

SOCIAL INSTITUTIONS SUPPORT PROGRAMME

**Albania
Bosnia and Herzegovina
Croatia
Kosovo
FYR of Macedonia
Montenegro
Serbia**

Regional assessment report on
Social Security Administrations

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Professor Xenophon Contiades, Department of Social and
Educational Policy, University of Peloponnese,
Scientific Director, Centre for European Constitutional Law,
Athens

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I. Introduction

The main objective of this task was to screen the social security administration in Albania, Bosnia and Herzegovina, Croatia, FYRoMacedonia, Serbia, Montenegro, Kosovo, and identify problems with regional features.

In specific, the terms of reference read:

"The public administration expert will examine the administrative and structural features of the national social security schemes. Amongst others questions to be addressed are:

- Is the overall structure of the social security system to be improved, with special attention for the defining of various socially insured groups, the legislative framework [not contents but structure], the legal status of the administrations and its staff etc.?
- Is the present or planned structure for the administration of social security (collection and management of funds, delivery of benefits, control) adapted to its tasks in the administration of social security?
- Is the quality of social security administration up to acceptable standards and/or how can the quality be improved (with special attention for the contacts with the socially insured on the one hand and with foreign social security administrations on the other)?
- How are the various social security related to each other and to other public and private agencies and are these links to be improved.

The Assessment expert will read through all materials (annexes to be sent by post) and draft the regional assessment report. The assessment report will include proposals for in-depth examination on issues common to more than one country of the region."

The examination was carried out in June and July 2006 in the framework of the CARDS – Social Institutions Support Programme (SISP). As already mentioned above, the scope of the report was regional rather than country oriented, meaning that emphasis was placed on issues of common concern in all participating countries.

This report was produced mainly on the basis of the desk review of the material on the social security systems of the countries which was made available by the project and did not involve field visits and consultation with the administration and the administrators in the countries concerned. The present text is an attempt to bring forward problems of common concern to the social administration of the countries of the region and make suggestions for further discussion and in depth study.

The report is composed of the following parts:

- Part II briefly summarizes the political commitments and the priorities for public administration reform in the countries of western Balkans which bear relevance to the topic of the present report.
- Part III attempts a brief overview of Social Security Administration subsystems (Health, Pensions, Social Welfare, Unemployment) and identifies common sectoral challenges.

- Part IV attempts a horizontal assessment of the administrative challenges on the basis of main principles and standards and makes proposals for discussion regarding future policy measures and reform initiatives.

In Part III of the present report sections with smaller fonts intercept the text. These sections refer to the different countries of the region and bring forward indicative examples drawn from the material made available by the project. These examples were considered necessary in order to demonstrate the relevance to the administrative problems discussed.

As mentioned before, all suggestions and proposals expressed in this report reflect the personal opinion of the author and should be considered as ideas for further discussion.

I would like to express my special thanks to Ms. Maria Mousmouti, LL.M, Director of International Projects of the Centre for European Constitutional Law (CECL) for her assistance and useful comments and ideas in elaborating this report.

II. Public Administration Reform in the Western Balkans

Besides their cultural and historical links, the countries of the Western Balkans share the vision to accede to the European Union. Since 1993 and the Thessaloniki Summit, the European Integration perspective of these countries has been continuously encouraged. At the moment, Croatia and FYROM are candidate countries, Albania has signed a Stabilisation and Association Agreement, Bosnia has opened negotiations for a Stabilisation and Association Agreement, and such negotiations are expected to start shortly with Serbia and Montenegro (separately), while the European future of Kosovo has also been stressed¹.

The prospect of acceding to the European Union and the underlying obligation to comply with the Copenhagen criteria, are the major motivating force and the main direction for reform in all countries of the Western Balkans. The fulfilment of the Copenhagen criteria imposes to all candidate countries reforms in the direction of the *acquis communautaire*. Parallel to the transposition of the *acquis*, candidate countries must also reform their administration in the direction of reaching the standards which will allow a smooth cooperation and interaction with the administrations of other EU member states.

The standards for national public administrations in the process of EU integration are not defined in the form of a *stricto sensu* *acquis communautaire*. However, EU member states share a general consensus on key components of good governance despite different legal traditions and different systems of governance. The European Union respects diversity but expects all countries wishing to accede to its structures to align their public administrations with those of EU member states².

The main principles common to the public administrations of western European countries, are:

- reliability and predictability (legal certainty)
- openness and transparency
- accountability and
- efficiency and effectiveness

Public administrations in the countries of the Western Balkans share similar structural problems, such as:

- a) High degree of politicization of public administration, a fact expressed through extensive political interference in recruitment and advancement procedures and in the prevalence of party or other interests (rather than professionalism) in the operation of the civil service

¹ Council Conclusions on the Western Balkans, (2728th EXTERNAL RELATIONS Council meeting - Brussels, 15 May 2006)

² For an overview of the common principles applying to the administration of European Member States, see "European Principles for Public Administration", SIGMA PAPERS: No. 27, CCNM/SIGMA/PUMA(99)44/REV1

- b) Lack of transparency in the operation of public administration due to unclear legislation, complex procedures etc., timely procedures and inefficiency
- c) Corruption as a result of inconsistent remuneration policies, inefficient control mechanisms, loose disciplinary provisions etc.
- d) Inadequate internal and external control
- e) Inefficient human resources

In order to address these problems, public administration reform holds a high position in the reform agenda in all countries in question and is being consistently pursued during the last years.

To the extent that structural public administration issues affect also social security administration, they are considered of relevance for the present report. The priorities and conditions for public administration reform in the countries of the Western Balkans³ are included in the Council Decisions of January 2006. The directions for public administration reform in the SISP countries which are most relevant to the present report are summarized in the table below:

³ See Council Decision of 20 February 2006 on the principles, priorities and conditions contained in the Accession Partnership with Croatia and repealing Decision 2004/648/EC (2006/145/EC), Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with the former Yugoslav Republic of Macedonia and repealing Decision 2004/518/EC (2006/57/EC), Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2004/519/EC (2006/54/EC), Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2004/519/EC (2006/54/EC), Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Serbia and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2004/520/EC (2006/56/EC)

Priorities related to Public Administration reform in the Western Balkans

FYROM	Serbia	Montenegro	Kosovo	Albania	Croatia	Bosnia and Herzegovina
<ul style="list-style-type: none"> • Implement fully the law on civil servants • Depoliticise recruitment and career advancement of civil servants and other public agents and introduce merit-based career system • Improve administrative transparency • Adopt and implement law on public access to information • Ensure effective implementation of the Code of Ethics for Civil Servants • Ensure proper cooperation of all State bodies with the ombudsman and improve follow up to recommendations • Establish transparent and accountable local administrations and develop internal controls and audits in the management of decentralised funds • Improve transparency in public decisions and in management of state assets • Review the discretionary rights of public officials and adopt clear rules on conflict of interest • Identify the extent of 	<ul style="list-style-type: none"> • Reform of public administration, including civil service pay system, transparent recruitment, professionalism and accountability; • Implementing legislation to set up ombudsman's office • Formalise the grey economy and broaden the tax base through implementation of a public expenditure management system (treasury, public internal financial control) and comprehensive tax reforms, with fewer exemptions and lower rates • Civil service human resources development measures, strengthen capacity (policy-making and inter-ministerial coordination) of public administration at government and 	<ul style="list-style-type: none"> • Strengthen the administrative capacity of the ombudsman's office and ensure proper follow-up to ombudsman recommendations • Implement public expenditure management system • Sustainability of the Authority for human resources management: Strengthen policy-implementation through decentralisation reform 	<ul style="list-style-type: none"> • Full respect for rule of law and zero tolerance against corruption, organised crime and financial crime • Democratic governance of, and delivery of public services to, all people of Kosovo establishing a professional, accountable, transparent and accessible, representative and transparent public administration free from political interference • Advance reform of local self-government taking into account the interests of all communities including the allocation of appropriate budgetary resources and increase administrative capacity to facilitate decentralisation process • Create climate for inter-ethnic tolerance, sustainable multi-ethnicity conducive to returns. Ensure respect, security, freedom of movement and participation of all communities. • Reinforce capacity for government coordination and define precisely the responsibilities of central and local authorities for ensuring consistency of policy implementation. • Enforce transparent procedures on recruitment, transfer, appraisal, promotion, conduct and dismissal of civil servants including Kosovo Protection Corps (KPC), police and 	<ul style="list-style-type: none"> • Ensure the application of the Law on Public Service in public administration appointments and operation. • Ensure that recruitment, transfer and dismissal of civil servants are conducted according to the established rules. • Ensure enforcement of the Civil Service Law and take steps towards its improvement. • Ensure availability of appropriate premises, equipment and trained staff to the Ministry of European Integration, and improve coordination between it and the line ministries. • Make full and effective use of the integrated planning system. • Introduce results-oriented management and training for civil servants. • Design and implement a civil service salary structure which allows both proper budgetary planning and a motivating career structure. 	<ul style="list-style-type: none"> • Adopt and begin implementation of national strategy for preventing and combating corruption and provide for coordination among the relevant government departments and bodies • Ensure proportional representation of minorities in local and regional self government units, in State administration, judicial bodies, and bodies of the public administration. • Fully implement public administration reform measures on recruitment, promotion and training, and improve human resource management in all bodies of the public administration in order to ensure accountability, efficiency, openness, transparency, depoliticisation and a high level of professionalism of the public service. • Ensure effective follow-up of identified shortcomings with respect to civilian control of all security services • Continue the process of institution building directly relevant to the acquis and introduce reforms to improve the effectiveness of the public administration generally. • Foster further progress on the fight against corruption and implement related legislation. In particular, establish specialist units for 	<ul style="list-style-type: none"> • Adopt and start implementing a comprehensive action plan for public administration reform, taking into account the results of the public administration functional and sectoral reviews. • Improve and strengthen State-entity coordination by establishing regular and institutionalised mechanisms for coordination between the State and the Entities. • Provide the Public Administration Coordinator's Office with the necessary human and material resources to carry out its work. • Take measures to ensure the proper functioning of the Civil Service agencies and develop and implement efficient recruitment procedures; ensure prompt appointment of civil servants, in particular at State level, following successful civil service procedure. • Implement the training programme for public administration adopted in May 2005. • Adopt the new legislation on the State ombudsman and ensure the merger of the State and entity ombudsmen. • Ensure continued progress in taking full national responsibility for policy formulation and decision-making. • Implement the comprehensive Action Plan for public administration reform. • Build training capacity for civil servants within Bosnia and Herzegovina and continue improving policy-making and coordination capacities. • Increase the capacity for progressive

FYROM	Serbia	Montenegro	Kosovo	Albania	Croatia	Bosnia and Herzegovina
<p>the corruption phenomenon in key areas of public life in order that effective preventive and detection measures can be put in place</p> <ul style="list-style-type: none"> • Complete the legislative framework to implement the decentralisation process and ensure that municipalities have necessary means to implement new competences • Further improve public finance management. In particular, implement fiscal decentralisation and continue the wage decompression of the civil service salary structure 	<p>local levels; establish centralised payroll system.</p> <ul style="list-style-type: none"> • Strengthen the economic policy-making process. • Adopt and implement decentralisation reform ensuring viability of local governments. 		<p>justice system employees and on financial management</p> <ul style="list-style-type: none"> • Improve quality and availability of basic public services to all communities, and reduce the demand for services provided by parallel structures. • Develop and maintain effective public service training institutions free from political influence. Improve higher management training. Develop the KIPA into a body capable of delivering professional training to all civil servants. • Improve capacity of local administration to provide services to their constituencies in equitable and effective manner 		<p>combating corruption within the appropriate services and provide them with adequate training and resources.</p> <ul style="list-style-type: none"> • Ensure that the standards set by international instruments will be met, by putting in place the appropriate legislative and administrative measures. 	<p>legal harmonisation with the acquis and further expand Bosnia and Herzegovina's role in assistance programming and implementation, with the aim of preparing for the decentralisation of Community assistance.</p>

III. Overview of Social Security Administration subsystems in the Western Balkans

1. General Remarks

The central administration of social security has a similar structure in most countries of the region. Competencies are divided between a labour Ministry responsible for employment, insurance and welfare and a health Ministry.

In FYROM and Albania competencies are allocated between two Ministries, one being responsible for social insurance and welfare and the second one for health issues. In specific, in FYROM the Ministry of Labour and Social Policy is responsible for social insurance and welfare while health care is in the competence of the Ministry of Health. In Albania, the Ministry of Labour, Social Affairs and Equal Opportunities is responsible for designing and monitoring social protection policy and the Ministry of Health for health policy.

In Serbia the Ministry of Labour, Employment and Social Policy is responsible for the social security system and the Ministry of Health for the health system while the Ministry of Finance is responsible for collection of contributions and revenues for social assistance and veterans schemes. Montenegro has a similar structure; the Ministry of Labour and Social Protection is responsible for the social security system (including veterans protection scheme) except for the health insurance and health protection, which fall within the competence of Ministry of Health, and the Ministry of Finance is competent for social assistance revenues and revenues for veteran protection scheme, which are financed from budget.

The administrative functions are more complicated in Croatia and BiH, with a significant number of bodies being involved in social protection.

In Croatia, the Ministry of Economy, Labour and Entrepreneurship is competent for employment and labour market, pension and invalidity insurance, the Ministry of Health and Social Welfare is competent for health and welfare, while ministries responsible for specific categories such as war veterans etc are also involved with the administration of specific assistance benefits.

In BiH the main competencies in the field of social policy lie with the entities and are administered by a number of Ministries with related competencies. In FBiH competencies are divided between the Federal Ministry of Labour and Social Policy, the Federal Ministry of Displaced Persons and Refugees, the Federal Ministry for Issues of the Veterans and Displaced Veterans of the Defensive-Liberation war and the Federal Ministry of Health (cantonal ministries of health exist as well and have substantial competencies in the health sector). In RS three state ministries are responsible for social issues: the Ministry of Health and Social Welfare, the Ministry for Labour and Veterans, the Ministry for Refugees and Displaced Persons.

Competencies regarding social insurance and health issues are in all countries the competence of different ministries. Labour issues are usually treated jointly with insurance while welfare issues are either integrated in this group or treated together with health issues. A fragmentation is noted in competencies related to social welfare issues and especially in the administration of different categorical

schemes. Therefore, problems in planning, coordination and efficient supervision and inspection at the level of central public administration are not rare.

Due to the peculiarities of the situation in many countries of the region, decentralisation is a trend with a specific political importance and gravity. Reforms planned in all SISP countries involve decentralisation and the transfer of powers to the local government for a number of public services, but also to an important extent for social security and health care.

For example, the 2002 Law on Local Self-Government in FYROM transferred to the municipalities' competencies –among others- on education, social security and health care. In Croatia, according to the Local Government Act of 2001, local administration units have responsibilities on public health issues like water supply and sewerage, primary health care, pre-school and primary education etc. including the partial responsibility for financing these services.

The role of local government in all countries is (or tends to become) increasingly important in matters of social security and especially as regards the following functions

- a) collecting insurance contributions
- b) paying benefits
- c) delivering and administering social services
- d) administering primary health care
- e) registering unemployment
- f) planning and paying social assistance benefits.

International experience proves that transfer of competencies especially in the field of health and social welfare to decentralised units is an efficient way for ensuring accessibility, targeted benefits and social services (and therefore efficiency and effectiveness) and responsiveness to local needs. However, in order to achieve this, the following should be taken into account:

- a) The extent of competencies to be transferred should be defined in accordance to local conditions and needs
- b) The allocation of competencies between central and local government should be clear and rational, leaving no space for overlapping and duplications
- c) The capacity of local government units to exercise these competencies efficiently and effectively should be assessed and strengthened with coherent measures
- c) Adequate funds should be made available or capacity to raise revenue should be strengthened
- d) Inspection mechanisms should be in place in order to control the legality and quality of services
- e) Procedures should be standardized and transparent thus minimising space for arbitrariness and corrupt behaviour.

2. Health care administration

Policy and planning

The competence for policy and planning in the field of health care lies with the Ministry of Health, the only exception being Bosnia where Ministries of Health operate both at state, entity level and at cantonal level totaling a number of ten. In Croatia the Ministry of Health and Social Welfare also bears responsibility (among other ministries) for social welfare. Ministries of Health supervise bodies dealing with Health Care Insurance, Public Health, Mental health etc.

Strategic planning in the field of health care is a competence of the Ministries of Health. Planning is based on strategic documents covering a period of approximately 5 -10 years and which are usually drafted in cooperation and with the support of international donors (WHO, World Bank, CARDS). Strategic planning capacity in all countries seems to be weak, donor-driven and heavily reliable on international funding, thus making questionable the sustainability and the ownership of the planned reforms. Additionally, in many cases policy planning is not followed by the necessary budget provisions with the result that the implementation of the reforms also relies on funding from international donors. Additionally, information systems and networks allowing the collection of data which would allow for evidence-based policy planning are reportedly malfunctioning, inexistent or poor.

Coverage

In all countries of the region, the philosophy and principles of health systems are citizen oriented, but the main rights are employment related. Health care systems are based on (compulsory) health insurance. However, the majority of the population is covered in different ways e.g. as co-insured, through social assistance, categorical schemes etc.

For example, health provision in FYROM is based on a universal health care system, financed by compulsory health insurance. Almost all the population is covered by statutory health care. In specific, statutory health insurance covers the members of the families of those who pay health insurance, health insurance for the unemployed is financed through budget transfers from the government, while the social assistance scheme bears the costs of medical treatment for people who do not have health insurance cover and are suffering hardship. As a result, about one third of those covered by health insurance are co-insured and do not pay contributions (e.g. children, housewives). Persons who are not covered due to employment with compulsory insurance or co-insurance can voluntarily insure themselves at rates based on their income. All those with health insurance are entitled to medical treatment as required from a doctor in private practice or in a hospital.

Health care in Croatia is provided on a universal basis with limited (but insurable) co-payments by users for some services and for prescription drugs. Basic compulsory insurance covers employed persons in all sort of activities even apprentices, volunteers, farmers, pensioners, unemployed, and dependents. Voluntary supplementary insurance and private insurance is possible.

In Albania the compulsory health care insurance system covers employed, self-employed, unpaid family workers, persons with income from property while the state provides contributions for non active persons such as children, pupils, students, pensioners, disabled, unemployed, recipients of social assistance etc. The compulsory health care insurance system operates in parallel with the public health care system. The latter covers costs of hospitalization, emergency treatment and preventive measures for the whole of the population while health care insurance covers all of the economically active population for primary health care services in policlinics, and for the reimbursement of the cost of some drugs.

In BiH the organization and management of the health system is decentralized to the entities and health laws proclaim the principle of universal health insurance coverage for the population through extensive lists of beneficiaries of health care. However, the development of health insurance and health care is still in process and at the moment the insurance based system leaves more than 30% of the population without health coverage (37% of the population in RS and 15% of the population FBiH) and can have free access only to emergency treatment.

In Kosovo, a public health system is in operation while the system of health care insurance is still in embryonic phase. Parallel structures operate in some municipalities.

The financing of the health care system in all countries of the region relies on the public sector and health insurance.

Public financing of the health sector ranges from 3% - 9% of the GDP but the planning and control of the allocation of resources in the health sector is poor.

In Albania, 3% of the GDP is allocated to the state-funded health sector.

In BiH expenditure on the public sector health services accounts for 8.5% of GDP while private expenditure accounts for a further 5% of GDP.

In Croatia health care spending amounts to 9% of GDP, with the majority (7%) being public expenditure and 2% private expenditure.

In FYROM, public expenditure on health accounts for 6% of GDP, plus an additional amount due to informal payments by patients.

Health insurance is based on contributions from employers and employees. Specialized administrative structures are competent for health insurance and hold also the competence to collect health expenditures (Health Insurance Institute [HZZO] in Croatia, Republican Fund for Health Insurance, Pension and Disability Insurance Fund [PIO] in Montenegro, Health Insurance Fund [HIF] in FYROM etc.). Collection of contributions is usually done through their decentralized units but evasion of contributions and low collection rates are common problems in many countries.

Collection of contributions is reported to be an important problem of social administration in most countries. Collection mechanisms of the social administration should be improved or transferred to more competent authorities e.g. the tax authorities.

Organisation

The public health care system in all countries is organized through a network of primary, secondary and tertiary health care. Primary health care is delivered at local level, while secondary and tertiary care is provided at regional and central level.

In FYROM, primary Health Care is provided at local level through local primary health care units, secondary Health Care is provided at regional level and tertiary Health Care is provided by specialist clinics and institutes centrally.

In FBiH the cantons have responsibility for "their" hospitals.

In Croatia health institutions used to be highly decentralized and were then brought into state and county ownership and primary health care was partially privatized. Community health services are organized at county level through the Community Health Organisation (CHO), which coordinate health care services and social welfare services at the local level.

Kosovo public health system is decentralized and operates at municipality level for primary health care institutions, at regional level for secondary hospital care and at central level for tertiary care.

In Albania, the health care system is based on autonomy for primary health care and new structures at Prefecture level, the regional health care authorities (regionalization of the health care system).

Decentralization of competencies in the health sector at regional level is a common trend in all countries; however, the extent of decentralization of the health care system, and the capacities of the municipalities in order to perform their new competencies should be assessed in order to guarantee an optimal outcome of the reforms.

An issue linked to decentralization is the exercise of supervision, inspection and control by central authorities. Inspection mechanisms are absolutely necessary in order to ensure quality in health care and smooth operation of the health care system. These mechanisms are either missing or not sufficiently functional in the social administration of the countries in question.

Another common feature which is of major importance for the development of the health care systems is the role of private providers. In all countries, private health care is in course of development. Private providers have appeared in the market but private health care does not seem to be smoothly incorporated into the national health systems and in many cases it has established a system of providers which operates parallel to the state system.

For example in Serbia, the privatization of services has multiplied during the last decade and has gradually led to the appearance of a new network of health services and facilities which has created a parallel system of health care. According to the health authorities, 30% of health services are now provided by private health institutions, which are registered by the Ministry of Health, but function below the required professional standards.

Regulation of private health services should be a priority for all countries. The exchange of experiences and regional cooperation would be important in this regard. As a matter of priority regulation should ensure a rational and clear framework for private providers, clear and operational control mechanisms, quality standards, standards of patient care and protection and ensuring mechanisms for enforcement of such measures. Such legislation and administrative structures should be adopted and its implementation must be closely monitored by the central health authorities or the regional authorities. Special inspectors' bodies could be put in place in order to monitor the enforcement of legislation.

Corruption

Particular attention should be paid to corruption in the health sector, which seems to be developing into a worrying phenomenon affecting the social security sector and administration and especially health care. In health care informal payments are reported as a major problem which affects the most vulnerable parts of the population i.e. those that cannot pay and hinders the development of the system. Causative factors relate to a number of issues like low remuneration of the medical staff, poor administrative control and audit, complex legal provisions, complex administrative procedures etc.⁴

Tackling corruption in the health sector can be achieved through a number of short and medium term countermeasures such as improving the remuneration policy, setting up monitoring systems, strengthening disciplinary procedures and sanctions for cases of corrupt medical staff, encouraging patients to declare corruption etc. An in depth study of corruption and informal payments in the health care administration could be undertaken at regional level, identifying the causative factors, proposing countermeasures, promoting the exchange of experiences and best practices from the region and identifying pilot projects.

For example, Albania has undertaken consistent efforts for exposing and tackling corruption through a number of measures including normative acts on corruption, exposure of illegal fees collected by health staff, the establishment of councils of health care institutions with patients' representatives, complaints boxes where people can lodge their complaints and concerns related to corrupt behavior, awareness activities etc.

It is important to initiate at regional level discussion on the topic and take advantage of good practices and the experience of other countries.

Quality

Quality of health services relates to the quality of premises and infrastructure, the quality of services offered and the quality of medical staff. In the countries of the region, the quality of health services is reported to be poor, a fact due mainly to the deterioration of resources in the 90's.

⁴ Ch. Economou/M. Mousmouti (Eds), Developing sector strategies and introducing reform; anti-corruption practices in the health sector, Centre for European Constitutional Law, Athens-Tirana, 2002.

Quality criteria need to be defined and enforced and quality control needs to be ensured in organization, in the use of funds, in the delivery of services etc. The use of information systems in social security administration is important for qualitative improvement. Strengthening of evaluation practices i.e. regular evaluation of effectiveness, measurement of client satisfaction, data-based analysis providing management with an effective information and monitoring service is another useful tool for ensuring quality.

Human Resources

Although there are sufficient human resources in terms of professionals in the health institutions, they do not have proper management skills, health management education and other preconditions for effective policy implementation. Medical salaries are low and investment in infrastructure has been neglected. Health services provision need to be oriented and to be planned so as to match the needs of the patients.

Professional organization of the health staff is also an issue affecting health care administration, performance and quality in the examined countries.

Main challenges

- The capacity of health ministries to plan and monitor policy implementation and the capacity to enforce legislation should be strengthened and dependency on international donors should be gradually overcome
- The competencies of regional structures in the health care system should be rationally planned, based on a realistic review of the situation. Most importantly, adequate funding should be earmarked and made available to the respective levels. Inspection, control, audit mechanisms should be institutionalized and exercised by the central authorities as well as quality control.
- The decentralized management of the health institutions should be entrusted to trained managers at local and regional levels.
- Pilot projects could be developed at regional level dealing with incidents of corruption
- Information systems should be developed
- Managerial capacities of the human resources in the health sector should be enhanced

3. Pensions

Coverage

All countries of the region have recently reformed their pension systems in the direction of establishing or consolidating multi-pillar systems. 1st pillar pension systems are based on the pay as you go model while other pillars are funded. We will briefly go through the structure and coverage of the pension systems in order to identify the tasks that social security administration must perform.

In Albania the 1993 reform established compulsory, voluntary and supplementary insurance schemes. A special state pension scheme, financed out of the state budget, provides pension for special categories (persons with special merits in anti-fascist war etc.). Compulsory insurance is an occupational scheme covering employees, employers, and the self-employed (old age, invalidity, survivor pension; maternity benefit; employment injuries and professional diseases; temporary incapacity due to sickness; unemployment benefits). The Voluntary Insurance Scheme offers to compulsorily insured the right to continue insurance in case of temporary interruption, or to apply for the higher amount of benefit or to give an opportunity people who want to be insured for the first time. Supplementary Social Insurance provides supplementary benefits in addition to those provided by compulsory social insurance.

In BiH, pensions are the responsibility of the entity governments, and operate on a pay as you go basis. Due to the complicated institutional structure the reform of the pension system is mainly oriented towards the harmonization of the pension systems in the two entities and the transfer of acquired pension rights.

Croatia also has a three pillar pension system introduced in 1998 and 1999. The first pay as you go pillar is a public pension system based on defined benefits and on compulsory contributions on employee's salaries. The second-pillar of the pension system is based upon individual contributions to a private capital account held with a licensed private pension fund introduced. Third pillar system is not operational yet.

In FYROM there is also a three-pillar pension system, Pillar 1 being a compulsory on a pay-as-you-go system, pillar 2 compulsory, contribution-based and privately managed and a voluntary pillar 3.

The Kosovo pension system is still in the process of establishment (law on old-age pension scheme was approved in July 2002). The pension system will be a three-pillar pension system with a basic pension provided for all residents over 65 years old and financed out of the budget. The second pillar is a contribution-based scheme, into which workers and their employer make equal 5% payroll contributions with the possibility of increasing it to 15%. This scheme operates as a funded system, and the money collected is saved in individual accounts and invested in a private bank in Belgium.

Pensions systems are based on the Bismarck model and cover the active population which pays social insurance contributions. However, since some countries have recently suffered from war, pension systems cover a big number and different categories of disabled pensioners, invalids, war veterans etc., a fact that broadens excessively the scope of the pension system and creates severe financial burdens especially when coupled with the high unemployment rates and the low rates of contribution by the active population. The different pension schemes present overlapping in coverage and unclear or subjective entitlement conditions leaving margin for abuse. Administrations competent for administering schemes with similar coverage would have to coordinate closely for determining

eligibility in order to avoid double applications or arbitrariness but this does not seem to be the case. Information networks and databases of claimants and recipients of pensions and benefits would solve the problem of coordination. The coverage of the categorical pensions should be rationalized while clear rules and standardized procedures for controlling eligibility criteria should develop in order to combat fraud. The conditions for granting disability pensions and the system for assessing disability would be a priority in this respect.

Policy planning

The reforms in pension systems are very recent and therefore their efficient administration will be a crucial factor in ensuring long term success. Policy and planning is usually the task of one Ministry dealing with Labour and Social Protection, while sectoral Ministries (for veterans, refugees and displaced persons etc) have parallel competencies regarding pensions for specific categories.

The central administration authorities responsible for policy and planning in the field of pensions are presented in the table below.

Bosnia and Herzegovina		Kosovo	Serbia	Montenegro	FYROM	Croatia
FBIH	RS					
Ministry of Labour and Social Policy	Ministry of Labour and Veteran's Affairs	Ministry of Labor and Social Welfare	Ministry of Labour, Employment and Social Policy	Ministry of Labour and Social Protection	Ministry of Labour and Social Policy	Ministry of Economy, Labour, and Entrepreneurship

Administration

The administration of the pension insurance is the competence of semi-public bodies, Social Insurance Institutes or Pension Funds, supervised by the competent ministries which operate through regional and local offices. In most cases policy and planning are centralized, while regional and local offices are involved in deciding about rights and eligibility, in collecting contributions and in paying benefits. The number of institutions involved in the pension administration differs in the countries examined:

In Albania, the social insurance system is administered by the Social Insurance Institute, a semi-public body, managed by an Administrative Council. The administration of the social insurance is functionally and territorially decentralized through the establishment of a regional system, with local agencies at municipality level. At the commune level there is only a social insurance inspector responsible for the collection of contributions for self-employed in agriculture and receiving the client's applications for benefits.

In FBIH the pension system is administered by the unified Federation Pension and Invalid Fund which was recently consolidated at federation level in order to overcome excessive fragmentation. In RS the administration lies with the Pension Fund.

In Croatia the first pillar pensions are managed by the Croatian Pensions Institute, a centralized organization with regional and local offices. The

second-pillar system is based upon individual contributions to a private capital account held with a licensed private pension fund. Private pension funds are regulated by the Supervisory Agency for Pension Funds and Insurance (HAGENA) which develops the regulations for second and third pillar pension funds, licensing and authorization of private pension funds, and supervision and monitoring of funds.

In FYROM Pension and Disability Insurance pensions are implemented by the Pension and Disability Insurance Fund, which is an independent legal entity. Contributions to the compulsory capital funded pension insurance, are paid to the Pension and Disability Insurance Fund, which will transfer the contributions to the private pension fund chosen.

In Kosovo, the basic pension scheme and the disability pension scheme are administered by the Pension Administration, under the authority of the Ministry of Labour and Social Welfare. The Kosovo Pension Saving Trust administers the second pillar pension system, which is a defined-contribution system. Second pillar pensions are deposited in individual pension accounts held by the Kosovo Pension Saving Trust and are invested in a private bank in Belgium.

In Serbia, the administration of social security schemes is entrusted to a number of non-government institution under public law which are functionally and territorially decentralized, with regional units and branch offices. The Republican Fund for Pension and Invalidity Insurance of Employed is responsible for implementation and administration of pension and invalidity insurance for employed persons. The Republican Fund for Pension and Invalidity Insurance of Self-employed is responsible for implementation and administration of pension and invalidity insurance for self-employed persons. The Republican Fund for Pension and Invalidity Insurance of Farmers is responsible for implementation and administration of pension and invalidity insurance for farmers. The Fund for Social Insurance of Military Insured is responsible for implementation and administration of social insurance of military persons - Army of Serbia and Montenegro. This fund is competent for both pension and invalidity insurance scheme and health insurance scheme for this category of insured persons.

In Montenegro, the Republican Fund for Pension and Invalidity Insurance is responsible for implementation and administration of pension and invalidity insurance for employed persons, self-employed and farmers.

An important task of institutions administering pensions is the collection of insurance contributions. Collection of contributions is usually done at local level and the models followed by different countries offer examples of alternative practices such as collection from local inspectors or through local offices of insurance funds.

In Croatia, contribution collection is a responsibility of the tax office which claims to have achieved a contribution collection rate of 86%. In Kosovo, the collection of contributions is done by the Tax Administration through the Banking Payment of Kosovo.

Collection of contributions is reported as a major problem of the insurance systems in most countries of the region and affects importantly systems which already suffer from limited funding. Low collection rates can be due to the

inefficiency of the collecting mechanisms of the social security administration but also –and most importantly- to the lack or the lack of enforcement of the relevant legislation by imposing the sanctions foreseen therein. Collection of contributions could be transferred to already functioning collection networks and mechanisms which present efficiency e.g. the tax administration. If collection of contributions is transferred to “externals”, information networks and coordination mechanisms with pension funds should be put in place.

Another important task of social security administration is the payment of pensions to the beneficiaries. Payment of pensions is handled at local level by a variety of institutions such as post offices, local agencies, while a number of short-term benefits (such as sickness, maternity, employment injuries and professional diseases) is done by the employer;

In Kosovo, the payment of pension benefits is carried out by private banks.

Reports note delays in the payment of pensions due mainly to burdensome and complicated procedures. It is therefore important, independently of the institution chosen to pay out the pensions, to simplify and clarify the administrative procedures for the payment of pensions.

As already mentioned all countries have established or are in the course of establishing multi-pillar pension systems. This brings forward the need to ensure adequate regulation and supervision over the second and third pillar funds. This can be achieved through the establishment of supervisory agencies (e.g. in Croatia, private pension funds are regulated by the Supervisory Agency for Pension Funds and Insurance (HAGENA) which develops the regulations governing the operation of the second and third pillar pension funds, licensing and authorization of private pension funds, and supervision and monitoring of funds) or through consistent capacity building in the specialized departments of the competent Ministries.

Main challenges:

- Making the pension system client-friendly; this means improving the interaction with beneficiaries, operating on the basis of simplified procedures which can be fulfilled in a timely manner. The establishment of "front desks" for the reception of clients, the provision of information, and the publication of materials, receiving applications for pensions etc. can improve the image and the quality of the services
- The entitlement conditions for categorical pension schemes should be revisited in the light of eliminating overlapping between different schemes. Especially the disability assessment scheme should be rationalized
- Supervision on institutions administering pension schemes and especially second and third pillar pension funds in order to ensure that the standards defined by legislation are respected and that they are operating their tasks in an administratively sound way
- Evasion of contributions is a priority issue since it has a severe impact on the financing and the viability of the pension systems. The most efficient

collecting networks should undertake the task and relevant legislation with clear functions must be enforced. Information networks, databases and coordination mechanisms should be put in place.

- Pension administration cannot function efficiently without making use of new technologies. Information system networks and databases should be designed and integrated in the system as a matter of priority. This will allow to share and exchange information between the central, regional and local level regarding the insured, recipients of benefits, monitor collection of contributions etc. The impact of information systems on quality and efficiency of the pension administration is heavy.
- Standardize and simplify procedures for pensions, eliminating unnecessary documentation, bureaucratic requirements and administrative steps. In this way, payment of pensions will cease to be time consuming for administrators and clients/pensioners who can be informed on the concrete steps to be taken and the documentation to be provided.

4. Social Welfare

General features of social welfare schemes

Social welfare schemes are of importance in the countries of the region. Social assistance benefits represent a very significant amount of government expenditure, cover a large fraction of the population and are an important source of household income.

In FYROM estimates for 2002 indicate that total cash benefits amounted to 2.7% of GDP and almost 9% of government expenditure. About 25% of the entire population of FYRoM live in families which receive some form of benefits. According to the National Strategy for Poverty Reduction, in 2000 social transfers (including pensions) represented 22% of total income for families. Considering that the poverty line in FYRoM is set at 70% of the median equivalent expenditure, social transfers may account for as much as a third of the relative poverty line.

Dependency on the schemes is reported to be relatively high. Especially in Kosovo, 15% of the population is reported to receive social assistance benefits. In the poorest municipalities 20% of the population receives social assistance.

Social welfare includes a multiplicity of general and categorical assistance schemes for various categories of beneficiaries which are administered by different bodies.

In Albania a general social assistance scheme supports the long-term unemployed and other individuals in need through recently introduced means tested benefits.

The Croatian social assistance scheme comprises means-tested support allowances, assistance and care supplements, assistance and care in the home, personal disability benefits, support for independent living, funeral allowance, child allowance and other allowances to meet minimum personal needs. Support allowances are means-tested while further in-kind assistance and housing benefits may also be granted by the local government bodies.

In FYROM, social assistance includes benefits administered by the Centres for Social Welfare (CSWs), child benefits and war veteran benefits. Social services operate primarily in the areas of child care and long-term care and secondarily advice, counseling and care services for people finding themselves in various crisis situations. Beneficiaries include the disabled, the mentally ill, drug users, released prisoners, migrants, the unemployed, and families in crisis situations.

In Montenegro the basic welfare benefits include means-tested cash transfers to poor families and child allowances. Beneficiaries include children without parental care, children with no access to education, children whose development is affected by family circumstances, disabled people including those with developmental and physical debilities, people lacking access to basic financial resources, people incapable of work, the elderly without family care, persons with socially unacceptable behavior and persons and families whose basic needs are not met, and who need social protection. The basic rights to social protection include family support, access to accommodation in a social welfare institution or in a family environment, support for costs of in-home care, access to health care, coverage of funeral expenses, access to services of social

welfare centres, and one-time cash transfers. Child protection is very generous and includes child allowance, compensation for equipment for the new babies, support for child recreation and student food programmes.

In Serbia social welfare benefits which include financial support, allowance for care of another person, assistance in acquiring qualifications for work, assistance in housekeeping, day care, lodging in a social welfare institution or foster home, provision for lodging in a social welfare institution, lump sum financial assistance to those in a state of emergency social need. The social benefits system consists of social assistance to poor households and child allowances. The main social transfers are (i) family income support which is the key social transfer; (ii) humanitarian assistance; (iii) municipal aid; and (iv) child allowance. Social assistance payments are means tested and their level depends on the average wage per employee in the municipality or city over previous three months.

In most countries, policy making and supervision of social welfare administration is the competence of one Ministry.

In Albania, the Ministry of Labour, Social Affairs and Equal Opportunities is responsible for designing and monitoring social protection policy.

In FYROM, social protection is the responsibility of the Ministry of Labour and Social Policy (MoLSP). The Child Protection Unit, within the MoLSP takes care of the implementation of the Child Protection Law, while the Social Protection Unit is in charge of the implementation of the Law on Social Protection, and the Unit for Family of the Family Law.

In Serbia the Ministry of Labour, Employment and Social Policy is responsible for the social security system and the Ministry of Finance is responsible for collection of contributions and revenues for social assistance and veterans schemes.

In Montenegro, social protection is coordinated by the Ministry of Labour and Social Welfare.

In Kosovo the Ministry of Labour and Social Welfare is responsible for planning, initiating legislation and supervising the delivery of social assistance. The structure of this Ministry includes the Departments of Social Welfare, Pensions, and Employment, the Labour Inspectorate and recently the Institute of Social Policy. The Division of Social Services inside the Department of Social Welfare is working with all relevant partners so that a new Law for Social and Family Service is approved.

In two countries parallel competencies exist not only between different levels of government (entities and cantons in BiH) but also between different Ministries dealing with veteran affairs, refugees etc. Fragmentation and parallel competencies lead to inequality in the provision of benefits and services over the country.

In FBiH the Ministry of Labor and Social Policy is responsible for the provision of social welfare services but implementation lies with the cantons. In RS the Ministry of Labour and Veterans' Affairs, the Ministry of Health and Social Welfare, and the Ministry of Refugees and Displaced Persons are responsible for social welfare services. The former has ambitions to take over the responsibility for all social welfare services while the Ministry of

Refugees and Displaced Persons is also interested in taking over lead responsibility for social welfare issues in the future. At the moment, social welfare services are the responsibility of the Sector of Social Welfare within the Ministry of Health and Social Welfare, the social welfare of the disabled war veterans and civilian victims of war is the responsibility of the RS Ministry of Labour and Veterans' Affairs.

In Croatia, the new Ministry of Health and Social Welfare took over responsibility for social welfare departments from the former Ministry of labour and Social Welfare. The Ministry of Family, Veterans' Affairs and intergenerational Solidarity (MOBMS) has parallel responsibilities for family welfare⁵. Parallel, the Ministry for the Family, Veterans' Affairs and Intergenerational Solidarity plans to introduce a new and separate set of institutions to provide social welfare services unrelated to either the existing CSW facilities i.e. Family Centres with responsibility for the delivery of social welfare advisory services, leaving the CSWs to provide a minimal service based on distribution of social benefits to welfare claimants.

Administration of social welfare

Although planning is in most cases the competence of one (central) body, a multiplicity of actors at different level of government and with different legal status are involved in the administration of social welfare.

Proximity with the beneficiaries and responsiveness to their needs is an important principle for the organization of the administration of social assistance. Being in proximity to the beneficiaries and more familiar with their real situation, the competent authorities can carry out an accurate assessment of needs and ensure better targeting of available resources and the services offered. Social welfare is therefore a field where local institutions have the first role.

In Albania, the state social services are structured in a central body with 12 regional offices. Social assistance and social services units are established in each municipality and commune.

In FYROM, benefits and social services are provided by the Centres for Social Welfare (CSW); clubs and associations (non-profit organizations); and private providers. Depending on the area of work and region, the proportions of these provider groups vary greatly. The CSWs are deficient in terms of organization and data collection with evident difficulties in coordinating different types of benefits, lack capacity to correctly monitor expenditure and remain vulnerable to fraud on the part of both administrators and clients.

In Kosovo, social services as well as Social Assistance are delivered by the Centres for Social Welfare at local level. Their work is focused on the identification and verification of the worst cases of poverty and ensuring that poor families in need of support fulfill the relevant criteria to benefit from social assistance payments or admission to residential institutions. CSWs can

⁵ The Directorate for Social Welfare has three departments: the Department for Social Welfare, which is responsible for Centers of Social Welfare (CSWs), homes for the elderly, homes for disabled persons, homes for the mentally ill, homes for drug abusers, foster families, cooperation with NGOs and licensing NGOs, the Department for Child and Family Protection and the Department for Registration and Legal Affairs

also grant special payments for emergency needs. The CSWs provide support and professional care for adoption, family shelter, and marriage guidance counselling.

In Montenegro welfare services are provided by CSWs, homes for elderly people, specialized centres for children and youth, children's home and the children's holiday recreation centre. Care in the community for the elderly and for severely disabled adults is weak. CSWs cover all municipalities but they are under-staffed and lack equipment and technical capacities which limits the effectiveness of their work.

In many countries, social welfare institutions depend both from central institutions (e.g. for remuneration of staff etc.) as well as from local institutions (e.g. for maintenance costs etc). These double dependencies complicate the system, pose numerous administrative problems, hinder efficiency and should be avoided. It is important for the efficiency of the social welfare system to have decentralized institutions with clear competencies which should go hand to hand with the necessary capacities, staff and funds to exercise them efficiently. Higher administrative levels should exercise supervision and control. Local capacities necessary for an efficient performance of decentralized competencies include as priority the capacity for assessing needs and for determining eligibility to benefits, rights and services.

A significant number of institutions providing social services (care for the elderly, children etc.) have been inherited from the previous system. They operate under state responsibility and under the responsibility of the local government, creating a complicated picture and leaving space for duplications, overlapping and limited efficiency. As already mentioned, the overall picture of social services should be planned to respond to local needs. To this aim, local needs should be recorded (at the level of municipality or region) and the delivery of services should be rationalized accordingly.

The role of the third sector in the delivery of social services is important but not yet completely formalized. Foreign and domestic associations, foundations and NGOs are active in delivering social services for vulnerable groups but in most cases without formal contractual relations with the competent Ministries and Social Services or other structures of local government. It is therefore obvious that there is an increased need for the involvement of the social welfare administration in the supervision and coordination of such activities, in order to ensure an equitable distribution of services, certification of the services provided and quality control.

In FYROM, the public sector dominates the child care and old people's and the nursing homes sector, while the non-profit sector and private providers play an increasingly important role in the care of senior citizens and in provision of child care facilities. The non-profit organizations are partly composed of a few large well-established organizations and partly of numerous small organizations, which have formed in response to various demands. Centres for Social Welfare (CSW) cover all municipalities, are funded by the Ministry of Labour and Social Policy, and reporting to it through the Institute for Social Activities.

The Social Innovation Fund operating in Serbia is a successful practice of the "welfare mix" of public, nonprofits and private partners in the delivery of social welfare.

The Social Innovation Fund (SIF) was established by MOLESA with funding from the government and donor support. The Social Innovation Fund has as main objective to protect the most vulnerable groups of society, to foster social dialogue and promote and support reforms projects in different areas of social welfare and promote volunteer work and other activities in which civil society actors can be equal partner in socio-economic recovery programs at the local level. Nonprofit organizations have begun to obtain formal recognition as partners of public authorities and professional groups in policy implementation.

Decentralization reform in all countries envisages an enhanced role for local structures in the planning and delivery of social services and social assistance. However, the capacities of the local authorities should be strengthened so that they can perform their tasks efficiently.

Financing

The financing of social welfare relies primarily on the central budget in most of the countries (Albania, Croatia, Serbia, Montenegro) with financing from municipalities having a small role. In RS social welfare is funded by municipalities, to which competence was transferred during the war period, which puts a great burden on their budget and results in relatively poor levels of services and benefits.

The process of decentralization will bring municipalities under increased responsibility for planning and financing social assistance and social services and therefore all relevant capacities need to be strengthened. Taking this into account, specific emphasis needs to be placed in defining the needs and the allocation of the cash benefits and the services according to them.

Inspection and control

Inspection mechanisms in the field of social welfare are of major importance in order to ensure the quality of the assistance provided, avoid misuse of funds and incidents of corruption (especially taking into account the important role of the local government).

In Albania, the Social Assistance Inspectorate is a department in the State Social Service administration at central and regional level which monitors efficient administration of funds from the state budget.

In FYROM, the Institute for Social Activity (ISA) supervises Professional Work including the responsibility for continuing education of social sector staff.

In Croatia inspection is a task exercised by the Department of Social Welfare of the Ministry of Health and Social Welfare.

In other countries inspection falls also within the competencies of the ministries.

Inspection mechanisms in existing bodies (e.g. Ministries) would need to be strengthened in order to guarantee that the services and their quality are to the levels determined by legislation. External inspection bodies (e.g. Social Welfare Inspectors) could be an alternative if supervision mechanisms would not have the desired results. The required standards should be clearly defined in legislation. When decentralized authorities are competent for performing needs assessments, determining eligibility and defining the level of benefits, clear appeal procedures and bodies must be in place.

Main challenges

- Ensure coordination and cooperation with ministries, government agencies and NGOs for the implementation of the planned policies
- Systematize the recording of needs at local level for evidence based and targeted policy planning
- Improve the mechanisms and methods for identification and verification of needs
- Involve social partners and other interest groups in the policy process,
- Division of responsibilities between local and national authorities and the modernization of an outdated "paternalistic" concept of social welfare,
- Coordination measures to avoid the over-fragmentation of institutions providing services
- Rationalize the complex system of welfare benefits
- Improve the social protection of vulnerable groups, achieve better targeting of benefits and services and enforce activation measures
- Develop criteria to identify the needy and other measures for better targeting of social assistance.
- Redefinition of professional standards and practice in welfare institutions has been a key element for effective reform of the social sector,
- Improve infrastructure and introduce information networks and IT in social assistance administration
- Develop new types of social services and improve quality standards
- Improve the quality of social welfare professionals
- Review and strengthen social inspection services

5. Unemployment

General remarks

Unemployment is a major problem in all countries of the Western Balkans and a priority field for social policy measures. The overall picture is that of long-term unemployment affecting mostly young people with short formal employment history, little work experience, low education and poor job seeking skills. For a large percentage of people income originates from unrecorded labour and the grey economy and therefore there are discrepancies between recorded or official unemployment and real unemployment.

In Kosovo the unemployment rate is reported to be 53% of the labour force, and even higher among the younger generation.

In Albania the unemployment rate according to the official data is just 16% but this includes only unemployed people registered at the employment offices and does not reflect the real level of unemployment.

Unemployment in Montenegro is characterized by an unfavorable ratio between the number of employees and the unemployed (1:1.4), long term unemployment (average 4 years), gender inequality (the unemployment rate among men amounted to 20.6%, and among women to 40.4%), a high share of unemployment among young persons (24% of persons under 25 years of age are unemployed), clear disproportion between labour supply and demand, regional disproportions, high level of hidden unemployment and a high share of persons with disabilities who are unemployed and receiving benefits. Additionally, almost one third of the employed do not have an employment contract, and thus around 30% of all employment is unrecorded.

Serbia has an unemployment rate of more than 30% and unemployment is large-scale and long-term - in 2003 over 54% of all unemployed had been registered as unemployed for more than two years, 395,384 people had been unemployed for more than 5 years, and 114,356 had been unemployed for more than 10 years. Unemployed people have the highest depth and severity of poverty (59.4% higher than the population average). Another important feature of the labour market is the grey economy, which is the source of primary employment for 31% of the active population. They make up 42% of the employed poor, and their poverty risk is much higher than average for the employed (37,1%).

In BiH total employment is estimated to be just under one million, of which two thirds are in formal employment, and one third are estimated to work in informal sector jobs. In March 2004 the rate of registered unemployed in RS was 37%. While the official unemployment rate of in BiH is 41%, according to household surveys the "real" unemployment rate is far lower at 16.4% (16.9% in FBiH, 15.8% in RS) a difference accounted for by the large proportion of workers employed in the informal sector. However, informal employment does not protect workers all that much from social exclusion. Workers who are employed in the informal sector lose their entitlement to social insurance benefits and to retirement benefits.

In FYROM, high unemployment rates (230,000 registered unemployed) are also reported parallel to informal employment in the grey economy. The overwhelming majority of people who register as unemployed are not eligible

for unemployment benefits (people employed in the informal sector, workers on short-term or part-time contracts, and self employed or recipients of remittance income from a household member working abroad) but register as unemployed in order to obtain free health coverage.

In Croatia, registered unemployment has fallen from 22% to 17% but this has partly been due to job search criteria imposed on the unemployed. The unemployed person now makes a job search plan with his or her counsellor, and many claimants have therefore left the register because they were not actively looking for work.

Active labor market policies, including greater flexibility in working time; improved regulation and administration to beat the informal economy and undeclared employment; support for lifelong learning to help workers to improve their skills, and special programs targeting these long-term unemployed are a major pillar of labor market reforms in the region.

Benefits and services

Unemployment benefits and complementary services are offered in all countries of the region with only small differences in duration and entitlement conditions. Unemployment benefits are usually accompanied by services such as counseling, vocational training, active job seeking. The links between the payment of the unemployment benefit and active job seeking is notable.

In Kosovo, a new unemployment benefit is proposed together with a new law on Employment promotion. The benefit will be based on contribution of employees and the employers, requiring a minimum of one year contributions (for 6 months) and an amount approximately the same as the social pension. Employment services offer to registered unemployed counseling on opportunities for employment and career development. The new employment promotion legislation provides for employment subsidies, inter-mediation, vocational education and training (VET), micro-credits and unemployment benefits for people who have paid contributions.

In Albania, unemployment insurance covers employees in the public and private sectors. Cash unemployment insurance benefits are selective and targeted to achieve an efficient use of resources. They are flat-rate and aim to provide a minimum living standard but do far it falls short behind the state pension. The scheme fails to cover groups of unemployed such as young people with labour market entry difficulties, the less skilled who have poor job chances and belongs to the category of the long-term unemployed, the self-employed and especially the self-employed in agriculture. Additionally to the unemployment benefit, the employment offices offer counseling and help to find employment, professional advice, and support for self-employment, rehabilitation, and vocational training. Employment promotion programmes have been developed for the poorest groups of the population, and other social groups in need. They focus on vocational training and the improvement of employment services.

In Montenegro, the Law on Employment was adopted in 2004 and governs the procedures of employment, unemployment insurance, the rights of the unemployed, the methods of securing unemployment benefits, as well as a series of other issues of relevance for organized and productive employment. At the moment, unemployed receive benefits for a period of three to twelve months, depending on the length of previous employment and the amount

of benefits is linked to the minimum wage (65%). However, in March 2001 only 3 % of registered unemployed received unemployment benefits.

In Serbia the Employment Law adopted in 2003 offers unemployment assistance which is less generous compared to the past both in terms of duration and in terms of benefits. Unemployment benefits are received by a small number of persons so the system fails to fulfill its function as temporary social protection for the unemployed. New partnership projects between NGOs, public agencies and local government, and the development of alternative employment projects in local communities are promoted in accordance with the new law.

In BiH the unemployment scheme is financed through unemployment insurance contributions collected on the basis of wages. A small proportion of the registered unemployed are eligible to receive unemployment benefits (1,290 persons each month in 2002 in RS, and in FBiH unemployment benefits were paid to just 1,6% of the total number of registered unemployed people) and there is no support provided for young people. In FBiH a programme for support for young college graduates without work experience to assist them to find work has been passed, which subsidizes the first year of employment and the second year is guaranteed by the employer. A further scheme involves support for those laid off through privatization and bankruptcy proceedings.

The RS Employment Bureau provides funds to train unemployed workers in IT skills, foreign languages and short courses while in some cases it has been able to make arrangements for employers to provide training themselves while it is also working to develop entrepreneurship and professional education courses.

In FYROM the risk of unemployment is covered through the unemployment insurance scheme which covers the majority of employees. The unemployment benefit does not have minimum levels and is time-limited, and allows for people slipping into the social assistance system. Advice and support to the unemployed in their search for work are provided through the National Employment Bureau (NEB). The link between registering as unemployed and receiving free health coverage presents an administrative burden but also fiscal consequences, since people who are in a position to make contributions on their own remained covered.

In Croatia, the unemployment benefit is a flat rate benefit with limited duration. Unemployment benefits are provided on the basis of compulsory unemployment insurance contributions payable by employed persons and the entitlement to benefit depends upon a person's contribution record. Unemployment benefits are paid by the Croatian Employment Bureau which collects revenues from the unemployment insurance contributions. The Employment Bureau offers also employment mediation, vocational guidance, training of unemployed persons, and employment promotion. Only a low proportion of the registered unemployed receive the benefit because of the large number who are not entitled including (a) young unemployed people no or little work experience and (b) older workers who have been unemployed more than the maximum duration of benefit.

Employment services and promotion programmes addressing specific vulnerable target groups, such as unemployed university graduates, young people, older workers, women, the disabled should be strengthened. Special entrepreneurship schemes for specific categories should be developed.

Regional cooperation and exchange of experiences in this respect would be useful.

Administration

Administration related to employment presents many similarities in all countries. Labour Ministries are responsible for planning while employment bureaus through their regional and local networks are responsible for implementation and the provision of services.

In Kosovo, the Department of Labour and Employment within the Ministry of Labour and Social Welfare is responsible for designing and planning active labour market policies, providing information about the development of the labour market, employment and unemployment rates, investigating the demand side of the labour market and developing vocational training. It has administrative institutions at central level, regional level (seven offices) and in 22 municipal employment offices and six sub-offices in Serbian minority areas.

In Albania, the administration of unemployment insurance benefits is carried out by the National Employment Service through local employment offices. The National Employment Service is a public body, governed by an Administrative Council, with representatives of employees, employers and the state. The employment offices operate only in urban areas and because of that registered unemployment reflect only urban unemployment. The network of local employment offices is reported to be weak, due to insufficient infrastructure and operates only in urban areas.

In Montenegro, the main governmental institutions for active employment policy measures are the Employment Bureaus which are organized as a network providing legal and financial support and statistical monitoring of unemployment issues. Although Employment Bureaus are concerned to provide active employment policy measures they are not properly staffed and cannot conceptualize alternative employment options especially for the most vulnerable groups such as the elderly, disabled and marginalized unemployed people.

In Serbia the Republic Employment Service (RES) is competent for administering benefits and services related to unemployment. It operates through a network of local employment offices. The organization has been in existence for many years and has relatively well qualified staff but suffers from a lack of resources and infrastructure which are more noted at the local offices. Private employment agencies are legally introduced, which is present a novelty in employment policy and practice.

In BiH, employment policies in both entities are developed by the respective employment ministries (the Ministry of Labour and Veterans' Affairs in RS, and the Ministry of Labour and Social Policy in FBiH). There is no National Employment Strategy for BiH as a whole. The BiH Agency for Labour and Employment, founded in 2003, operates at the state level and is responsible for international representation and implementing international agreements on labour and employment, as well as coordinating the work of the two entity Bureaus. The BiH Bureau does not have enough staff and does not receive funding from the state budget. The Agency is drafting a Labour Law that will unify practice in each entity.

Employment bureaus operate at all levels of government and are responsible for the payment of unemployment benefits. In RS there is a centralized employment agency with six regional centres, each having local bureaus in the municipalities. In FBiH there are employment bureaus also at cantonal level. In Brcko District, three employment bureaus operate representing the different ethnic communities. The Employment Bureaus at the entity level are responsible for policy making and planning of the services, for payment of unemployment benefits, and for payments of health contributions and pension contributions on behalf of registered unemployed people. The FBiH employment bureau also assists cantons that do not collect sufficient revenues through unemployment insurance contributions with a balancing transfer of funds. The employment agencies also engaged in active labour market policies in the form of job subsidies. In FBiH the employment agency provides loans to companies for the purpose of job creation, while the RS employment agency provides grants.

In FYROM the Ministry of Labour and Social Policy is responsible for planning employment policies, enforcing the laws on the employment of children and ensuring the integration of disabled people into the labour market. The National Employment Bureau (NEB) is the main institution responsible for the implementation of Unemployment Insurance.

In Croatia, employment policy comes under the purview of the Ministry of Economy, Labour, and Entrepreneurship. The Directorate for Labour and the Labour Market, within the Department for Labour and Pension Insurance, is responsible for the development of policy in the field of employment. The implementing agency is the National Employment Bureau which is responsible for the administration of unemployment insurance and other services for unemployed (employment mediation, vocational guidance, training, employment promotion etc). The structure of the Bureau is centralized with regional offices and local offices. The current plans aim to increase the autonomy of regional and local offices will have greater autonomy and will be able to design policies in relation to their own local needs.

Employment bureaus do not seem to face structural administration problems common to other branches of social security administration. Instead, and taking into account the fact that unemployment is a major problem in all the countries examined, emphasis has been placed in their modernisation. However, there seems to be space for improvement in recording of unemployment and in personalised job promotion measures targeting vulnerable groups such as young people, women, and disabled. The capacities of the staff would need to be strengthened in this direction.

Issues related to health and safety at work are the competence of Labour Inspectorates which operate under the supervision of Labour Ministries. They are responsible for the implementation of labour laws and operate at regional and local level. The problems reported include the lack of infrastructure, lack of independence in the exercise of their functions, limited and untrained staff.

Main challenges

- Improve formal employment and registration of unemployed and administrative capacity to implement the optimal combination of preventive

actions such as removal of disincentives to declare, and sanctions, including surveillance of those that benefit from clandestine work.

- Improve coverage of special categories of unemployed such as young people, women, disabled
- Further develop employment promotion programmes targeting these special groups and entrepreneurship promotion programmes
- Strengthen the capacity of local mechanisms for employment promotion and ensure their networking and coordination with social services available at local level
- Strengthen networks and coordination with vocational education and training institutions
- Mechanisms for data collection at local level should be strengthened. Central administration should strengthen its capacity to process data originating from local offices in order to use it for evidence-based policy making
- Registration of unemployed in categories, as basis for designing personalised approaches for market integration
- Consistent awareness activities

IV. Social Security Administration Assessment and main topics for discussion

1. Reliability and predictability of social security administrations

Reliability and predictability of public administration's actions and decisions (legal certainty or juridical security) aims to eradicate arbitrariness in the conduct of public affairs. Public administration should act in good faith, pursue the public interest in a reasonable way, follow fair procedures, uphold the requirement of equal treatment, and respect the notion of proportionality. All these should apply also when discretionary powers are attributed to the social security administration.

Reliability and predictability relate also to timely decision-making without unnecessary delays which harm both public and private interests. Delay can result from inadequate resources, lack of political resolve but often it is due to complicated structures, unclear competencies, complex procedures and inefficiency of civil servants. In European countries actions for ensuring timely decision making consist on the one hand of legal provisions setting clear time limits for dealing with administrative cases and on the other hand, by consolidating a recruitment scheme based on merit, and by providing regular training to civil servants.

In the context of the present report reliability and predictability relates mainly to:

- **Structure of social security administrations**

Reliability and predictability depends to a great extent on the structure, role and competencies of social security administration bodies, which need to be clear in order to allow for efficiency of the system. A clear delineation of structure and horizontal competencies between social security administrations allows any citizen to know exactly the institution to address for a health, insurance or welfare issue without unnecessary complications and transfers from one service to the other. Fragmentation between many institutions/ministries leads to inefficiency and an increased need for coordination, which is in most cases difficult to achieve consistently.

The role of central social security administration bodies, i.e. Ministries, must be strategic, which means that they must have an active involvement mainly in policy planning and the close supervision of the institutions and bodies implementing policies. In countries with federal structure or in countries where the social security system functionally decentralised, the strategic role of central administration is even more evident in order to ensure equitable protection throughout the country.

For example, in BiH, the lack of unified social policy at state level allows for unbalanced and uncoordinated policies at the entity levels, and significant inequalities in social security in the different regions of the country.

With central social security institutions having a strategic role in the operation of the system, the role of the implementing bodies is crucial. Implementing bodies should have a legal status allowing them to perform their tasks efficiently and without excessive bureaucracy. Their internal structure should be planned and

adapted to their specific competencies and should take into account the need for administrative communication, interaction and coordination with other bodies, central administration and foreign social security administrations. Self-governance of implementation bodies is an option allowing for flexibility but it should be coupled with close supervision and control. Decentralised bodies especially in health care and social welfare should be the focus of special attention regarding their organisation and operation. In case of self-governed bodies, fund management and use of resources should be the object of clear regulation and close supervision and audit.

The structure and competencies of central social security administrations are important also for the decentralisation of social security functions. Decentralisation is a common trend in all countries of the region and means that competences are transferred at the closest to the user administrative level. In the process of decentralisation consistent efforts are necessary to minimize joint competences between levels, in order to ensure that each case can be completely processed at a single level.

Besides general administrative functions, decentralisation extends also to the transfer of competencies in social issues such as primary health, vocational education and training, social welfare, collection of contributions etc. This means that decentralised administration or local administrations are not only responsible to manage their existing competencies in an efficient and transparent way but have to undertake new tasks, such as the collection of data for evidence-based policy planning, the assessment of local needs, the management of expenditure, raise revenue etc. The transfer of competencies especially in the field of health and social welfare to decentralised units is a way for ensuring accessibility, better targeting (and therefore efficiency and effectiveness) and responsiveness to local needs. However, any decentralisation effort should guarantee that:

- The extent of functional and territorial decentralisation is planned on the basis of an accurate understanding of the actual situation, the local needs and conditions and the administrative capacity of different administrative levels. Uncoordinated or short-term biased decentralizing measures should be avoided, since administrative simplification and promotion of citizens access to social rights require adapted and mutually enforcing devolution steps.
- The allocation of competencies between different levels of government or local government are clear and rational leaving no space for overlapping and duplications
- The capacity of decentralised/local government units to exercise these competencies efficiently and effectively is assessed and when necessary strengthened through capacity building measures
- Adequate funds are available and capacity to raise revenue is strengthened
- Administrative communication and networking mechanisms are in place
- Inspection mechanisms are in place in order to control the legality and quality of services
- Procedures are standardized and transparent thus minimising space for arbitrariness and corrupt behaviour

- Staff is trained and able to fulfil the tasks

Parallel, decentralization of social security would need to be accompanied by social partnerships at local level and the development of services provided in local communities

- **Policy making and quality legislation**

Another issue which ensures reliability and predictability in the operation of social security administration is the capacity for timely policy making as well as the capacity to produce quality legislation. As mentioned above, the strategic role of central administrative bodies implies that their main role lies in policy planning and the production of legislation as well as their capacity to monitor the implementation of policy and legislation.

Policy formulation needs to be evidence-based, accompanied by scientific expertise and based on research analysis. The capacity of central administrators to plan strategically, using fact-based knowledge, and to develop practical policy reports should be enhanced together with management skills and capacity to actively promote policy.

The quality of legislation is of importance for the smooth operation of the social security system. Clear and consistent legislation allows citizens to know their rights and entitlements and the necessary procedural steps to be taken but also allows the administrators to execute their tasks efficiently, professionally and in a timely manner. If provisions are clear, the duties of civil servants are also clear while in the opposite case, a number of issues arise ranging from improper exercise of discretionary powers, corruption, delays etc. The quality of legislation relates not only to the subject matter regulated at the given time but also to a number of other factors and especially:

- To whether legislation is in each specific case the most appropriate way for solving policy issues taking into account other policy implementation options,
- Assessing the impact of the regulation to be produced. Regulatory impact assessment (RIA) is an effective tool for modern, evidence-based policy making,
- Ensuring consultation with interested parties by policymakers which can avoid delays in policy development
- Simplification of existing legislation as a means for making legal provisions more effective, less burdensome, and easier to understand and to comply with. This entails a systematic programme of simplification.
- Access to regulation by those affected by it. This means not only coherence and clarity of regulations but also improved access⁶.

Codification and simplification of social security legislation should be a matter of priority and should take the form of a consistent project.

⁶ Mandelkern Group on Better Regulation Final Report, 13 November 2001

The simplicity and coherence of procedural legislation and administrative practice regarding social security issues is another major issue; Administrative procedures for e.g. requesting a pension or a specific benefit should be recorded and then standardized and simplified. This could start as a pilot project developed in the following steps: a) recording of selected procedures which are considered important (e.g. request for pension, request for social welfare benefit etc.) b) simplification of procedures i.e. excluding unnecessary steps or documentation etc c) communication of procedures to the beneficiaries and the interested parties.

- **Internal organisation**

The elaboration of a special procedural code for social security issues is another solution which could be brought forward as a solid basis for the operation of social security administration.

In the context of the on-going administration reform in the countries of Western Europe, the legal framework regulating the operation of civil service is gradually put to place. A clear and functioning legal framework is important for preventing political interference in the work of the administration, the spill-over of party politics and enhancing the continuity and stability of the administration.

Civil service legislation must ensure that conditions and procedures applying to civil servants are uniform for the public service, that the status, rights, duties, responsibilities and salary system for civil servants are clearly regulated, that the selection system is based on the merit principle, that there is a clear system of promotions, mobility and disciplinary measures, that performance appraisal procedures are in place and that ethical provisions determine the required ethical standards. The issue of equal or adequate ethnic representation is a crucial issue in many countries of the region; administrative legislation should promote solutions which do not compromise the principles of professionalism and meritocracy in the operation of public administration.

Legislation regarding the internal organisation of the Ministries (e.g. rulebooks or internal regulations defining the organisational structure of the Ministries) and other administrative bodies involved in social security administration should be in place, defining clearly the obligations of the different departments. Mechanisms for administrative communication and coordination between different ministries and different levels of government should be institutionalised and enforced. Internal organisation of the social security administration should reflect the obligations related to the European perspective of the countries and also to their international obligations.

2. Accountability and openness of social security administrations

Accountability is judged from the extent that an administrative body is answerable for its actions to other administrative, legislative or judicial authorities, while every authority is subjected to scrutiny or review by others. There are many different mechanisms to ensure accountability, including review by the courts, appeal to a superior administrative body, investigation by an ombudsman, inspection by a special board or commission, scrutiny by a parliamentary committee etc. Accountability is instrumental in showing whether the rule of law, openness, transparency, impartiality, and equality before the law are respected and is

essential in order to ensure efficiency, effectiveness, reliability, and predictability of public administration.

Openness in the administration suggests that the latter is available for outside scrutiny, while transparency suggests that the way of operation of the administration can be scrutinized and supervised. Openness and transparency allow, on the one hand, anyone affected by an administrative action to know its basis, and on the other, to have regular scrutiny of administrative action by supervisory institutions.

Accountability and openness of social security administration must be ensured at all levels. Internal control includes the hierarchical control exercised from higher administrative levels. However, external control mechanisms e.g. bodies of specialised external inspectors, independent authorities etc. can have a significant impact on improving the quality and efficiency of the administration in the short and medium term.

The Ombudsman institution seems to have a positive dynamic in most countries of the region (with the exception of Serbia and Montenegro where the Ombudsman is still in embryonic condition). Ombudsmen investigate citizens' complaints of bureaucratic abuse and discrimination both by public authorities and by individual public servants, the protection of constitutional and legal rights and report on irregularities in the work of public administration bodies and agencies.

In Albania, the office of People's Advocate (Ombudsman) has a significant workload relating to questions of social insurance while in BiH a big number of the complaints received by the Ombudsmen concerned social rights.

Provided that independence and adequate funding is provided, the Ombudsman institution could play a significant role in improving the operation of social administration either through specialised Ombudsman departments dealing exclusively with social administration or through specialised sectoral Ombudsmen⁷.

Given the intense trend for decentralisation in all countries of the region, audit and supervision mechanisms as well as mechanisms for administrative communication should be developed between the central and local level.

Financial control should be strengthened as well as the institutional capacity of audit institutions in order to prevent the misuse of scarce funds.

3. Improving the specific tasks of social security administration

Specific tasks of social administration are crucial for the overall efficiency of the social security system.

- ***Collection of contributions***

The collecting side of social security administration is important for the financing and therefore the viability of the systems. The collecting side tends in most cases

⁷ In Greece an Ombudsman of health and Social Solidarity was incorporated in the Ombudsman

to be weak, mainly due to lack of enforcement of legislation and the sanctions provided therein rather than due to the absence of collecting mechanisms. Making use of existing and efficient collecting networks e.g. of the tax administration is a solution which could have positive results. Information networks and data bases with beneficiaries are important for the credibility of the system. If collection of contributions is undertaken by different authorities, coordination would have to be ensured.

- ***Payment of benefits***

Delays and complications in the payment of benefits are reported in all countries of the region and relate to the necessary administrative procedures rather than the actual payment of the benefit. Process for granting benefits should be formalised and standardized and respect the formalities of administrative decisions (e.g. written form). Further, the procedures for being granted a benefit could be subjected to simplification in order to eliminate all unnecessary documentation and administrative steps and significantly speed up the process. Information networks and data bases with beneficiaries are important for the operation of the system and for avoiding abuses.

- ***Coordination and networking of social services***

A multiplicity of actors is involved in the implementation of social policy. Central administrative units, territorially decentralised units, functionally decentralised units, independent authorities, social services, private actors, NGO's and voluntary organisations etc. Additionally, all these institutions operate in a number of different fields i.e. pensions, unemployment, health, insurance, social welfare, vocational education and training etc. creating a highly complex picture which often allows for duplications, inefficiency, difficulties and problems for the citizens. To bring all these different institutions under one picture, networking mechanisms at local level would need to be reconstructed.

Taking into account the fact that most citizens/claimants of social security services are usually not aware of the full range of services available even within their municipality or commune, coordination becomes increasingly important. If a claimant addresses a social security institution for a service but this cannot be provided there, he should not be turned away but he should be redirected to an institution that could cater for his needs. In most cases, even social workers are not aware of the full range of services available, while in other cases there is lack of motivation for any effort which is not in their job description. Consequently, it is important both for the citizens and the targeting of the services to ensure coordination and networking between the available services. Coordination and networking mechanisms can take many different structures and forms. A simple start would be to provide consistent and accurate information through a portal and information material on all services available at local level. Alternatively, networking could be the task of specialised staff at local level that would be trained to receive claimants, diagnose their needs and direct them to the competent services. Another option would be to include such a task to social security one stop shops or citizen service centres. Coordination would not only facilitate the citizens requesting social services to address the competent institutions and to make use of the whole range of available services but it would

also improve the targeting and take up of services (especially vocational education and training, job seeking opportunities, etc.).

4. Transparency, effectiveness and efficiency

Efficiency in the performance of public administration is acknowledged as an important value for public administration and civil service and is related to viewing the state as a provider of public services to the client-citizen. Additionally, fiscal constraints impose the efficient and effective performance of public administration in delivering public services. Efficiency is characteristically a managerial value consisting in essence of maintaining a good ratio between resources employed and results attained, while effectiveness, which basically consists of ensuring that the performance of public administration is successful in achieving the goals and solving the public problems set for it by law and government. It mainly calls for analysing and evaluating the public policies in place, and for assessing how well they are being implemented by public administration and civil servants.

Ensuring client-friendly social security administrations which operate in a transparent and efficient way is a common challenge for all countries of the region. Despite the fact that it is a multi-dimensional and multifaceted problem, a number of measures could be proposed to improve transparency and quality in the delivery of social security.

Transparency and efficiency in the operation of public administration are intrinsically linked with the complexity of administrative provisions which lead to unnecessary delays and costs. A consistent project of process simplification in the different social security sub-systems could contribute to limiting the time and the cost for the provision of different services, thus relieving both the citizens and the administrators. Process simplification can be defined as a "systematic review of legal and normative standards, as well as administrative practices, in a way that they always comply with the principles of effective law making and law implementation through efficient and citizen centred administrative action". From an organizational and managerial point of view, "Business Process Reengineering" is the analysis and design of existing workflows and processes within and between organizations in order to achieve performance improvements.

A common problem in complicated processes such as social security processes are the frequent bottlenecks generated at the interface between organizational units. In this respect Business Process Reengineering

- defines the main outputs and outcomes within the mission of an organization
- identifies relevant 'stakeholders': process 'owners' (e.g. persons or units responsible for a given result and the respective process) and 'users' (internal or external individuals or groups 'consuming' the deliverables of a process)
- records existing processes and analyses them, with appropriate metrics, in order to identify the procedural aspects that generate poor output quality.
- removes procedural steps and phases that generate bottlenecks: delays, mistakes, mismatches between users real needs and concrete deliverables

- introduces new simplified and more effective processes that facilitate communication and cooperation between organizational sub-units and permit better monitoring in view of output improvement.

A sound administrative process must comply with the following criteria:

- **Necessity.** Necessity is judged by answering the following questions: is the given process the unique way to produce a desired result? Is it the best way to produce a desired result?
- **User friendliness.** Is the process easy to understand for the user/client? Is the process easy to learn about and access? Is it easy to use? How much effort and time should be spent this process?
- **Economy,** which refers to the minimum cost for given results including all expenses that a citizen would have to undertake in relation to the process
- **Effectiveness.** The way that the process is structured is it easy to achieve its goals?
- **Efficiency.** The way the process is structured, is it possible to ensure maximum results for minimum resources?
- **Applicability.** Is the process implemented through simple steps ?
- **Transparency.** Is the process easy to monitor?

Transparency and efficiency can also be improved through the establishment of 'One Stop Shop' or "Citizen Centers" offering different services and minimising the citizen's involvement in administrative processes. Processes relating to social security could be concentrated in a single contact point –the one stop shop– operating at municipal level in order for all citizens to have access. There citizens could get information about required processes and necessary documents, fill application forms, submit applications, receive the required documentations or even benefits.

Transparency, effectiveness and efficiency are also hindered by corruption phenomena, which tend to be all the more common in social security administrations, taking the form of abuse of entitlement criteria to benefits, informal payments etc.

Tackling corruption is linked to the remuneration policy and the level of remuneration of civil servants, the existing monitoring systems, the disciplinary procedures, sanctions and organs in the civil service, the deontology of different professions, encouraging citizens to declare corruption incidents etc. Identifying the extent of the corruption phenomena in the social security administration would be a consistent step in order to define detection and preventive measures. This phenomenon should be studied at regional level in order to allow for the exchange of good practices.

5. Professional integrity and professionalism of human resources

Professional integrity of civil service is connected to the notions of impartiality and professional independence. Impartiality refers to the absence of bias in assessing a

situation. In European countries legal provisions prohibiting civil servants from getting involved in decisions affecting matters in which they may have a personal or vested interest are intended to reinforce the value of impartiality. Merit based recruitment systems, clear legal framework regulating the status, rights and obligations of civil servants, sound disciplinary provisions, career advancement, ethical standards as well as a reasonable level of wage are important measures for achieving professional integrity, fighting political patronage, clientelism and corruption and promoting professional integrity. But most importantly, professional integrity and professionalism of civil servants is achieved through consistent training of the civil servants.

Many social security administrators are reportedly overstuffed but at the same time suffering from a shortage of qualified and specialised personnel, a fact that affects seriously all aspects of operation of the different services. Human resources issues are crucial for the development of public administration and the following could contribute to integrity and professionalism:

Integrity would require resolving the general administrative issues mentioned above and in specific the status, duties, selection, disciplinary measures, promotion system etc. in order to define the framework for a professional civil service corps. Especially regarding the recruitment procedures objective selection procedures can be transferred to special independent authorities who would monitor independence and meritocracy in the procedure. Codes of ethics for civil servants are important in defining the required ethical behaviors and so would be the development of the different professions and their ethical codes.

As regards professionalism, social security administrators do not have proper management skills, social security management education and other preconditions for effective policy implementation, in other words they need to acquire or have their managerial capacities strengthened in order to perform their tasks professionally and this can only be achieved through the provision of systematic and tailored training.

Ultimately, a fully implemented framework of the social security administration should fully separate and coordinate political and administrative levels in the public service, thus enhancing mission statements for ministries and public officer's accountability.

Ensuring adequate training for civil servants is an important factor for a professional and efficient civil service. In most European Countries, the initial and continuous training of civil servants is undertaken by specialised training institutions⁸. Only Kosovo and Albania⁹ have at the moment similar institutions for training civil servants. Training institutions provide (generic) management training to all newly recruited civil servants (following their selection) in order to ensure that they have the professional and managerial tasks to perform their jobs efficiently. In many cases, additional specialised training is available depending on the positions where the administrators will serve (e.g. civil servants recruited for social security administration would receive both general management training as

⁸ For example the Ecole Nationale de l' Administration Publique in France, the National Centre for Public Administration and Decentralisation in Greece, the Finnish Institute of Public Management in Finland etc.

⁹ Kosovo Institute of Public Administration (KIPA), Training Institute of Public Administration (TIPA) in Albania.

well as specialised training in social issues). The need for training is even more imperative at the level of decentralised administrations especially with a view to the increased competencies transferred to decentralised levels.

Systematic training needs assessment for the different categories of staff in different social security institutions and different administrative levels should be conducted, and targeted curricula should be designed. The curricula could be integrated in the educational programmes of institutions providing training to civil servants or could be provided in a systematic way through a variety of providers or the institutions themselves. The training should be available also to local government staff, where capacities and human resources are usually weaker, while training institutions could also develop the capacity to provide supply-driven training. In countries where no specialised training institutions are in operation comprehensive training strategies should be elaborated and training should be delivered through other means and providers. Curricula for life long learning are a means for constantly updating and strengthening the skills of social security administrators.

Regional cooperation, regional networks and coordination with European networks would be also an important motivation for increasing professional skills.

6. Quality

Quality in public administration implies that administrative outputs meet the real needs of the users. Outputs cannot be determined through the subjective picture that bureaucrats shape for the needs of the users. On the contrary, the assessment of the real needs of the public is required and the permanent adaptation of administrative products to those "real needs".

When it comes to social security administration, quality means that

- a) "social products" correspond to the identified needs of the users of the services
- b) standards for the final and intermediary administrative products are developed and enforced,
- c) policies for complying with the quality standards are developed and implemented
- d) the human resources of social security administrations have the necessary skills to perform their tasks.

Quality criteria need to be defined and enforced and quality control needs to be ensured in organization, in the use of funds, in the delivery of services etc. The use of information systems is important for qualitative improvement.

Evaluation, as a systematic process for defining the consistency, efficiency and impact of specific activities under the light of their aims, is an important tool for measuring and improving the quality of social security administration. Evaluation can take different forms and can measure a number of administrative parameters. Especially in social security administration, evaluation should not be restricted only to cost-effectiveness and technical issues but should measure as a priority the needs of the users and the degree

of their satisfaction. In specific, evaluation should focus on social security administration, the procedures for delivering services and their results in terms of improvement of the condition of the beneficiaries and satisfaction of their expectations. The reliability of the services delivered, responsiveness to needs, accessibility to services, politeness, discretion etc. should be measured and should be used as the basis for determining the degree of achievement of policy goals and the direction for further improvements.

7. Ensuring a consistent interaction between social security administration, private actors and the third sector

The role of private actors and the third sector in the social security system has become all the more important during the last decades. The operation of private pension funds, the role of private actors in the health care system and the role of NGO's and the voluntary sector in social welfare are a challenge for the countries of the region.

Clear and consistent regulation of the role of private actors is a matter of priority. Legislation must determine a rational and clear framework for private providers, clear and operational control mechanisms, quality standards, standards of patient care and protection. The exchange of experiences between the countries of the region would be important in this regard.

The role of the third sector in the delivery of social services is also increasingly important during the last years. The involvement of NGO's, voluntary and other organizations in the delivery of social services can function correctively to the inefficiency of the services provided by the state and the market and can facilitate interventions at local level with the active involvement of citizens. In all countries of the region, foreign and domestic associations, foundations and NGOs are active in delivering social services for vulnerable groups and their services complement rather than substitute state social services. However, the role of the third sector needs not only to be regulated, formalized and institutionalized but also monitored in order to ensure that the services provided are up to the desired standards. In brief, central social administration authorities with competence in the field of social welfare should

- a) establish standards for the provision of services through e.g. certification of the relevant associations and formalize their intervention through contractual relations with Ministries, social services, local government units etc.
- b) monitor performance and perform quality control. Inspection and monitoring through external bodies e.g. specialized bodies of inspectors could be an alternative option.
- c) institutionalize procedures ensuring transparency in the financing of NGO's and voluntary organizations
- d) ensure horizontal coordination and networking with all services available at local level.

8. Administrative communication and coordination mechanisms

Social security administrations face an increasing need for communication and coordination between administrative levels and other levels of governance as well as with foreign administrations. This is mainly due to the mobility of workers and persons in the European market. Most countries of the region, and especially the countries of the former Socialist Federal Republic of Yugoslavia, seem to have social security co-ordination mechanisms in place both between themselves but also with other European states. In fact, one could say that they seem more ready to respond to the need for coordination with foreign administrations rather than to the need for internal coordination with other ministries and institutions. The need for better co-ordination between ministries and administrative units is common in most countries and is an issue that must be dealt with as a matter of priority in order to ensure the consistency and sustainability of the planned reforms. Regional cooperation and identification of good practices would be a good starting point.

With regard to coordination with foreign administrations, the ministries and other competent institutions need to revisit their internal structure in the light of the needs of coordination and adapt them to the needs imposed by it. In specific, specialised departments/units/sections could be established or the competencies of existing departments/units/sections could be broadened, while in both cases adequate and well trained staff is necessary.

With regard to communication especially between central social security administration and decentralised authorities, administrative communication mechanisms need to be revisited, taking into account good practices from other countries, to be standardized and improved in order to allow for consistent policy planning and implementation. Adapted and incentive-based 're-engineering' plans could be considered, as a means to overcome administrative 'inertia' diverting internal learning from the steering needs or the executive branches and the delivery capacities of the decentralized units.

9. Use of new technologies

The use of new technologies is an investment which will radically transform the social security administration and will contribute to resolving many of the topics discussed above. Information networks, databases, ICT need to be integrated in all phases of exercise of social policy from planning (through the collection and standardization of data at local level) to implementation, to maintaining and sharing information on claimants of benefits, recipients of benefits and services, the payment of contributions etc. and even electronic applications for services etc. This is a long a costly process and therefore it would be advisable to all countries to develop a clear strategy and plan for the integration of new technologies in social security administration.

V. Conclusions

Social security systems in the countries of the western Balkans are currently in the process of transformation and reform and social security administrations form an important component of these reforms. In the previous parts of this report, the main common features of social security administrations in the western Balkans have been identified and the priority issues for the further development of the social security administrations have been discussed. At this point, we will revert to the questions set by the Terms of Reference of the present mission and try to summarize the main findings of this assessment.

1. Overall structure of the social security system

The main question set was how the overall structure of the social security could be improved. In general terms, the overall structure of the social security system is not suffering from important deficiencies in most of the countries. The main aspects that could be improved relate to the allocation of competencies between ministries (especially in BiH and Croatia) and the allocation of competencies between central and decentralised authorities (in all countries), the improvement of mechanisms for coordination and administrative communication, and the definition of the role of the private sector and the third sector. Central administrations need to strengthen their capacity to plan strategically and monitor the implementation of social policy and they should gradually overcome dependency on international donors. On the other hand, decentralised authorities need to enhance their capacities to exercise their competencies efficiently. Internal and external inspection mechanisms are important for the improvement of the social security administration.

2. Performance

Performance of social security administration presents weaknesses in most countries, especially as regards the collection of insurance contributions, the payment of benefits, networking and relations with clients/users. Performance could be improved through the simplification of legislation and administrative procedures for social security "products", the rationalisation of the coverage of the different schemes and services, the use of new technologies in social security administration etc., the elimination of incidents of corruption, the improvement of the managerial capacities of the human resources of the social security administration through consistent and systematic training, etc. One stop shops or citizen service centers could contribute in improving efficiency and performance and especially the relation with the citizens/users of the services.

3. Quality of social security administration

Overall, the improvement of the quality of social security administration is a common challenge for all countries in the region. This does not mean that qualitative services are not provided, but rather that quality standards are either not defined or not monitored or not uniformly applied. Besides the definition and regular monitoring of quality standards, qualitative improvements should be directed in ensuring responsiveness to the needs of the citizens/users of the services. Introducing evaluation mechanisms for measuring client satisfaction

would be an important step forward for quality in social security administration in the countries of the region.

4. Interactions of social security administration

The interaction and communication between authorities involved in social security issues is extremely important for the results and the sustainability of the social security reforms which are planned or implemented in all countries of the region. Communication between administrative units must be improved as well as inter ministerial coordination. Special attention must be paid to administrative communication mechanisms between central and decentralised authorities.