	23.052,70	38.781,00	44.598,2
5. Subsidies and restructuring	39.346,60	62.801,10	68.942,9
6. Capital expenditures	9.187,90	14.911,70	19.976,6
7. Public debt servicing	10.992,00	19.965,00	26.452,0
7.1. Interests	4.305,00	8.641,00	13.486,0
7.2. Paying off debt	6.686,60	11.323,50	12.966,0
8. Other expenditures	19.014,40	25.259,90	23.000,0

Consolidated public expenditures - economic classification - million yum

	2004	2005	2006	2007	2008	2009	2010
Total	589.442,6	662.062,0	729.857,1	797.004,0	870.328,3	950.398,5	1.037.835,2
1. Salaries	129.175,3	143.555,1	158.146,4	172.558,9	188.264,5	205.376,7	224.019,0
2. Purchase of goods and services	151.854,1	167.798,8	182.061,6	195.716,3	210.395,0	226.174,6	243.137,7
3. Pensions	151.854,1	167.798,8	182.061,6	195.716,3	210.395,0	226.174,6	243.137,7
4. Social protection	49.058,0	52.982,6	56.161,6	58.969,6	61.918,1	65.014,0	68.264,7
5. Subsidies and restructuring	64.587,6	65.918,1	65.215,0	61.114,6	59.451,9	61.176,0	67.446,6
6. Capital expenditures	32.293,8	43.945,4	52.172,0	61.114,6	71.342,3	83.024,6	96.352,3
7. Public debt servicing	45.395,5	52.136,6	65.974,8	79.335,9	92.316,1	106.032,1	107.533,6
7.1. Interests	20.329,4	23.539,2	30.974,8	35.384,8	38.137,0	40.573,6	43.391,6
7.2. Paying off debt	25.066,2	28.597,5	35.000,0	43.951,2	54.179,1	65.458,6	64.141,9
8. Other expenditures	20.196,9	25.861,8	27.847,6	33.382,3	38.010,5	39.736,0	50.420,8

Consolidated public expenditures - functional classification - million yum.

	2001	2002	2003
I Total expenditures (1.+.....+10.)	286.460,20	435.540,90	513.757,9
1. General public services	26.161,30	33.722,90	41.625,2
2. Defence	26.049,00	32.688,00	39.144,0
3. Public order and safety	18.090,30	21.146,80	24.939,7
4. Economic affairs	22.717,20	48.076,20	55.920,0
5. Environmental protection	0	124,7	1.118,4
6. Housing construction and utilities	16.490,30	22.860,70	26.961,0
7. Health	34.466,40	48.807,40	58.679,9
8. Sport, culture and religion	2.940,90	4.696,30	5.538,6
9. Education	19.392,30	30.653,00	38.387,7
10. Social protection	120.152,50	192.764,90	221.443,3

Consolidated public expenditures - functional classification - million yum.

	2004	2005	2006	2007	2008	2009	2010
I Total expenditures (1.+.....+10.)	589.442,6	662.062,0	729.857,1	797.004,0	870.328,3	950.398,5	1.037.835,2
1. General public services	48.004,6	55.551,9	66.224,0	71.581,6	75.155,3	87.483,6	96.106,7
2. Defence	41.336,1	43.945,4	39.129,0	41.342,2	43.598,1	45.882,0	48.176,1
3. Public order and safety	28.805,3	32.665,3	36.356,4	40.083,0	44.191,5	45.882,0	50.584,9
4. Economic affairs	63.295,9	67.383,0	73.366,9	79.089,5	85.214,4	91.764,1	101.169,9
5. Environmental protection	2.583,5	4.394,5	4.891,1	5.392,5	5.945,2	6.554,6	7.226,4
6. Housing construction and utilities	31.139,9	33.691,5	37.498,6	41.342,2	45.579,8	48.066,9	52.993,7
7. Health	69.067,0	79.786,9	90.433,2	98.861,9	110.977,0	122.352,1	134.893,2
8. Recreation, culture and religion	6.397,1	7.254,3	8.074,1	8.901,7	9.814,1	10.820,0	11.929,1
9. Education	46.921,3	56.138,5	65.742,9	76.076,5	87.196,2	98.318,6	108.396,3
10. Social protection	251.891,8	281.250,7	308.140,9	334.332,9	362.656,8	393.274,6	426.358,8

Expenditures for social welfare (without pensions) - % GDP

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Serbia									3,2	4,1
Bulgaria	4,2	3,3	2,8	2,1	2,6	2,4	3,3	4,0	3,7	...
Croatia	...	...	...	...	3,7	3,2	3,1	3,4	3,6	...
Hungary	...	...	...	...	6,7	7,0	5,9	5,5	...	...
Slovakia	...	...	6,8	7,8	6,3	6,7	6,8	6,1	...	...
Macedonia	...	...	...	...	3,3	3,1	4,2	3,7	2,6	2,3
Albania	5,0	3,2	2,7	2,6	2,4	1,9	1,7	1,6	...	...